Final Transcript

CENTURY ALUMINUM: Third Quarter 2008 Earnings

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SPEAKERS

Logan Kruger – President and Chief Executive Officer
Michael Bless – Executive Vice President and Chief Financial Officer
Wayne Hale – Executive Vice President and Chief Operating Officer
Shelly Lair – Vice President and Treasurer

PRESENTATION

Moderator

Ladies and Gentlemen, thank you for standing by. Welcome to the Third Quarter 2008 Earnings call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session. 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 Lair. Please go ahead.

S. Lair

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

The following presentation, accompanying press release and comments include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Century's actual results or actions may differ materially from those projected in these forward-looking statements.

These forward-looking statements are based on our current expectations and we assume no obligation to update these statements. Investors are cautioned not to place undue reliance on these forward-looking statements. For risks related to these forward-looking statements please review Annex A in our periodic SEC filings, including the risk factors and management's discussion and analysis sections of our Annual Report and Quarterly Report.

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

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

L. Kruger

Thank you, Shelly. Welcome to the Third Quarter conference call. Other participants include Wayne Hale, Mike Bless and we have with us Bob Nielsen and Steve Schneider.

If you'd turn to slide number four. I will take a little bit more time than usual due to the overview today. We are, obviously, managing through some extraordinary and difficult times. As you would expect, our first priority is to protect our existing business.

As I will explain, we continue to believe the long-term fundamentals for the aluminum business are sound. So, our focus is on preserving the value of our assets so that we will emerge from the downturn with a strong platform on which to grow. We are confident we can achieve this objective.

Clearly the crisis in the global financial markets and the impending slowdown in the global economy have impacted all metal prices. In commodities, these trends have been exacerbated by investors using these assets as a source of liquidity. Many investors, of course, have had no choice but to do so and the strengthening of the U.S. dollar has added to the pressure.

I will provide more detail on the market fundamentals in a few moments. At a high level, we've seen slowing of the worldwide demand in building inventories in the near term. However, the supply response from the industry, especially in China, has already begun; not only cuts in existing capacities but delays on projects.

And other than that to longer term, we believe the fundamentals will support a strong market, maybe even increasingly so as the constraints in supply are now going to be even more severe as had been forecast before. The LME cash price averaged $2,792 for the quarter, down from $2,940 the previous quarter. Remember that most of our revenues are flat on the prior-month LME. Mike, of course, will provide details.

Cost increases remain evident as we predicted last quarter. This trend will, obviously, see some relief in the quarters ahead. Our smelters in Iceland and the U.S. continue to perform very well. The teams at the operations are focused on producing as many tons as they can push out safely.

We produced above capacity in the U.S. and in Iceland. We have also the leadership teams at the plants focused hard on cash flow as you would expect. We have an experienced group and they have been through this before. We have an absolute hold on discretionary spending in the U.S. and at Grundartangi in Iceland.

Mike will provide details in Nordural's cash balances in the States to the banking system in Iceland. We are, obviously, closely monitoring events, but the situation has improved over the last 10 days. We are spending a significant amount of time and effort evaluating the best way forward for the Helguvik project in Iceland.

First and most importantly, we continue to believe we have an excellent project in the long-term. The plant will be world class in operation metrics and the environmental safety performance. This, coupled with a capital cost that we believe is competitive with any plant being built or considered outside China, will provide and produce an attractive return for our shareholders.

However, we are carefully assessing our course of action for the next year or so. Before I comment on our plans for the project, let me provide an update on the situation in Iceland.

I spent last week there meeting with our project team as well as our partners at the power company, the municipalities in which the plant is been built and many officials of the government. I met with the Minister of Industry, the Minister of Trade and the Finance Minister. I also met with the Chairmen and CEO's of all three power companies, that's in addition to all the other members of the municipalities that I met with. They, obviously, as you would expect have tremendous amount of support and are committed to help make this project a reality to the extent they exert a prudent course of action. It goes without saying that the Helguvik project will be a significantly important part of the economic activity in Iceland during the coming years. We continue to believe that Iceland will be a great long-term place to do business in our industry and many others.

The Icelanders will get through this very difficult period and emerge with the assets and qualities that have made the country an attractive place to do business. We want to be part of these efforts if we can prudently do so. But, as you would expect, we will unemotionally assess our situation.

The prudent financeability of the project is, obviously, a key consideration. While we are engaged in assessing a variety of alternatives, it's still too early to tell and we don't want to make any hasty decision. While speed is of the essence, we have some flexibility.

As of a month ago, we stopped making any new commitments on this project. While we evaluate a course of action during the coming weeks, we have taken actions to reduce all spending of the project to a measured pace. Obviously, there's been a catch up effect as the forecast spending in October, for example, is largely based on the actual activity at the site in September, per normal terms of which we pay our suppliers.

Thus our expectation is that the spending of Helguvik in the fourth quarter will be modestly higher than Grundartangi's free cash flow at current metal prices. Wayne and Mike will provide more detail.

So, in summary, we continue to believe we have a world class project. In addition, we have faith and confidence in the future of Iceland through faith in our ability to do business there. Based upon the minimum level of spending we will have until further notice, we have some time to assess the overall situation, the global economy in commodities, in critical markets, and specifically, in Iceland.

When I say some time I do not mean months and months. We will carefully and forcefully with input from all relevant parties complete this work expeditiously.

If you'd mind turning to slide five as you'll see from the slide nearby, price has decreased significantly over the last few months. Just to give you an idea to illustrate the point we had prices in excess of $3,200 in July down to $2,600 by the end of August and less than $2,100 per ton today.

We are seeing nearby downside pressure as a result of concerns about the demand from China and globally. In addition, uncertainty around the timing of production cuts is keeping the nearby price well below marginal cash cost.

For example, at $2,200 per ton LME approximately 35% of global smelters are producing at a cost above the LME price, cash negative in other terms. Sales in China receive the Shanghai price, which is typically less than the LME quoted price. At $2,000 per ton nearly all Chinese smelters are losing money pushing the global number of those not producing positive cash flows to 40%.

Near-term power contract expirations in Western Europe will further increase this percentage if the aluminum prices do not recover. Smelters are beginning to reduce capacity and the projects in the pipeline are expected to be delayed or cancelled, but the balance of the market will try to achieve and China will play an important role and we have direct evidence that they're already starting to do that.

Can we turn to slide number six; over the longer term forward prices continue to indicate strong market fundamentals. Prices at the far end of the curve are supported by rising operating costs and power supply issues globally, but most notably in China, where high power costs put the most smelters in the fourth quarter. In addition, Greenfield and Brownfield expansion costs have increased significantly and outside of China project lead times are several years.

Longer-term demand growth is expected to continue largely from China and the BRIC countries. A couple of statistics; growth in China continues to be strong although we'd note that growth is slow recently; industrial production, 15% year-to-date, 11.4% for September; GDP, 9.9% year-to-date, 9% for the third quarter of this year. The 2008 real global GDP growth is forecast to be some 3%.

Can we move on to the next slide. Looking through the near bar, while we, obviously, have to look at what the potential for the future brings us and what the market may look like in terms of requirements of new smelter capacity we continue to believe that the global constraints of supply will be supportive of stronger prices over the medium and longer-term.

This chart shows an equivalent of 42 new 350,000 ton smelters required to meet demand expectation. That's a 7% compound demand growth through 2012. This is somewhat less than the 8% number of recent averages of analysts' reports. Obviously, this is a five-year average and expectations for 2008 demand are below this level. Producing this additional capacity will be a challenge, especially at a time when projects are taking longer, costing more and particularly long-term affordable blocks of power are difficult to secure.

Current prices aren't likely to attract new capital for expansion projects other than those that are the top tier world class projects. Expansions already under construction, especially in China, may be delayed or cancelled altogether. We have direct knowledge of that in the provinces that we have been working in in China.

At current prices, we would expect to see significant amount of existing high-cost capacity to come off. This capacity reduction has already begun with closures both in the U.S. and China. The unanswerable question is how long before we see project delays and capacity cuts cut into the magnitude significant and sufficient to stabilize the market. Clearly China's demand itself will have to have a significant impact on the market balance going forward.

If we move on to slide eight, we've seen a significant increase in inventories recently. This is indicative of a weaker demand. It also reflects the current liquidity crunch as market participants are unloading inventory to free up cash. Days inventory are now some 33 days of global demand.

As you can see in the chart, the previous cycle was some 50 days of capacity or inventory, so that we are still well below these levels, although the numbers have increased significantly in the short term. The U.S. market remains subdued and the Midwest premium continues to be in the 4% to 4.5% range. This price is consistent with historical averages.

Overall, we believe the medium and longer-term aluminum market fundamentals remain strong.

I will now hand over to Wayne to discuss the operations.

W. Hale

Thanks, very much, Logan. Let's turn to slide nine. I want to start out and say that all the smelters operated well during the quarter and we are at or above rated capacity at all locations.

As Logan discussed earlier with the recent market developments all plant overhead, G&A and capital costs are being reviewed and reduced, stopped or deferred. Leadership at all plants has stepped up to this task and this quality leadership is what differentiates Century from the rest.

Progress continues with the Big Rivers Unwind. As you recall, this is to secure long-term cost-based power for the Hawesville plant until 2023. Recently, several significant contractual elements have been concluded between Big Rivers, the smelters and E.ON. As a result the Unwind has, again, been submitted to the KPSC, this is the Kentucky Public Service Commission, for review and public testimony and approval. We remain optimistic that the Unwind will be concluded around year-end.

In the sustainability area – this overarches health, environment and safety – we see continued trends year-on-year for improvement in reducing the total injuries and also their severity across all our facilities. For example, Hawesville is well above two million man hours now working without a lost time accident. Grundartangi continues to improve and in this case, specifically, the number of incidences has been halved as compared to a year ago.

Let's move on to slide 10, which is Bauxite, Alumina and Sales. At the St. Ann Bauxite, the mine and ship tons were impacted by poor weather and labor negotiation related slowdowns. In this case, the negotiations with UAWU continue and now have entered a binding arbitration stage.

Looking at Gramercy Alumina, operations there were also affected by weather, specifically the hurricanes and some unexpected operational events. Production was impacted; however, operations have now returned to capacity performance.

Turning to sales and marketing, most product markets in which we participate have been impacted and are flat to decreasing. The demand for higher purity remains strong as well as the demand for the metal to produce rod and cable. We're rigorously and continuously monitoring all our customers and have experience to date zero payment issues. Midwest

Premium has remained flat quarter-to-quarter and our finished good inventories are low at all locations.

Turning to the next slide, I'll say a few words about Helguvik. As indicated by Logan, this project is under scrutiny and review in all areas bundled in cost, scope, schedule are being reviewed and looked at. For example, in procurement we are taking advantage of the decrease in commodity prices and reviewing all packages with the vendors. The project is on schedule and budget and its trajectory will continue to be reviewed in light of the present circumstances.

Just a point to note, however, the greenhouse gas allocations for Helguvik for 2008 through 2012 have been received. Therefore all approvals and licenses are now in place.

In summary, our operations are performing well. We are making good progress on the Helguvik project. As one would expect in these turbulent times, we are reviewing all areas of the business to increase output, improve quality and reduce expenditures.

Now, I'll turn it over to Mike, who will discuss the financial results.

M. Bless Thank you, Wayne. And if we could turn to slide 12 please. As usual, if you could have the financial information that comes attached to the press release handy, it will make my comments easier to follow along with. I'll, obviously, be referring to those.

So on slide 12, I'll talk a little bit about the components of the change in net sales. Again, as usual, my comments will compare the second quarter to the third quarter so sequential growth and sequential changes will be what I'll address.

First, on the net sales line, as Logan referred to, the cash LME average Q3 over Q2 was down about 5.5%, 5.4% to be specific. On a one-month lag basis, it was down only 0.8% and as Logan referred, most of our revenues and costs are priced on that one-month lag basis so that's the relevant statistic to look at in terms of changes in the market, down just under 1%. On that basis, our realized average price on a global per tone basis was down about 1.4%.

Moving on to volumes; our shipment volumes, both in the U.S. and Iceland, were up 3% as reported and about 2% on a per day basis. There was one more shipping day in Q3 over Q2.

As Wayne and Logan noted, we're very pleased with the performance at all the plants. I'd note in particular, Grundartangi shipped at an average annual rate of 271,000 tons for the quarter.

So, putting together the pricing and shipment growth, net sales for the quarter were up just about 1%. Moving down the income statement again, if you have the financial statements in front of you, gross profit was down $34 million quarter-to-quarter. As we predicted last quarter, we did face cost increases in a variety of areas, and let me detail those for you.

First and foremost, raw materials down $6 million quarter-to-quarter; that's exactly as we predicted, that's largely carbon-based products. U.S. power prices, again, up $6 million quarter-to-quarter, again on our forecast. Half of that amount, or $3 million, was due to an increase in the fuel surcharge at Mt. Holly. We had a $10 million increase quarter-to-quarter in the delivered cost of Gramercy Alumina into Hawesville, obviously.

Of that $10 million, let me just break it out for you; about a third of it, about 30% of it was due to an increase in natural gas costs. The remainder of it was largely due to a decrease in volumes coming out of Gramercy and thus an increase in costs. The volume decrease attributable to two factors; one is the weather, the storms in the quarter. As you know, the Mississippi River, for example, was closed for a couple of days in the middle of the quarter. That impacted volumes. And then some operational issues that we had during the quarter that are now behind us; the plant is now producing at capacity, as Wayne said.

I would note that the controllable expenses at the plants, including power utilization and maintenance and other labor and other controllable expenses at all our plants were flat quarter-to-quarter. That's terrific performance in this kind of environment, especially, and we're proud of the team, as Logan and Wayne said.

Lastly, in gross profit FIFO expense of $9 million for the quarter. Again, not surprising. That's obviously given the way the accounting works based on old costs on the balance sheet running through the income statement.

Moving down the P&L, SG&A expense $11 million for the quarter. That's obviously down from previous quarters. Net loss on forward contracts $79 million for the quarter. That's made up of two components this quarter, let me just detail them. First, obviously we had to mark to market the liability from the end of last quarter June 30th, obviously, to the date of settlement. That was July 7th, as you recall. That was a $241 million charge.

Offsetting that was the gain on the settlement itself of $162 million so the net of those two items is the $79 million you see on the face of the income statement.

Moving on, effective tax rate for the quarter was 18% on an as-reported basis. As you know, the way we do that, calculate that number, as we pull out the mark to market charge, add its effective tax rate of 36.2%, that's the effective U.S. tax rate, 36.2%. So, on that basis, 18% effective tax rate.

If you adjust for the $3.3 million tax benefit that we described in the earnings release, the release of reserves that moves the effective tax rate up to 21%, which is consistent with the mix of taxable income in the U.S. versus Iceland, as we have in our 2008 forecast.

I'm going to ask you now if you can turn to slide 18 just for a moment, when I talk a little bit about shares outstanding and the accounting for EPS and let me just take a step backwards as you do that. The reason we want to do this for you and the reason you're going to see this presentation going forward is the way the EPS accounting works for the preferred shares that we issued for the hedge unwind in the middle of the summer. It's regrettably not quite as simple as we were hoping.

So as you recall, we ended last quarter with about 41 million basic shares outstanding, and we issued a little over eight million over the summer in the public common stock offering that, of course, includes the exercise of the greenshoe. And so that's where you see the average shares outstanding for the quarter, 47.7 million basic and 50 million diluted shares outstanding, those are the common shares outstanding.

As you know also, we issued 16 million preferred shares after the first week in July for the hedge unwind. Just a detail note; 400,000 of those shares have converted from preferred stock to common stock based on the anti-dilution provision in the preferred stock. Basically, what the contract says is that any time the company takes an action that drives the ownership of the preferred stockholder, obviously, Glencore, down below the ownership that they had before the hedge unwind, that was about 28.5% of the common stock; any time that happens, then contractually a number of preferred shares convert into common to get them back to that 28.5% ownership and, obviously, the exercise of the overallotment option, or the greenshoe in the public common stock offering triggered that event.

So, 400,000 shares are no longer preferred; they converted into common and their ownership is at that 28.5% level.

So, when you add all that up, the 50 million as you can see there over on the right-hand side of slide 18, average diluted common shares for the quarter, 14.5 million was the average preferred shares for the quarter. If you counted those preferred shares as common shares, they're basically common share equivalents as we talked about over the summer and all their terms and rights and what not. 64.5 is the total share count again treated and referred to as common.

Now, moving on to the EPS accounting. The way the GAAP accounting works for it, if you looked at the front of the income statement and the press release is that we calculate per the accounting and show on the income statement only the EPS allocable to common shares. And the way you do that, obviously, is you take that 50 million common shares and the portion of the total net income – total net income is 37 million. The portion of the total net income that's allocable to those common shares is 28.4 million. That's basically based on the proportion of common versus preferred shares outstanding is the way you calculate that 28.4 million versus the 8.6 for the preferred.

We believe that the way investors will want to look at this obviously is total net income. As you see, there the 37 million, that's the same amount that you'll see on the income statement divided by the total shares as if the preferred were common or as if the preferred had converted into common or 64.5.

And this is the way we're preparing this adjusted EPS that you see here. So if you do that math, you make the adjustments that we normally make to pull out the mark to market loss, 50.4 after tax, and to pull out the $3.3 million tax gain non-recurring, you get adjust EPS, as you can see in the bottom right-hand corner of the chart of $1.31.

Okay. And after that if we could move back to slide 13, which is cash flow. Free cash flow for the quarter was strong at $77 million. We're pleased with the result and, as you know, the hedge online transaction contemplated the hedge volumes only through June so we had to make that last payment for July. That payment was $21 million or $13 million after tax as you can see on the chart on slide 13 so free cash flow would have been $90 million without those hedge payments. If you have a chance to look at the cash flow statement so far you saw this quarter, not surprisingly, another use of funds for working capital. That trend will start to reverse itself, obviously, assuming metal prices stay around their current levels as we go forward.

A couple more items on the cash flow statement if you have it in front of you; cap ex for the quarter, this is excluding Helguvik; I'll get to that in a moment. Cap ex for the quarter was $12 million. As Wayne detailed that includes projects, which we've now suspended. I'd remind you that the average sustaining or maintenance capital rate for the company on an annualized basis across the company, this includes the U.S. facilities and Grundartangi, is about $20 million.

On to Helguvik; as you can see on the cash flow statement year-to-date cap ex for Helguvik $53 million and that works out to $21 million for Q3. If you take a step back, Logan and Wayne made comments, obviously, about the actions that we're taking in Iceland, so I won't belabor those, but just to put some numbers to them. If you took a step back and looked at the Q4 forecast for Helguvik spending, what it would have been before we took these actions to see some of the commitments and to reduce the current spending. The forecast was for cash spending in Q4 of $45 million and that number, obviously, be reduced.

As Logan and Wayne both referred to, it's not an immediate cessation in that spending because as Logan detailed, for example, in that $45 million the numbers say that was in that number for November spending. It's largely based on October activity. You know, our vendors bill us and we pay them in 30 days. Same thing, October spending based on September activity so that $45 million will go down. We're just not sure exactly how much at this point, but it will be lower.

One way to look at that, as Logan referred to, is versus the free cash flow coming out of Grundartangi and you just put a level on that at current metal prices, the after-tax free cash flow coming from Grundartangi is about $10 million per month.

If you turn to slide 14 please, just a couple of comments about the cash situation, Iceland and some other issues. If you've had a chance to look at the balance sheet total cash at September 30th was $169 million. That was split about 50-50 between the U.S. and Nordural. In the U.S. the only change of note since then was the final payment that we made on October 1st per terms on the short-term note, the deferred settlement amount from the hedge unwind. That was the last payment under that note, $25 million so we're done there.

Nordural cash today is a bit higher than it was at September 30th. Just quickly, cash held in the U.S. we hold at Bank of America and at BlackRock. Nordural cash there, just to take a step back as we talked about in the press release we put out a couple of weeks ago, cash held by Nordural always has been and, of course, still is held in U.S. dollars.

Given the nature of our business there we never held a lot of krona. The way we've worked the business, obviously, is that when we had to make a payroll or other krona-based payment we'd exchange dollars to krona same day and make those payments and, obviously, that's the way we're continuing to do it.

In terms of the total Nordural cash, about 60% of it is held at BNP Paribas and Bank of America in Europe and the U.S. respectively. We were able to get those funds out of Iceland before the situation started to deteriorate seriously last month. The remainder of Nordural's funds are held in Iceland at Landsbanki and Kaupthing.

And let me talk about those. We continue to believe those funds in Iceland are secured. As you know, the government effectively owns both of those banking institutions and has guaranteed those deposits. Those funds have been and continue to be available for use to pay local expenses, which are mainly our power bills in Iceland and payroll and our foreign exchange obligations and I'll get to that in just a moment.

And the government has been exchanging krona, in effect is the market for conversions at this point in time. Update from the slide, the current rate as of today is 114 krona per dollar.

At present, we have all of our customers paying us into those accounts at Paribas and Bank of America in Europe and in the New York respectively, so no new funds into Iceland at this point. And we're also largely making payments, non-Iceland payments, i.e., to vendors in Europe and other places, from those accounts.

Our preference, obviously, would be to return to normal banking operations in Iceland as quickly as possible, i.e., to receive payments and make payments in Iceland, and we'll continue to assess the situation closely. Obviously, it's changing day to day.

Let me talk about the foreign exchange obligation. The counterparty there, as you know, is essentially the government. It's the same banking institutions that hold our cash deposits. As we talked about earlier this year we did, indeed, buy forward krona. The contracts go out through

September of 2009. The average forward price is 85 at which we bought forward.

Late-breaking agreement here, literally as of earlier today, we have preliminary confirmation from both banks that they have agreed to settle those liabilities at the current exchange rate of 114 and that's a combined payment to both banks, an aggregate payment of about 28 million U.S. dollars. It obviously removes the risk of further devaluation once the settlement with the IMS is reached in Iceland or other solution to stabilize the economic and banking situation there.

We'll obviously simply offset that payment versus the cash balances that we hold in Iceland. And, of course, this payment that we're making today and decreasing risk, we believe, by doing it will be offset by the lower dollar value of the Icelandic krona payments that we'll make obviously over the coming year just to fund our business.

A couple of other comments; as you would expect we have been reviewing very carefully our supplier and customer base, both Wayne and Logan made reference to this. No issues in the supplier base. On the credit side we've been looking at customers for over a year as the business began to soften in the U.S. We have two things going for us here; one is a small group of customers. As you know three customers in Iceland and two in the U.S. in aggregate make up about 80% of our sales, and we have about two and a half dozen total customers, so it's not a long list to review.

In addition, we have a very experienced credit manager who works underneath Shelly. He had a long career at U.S. Steel before he joined us earlier this decade. He's been through this kind of thing before. We're lucky to have him. He started ratcheting down credit terms on many of our smaller customers earlier this year so we have no customer issues now as Wayne detailed, but we talk to them literally on a daily basis.

Lastly, just a couple of comments on liquidity. I talked already about the cash balances in both the U.S. and at Nordural. As you know, we don't have any maturities until 2014, which is when the senior notes mature. The converts don't mature for another ten years in 2024, although I would note that the converts contain a par put. In August of 2011 it becomes exercisable. The conversion price is about $30.50, so that's something we obviously have to consider as we think about the next couple of years.

And, lastly, our revolver is undrawn; that's a hundred million dollar revolver. It's all available based on the borrowing base. Other than about

$10 million that is used to backstop normal letters of credit. That is with a group of very strong banks and it matures in September of 2010.

And with that, I'll turn it back to Logan.

L. Kruger

Thanks, Mike. To wrap up my remarks before we take questions, the coming months will provide more clarity as it relates both to the near-term demand and the industry's actions on supply, especially, of course, at the most disadvantaged part of the cost group. We subscribe to the view that over the longer term the demand growth in developing regions will resume to healthier levels. On the supply situation, which looked challenging before the financial market crisis began, in earnest will only be exacerbated.

Our plants are performing very well and we are very pleased with that, and we have an experienced and talented group of people who know how to run these operations during this climate.

As was described in detail, in addition to the company's cash management activities we are focusing our efforts and energy on the full analysis of the feasibility of the project at Helguvik over the near-term. We will keep investors updated as we reach any conclusions.

I'd like now, Sandra, to invite any questions. Hi, Sandra, we can go to questions.

Moderator Absolutely. Our first question comes from Kuni Chen, Bank of America. Please go ahead.

K. Chen Hi. Good afternoon, everybody. First question, on Iceland you mentioned earlier in your comments that you met with the ministers over there and you met with the heads of some of the municipalities. Are there any kind of red flags that stand out in your minds that could impair your ability to operate going forward, longer-term, just given any kind of power availability issues or raw material access or, anything like that? I'm just looking for color on what concerns you at this point operationally.

L. Kruger Thanks very much, Kuni. That's a very good question. Obviously, Grundartangi we don't see any red flags. We're pleased to note that the power companies and their producing units continue to do well and we get supply of power. In fact, we've got rich in power to take us beyond the 260,000 tons that you see.

I think Mike mentioned the capacity at Grundartangi ranges at about 271,000. Obviously, most of our activities are in dollars. We've also been careful about our staffing; we're concerned of the impact to them. We've had a favorable response. We've made some adjustments on a short-term basis to some salaries.

I think all-in-all the country is undergoing a phenomenal impact, but is dealing with it in a very pragmatic, sensible way. The ministers, and I met with three of them, were, obviously, supportive of any of our activities. They see us as one of the fundamentals for the country's economy going forward and the communities are very well supportive as well and it's a difficult time. Currency risk, obviously, Mike has explained and we've got our hedge position exposing us to a potentially deteriorating currency; we'll see.

I think the IMS solution, we don't know the details of that and we'll await that. Mike can add some color as well.

M. Bless — Just to address the two specific items, and they're good ones, Kuni, obviously, that you raised. On the power side for Grundartangi, obviously, those assets have long been in the ground. The operating expenses for the power companies to run that apparatus is very low and they need our dollars now so those will continue to run. There are no operational issues there, no problem at all.

As it relates to raw materials, all the raw materials come from outside Iceland anyway and so there really have been no, and we don't foresee any, interruptions or issues there.

L. Kruger — We get delivery right to the dock at the plant, as you know.

K. Chen — Right, understood. And then, as a follow-up, can you just talk a bit about the U.S. plant system, with metal prices at or below $2,100, how are the U.S. smelters holding up and what's your ability to arguably sustain some operating losses there over the near term?

L. Kruger — I think that's, again, another good question. Let me give you sort of an overview and I'll ask Wayne to comment.

Obviously, over a month ago we took immediate action because of the deteriorating market, obviously, stopped all discretionary capital and spending of any form. The challenging plants are probably the Ravenswood, which is on the higher end of the cost curve and Wayne and the team are working very diligently to at these prices have Ravenswood be at least at a cash neutral position.

We're not quite there yet, as you would expect, but we do have some favorable reactions. You will also see some pricing come off on alumina, a percentage of LME and going into next year our alumina supply contracts are slightly more favorable than they were this year as well as what we think will be favorable impacts on trade.

So, the challenges are not only and also are, obviously, under that number in terms of cost and produce operating cash flow. We're pleased about them. Our challenge is really whether we get to Ravenswood within the short term. Any comments?

W. Hale

Thank you. I think you've hit the major points, Logan. Just to emphasize, we have been in contact with all the suppliers insofar as price reductions. They certainly come to us when they want price increases, when they think their experience has changed, so we've had some favorable conversations with those groups of people to date.

And, as I said earlier, all of the leadership is certainly focused in reducing all costs and all areas across the facilities and the goal has been set and they're certainly stepping up to the mark.

K. Chen — Okay. One last question and I'll turn it over. Assuming Helguvik stays on hold, let's say for all of 2009, can you give us a cap ex range for next year?

L. Kruger — I think, obviously, you're making a proposal of a hopeful next year. I think just to repeat what we said and I'll make sure that everyone has got it, we have slowed and reduced expenditure at Helguvik project dramatically and we're now under a review process, which we know will take some weeks, but not months to complete.

Year-to-date $53 million has been spent and I think there is another $45 million, which Mike has mentioned, including about $15 million in October. We think we can do better than that $45 million because that's expenditure to come, again, before costing.

I think that really gives you in a nutshell what we feel as to the expenditures. The next step beyond that could be I think just to open another part to your question really is what do you do if you put the project on hold for a period of time and that's, obviously, one of the options.

You then have to look at your supply, your longer lead items, and you have to go into negotiations with a number of people. I think maybe that's the best point to leave it. We know we have a good idea of what additional exposure we have on this project, including that before you have negotiations to extend terms, delay, etc., there's a whole lot of parameters that you have to go through, probably take you from expanded today to that point of about $100 million or less. Mike?

M. Bless Yes. Kuni, to answer your question, that, obviously, Logan talked about the project and the status of the analysis. I mean, if we did stop spending on the project, the answer is back to that $20 million of maintenance cap ex. There are one or two small projects in the U.S. that for safety reasons will be completed, but we're talking about maybe a million dollars over that, Wayne is nodding yes. So, you go back to that maintenance level, absolutely.

L. Kruger Not too much detail, Kuni, but I think it covers the areas we'll see in follow-up questions.

K. Chen All right, great. Thanks, I'll turn it over.

Moderator Our next question comes from David Lipschot with Merrill Lynch. Please go ahead.

D. Lipschitz Thank you. Hey, everyone. You did a great job, I thought, last quarter in going quarter-over-quarter in terms of your cost, can you talk about in terms of the change on the downside for the fourth quarter from the third quarter in terms of, you know, you had the $6 million up or something like that? Is there any type of breakdown you can give us heading into either fourth quarter or next year if prices were to average where we are right now?

M. Bless No, David, we don't have that right now. We're looking at it, as Wayne said, we're going supplier by supplier. We usually don't like to sort of guess forward, but last quarter we knew these cost increases were coming and we felt that since we knew it you should know it and that's why we detailed all of them.

Right now we don't know. We're going through it. Obviously, some of these have a quarter or two lag before you catch up and you start to see things reverse the other way. Obviously, anodes in coal and pitch are referenced to oil, there are some lag effects, but we'll start to see some of that, as Logan said. You know, you have alumina in two respects; one, just simply as the LME comes down and the lag effect goes away, and two, based on the foot call range for the contracts next year and that's a little bit unknowable at this point in time. It will come down. How much? We don't know.

So, when we have it we'll certainly have an estimate that's good enough to give you in the next call in late January. Right now, we don't have it for ourselves.

D. Lipschitz — If Ravenswood were to be not cash neutral, would you just shut it down?

L. Kruger — I think that's a question that's, David, in the future we'll see that. I think we can't answer that. Our work is to keep our operations in a cash neutral or positive situation so it's a question that we haven't come to and the team at Ravenswood is doing a good job, so we have to address that in the coming months.

D. Lipschitz — Okay, thanks.

Moderator — Our next question comes from Tim Hayes of Davenport & Company. Please go ahead.

T. Hayes — Good afternoon. A question on the anode cost and the shipping. Given that oil has been all over the place and shipping rates have come down, what, roughly, are you paying for spot anodes and how much does it cost to deliver them?

M. Bless — We don't purchase spot anodes. All our anodes are on a long-term contract basis. Remember now, when we talk about anodes it's only for Iceland. In the U.S. we make all our own anodes. We have our own anode manufacturing facilities. We buy the coke and pitch and bake it and combine it and make a block, so in Iceland we buy from Europe and from China. Those are long-term contracts with reference to, obviously, petroleum products.

Again, they have some reference. As I said, they'll come down, but over time the same with freight. We're starting to see some alleviation right now. We think freight rates are going to go down, but nothing priced in certainly for the quarter we just ended.

T. Hayes — And on the long-term contracts, then, is there a date in the near-term when that starts to get renewed? How long-term are we talking?

W. Hale — Those get re-upped every quarter as far as the pricing and those contracts do come to conclusion, those European ones. Now, remember we have ownership of BHH in China, that's an ownership issue. So, right now we see the pricing mitigating a bit due to input costs and, as Mike indicated, freight.

T. Hayes — Okay, thanks. And, again, I appreciate all the detail on the sequential costs that you do.

M. Bless — Thank you, Tim.

Moderator — Our next question comes from David Gagliano of Credit Suisse. Please go ahead.

D. Gagliano — Hi. I just wanted to focus in on the costs a little bit more. First of all, the $10 million cost increase in Q3, now is it, coming from Gramercy, is it fair given that 30% of that was gas related, 70% was volumes that are now back up and running, is it fair to assume that we should not expect to see a similar issue in Q4?

M. Bless — Yes, it is fair to assume that, correct.

D. Gagliano — Okay. And then the second question is on the krona; I just want to make sure I have this right. What was sort of the average FX rate that flowed through your operating results in Q3 in terms of the krona?

M. Bless — I don't have what the average rate was, David. I can go calculate it; it's easy to do. I don't know.

D. Gagliano — Were there any hedges in place?

M. Bless — Yes, there were hedges in place, absolutely.

D. Gagliano — You're closing out those hedges, is that right?

M. Bless — We're closing out those hedges. So just to repeat the hedges that remain; and then absolutely, we had three month's worth settle in the quarter for their terms. They settle once a month, as you know, and so everything that we have left we believe has been closed out. This literally is breaking news as of today. We've been working on it for the past couple of days led by our team in Iceland, of course, who have done a terrific job. We've got not written yet, but confirmation with draft writing, I guess I should say to be confirmed later today or tomorrow, that those contracts are settled and closed and so we'll have no remaining forward of krona purchases.

And the way we look at it is twofold, just to repeat the reason that we were anxious to settle them was twofold. One is because, as I'm sure everybody has read, once the situation really deteriorated in Iceland basically the market for foreign exchange between the krona and any other currency broke down and the private quotes that were being made were all over the map, but some of them were quite, quite high. You've seen them, too, anecdotal evidence in the 200s and 300s even per dollar.

And so in that respect the government has come in. They did try to peg a rate for a day, but they backed off on that. But they, as really the only market maker today, have been exchanging krona and have been very consistent and good about it. It's been between 110 and 114 over the last couple weeks.

Once a settlement is made, again, whether it's with the IMS and we don't know; we, obviously, have some insight given Logan's meetings there and such, but we're reading the same stuff that you're reading, but once there's a settlement reached with the IMS and/or other parties the supposition is if you have followed other IMS settlements that one of the conditions is that the currency is allowed to freely float again and we did not want to take the risk that that happens and this could get really away from us so we settled it.

L. Kruger — And this lower supposition about trending to the euro, etc. I think it's very difficult to predict what will happen in that basis in the next couple of months.

D. Gagliano — Okay, but I just want to make sure I'm thinking about it correctly. Is it right then, the way I'm thinking about it is 85 goes to 114, now you're 25% reduction in your dollar cost.

M. Bless — You've got it.

D. Gagliano — Okay, I just wanted to make sure I had it right.

M. Bless — That's why I said, David, that you know we make this one-time payment. Obviously, we offset it against our deposits that are in Iceland and then we move on and every month as we make krona based payments, whether it's payroll or other local expenses we're now exchanging those at 114 or, frankly, if things go the way that I think most people are expecting them to go the currency probably should devalue.

That's not a prediction, it's just an observation based on where the world was before things broke down and the way past IMS settlements have worked so we'll enjoy that upside as well. So basically the way I look at it is for those volumes we bought at 85, we gave up the upside between 85 and where we settled at 114, but if it does devalue, which, of course, for Iceland we hope it does not because it's in our interest there to have a strong economy, but we would enjoy the upside above 114.

D. Gagliano: Okay. Then just last question, how much of your operating costs at Grundartangi are actually krona based? Is it 100%?

L. Kruger: Oh, no. It's about 12% to 15% I think is a good number to use.

M. Bless: A little higher than that.

L. Kruger: Maybe 20%; I'm getting indications here slightly higher, maybe 15% to 20%.

M. Bless: You know, just to take a step back to where those numbers are coming from, usually in a typical smelter, as we say, payroll and all employee-based costs are in the order of, say, 15%. At Iceland, of course, because you don't have alumina in the cost of sales, you've got to kind of gross that up at least by a third, so it's maybe in the 20% or even 25%, David, range.

D. Gagliano Okay, and then how much of the capital cost at Helguvik is krona based and what was the exchange rate that was assumed when you were developing the capital cost estimate?

L. Kruger Good question. David, I think on Helguvik just take a step back. For the project phase one, particularly, 70 to 75 rate for $1.2 million up to the end of 2010. About 40% was krona based and we used an exchange rate of around about 70.

M. Bless Seventy-five.

L. Kruger Seventy-five. So, you'll understand what our review is going to be. It's, obviously, looking forward can we take advantage on the Helguvik project now and is that the prudent thing for us to do and on what basis, considering a whole lot of our options, not only the local costs, but also the material costs.

I'll give you one that you've seen in the last one is, obviously, steel has come off from over $1,000 a ton to $600 a ton. We're fortunate in one point of time that we haven't committed all our expenditures to a particular set of prices on materials and, obviously, had the opportunity to go back and relook at these with some of our contracts.

M. Bless Just one other comment, if I may. Another of the major factors of many factors that we have to look at during this assessment over the very near term, I think, David, I have a sense of where you're heading and you're right on. A countervailing force, of course, because I think you point is, rightly so, that on a big chunk of the project spending were we to proceed we'll enjoy a benefit there.

The countervailing force, of course, is inflation, which with anybody familiar with a situation like this, and I've seen them in my past in South and Latin America, those economies, as we all know, were burdened by some pretty ugly inflation during a corrective period like this. So, it's not a straight savings. You've got to re-calculate sort of what all the local krona based rates are going to be based on where you think prices are going.

D. Gagliano Okay, fair enough. I appreciate the additional info. Thanks.

Moderator Our next question comes from Don Adronje of Longacre. Please go ahead.

S. Adrangi Hey, guys, how are you doing? You mentioned Ravenswood. On Mt. Holly and Hawesville how much lower do aluminum prices need to go for those facilities to sort of hit cash breakeven?

L. Kruger I think it's a nice question. We don't give guidance on individual costs. And I think our rate is rated at the top end, it's well-known, and that's the one that, obviously, is the first exposed. So we don't give that. We know we are better than mid-tier and things can be improved. So, I think that's the best we can help you with. I don't know if Mike has any comments.

M. Bless No, obviously, they're cash flow positive today. We can confirm that and, as Logan said, we really for a whole host of reasons haven't gotten down to the plant level in terms of talking about op ex, cash op ex; but they are cash breakeven today and, as Logan said, Ravenswood is close and we think that we have, Wayne and the team, have some reasonably achievable buckets of ways that we can get it, even at today's metal price, within striking distance at least. And we're going after those hard.

S. Adrangi Okay. That was my question.

M. Bless Okay. Thank you.

L. Kruger Thank you.

Moderator We have a question from Wayne Atwell of Pontis Capital Management. Please go ahead.

W. Atwell Thank you. And sorry for belaboring this point, but when you closed out your krona exchange forward contracts you took at $28 million charge, is that correct?

M. Bless We haven't taken it yet. Again, this is late-breaking. If we have indeed done it as we believe, and the only reason I'm hedging there, no pun intended, is I haven't seen the piece of paper yet, but our attorneys in Iceland who were present at these meetings with the banks tell us that it's done. So assuming that's true we will take the charge and, obviously, that will be reflected in our fourth quarter financial statements. Absolutely, Wayne.

W. Atwell And did you say there was an offsetting $28 million something?

M. Bless: Well, of course, you get that back, you'll see it roll through the P&L as you go forward because know you're unhedged and as you're taking dollars to exchange them into krona to make your payroll and make your Iceland-based expenses you're exchanging at 114 or wherever the currency goes, so to the extent that the currency stays at 114 or even devalues we'll get that back or, quite frankly, or more if the currency devalues as the business grinds forward over the next nine months.

W. Atwell: Right, so essentially you're saying your local costs – wages and power and such – will be less, of course because…

M. Bless: Not power. We pay power in U.S. dollars. As you know, it's paid to the LME so that's in dollars. But, it's payroll and others, which, as Shelly pointed out, is in the 20% or 25% maybe of the total op ex at Grundartangi category.

W. Atwell: Okay. Now, are we also done with mark to market since that's been closed out, we won't see that anymore?

M. Bless: That's correct.

W. Atwell — Great. And I think you covered this, but there's been no discontinuation of services in Iceland? Everything is operating as expected and deliveries are arriving as expected and things are fairly smooth in that respect?

L. Kruger — I spent a week there, which was last week, I came back Saturday, Wayne. Things are continuing quite normally. Obviously, we've checked but our Grundartangi facility has deliveries direct to the harbor at the site, those are continuing. Our suppliers for the alumina, particularly, are BHB and Glencore and those are renowned suppliers who've got lots of suppliers and they take the metal away. The other come contains and we can deal with that. So I think, overall payrolls continue.

Things were amazingly, if I can say that, normal although that's a pretty un-normal arrangement of banks operation, although there are some difficulties in dealing with some of the currencies, but we've had positive results as Mike has described and including the unwind of the currency.

M. Bless — We've had, I just might add, great cooperation from the Icelanders in the banking community, at the Central Bank in helping us and when I say we, I'm sure I speak with our peers, U.S. and other non-Icelandic companies that do business there as well, in trying to make our business operations as "normal" as possible. They are bending over backwards and doing everything within their power to help keep our business operating normally.

Because, number one, it's the right thing to do and, two, it's in their best interest to do so. We're a major employer on the island. We provide good, high-paying jobs and all that and over the next couple of years that's going to be an important engine in that economy. So we've had just phenomenal cooperation.

L. Kruger And complete access. Obviously, we're watching it very closely. I think Mike's been quite clear. We've managed the conditions and the banking system and our funds in Iceland, and we'll continue to monitor it as we go forward.

W. Atwell Great. Thank you very much.

L. Kruger Thanks, Wayne.

M. Bless Thanks, Wayne.

Moderator We have a question from Mark Liinamaa of Morgan Stanley. Please go ahead.

M. Liinamaa: Good evening. Could you comment as far as the cost goes in the United States, would you be able to give any color on how much North American capacity operates above Ravenswood?

L. Kruger: I think it's a good question. I would suggest you go and look at something at CRU…

M. Liinamaa: But it's not the high cost facility in North America?

L. Kruger: No, it's not. That's why I suggest; it really would be inappropriate for me to run out and look up those names, even if I did know them off the top of my head. I'm sure Shelly or Michael or, certainly, Wayne would have some ideas.

There are some properties, as you know, in the northwest that operate half turns so you can work that out pretty easily. There are a number. And I don't want people to over analyze why I use Ravenswood, but just for us as a company we have to set benchmarks, very important for us to aim at and Ravenswood is the one we have to deal with upfront and it would be remiss for us in our discussions with you today in these particular circumstances.

M. Liinamaa — Certainly understandable. I don't want to get everybody upset there and I'm sure they're going to make good progress getting costs under control. I would be interested, though, in hearing some commentary how big a decision is it to shut something down? Not specifically Ravenswood, but in the industry. If you shut it down today how long does it take, how much does it cost and how easy is it to take back up again when market conditions return? Because I think there's maybe some benefit to managing high cost facilities to maximize profit rather than minimize costs at these points in the cycle. Any commentary there would be appreciated.

L. Kruger — Yes, I presume you're talking, Mark, about operating smelter facilities or refineries. Let's make it a generic basis.

M. Liinamaa — Yes.

L. Kruger — Generally, quite difficult to shut down and then you've got to look at the ongoing maintenance costs for whatever period and so you've got a one-time occurrence you do liberate some working capital, as you know, from what you've got in the plant, but I think the real trick and this is the one that everyone has to sit and think about, is where are you going to get the power from?

How long can you preserve that power option and what that pricing is going to be if and when you want to start up? So, although it's a hypothetical question it's got some interesting connotations of what you have to think about.

So the upfront impacts are fairly easy to measure. The ongoing impacts are pretty reasonable. I think the real test, which is the one that goes to the supply side constraints, is are you able to preserve a power contractual arrangement that you can turn on in terms that you understand later on.

M. Liinamaa — Okay. Do you think there's any risk at all if this economic situation hangs around for a bit that we create an overhang that takes multi-years to get over?

L. Kruger — You know, Wayne can comment, but let me just give you some thoughts. There was a northwest U.S.A. overhang, which in reality didn't turn out to be there for a number of circumstances. I think, obviously, one of the questions which I alluded to in my discussion around the marketing is how quickly do you work through this.

But I think more importantly is if the supply side, particularly not only existing operations, but future expansions growth and I'm particularly looking at perhaps China as an example, don't go ahead, any growth beyond that quickly evaporates the inventory numbers and the ability to immediately bring response to that is very difficult. Do you want to add anything?

W. Hale I think you make a good reference in former times in the Pacific Northwest and in those specific circumstances there was a bit of overhang and because people who own those facilities don't immediately shut them down because of the costs and circumstances that prevail as a result of the shutdown.

So, basically owners and operators look at the marketplace and try to predict how long is this going to go on before they take the option to shut down. So, it's a wait and see scenario basically because it's a serious decision to take.

L. Kruger And I think we have no intention at this point in time to do any of this, but, obviously, we would be remiss not to be able to talk about this. In China shutting down is quicker, obviously, for a lot of reasons. The structural costs there might suddenly change this up. But then the question would be, would there be power available to continue to go up. So, some of the people would, obviously, then face power increases.

We are certainly, Mark, aware of at least a couple of places that have closed down, cut off production. We, in fact, have a list of up to some 600,000 to 800,000 tons of capacity that's coming off of - we talked about coming off; some that's already happened and we do have one of the expansion projects as we know quite well that hasn't folded up and has no intention to fold for at least another three to five months.

So I think that response is happening. Hopefully I've given you some food for thought on looking at this.

M. Liinamaa — Yes, very good. Thanks and good luck with everything.

L. Kruger — Thanks Mark.

W. Hale — Thanks.

Moderator — The next question comes from Tony Rizzuto of Dahlman Rose. Please go ahead.

T. Rizzuto: Thank you very much. Gentlemen, thank you very much for the level of detail. I've got a couple of questions here and the first one is as you evaluate Helguvik, could you share with us what the price deck for aluminum is as you look at that?

L. Kruger: Tony, that's a great question, but we don't share that. I think if you had a look at how we looked at this project and felt it had a very good positive return for our shareholders on the day that we made the decision on this project, the returns were good at prices, perhaps, a bit lower that you see today. So, that gives you an idea of our somewhat conservative approach to trust some of the price decks that we use.

It's difficult for us to predict or to show price decks for obvious reasons because you're then going up and down every day.

T. Rizzuto: Understood. And I wonder, regarding Ravenswood and correct me if I'm wrong, but my understanding of Ravenswood, you have a pretty good situation there that you guys supply the hot metal for the rolling mill.

L. Kruger: Yes, that's correct. Although there is a challenge there, there are also some positives as you've pointed out so the hot metal goes into a good volume facility, which is supplying the aircraft industry, which is reasonably, I wouldn't say buoyant, but certainly has got some growth.

And it's a pretty specialized business as well. You can't build that sort of quality of volume overnight anyway.

T. Rizzuto — We've been hearing from some of our trade sources that Alcan is in the process of reviewing the mix there and might be looking to exit some of the different product categories and I'm wondering if they were to get out of maybe some of the more standard products or common alloy products, would you guys have an alternate outlet, if you will, for that material?

L. Kruger — I think, Tony, my colleagues can comment on this. We don't send all our metal across the fence anyway. So, that's the first thing you need to remember, and we do sell metal into the market to various sources already, and we have the capacity to adjust it and have on occasions when they've had some operational difficulties.

So we don't want to comment on what they're doing in terms of their own operations, but I think that's really for you to apply that question to them. Wayne?

W. Hale — I think to your point, Logan, because of the association of the two facilities there's a very symbiotic relationship there and so we have certainly sold them more metal when required and they have taken less metal and we've been able to cast it and dispose of it and sell it appropriately when they couldn't take the metal.

So, when they decide what they're going to be able to produce and take, we'll have an auto sowcaster in place which will allow us to easily cash out placement on the market, and so we'll be able to move that metal if and when required.

T. Rizzuto — All right. And, Wayne, it wouldn't have a meaningful change or impact on your overall cost structure or the overall price to get that product to customer?

L. Kruger — You've got a freight element, Tony. That's the difference. You're losing something in cost and purchases and that is not a huge cost and then you've got freight on top of that.

T. Rizzuto — All right. Thank you very much, gentlemen.

L. Kruger — Thanks, Tony.

W. Hale — Thanks, Tony.

Moderator — And our next question comes from the line of Tony Robson with BMO Capital Markets. Please go ahead.

T. Robson — Gentlemen, good afternoon. Thank you for taking my call. Wayne, actually stole most of my questions, but two remaining questions. Did I hear correctly that Helguvik cap ex for 2008 was $53 million to date, another $45 to go?

L. Kruger — Yes. Let me try and get simplistically correct and my colleagues don't correct me too much; $53 million spent so far. Mike has mentioned already that for the balance of the year 45 of commitments, including 15 in October. We believe we can improve on that 45 because we're able to apply pressure on reducing that. We, obviously, will look at all options with Helguvik, how do we proceed forward, but while we're considering that in the short term we don't want to incur any more value in Helguvik and spend more capital. But I do note that anything that we've done at Helguvik is not loss of value; in other words, you've got plants, you've got design that is usable. It's not a design ordering process that will change overnight so you don't have that risk. Going right forward and I don't know if it was asked, but maybe I'll answer it, what would look at if you had apply a full stop to this? But the answer is we haven't come to that decision and we really wish to look at this project. It's a very good project. It's world class and we want to take the time to look at it.

T. Robson Okay. Assuming you go ahead with Helguvik, I had assumed that you would access the debt markets in whatever form, corporate bonds or bank facilities. Are you talking to your bankers in the debt markets at the moment? How receptive are they in terms of the credit freeze and the aluminum price at $0.94?

M. Bless The answer to your question, and I'll elaborate, is absolutely. We're talking to a number of people right now as you would expect about a variety of potential structures. You used the correct word – freeze. Right now if you had to close and fund alone you wouldn't be very happy because there's no credit available, other than for those borrowers, as you probably know better than we, that are truly – I don't like to use the word desperate – but that truly need, whether it's to fund a refinancing or whatnot. But the markets are, as we all know, not even effectively, they're closed period.

We are looking at a variety if potential structures. You named two of them and quite appropriately there are others out there that could be available to us. There is, I would call it, not even an expectation at this point, again, you guys talk to more people in this world than we do, but at least a hope if not verging on an expectation that perhaps towards the end of this year or more likely in the first quarter of ’09 there will be some credit being extended.

But at this point in time, we’ve got a lot of work to do and this is part of what will go into the ultimate decision we make about how to proceed with the project and at what pace and to your point, running metal prices, and this was to, I think it was, Tony, your question as well, you know there are really two parts as it relates to the price expectation.

One is long-term, do you still have a good IRR based on that long-term price expectation and, as Logan correctly pointed out, we did use a price right around what we are today for the feasibility study and to go to our board of directors and decide to proceed.

Second is in the very short term you’ve got to make some pretty hard hearted assumptions about what metal could be over the next two years as you’re developing the project if we were to proceed and make sure that you’ve got your downside covered because you certainly don’t want to start, or I should say certainly don’t want to go in earnest with an outside risk that you might have to stop down the road.

T. Robson	Maybe just come north of the border. I think the Canadian banks have plenty of cash.

M. Bless	Hey, if you've got an invite, I'll be there tomorrow.

L. Kruger	Do we bring our pockets with us?

T. Robson	That's all my questions. Thank you for your time.

L. Kruger	Thank you.

M. Bless	Thanks for your question.

Moderator	And our next question comes from the line of Dan Whalen with Dahlman Rose. Please go ahead.

D. Whalen	This question is really related to the question Mark was asking earlier and you've addressed a lot of it when you were talking about the U.S. industry structure, but you also mentioned earlier about insuring first-hand of curtailments over in China as well as that region being able to shut down and restart a bit quicker.

But given that that is a much higher cost region and much dire situation, do you think they kind of try and weather the storm for a few months or does it take a few quarters before we really begin to see significant curtailments over in that part?

L. Kruger — I think the answer to that is your guess is as good as mine, but we are aware of curtailments already. We are aware of slowdowns. We're also aware of expansions that have not started. In other words, they're nearing completion and they're not started and don't intend to start.

I think it depends on the individual circumstances. In the case of refineries, those with imported bauxites already announced closures and shutdowns and things. For the smelters it will depend on location, freight costs, power costs. What is the alumina cost and that goes back to, obviously, freight. So some will, obviously, do it quicker than others and others will do what you think, perhaps hang on for a bit longer.

D. Whalen — From what you've heard has it been rough order magnitude, has it been 400,000 or 500,000 tons that have been delayed?

L. Kruger — Yes, I think the number is a lot higher. We're hearing numbers, 800,000 tons to a million and it's quite surprising when you get a list and you can actually go and check some of these things. You can actually go by name of smelter and send someone to go and confirm one way or another just as a sample to get a sense of the… And I've seen very detailed ones leading up to a million tons.

D. Whalen Thank you very much.

L. Kruger Thank you.

Moderator There are no further questions. Please continue.

L. Kruger Well thank you, everyone. We appreciate your time that you spent today. We're, obviously, well focused on the challenges ahead of us and we look to speaking again with you in the near future. Thank you.

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