CENTURY ALUMINUM COMPANY: Third Quarter 2009 Earnings Call

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SPEAKERS

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

PRESENTATION

Moderator — Thank you for standing by, ladies and gentlemen. Welcome to the Century Aluminum Third Quarter 2009 Earnings conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session, and instructions will be given at that time.

I would now like to turn the conference over to your host, Ms. Shelly Lair, Head of Investor Relations. Please go ahead, ma'am.

S. Lair — Thank you, Christopher. Good afternoon, everyone, and welcome to the conference call. For those of you joining us by telephone, this presentation is being Webcast from the Century Aluminum Website, www.centuryaluminum.com. Please note that Website participants have the ability to advance their own slides.

The following presentation and discussion may 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.

For a summary of the risk factors that could cause actual results to differ from those expressed in these forward-looking statements, please review Annex A and refer to Century's Form 10-K for the year ended December 31, 2008, Form 10-Q for the quarter ended June 30, 2009, and other reports filed with the Securities and Exchange Commission.

Information provided in this presentation and discussion is based on information available as of October 27, 2009. Century undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, actual events, future events, or otherwise.

In addition, throughout this conference call we will use non-GAAP financial measures. Reconciliations to the most comparable GAAP financial measures can be found in the appendix of today's presentation, which is available on our Website.

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

L. Kruger Thank you, Shelly. Good afternoon, everyone, and thank you for joining us. We continue to focus our efforts on preserving the company's value, and welcome the opportunity to report on our progress. So let's get started and move on to slide four.

The global economic environment undeniably strengthened during the past several months, as did conditions in industrial metals markets. Stimulus spending in China has combined with a recently rapid return to higher levels of consumer activity. I will provide some detail in a moment, but I would summarize our view as being reasonably constructive on the return to a consistent, attractive growth in China and several other developing regions. This positive trend has been countered by the restart of meaningful

Chinese capacity, providing the reminder of the flexibility of this particular supply.

In the developed world, the data are not nearly as straightforward. Demand in many regions seems to be at least at bottom; however, you are all familiar with the real structural challenges that remain. Only time will tell whether the high enough level of sustainable growth can be created to counter the very real imbalances which persist.

It is in this context that we continue to run the company with an emphasis on preserving the significant improvement in financial strength we have created. The cost reduction programs at Hawesville and Grundartangi in Iceland have proven their sustainability.

On the other hand, we continue to see disappointing performance at Mt. Holly. Wayne will provide more detail on the operations at the plant. And importantly, we have progressed the new smelter in Iceland, albeit at a careful pace. I'm very pleased with our success in significantly improving the company's financial profile. Mike will elaborate in a few moments.

In a nutshell, we have successfully mitigated the risk of the debt, which effectively matures in 2011, and in the process have reduced the company's leverage. In addition, we came to what we believe was an attractive resolution for our interest in Gramercy and St. Ann businesses and were able to put in place some downside pricing protection for our Hawesville facility. We ended the quarter with just shy of $200 million in cash.

Let's move on to slide number five. The LME cash price averaged $1,800 per ton for the third quarter of 2009, and has recently increased to approximately $1,900 per ton. Today's price is around $2,000/T three months. The most recent spike in alumina price in the Pacific Basin was quoted at $284 per ton, up from the $241 per ton in the second quarter.

Chinese GDP grew at a pace of 8.9% for the third quarter, the fastest pace in a year as stimulus spending and record lending growth have had the desired effect. And industrial production was 13.9% in September. These gross levels are somewhat lower in China then we have seen in recent years, but impressive in the light of the global economic recession.

India's economy is on the upswing, which is reflected by the 6.1 year-on-year rise in second quarter GDP. Industrial production growth was 10.4% year-on-year in the month of August. Compared to other markets, which were severely depressed for the first quarter, the Indian economy merely slowed down and is recovering strongly.

Similarly, Brazilian GDP expanded 1.9% in Q2 after a decline of 1% in Q1, and is now back to pre-recession levels.

Let's move on to slide number six. With the rising metal prices over the third quarter, new capacity curtailments have essentially come to a halt. In fact, as indicated by the dotted boxes, approximately 2.5 million tons in restocks have occurred in China and another approximately 1.5 million tons of newly commissioned capacity have come online where producers continue to enjoy a $200 plus premium per ton of metals to that sold elsewhere.

Global curtailments now stand at 4.0 million tons of production as compared to 6.7 million tons of production at the height of the curtailment in Q1 of this year. The National Development and

Reform Commission in China have recently published the circular banning Greenfield Project for the next three years and forcing the closure of 800,000 tons related to inefficient plants amid concerns of a capacity glut.

I would note that this merely restates the previous government announcement, and thus does not represent a new policy. We have remained somewhat skeptical that this policy will have any significant impact on supply.

We continue to believe that further curtailments are required to balance the market, particularly outside of China, but additional closures are unlikely in the current price environment.

Shall we move on to slide number seven? LME stocks have remained flat in the last couple of months. We believe this is indicative of some stabilization in demand. However, I would note that the warehouse inventories are still at historic highs. It will take a significant decrease in inventories to return to more normalized levels.

A meaningful portion of these inventories are believed to be tied up in financing transactions, and producer and customer inventories remain low. Both of these factors are causing near term market prices and driving the U.S. Midwest premium to the $0.05 range. We believe that these significant warehouse inventory levels will be an overhang on the market for some time to come in the future.

Let's move on to slide number eight. Inventories are now equivalent to 65 days of global demand. This is roughly double the normalized levels of between 30 and 40 days. This chart indicates that current prices are above the levels justified by the current inventory levels based on the historical relationship. Given our view of the continued over supply trend to the markets, we continue to be cautious and believe that pricing risks remains to the down side.

Let's look at slide number nine. We continue to believe that the new smelter at Helguvik will be among the most efficient in the world and will be an attractive investment for our shareholders. As we pursue the various requirements for a restart of our major construction activity, we are advancing the project at a modest and reasonable clip. Mike will update our current spending rates and will provide a summary of our progress in formulating a financing package.

We have spent considerable effort on the capital plan, and are pleased with the results. Our team has made good progress in reducing the project's expected capital cost. Our present estimate for the first 90,000 ton phase is around $600 million. Of course, the cost per ton of the early phases is significantly greater than the later phases, and the weighted average of the whole first phase, due to the direct deposit and other equipment must be purchased for the full plant and is thus higher.

At this point, we believe the full plant will require an investment of approximately $5,000 per annual ton of capacity. This metric compares favorably with all the recent western world projects. These capital estimates are based upon today's economic conditions, as well as recent engineering and construction work that have been performed, including with respect such items as exchange rates and commodity prices.

Our project in Iceland enjoys widespread support amongst the local government, local federations of the union, and broader population. We will provide a significant boost to the economy when the project restarts major construction activity, as well as a significant number of permanent jobs when the smelter commences operations. The government has demonstrated its tangible support through the execution of an investment agreement, which grants Nordural long-term economic advantages.

As a reminder to us all, there have been a number of changes in the government in Iceland over the last nine months. There has recently been some public discussion with the government around the EIA, Environmental Impact Assessment process, for the southwest power lines and proposals for taxes on existing businesses.

Based upon our assessment of the overall situation, our best current estimate is that we can achieve first hot metal early in 2012. This schedule would require the restart of major construction activity in early 2010.

I'll ask Wayne to provide a few comments on the status of the construction before he briefs you on the company's other operations. Wayne.

W. Hale Thank you, Logan. Let's turn to slide number ten.

Supplementing Logan's discussion about Helguvik, shown is a recent photo of the site. Though we have reduced the spending on the project, progress is still being made. All the columns for Phase 1A are cast, the basement floor is nearly finished, and installation of the working floor and building steel support structure has started. To provide further direction and energy to the project, we have recently supplemented the integrated project team with additional personnel resources.

Turning to slide 11, we'll review the operations. The team at Hawesville has continued their excellent performance in safety, production, and cost improvement. Production is stable at four lines for about 80% of capacity. The cost structure, based upon the significant rationalization actions taken earlier in the year, has been preserved. The team has consistently demonstrated they can run the plant safely, reliably, predictably at these levels.

During last quarter's call I spoke in detail about the terms of the new long-term power contract with Big Rivers Energy and a shorter-term agreement with Eon U.S. With a few months having elapsed, Big Rivers' reliability and cost performance has been on target. We continue to take an active role in monitoring their business.

Grundartangi continues to perform well and produce above its rated capacity. This is a testament to the leadership skills of the principally Icelandic management team. Costs are obviously up a bit due to the linkage of the power price to the metal price; however, in every other area, the efficiencies and production metrics remain on track.

Looking forward, there is additional capacity creep at Grundartangi. As you may recall, the plant's operating permit was expanded from 180,000 tons per year up to 300,000 tons per year in 2005. To enable low risk confirmation of performance and potential capital costs we have commissioned a booster section at the plant where the amperes across the fuse cells can be increased.

Turning to Mt. Holly, the performance continues to be disappointing. Though safety remains excellent, and is actually on an improving trend, operational performance and costs have been poor relative to the plant's customary good performance. There are several operational issues on which the management team, in whom we have confidence, is working to resolve. We continue to hold discussions with our co-owner about the long-term issues facing the plant.

Turning to slide number 12, Ravenswood continues to be fully curtailed and the related costs remain in line with expectations. Mike will provide additional detail.

The power contract has been extended for a year. Obviously we would require a long-term power agreement before we could contemplate restarting plant operations. We have recently begun discussions with the union leadership regarding the long-term sustainability of the labor costs of the facility in its current state. We have also taken certain actions to significantly reduce long-term benefit costs.

The divestiture of our interests in Gramercy and St. Ann's was completed on September 1. We have put in place a short-term alumina supply agreement with Gramercy. We wish the teams in Gramercy and Jamaica all the best.

Reviewing the markets, we are seeing some stabilization of end markets in most industries. Aerospace seems to have leveled out, but at a demand far below a year ago. There has been modest increase in construction activities, but residential remains quite weak. Automotive has shown small increases and decreases, but no discernible trend.

Midwest Premium remains at a tick above $0.05, a historical high-level indicative of relatively tight physical supply. It has increased a bit over a penny since the beginning of the year. Inventories held by distributors and consumers remain quite low.

And now I'll turn it over to Mike, who will discuss the financials.

M. Bless Thank you, Wayne. And if everybody could turn to slide 13 please and also if you could have in front of you the earnings release, and specifically, the financial data that's attached to it. I'll refer to it in my comments; it will make them easier to follow along.

First, looking at the top of the income statement, as usual my comments will compare the quarter that just ended to the prior quarter, so the sequential comparison of Q3 over Q2. Before looking at the financial results, just take a step back and talk about the market. As Logan spoke to, the cash LME price quarter-to-quarter on average was up 22% Q3 over Q2, and with a one month lag just a little higher than that, 23% Q3 versus Q2.

Impacting our average realized prices in the U.S. those were up in on a per ton basis about 19%. They were up a little bit less than the market, because as we've described before we do have one reasonably sized contract in the U.S. that’s priced off a one-quarter lag.

Our realized average toll prices in Iceland per ton were up 23%, consistent with the increase in the LME. Shipment volumes, both in the U.S. and in Iceland, were up slightly, as you can see at the end of the earnings data following the earnings release and flat on a per day basis. There was one more shipping day in Q3 versus Q2.

As you saw in the earnings release, Grundartangi again shipped at an annualized rate of 275,000 tons. As Wayne said, we are very pleased with the performance there. Again, to remind you, that's safely 5% to 6% above Grundartangi's rated capacity.

So now going on to the income statement and back to the slide and to the data, you see net sales were up about 21% Q3 versus Q2.

Working down the income statement to gross profit, gross profit was up $3 million Q3 over Q2 on a sales increase of $40 million. And let me talk about some of major items that impacted the movement in gross profit.

First with lower cost to market, obviously inventory adjustments. As you'll recall, in Q2 we had a large credit or income item for LCM accounting, $27 million in Q2. We had a much smaller credit in Q3 of $2 million. So the difference there, obviously these are non-cash items when they're booked, that $25 million difference produced $25 million lower in gross profit in Q3 versus Q2.

As Wayne said, power costs were up in Iceland. That's totally related to the increase in the LME; that increase was $4 million quarter-to-quarter.

In the U.S., the power costs, on as reported basis, were up several million dollars quarter-to-quarter. I need to take a step back now and explain it to you how the accounting works for these new power contracts related to Hawesville that we've been talking about now for some time. Wayne just mentioned them in his comments.

So to take a step back and remind you that there are two power contracts here principally. One is the actual supply agreement between ourselves and Big Rivers, so they produce power and they sell it to us, and we pay roughly their cost of production with some minor adjustments. That contract, as you know, goes out through 2023.

In addition we have this arrangement with Eon, which we've discussed in detail, which goes out roughly, generally through the end of 2010. And under that contract Eon is responsible for paying part of our power obligation to Big Rivers at least through the end of 2010.

Now the relevance here, and you saw a comment in the first paragraph of the earning release related to this, is the way the accounting works for this is that we expense through our cost of sales the full amount of the power bill from Big Rivers. Even though we're not responsible for paying it all, GAAP, under

Generally Accepted Accounting Principles, we expense that entire amount, so you see it rolling through our P&L.

And Eon pays Big River directly for a part of that, and we pay Big Rivers directly for a part of it. So as you saw in the earnings announcements, in the first paragraph, there was $14 million this quarter that we booked in our cost of sales that we weren't actually responsible for paying. And we'll call that item out each quarter for you as we go forward through the pendency of the Eon arrangement.

Working down the income statement the next major item also deals with the new Hawesville power contract, and that's on the other income line; you see a $56 million net income item there. Let me explain what's driving that.

If you turn over to the cash flow data following the earnings release you will able to see these items that I refer to. The first thing on that line is actually a charge, and that's a $24 million charge. You see it on the cash flow statement related to the write-off of the remaining unamortized intangible asset that we set up when we originally bought Hawesville that related to the power contract. So

$24 million yet to be amortized. We had to write that off, obviously, when the old power contract was terminated.

Offsetting that, more than offsetting that obviously, is an $81 million asset that goes to the income statement as a gain that reflects a receivable for the amounts that Eon is obligated to pay to Big Rivers on our behalf, as I just described. So the net amount of those two is about $57 million, $58 million of a net gain rolling through that line.

The other item rolling through that line is consistent with what has gone through that line over the past couple of quarters, and that's costs related to our U.S. curtailment activities, principally Ravenswood, a little bit still from Hawesville. That item was $2 million of expense this past quarter. You need to note that the actual cash spending on those activities was $10 million this past quarter. Obviously we had accrued certain items in past quarters.

Moving down the income statement, SG&A expense $11 million; just a couple of comments there. Two million of that, give or take, is non-cash items on a regular basis. This quarter we also had a couple of million dollars there for professional advisory fees related to the various transactions on which we have been working hard that Logan described. Obviously a significant effort to bring to conclusion the Hawesville power contracts, the sale of our interest in Gramercy and St Ann's and Noranda, and the balance sheet restructuring, on which we have been working hard that I will describe in a moment.

The cash recurring amount before those professional fees is around $7 million.

Just a reminder on taxes, we provide 15% taxes on our taxable income in Iceland, and we provide neither an expense nor a benefit on either income or taxable loses in the U.S. As you know, we have a large deferred tax asset, against which we have a full valuation allowance in the U.S., so 0% U.S. subject to taxes.

The other item you see going to the tax line this quarter you've read about in the first paragraph of the earnings release, it’s a couple of million dollar item related to the release of tax reserves directly related to the sale of St. Ann’s bauxite in Jamaica.

Couple of other items, 74 million, 74.2 million to be precise, average common shares during the quarter, 15.3 average preferred shares.

Let me take you through the items constituting EPS. If you go back to slide 22 in the slide deck, you'll see the reconciliation there to which Shelly referred. So on an as reported basis, you see the $0.45, under GAAP you allocate those earnings to the common shares and the preferred shares on a pro rata basis, so you can see they both get their $0.45.

Now we'll talk about the adjustments that we described in the first paragraph of the earnings release. We believe it's appropriate to look at those adjustments over the full earnings base of the company, because as you know the common and preferred shares are generally equal in all rights, other than the preferred shares have some transfer restrictions attached to them.

So if you look at that net gain, the Eon receivable minus the write-off of the intangible assets, $0.62 a share that we would deduct, the tax reserve that we released $0.08, and again that amount of $14 million, the amount by which cost of sales exceeded our actual obligations under the Hawesville power contracts, $0.16. So over the full share base we get $0.09 a share loss on an adjusted basis.

Couple of other quick comments on the financials before we move on from this slide. I am back now on slide 13. If you just go to the cash flow data, again back on the earnings release, you will see sustaining cap ex for the quarter of $3 million and Helguvik spending of $5 million. Both of those amounts were consistent with our expectations.

We can move on now to slide 14. Just a quick review of the movement in cash during the quarter. As you know, we began with $230 million of cash; that was the amount on the balance sheet as of June 30th. You see a small cash profit from operations for the quarter, the one-month lag LME price was $1,725 for the quarter and that produced a small cash profit from operations. As you know, our bonds pay their interest semi-annually, in August and September, so you see the interest bill there having been paid.

And then just a couple other items I'd like to point out for you during the quarter. The first is the first of the two payments that we owe Noranda based on our transfer of our interest in Gramercy and St.

Ann’s to them, that’s $5 million that you see, and we owe them the second payment in December of this year.

Second, in concert with that same power agreement with Big Rivers Energy, we were required to post $7.5 million in a security deposit. And if you go to the balance sheet you'll see that amount in restricted cash of $7.5 million.

Lastly, we spent a little shy of $8 million during the quarter to purchase some down side protection for Hawesville. Let me take a step back. Just to remind you, we have a customer contract that we’ve talked about at length, under which we are required to supply to that major customer through the first quarter of 2011 an amount of metal that roughly constitutes roughly three quarters of Hawesville’s current production rate. And now with our power contract locked down and the agreement with Eon in place, we felt confident that we’d been able to continue to produce at Hawesville, at least through the short and medium term.

In that respect, we felt it was prudent to protect that production there given the uncertainty in the metals market, which Logan referred to. So we bought aluminum puts during the third quarter, for which we paid slightly less than $8 million.

We've actually bought a little bit more protection here in the first couple of weeks of October. And so now, with all of the insurance, in essence we have in place, we have roughly 60% of Hawesville's current production rate protected through 2010. When you add the natural hedge that the alumina contract in 2010, that's indexed to the metal price provides, 80% of Hawesville's production rate in 2010 is protected to the downside.

On to slide 15. Just an update on our cost estimates consistent with what we've showed you in the last couple of quarters. You can see we've run the smelter costs at an LME range of $1,700 to $1,900 per ton, and importantly these are the cash costs. So the costs embedded in there, again for the same Hawesville power contract, reflect the cash costs that we're obligated to pay, not the portion that Eon is obligated to pay through the end of 2010. You see the cost ranges there, and you can obviously calculate the sensitivity of those costs to the LME with the data that we've given you here.

Just a couple of other items, U.S. curtailment costs absolutely consistent with what we've given you so far this year. Under $10 million for the balance of this year, somewhere between $20 million and $25 million in 2010.

SG&A, again I refer to that $7 million cash base amount, that's before professional fees and other unusual items. Sustaining cap ex, again no change in prior estimates, but less than $5 million yet to go this year and about $15 million in 2010. Logan and Wayne both spoke about the status of Helguvik, so our current estimated cash spending is between $10 million and $15 million in the current quarter, and about the same amount for the first quarter of next year. And I already referenced that final payment that we owe Noranda for the sale of Gramercy and St Ann’s, $5 million.

So if you add all of that up bottom line and ran it through an analysis what you'd find is consistent with what we’ve been saying here over the past couple of quarters. The company breaks even on a cash basis somewhere between $1,800 and $1,900 on the cash LME.

Let's go to slide 16, please. I'd like to spend just a couple of minutes before I conclude talking about some of our liability management activities that we've been doing over the last couple of months, and a new transaction that we intend to announce this afternoon and open tomorrow morning.

We've been doing a lot of work here on the management of the company's liabilities. We've had great help over the last couple of months from Houlihan Lokey, who have been helping us on both our financial and operational restructuring activities. We've been very happy with the success. Let me talk about what we've done and what we propose to launch.

So the first, on the convertible notes on the 1.75% converts. As you know, those have a 2024 stated maturity, but effectively they mature in August 2011 given a cash put at par that the holders have. And the management and the board of the company believe that it was prudent to address that implicit maturity sooner rather than later.

And we've done that, we think, with good success. We have contracted to repurchase a $128 million principle amount of those notes, just under three-quarters of the issue. In exchange for that, we have contracted to issue 11.4 million common shares.

Just a smaller amount of those transactions actually closed during the last couple of days in September, so about $15 million principle amount in exchange for 1.2 million shares, and the remainder closes in the last couple of days of this month. And we believe the net amount outstanding are the so called stub amount, a $47 million principle amount, is very manageable and we'll have plenty of options to deal with that over the next couple of years.

As Logan said, in addition to effectively mitigating the risk of that maturity we deeply have delevered the company's balance sheet as well. We are very pleased with the success there.

Now on to the 7.5% senior notes, and we intend to launch them tomorrow morning and intend to issue a press release later today detailed on a exchange offer that we intend to propose to the holders of those notes. Let me just go through some quick detail on that. This one is quite different than the exchange transactions for the convertibles. This will be a debt-for-debt proposed exchange on a par-for-par basis, so we’ll be proposing to exchange $250 million of new notes for the $250 million of existing notes.

We’ll be offering the holders of the current notes and the existing notes an improvement in the terms of those notes, slight improvement in the coupon, a slightly shorter maturity, and a second lien security package. Again, this will all be detailed in the press release later today, and it will be detailed in full, obviously, in the exchange offer documents that we'll file tomorrow. In exchange for those improved terms, we'll be seeking some incremental flexibility that I'll summarize in a moment, to finance and invest in the company's growth activities.

We believe the company has adequate flexibility today to build out our business. As you would suspect, what we’re really talking about here is financing and investing in the next phase of our growth in Iceland. But we do believe that, based on the terms of this proposed exchange offer, that it will be good for all financial constituents in that it will allow the company to have more options by which to finance and invest in that growth.

To take you through the two major areas in debt modifications and the indenture that we'll be seeking in return for those improved terms, the first relates to Grundartangi. Wayne alluded to the type of capital project that we've been looking at for some time. There's nothing imminent there or imminently on a drawing board, but we have a lot studies going on.

I'll remind you that the last 40,000 ton expansion that we made at Grundartangi had a capital cost of about $120 million, so about $3,000 per ton of that in capacity, which is quite attractive. And we believe that we could add a like amount of additional capacity for about the same amount or less, so that would be a very attractive return project for our shareowners. And these indenture modifications would allow us to incur the debt down at the Nordural level to finance a project like that.

I should note that these modifications that we're seeking are all incremental, would all be incremental to the financing and investment capacity that the company has today under the current senior notes indenture.

The other major bucket of indentured modifications that we're seeking, as you would suspect, relate to the Helguvik project. Just to take a step back, earlier this year under the indenture we made Helguvik an unrestricted subsidiary, and the reason we did that is by doing so it gave the company increased flexibility, both to incur debt down at the Nordural Helguvik level, at the project level, and to fund the non-debt portion of the phase 1A capital costs, as Wayne said, of roughly $600 million.

So what are we doing now? We’re working on a non-recourse financing, as we’ve told you, led by three strong European Banks, those are BNP Paribas, Société Générale, and ING. The indenture modifications that we're seeking, again, would give us more flexibility, additional options by which to finance the non-debt portion of that phase 1A project.

Lastly here, we are seeking a small change in the language under the indenture that defines events of default, and all this will do is help us to look at additional options as we look at the various alternatives for our U.S. subsidiaries over the next couple of years.

Just a small technical matter, in addition to that proposed exchange offer we'll be going out with a consent offer to the holders of the convertible notes, and that will be almost just single purpose to affect that same change in the events of default language. And for that consent we'll be offering those holders a small cash fee.

If we could turn to slide 17, please, I'll conclude my comments. You see here just a very simple cap table looking at the actual capitalization of the company as of September 30th and then pro forma for the rest of the debt for equity exchange offers of those convertible notes that will close here, again, by the end of October. We believe, as I said before, that both the gross and net debt levels pro forma for that transaction are at a very appropriate amount.

And it’s not on the slide, but let me just give you what the share base will be after all is said and done. So after we issue all of these additional common shares and after the preferred shares convert per their terms to common shares, we'll have roughly 92 million in common shares outstanding and about 8.0 million preferred shares outstanding. And you'll see all that, obviously, when we release our fourth quarter earnings.

And now, Logan, back to you.

L. Kruger Thank you, Mike.

In summary, we, like others, and this is on slide 18, we are offsetting the continued stream of economic data, which is sending mixed signals. Conditions in the western world clearly seem to have reached bottom, and in certain regions and sectors are exhibiting some growth. China's performance has been impressive and it seems to have some legs.

On the other side of the coin, the aluminum sector is burdened with significant incremental capacity, much of which could be restarted reasonably quickly, as well as a glut of the inventory. Time will tell how quickly economic activity can solve some of these issues.

In this light, we are running the company with what we consider an appropriate balance. Our first primary focus is the continued safe and reliable operation of our plants at their current aggressive cost structures. Maintenance of our liquidity and strengthening of the company's balance sheet is also paramount, and we continue to work through released entry of the type of fixed contractual obligations, which can become quite burdensome during the weak economic environment. At the same time, we are spending considerable time and effort on the Helguvik smelter.

There is a dirth of new capacity, which will be coming on stream in the western world over the next few years given that most of the projects have been cancelled or severely delayed. A prime example of this, we have recently seen the cancellation of a major product in South Africa that would have added close to 1 million tons of capacity at its completion.

But the time could be an opportunity to restart this project during the next several months. We are working hard to put that in place, that structure which will allow us for a restart, while prudently protecting the company from undue risk.

Appreciate your time, and we'll hand you over to Christopher now. Thank you.

Moderator Ladies and gentlemen, at this time we'll begin the question and answer session. Our first question is from Brett Levy with Jeffries & Co. Please go ahead, sir.

B. Levy

Hey, guys, can you talk a little bit about if you proceed with all the Helguvik spending and what your general plans are. What do you think cap ex looks like for the overall company for the next three years or four years, just a rough sense of spacing?

And then it looks like you have a pretty good sense as to what capital structure you want to have to address this. Can you talk a little bit about whether or not that involves a kind of sandwich debt coming in as unsecured relative to the new second secured notes that you are going to have with the consent, how much debt, how much equity? A little bit about what your general thoughts are in terms of how the financing should go.

M. Bless

Sure, Brett, thank you. It’s Mike; let me address all of that.

So quickly, to put aside the sustaining cap ex, we put out an estimate of about $15 million. It's consistent with how we’ve run the company, Wayne, over the last couple of years, $15 million to $20 million of maintenance cap ex, and that's not going to change. So let’s put that away.

And well, as you recall, we had some capital projects about which we were thinking in the U.S. I think in the current environment it's probably not prudent to even think about those, so we can put those aside as well.

So as you correctly pointed out, we're talking about Iceland, and so let's go directly to Helguvik. Logan and Wayne talked about the phase 1A. It's very difficult to answer your question on three years to four years, because three to four years is an envelope in time that could include, and hopefully will include, more than just phase 1A of Helguvik, but that depends on a whole lot of things. So let's just talk about phase 1A; I think it's the cleanest and easiest way to talk about this.

Six-hundred million dollars; we haven't provided any more detail yet, Brett, on what the cap structure of say that $600 million of spending will be, and we are not ready to do it yet. We've done a lot of work with the European banks, and we're looking at other forms of financing.

I'll repeat what we have said. We have said that we're only looking at this point at debt structures, again in that unrestricted sub that would be non-recourse, so your traditional kind of project financing, with which you are very familiar. And as I said, we've made great progress to date on that. Actually Shelly and I are going to be over with our Icelandic colleagues meeting with the banks in Europe next week, I suppose, and they've made some great progress.

And then the other thing we've said on the non-project debt piece is that we would fund that portion in a way, as Logan has consistently said, that doesn't put undue risk on the parent company.

And so I don't have any more detail for you at this point in time, because I'd be making it up; we don't know what it's going to be. We're looking at a lot of alternatives there, but we need to strike a balance between getting this project funded, which we are confident we can do, but doing it in a way that doesn't put an undue burden on the company.

I don't know Logan, if you want to add?

L. Kruger Yes. That will really take you into early 2012, so in some ways it describes your question. The answers aren't fully completed until we have more details. We really aren't ready to make any further comments, Brett.

B. Levy All right. And then with respect to Mt. Holly, can you guys talk a little bit about what the discussions have been vis-à-vis the competitiveness of that plant, how fast you can turn it around, or what your options are? Obviously you have to compare notes with your joint venture partner.

W. Hale This is Wayne. Again, to your point, we continue to work with our joint venture partner on the optionality of that plant, and the most important of which are the power costs supplied by Santee Cooper. So in discussions with our partner we are approaching Santee to review the options of that plant.

L. Kruger I think you'd just add that it has traditionally been a very well run plant. We've been concerned about some of the operational performance issues, which Wayne has been addressing with our partners, and that will come back soon. But Wayne's answer is quite correct; we want to see what the longer term looks like with the power supply, and we'll then come up with solutions or options for ourselves with our partners.

B. Levy — All right. Thanks much, guys. I'll get back in queue.

All — Thank you.

Moderator — Thank you. Our next question comes from Kuni Chen with Merrill Lynch. Please go ahead.

K. Chen — Hello. Good afternoon, everybody.

M. Bless — Hello, Kuni.

K. Chen — Just more of an industry question. Obviously you have good conversations with other folks out there in the industry and, I think are in more of a unique situation to sort of comment on some of the trends out there. What is your view on the aluminum inventory situation at present, kind of the sustainability of the markets contango?

We have seen a stabilization in LME inventories over the last few months, also been hearing potentially that some material has been moving into non-LME warehouses where it can't be as readily tracked. So I just want to get your thoughts on those issues.

L. Kruger Let me try and tackle them, then ask Wayne and Mike to add on to it, Kuni.

I think obviously the number is large at 4.6 million flexible stock, but it's clear now over some months that a large amount of that, and people talk about 60% - 70% of that are tied up in financing deals, and the contango seems to be holding up towards a part of your question. Further, the inventory of warrant stocks, producer stocks, there's no clear visibility about it--a lot of discussion about it.

From the market generally, obviously, the China equation has kicked in. If you look at the IP numbers, those are pretty significant numbers now, GDP 8.9%. So there's movement there. It's really how the rest of the demand in North America, Europe come about, and I think those are the one that are going to… There is going to be an overhang on the market, but as long as metal continues to be held for financing that's going to obviously continue to have a tightness. We are obviously a bit more cautious on those issues noted.

I don't know if Mike or Wayne would want to comment in addition to that?

W. Hale No.

K. Chen All right. That's all I have for now. I'll get back in queue. Thank you.

L. Kruger Thank you.

Moderator Thank you. Our next question is from Wayne Atwell with Casimir Capital. Please go ahead.

W. Atwell Thank you. What would it take for you to start Ravenswood back up? And on second thought, would it make sense just to finally pull the plug on it and shut it down for good?

W. Hale This is Wayne, and I will just address the question in parts.

As you know the plant is curtailed, and we hope that it is a short-term curtailment, but it's based on several factors coming into alignment. That being an enabling power contract that is both long-term and low cost, that is also requiring an agreement with the United Steel Workers, who unionized that facility, of which we have an extension of that agreement through August 2010, and then finally, of course, we need an LME market that would sustain that plant at a specific level. So those are things that have to come into play to get that plant operating again.

M. Bless It's Mike. The other thing I would add here, partly addressing the second part, Wayne, of your question and partly just in general, is a lot of these smelters are in the U.S. that have been sort of left for dead. Over the years and decades, they have been restarted for long periods of time and have made nice money for their owners. This plant is, from a book standpoint, very heavily depreciated and doesn't take a lot of capital to keep it running. You'd obviously have to invest in working capital to restart it, but you could earn that investment back reasonably quickly.

So we're working hard on creating the conditions. Obviously the market is one of the conditions over which we have no control, but Wayne and his team are working really hard on the power contract and discussions with the union leadership and members to create the condition that will give us the option to restart that plant, because we would like to do it. It's a good plant, it's a good team, and it could make good money for this company going forward.

W. Atwell Is there sort of a price that would really excite you and get you cranked back up, some number, some hurdle you are waiting for? Or is it not that simple?

L. Kruger Yes, I think you've seen the number that Mike showed you earlier. Cash breakeven is somewhere around $1,800 to $1,900. We would look somewhere north of $2,000 on a going-forward basis.

M. Bless Yes, I think that's a fair number. Ravenswood is, as you know, the highest cost capacity we have in the U.S. That you know. We've said that consistently. And so, to Logan's point, it would have to be above that current range. And that current range even will increase at the end of 2010, all else being equal, of course, when the Eon support for Hawesville goes away.

And so we're not there today. If you were to look at the forward curve and believe that the forward screen is a predictor for future prices you might have the environment in which you could do that.

So that's why we're spending a lot of time on the operations issues at Ravenswood, because we would like to preserve the option to do that.

W. Atwell — Thank you.

L. Kruger — Thank you, Wayne.

Moderator — Thank you. Our next question is with Chris Doherty with Oppenheimer & Co. Please go ahead.

C. Doherty — Good afternoon. I just want to clarify a couple of things here. The $600 million investment that you talk about for Helguvik, is that all going to be the non-recourse portion of it? I guess what I'm trying to clarify is the non-recourse versus the non-project debt portions.

M. Bless — Yes. This is Mike. So again, we haven't quantified yet what the exact capital structure will be, but the $600 million is the total cost for phase 1A of the project, of which some portion, which we're still working with the banks on, will be non-recourse, traditional project debt. And when you look at similar projects like this, with which I'm familiar, you've seen capital structures of debt to total cap 50/50, slightly less than that, slightly more than that based on the specifics of the project.

And then what we've said is that for whatever the non-recourse debt will be we intend to finance that portion in a way that's not overly risky to the company. We're not trying to be overly mysterious about what that is going to be, because we just don't know. We haven't decided on what that security selection is going to be. It could be a lot of different things, it could be selling capital down at the subsidiary levels, it could be doing financing at the Century level, it could be a wide variety of things.

And as you would expect and hope, we're looking at a whole panoply of things, and at the end of the day, we hope to create as many options as we can. We're confident we'll have a bunch of good options and then pick the best.

L. Kruger — And we already have $100 million.

M. Bless — Oh, that's an excellent thought. Thank you.

L. Kruger — Because remember, the base starts not from zero.

M. Bless Thank you. We've already spent, a little detail; of that $600 million by the end of this year, and we've talked about this consistently in our public disclosure, we will have already spent a $100 million, so we're solving for $500 million, not $600 million. Thank you, Logan.

C. Doherty And also I just wanted to ask so that non-project debt part of that could be the equity component, which could be the cash on hand or could it be used from the cash on hand right now?

M. Bless Well, I mean it could be; we have $200 million of cash. But you've heard in Logan's comments that while we have watched the movement in the LME price with interest we're not convinced that we're sort of up and to the right from here. So I think when you hear us say we're not going to unduly burden or put at risk the company to build this phase 1A we really mean it, and so the use of that good chunk of that cash is not something that we're currently contemplating doing.

C. Doherty And it looks like the cash costs increased quarter-over-quarter in Iceland.

M. Bless — That's an excellent observation. In fact it did not. The only reason for that is if you look back at the last time we gave you these data, we gave it to you based on an LME range, I think, Shelly, it was like $1,500 to $1,700?

S. Lair — Correct.

M. Bless — Fifteen-hundred to seventeen-hundred dollars. Now we're giving it to you based on $1,700 to $1,900. And if you just calculate the sensitivity and bring it back to $1,500 to $1,700 LME you'll see that the costs were exactly the same.

C. Doherty — And just one last thing. From the cash costs that you gave us for the U.S. and where prices are, is it your expectation that the U.S. will be breakeven or better in the fourth quarter?

M. Bless — Depends on the LME price. Obviously at the current LME price the U.S. is indeed cash flow positive.

C. Doherty — All right, thank you.

M. Bless — Sure. Thank you.

L. Kruger — Thank you, Chris.

Moderator — Thank you. Our next question is from John Tumazos with Very Independent Research. Please go ahead.

J. Tumazos — Congratulations on getting so much work done in tough markets.

M. Bless — Thank you, John.

L. Kruger — Thank you, John.

J. Tumazos — What are the strike prices of the put protections you've bought? And is there any gain or loss on the 11.0 million share equity exchange for the convertible?

M. Bless — This will all be detailed in loving detail, other than one piece of your first question. But on the converts, yes, we did buy those notes back at less than their face value, so there is a gain on that. You will see very little of it in the third quarter, as I said, because only $15 million principle amounts of those exchanges actually closed in September; the rest you will see in the fourth quarter when we release earnings. But yes, we will have a book gain on those because we repurchased them at less than their face, as you can calculate by just doing the math.

On the put, John, it’s really competitive, so we would prefer not to specifically detail. We'll have in our Q what the volumes were on a monthly basis and how many months they went out.

But all we would say is that when we looked at what level, and Logan will have some comments here on this at what level we ought to protect we wouldn't want to protect at a loss, if you will. So we kind of looked at where Hawesville's cash costs would predictably be over the next 15 months in our calculations, and then we obviously-- you never want to hedge to protect a loss.

Logan, I guess if you-.

L. Kruger — I think that's exactly right. And I think, John, if you look at the timing and what we’ve indicated to it will actually give you a fairly good idea of what range we’re in. As you know, there’s always a balance between the protection and the cost that you pay, so we've taken, I think, a reasonably balanced view there.

J. Tumazos Thank you.

L. Kruger Thank you, John.

Moderator Thank you. Our next question is with Mark, I'm sorry for the last name, Liinamaa with Morgan Stanley. Please go ahead.

M. Liinamaa I apologize for it as well. Logan, you talked about more curtailments being needed to balance the market, but you wouldn't likely see them at this price. Can you give any thought or comment on what price might be required?

L. Kruger What to have more curtailments?

M. Liinamaa Yes.

L. Kruger Yes, I'd really not like to think about that, Mark, but you're asking the question. I would think that as we've seen, and this is not unusual, there is a period of time with people hanging there while they incur some pain. And as you know, with particularly Ravenswood, we didn’t wait very long on that, and some of our colleagues did the same and reacted very quickly.

I would think south of somewhere around $1,600 we'd start to see some pain again. I have got some agreement here amongst my colleagues, Mark, so maybe it's a good guess. But I would say south of $1,600. Again, we haven't got clear sight of everything, but some of the input costs have come off carbon, pitch and those sorts of things, so you have to balance that off. But I would say south of $1,600.

M. Liinamaa Okay. Thanks for that. And just your comments were fairly cautious on the state of the market, and I guess they were fairly cautious last quarter as well, and the markets continued to surprise us. If there was anything you could point to that maybe is happening that accounts for that that could be sustainable looking for a surprise to the upside, what would that be?

L. Kruger I think there seems to be a couple of dynamics playing. We know there is a large amount of tonnage that's locked up in the LME press on financing deals; we know there is other material that's been tied up in some form or other. We also know that the China and India story seems to be gaining great momentum again. So the surprise on the upside is going to be the immobility or the unavailability of that inventory versus a kick up in demand in the other areas of the world. I think that's the one that's very hard to measure.

And you're getting very mix signals from housing data, automobile data; you name it, steel manufacturers. If you watch iron ore, it's another precursor to some of this pick up. So I think that's a surprise.

I don't know; my colleagues may have some other ideas. Shelly? Mike? I think that's the area that is hardest to measure, but those are the surprises from the upside.

M. Liinamaa — And you do mention that you're seeing consumer stocks still very low. Are you seeing any change in behavior on buying that you can?

L. Kruger — Yes, we've seen a bit in the U.S. particularly, because we're one of the few suppliers of high quality, high purity materials out of Hawesville, so we've seen some interest there, which has changed over the last quarter. Hence we're cautious, but we're less cautious than we were in the second quarter.

M. Liinamaa — Okay. That's good to hear. Good luck with all the very positive steps it looks like you're taking to be ready when that comes. Thank you.

L. Kruger — Thank you

Moderator — Thank you our next question is a follow-up question with Wayne Atwell with Casimir Capital. Please go ahead.

W. Atwell — Thank you. And not to beat a dead horse, but if the price of aluminum were to rally $2,200, $2,400, $2,600, would you think about either buying puts or selling forward for Ravenswood so you'd lock in a profit for a year or two?

M. Bless — Yes we would.

L. Kruger — That's one of the strategies you would deal with with Ravenswood. Good question.

W. Atwell — So basically that would lock in a profit, you could feel pretty comfortable cracking it back up.

M. Bless Yes, I mean you can never - you know this, Wayne, given your longevity in this market. I hesitate when people say lock. You can never lock in a profit, because you can't lock down your costs. So that's why I emphasize we were confident enough to go out and purchase those puts for Hawesville because we know what our alumina cost is and we know what the sensitivity is for it to the market.

Even though Big River is a cost based contract that's not a fixed price, we think there is little enough variability or volatility in it that we kind of knew, or believe we know after a lot of analysis, with good predictability within a range what our costs at Hawesville were going be. And even then we didn't sell forward, we just plain old fashioned bought some insurance.

W. Atwell Okay. Thank you.

W. Hale Thank you, Wayne.

Moderator Thank you. Our next question is also a follow-up question with Chris Doherty, Oppenheimer & Co. Please go ahead.

C. Doherty Mike.

M. Bless Hello, Chris.

C. Doherty Hello, Mike. Just a couple of quick clean-up questions. I think you mentioned in SG&A this quarter there was about $4 million of non-recurring stuff, $2 million I think you said related to professional fees. What was the other $2 million?

M. Bless Yes. The $2 million it's not non-recurring at all, it's just non-cash items. I was trying to give you guys a cash amount, so it was about $2 million of stuff that flows into SG&A that is accruals, but not cash. Mostly had to do with the spec related to OPEB and other employee costs.

And then the other couple million was actual cash, but just I wouldn't call them one-time items because we're still working hard on a lot of these actions. But they are professional fees well in excess of what we would normally bear given all the professional advice that we've needed here, financial, legal, and otherwise, as we've worked through all these transactions.

C. Doherty — And then, just one other clean up, and it relates to the non-cash interest. I think in the last two quarters you had about $2 million there, but I didn't see it called out this time. Is that still the case?

M. Bless — Non-cash interest. You're talking about relating to-- I'm not exactly sure what you are-- Perhaps you were remembering the new accounting under what I guess used to be call APB 14-1C; now under the new reconciliation system that FASB has, it's called something else. But the new accounting for convertible notes is what you're referring to?

C. Doherty — Yes probably.

M. Bless — Yes. Okay. So most of that interest expense is cash that you're seeing there. In fact, the vast majority of it is cash interest. And it makes sense, you can just do the calculation, 7.5% annually on 250, 1 ¾% on 175. If you dotted that out some small fees on our revolver, we don't have anything borrowed on our revolver other than about $8 million to backstop the LCs, that will work out to about $22 million, and that's why you see the $11 million. It's pretty much cash interest there.

C. Doherty It is. That's what I'm saying, so.

M. Bless Absolutely cash.

C. Doherty The current cash interest expense is $7.7 million, really is about $5.5 million or so.

M. Bless Yes, that's sounds about right. Steve Schneider, our Chief Account Officer, is nodding his head up and down.

C. Doherty Yes, that's what I thought. Okay. That's it. Thank you.

M. Bless Thank you, Chris.

Moderator Management, I have no further questions at this time. If there are any concluding remarks you would like to make, please go ahead.

L. Kruger Thank you, Christopher. I'd just like to thank everyone for being on the call today. We look forward to speaking with you again soon. Thank you very much. Good-bye.

Moderator

Thank you. Ladies and gentlemen, this concludes the Century Aluminum Third Quarter 2009 Earnings Conference Call. Once again we would like to thank you for your participation. You may now disconnect.