CENTURY ALUMINUM CO
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______.

Commission file number 0-27918

Century Aluminum Company
(Exact name of Registrant as specified in its Charter)

Delaware	**13-3070826**
(State of Incorporation)	*(IRS Employer Identification No.)*
2511 Garden Road Building A, Suite 200 Monterey, California	**93940**
(Address of principal executive offices)	*(Zip Code)*

(831) 642-9300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange

Act). o Yes x No

The registrant had 40,958,071 shares of common stock outstanding at July 31, 2007.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

CENTURY ALUMINUM COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(UNAUDITED)

	June 30, 2007	December 31, 2006
ASSETS		
Cash	$ 187,727	$ 96,365
Restricted cash	2,012	2,011
Short-term investments	121,681	--
Accounts receivable — net	111,153	113,371
Due from affiliates	37,999	37,542
Inventories	167,344	145,410
Prepaid and other current assets	20,355	19,830
Deferred taxes — current portion	120,196	103,110
Total current assets	768,467	517,639
Property, plant and equipment — net	1,251,952	1,218,777
Intangible asset — net	54,599	61,594
Goodwill	94,844	94,844
Other assets	335,814	292,380
TOTAL	$ 2,505,676	$ 2,185,234
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	$ 70,070	$ 64,849
Due to affiliates	279,820	282,282
Accrued and other current liabilities	68,473	75,143
Long term debt — current portion	618	30,105
Accrued employee benefits costs — current portion	11,083	11,083
Convertible senior notes	175,000	175,000
Industrial revenue bonds	7,815	7,815
Total current liabilities	612,879	646,277
Senior unsecured notes payable	250,000	250,000
Nordural debt	54,018	309,331
Accrued pension benefits costs — less current portion	20,789	19,239
Accrued postretirement benefits costs — less current portion	214,772	206,415
Due to affiliates – less current portion	655,782	554,864
Other liabilities	42,067	27,811
Deferred taxes	54,205	41,587
Total noncurrent liabilities	1,291,633	1,409,247
CONTINGENCIES AND COMMITMENTS (NOTE 8)		
SHAREHOLDERS' EQUITY:		

Common stock (one cent par value, 100,000,000 shares authorized; 40,952,070 and 32,457,670 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively)		410		325
Additional paid-in capital		853,273		432,270
Accumulated other comprehensive loss		(111,890)		(166,572)
Accumulated deficit		(140,629)		(136,313)
Total shareholders' equity		601,164		129,710
TOTAL	$	2,505,676	$	2,185,234

See notes to consolidated financial statements

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CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2007	**2006**	**2007**	**2006**
NET SALES:				
Third-party customers	$ 370,883	$ 356,242	$ 751,736	$ 654,715
Related parties	93,122	49,734	159,926	98,207
	464,005	405,976	911,662	752,922
Cost of goods sold	355,613	297,972	692,618	568,450
Gross profit	108,392	108,004	219,044	184,472
Selling, general and administrative expenses	14,445	8,376	27,412	20,495
Operating income	93,947	99,628	191,632	163,977
Interest expense	(8,637)	(8,799)	(19,680)	(15,550)
Interest income	1,198	152	3,211	348
Net loss on forward contracts	(205,246)	(30,456)	(204,856)	(317,216)
Other income (expense) - net	(3,139)	37	(3,295)	(124)
Income (loss) before income taxes and equity in earnings of joint ventures	(121,877)	60,562	(32,988)	(168,565)
Income tax (expense) benefit	57,045	(19,109)	28,958	65,247
Income (loss) before equity in earnings of joint ventures	(64,832)	41,453	(4,030)	(103,318)
Equity in earnings of joint ventures	4,167	4,347	7,614	7,547
Net income (loss)	$ (60,665)	$ 45,800	$ 3,584	$ (95,771)
EARNINGS (LOSS) PER COMMON SHARE:				
Basic	$ (1.77)	$ 1.41	$ 0.11	$ (2.96)
Diluted	$ (1.77)	$ 1.35	$ 0.10	$ (2.96)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	34,224	32,419	33,371	32,341
Diluted	34,224	34,297	35,597	32,341

See notes to consolidated financial statements

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CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(UNAUDITED)

	Six months ended June 30, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 3,584	$ (95,771)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized net loss on forward contracts	150,160	283,573
Depreciation and amortization	38,012	32,224
Deferred income taxes	(48,949)	(29,806)
Pension and other post retirement benefits	9,907	7,139
Stock-based compensation	2,598	3,872
Excess tax benefits from share-based compensation	(487)	(1,090)
(Gain) loss on disposal of assets	(95)	45
Non-cash loss on early extinguishment of debt	2,461	--
Increase in short-term investments – net	(121,681)	--
Undistributed earnings of joint ventures	(7,614)	(7,547)
Changes in operating assets and liabilities:		
Accounts receivable – net	2,218	(35,175)
Due from affiliates	(456)	3,003
Inventories	(21,934)	(17,880)
Prepaid and other current assets	(2,650)	(3,459)
Accounts payable, trade	7,341	(710)
Due to affiliates	15,474	2,173
Accrued and other current liabilities	(16,855)	(69,243)
Other – net	10,053	(4,058)
Net cash provided by operating activities	21,087	67,290
CASH FLOWS FROM INVESTING ACTIVITIES:		
Nordural expansion	(58,981)	(109,002)
Purchase of property, plant and equipment	(7,678)	(7,568)
Restricted and other cash deposits	2,599	(4,001)
Proceeds from sale of property, plant and equipment	543	10
Net cash used in investing activities	(63,517)	(120,561)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	30,000	69,000
Repayment of long-term debt	(314,800)	(288)
Net repayments under revolving credit facility	--	(8,069)
	487	1,090

Excess tax benefits from shared-based compensation				
Issuance of common stock – net of issuance costs		418,105		2,961
Net cash provided by financing activities		133,792		64,694
NET CHANGE IN CASH		91,362		11,423
Cash, beginning of the period		96,365		17,752
Cash, end of the period	$	187,727	$	29,175

See notes to consolidated financial statements

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements
Six months ended June 30, 2007 and 2006
(Dollars in thousands, except per share data)
(UNAUDITED)

1. General

The accompanying unaudited interim consolidated financial statements of Century Aluminum Company should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006. In management's opinion, the unaudited interim consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, that are necessary for a fair presentation of financial results for the interim periods presented. Operating results for the first six months of 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. Throughout this Form 10-Q, and unless expressly stated otherwise or as the context otherwise requires, "Century Aluminum," "Century," "we," "us," "our" and "ours" refer to Century Aluminum Company and its consolidated subsidiaries.

During the three months ended June 30, 2007, we purchased short-term investments with maturities greater than 90 days that are not considered cash equivalents. Our accounting policy for these short-term investments is as follows:

Short-term investments – We account for short-term investment securities in accordance with Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At June 30, 2007, our short-term investments (primarily auction-rate securities) were classified as trading securities and recorded at fair value with unrealized holding gains and losses included in net earnings.

2. Equity Offering

In June 2007, we completed a public equity offering of 8,337,500 shares of common stock, which included the exercise of the over-allotment option of 1,087,500 shares of common stock, at a price of $52.50 per share, raising $437,719 before offering costs. We sold the 8,337,500 shares of common stock in a simultaneous offering in the United States and Iceland. Shares of common stock offered and sold in Iceland are represented by global depositary receipts, with one depositary receipt representing one share of common stock. The offering costs were approximately $23,686, representing underwriting discounts and commissions and offering expenses.

In June 2007, we used a portion of the net proceeds from the equity offering to repay $200,000 of principal of the Nordural senior term loan facility. The balance of the equity offering proceeds is expected to be used as partial funding for the construction of a greenfield aluminum smelter near Helguvik, Iceland and for general corporate purposes.

3. Earnings Per Share

The following tables provide a reconciliation of the computation of basic and diluted earnings per share:

	For the three months ended June 30,					
	2007			2006		
	Income	Shares	Per-Share	Income	Shares	Per-Share
Net income (loss)	$ (60,665)			$ 45,800		
Basic EPS:						

Income (loss) applicable to common shareholders		(60,665)	34,224	$	(1.77)		45,800	32,419	$	1.41
Effect of Dilutive Securities:										
Options		--	--				--	99		
Service-based stock awards		--	--				--	93		
Assumed conversion of convertible debt		--	--				490	1,686		
Diluted EPS:										
Income (loss) applicable to common shareholders with assumed conversion	$	(60,665)	34,224	$	(1.77)	$	46,290	34,297	$	1.35

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

	For the six months ended June 30,					
	2007			2006		
	Income	Shares	Per-Share	Income	Shares	Per-Share
Net income (loss)	$ 3,584			$ (95,771)		
Basic EPS:						
Income (loss) applicable to common shareholders	3,584	33,371	$ 0.11	(95,771)	32,341	$ (2.96)
Effect of Dilutive Securities:						
Options	--	57		--	--	
Service-based stock awards	--	75		--	--	
Assumed conversion of convertible debt	--	2,094		--	--	
Diluted EPS:						
Income (loss) applicable to common shareholders with assumed conversion	$ 3,584	35,597	$ 0.10	$ (95,771)	32,341	$ (2.96)

Options to purchase 440,289 and 384,372 shares of common stock were outstanding as of June 30, 2007 and 2006, respectively. For the three months ended June 30, 2007, all options, service-based stock and shares to be issued upon the assumed conversion of our convertible debt were excluded from the calculation of diluted EPS because of their antidilutive effect on earnings per share. For the six month period ended June 30, 2007, 24,000 options were excluded from the calculation of diluted EPS because the exercise price of these options was greater than the average market price of the underlying common stock. Based on the average price for our common stock in the six months ended June 30, 2007, we would have been required to issue approximately 2,094,000 shares upon an assumed conversion of our convertible debt. For the three month period ended June 30, 2006, 25,000 options were excluded from the calculation of diluted EPS because the exercise price of these options was greater than the average market price of the underlying common stock. Based on the average price for our common stock in the three months ended June 30, 2006, we would have been required to issue approximately 1,686,000 shares upon an assumed conversion of our convertible debt. For the six month period ended June 30, 2006, all options, service-based stock and shares to be issued upon the assumed conversion of our convertible debt were excluded from the calculation of diluted EPS because of their antidilutive effect on earnings per share.

Service-based stock for which vesting is based upon continued service is not considered issued and outstanding shares of common stock until vested. However, the service-based stock is considered a common stock equivalent and therefore the weighted average service-based stock is included, using the treasury stock method, in common shares outstanding for diluted earnings per share computations, if they have a dilutive effect on earnings per share. There were 81,834 and 98,500 unvested shares of service-based stock outstanding at June 30, 2007 and 2006, respectively. Our goal-based performance share units are not considered common stock equivalents until it becomes probable that performance goals will be obtained.

4. Income Taxes

We adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” ("FIN 48"), on January 1, 2007. As a result of adoption, we decreased our January 1, 2007 retained earnings balance by approximately $7,900. As of the adoption date, we had unrecognized tax benefits of $21,800. If recognized, $18,300 of this amount would affect the effective tax rate.

It is our policy to recognize potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized approximately $5,000 of interest, net of federal benefits, at January 1, 2007 which is included as a component of the $21,800 net unrecognized tax benefits noted above. During the three and six months ended June 30, 2007, we recognized as income tax expense approximately $800 and $1,500, respectively, in potential interest associated with uncertain tax positions.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

Century and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions within the United States, and in Iceland. We have substantially concluded all material U.S. federal income tax matters for years through 1999. Federal income tax returns for 2000 through 2002 are currently under examination by the Internal Revenue Service ("IRS"). In connection with these examinations, the IRS has raised issues and proposed tax deficiencies. We have filed an administrative appeal with the IRS and it is likely that this examination will conclude in 2007. We believe our tax position is well supported and, based on current information, we do not believe the outcome of the tax audit will have a material adverse impact on our financial condition or results of operations. Our federal income tax returns beginning in 2003 are subject to examination. Material state and local income tax matters have been concluded for years through 2002. West Virginia income tax returns for 2003 through 2005 are currently under examination and the majority of other state returns beginning in 2003 are subject to examination. Our Icelandic tax returns are subject to examination and income tax matters have been concluded for years through 2001.

We do not expect a significant change in the balance of unrecognized tax benefits within the next twelve months with the exception of reductions for potential payments to the IRS to settle the examination as noted above.

During the three months ended June 30, 2007, we recognized a $4,311 tax benefit related to the increase in the carrying amount of deferred tax assets as a result of a tax law change in West Virginia.

5. Inventories

Inventories consist of the following:

	June 30, 2007	December 31, 2006
Raw materials	$78,922	$61,749
Work-in-process	21,410	20,528
Finished goods	7,003	5,435
Operating and other supplies	60,009	57,698
Inventories	$167,344	$145,410

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

6. Goodwill and Intangible Asset

We test our goodwill for impairment annually in the second quarter of the fiscal year and at other times whenever events or circumstances indicate that the carrying amount of goodwill may exceed its fair value. If the carrying value of goodwill exceeds its fair value, an impairment loss will be recognized. No impairment loss was recorded in 2007 or 2006. The fair value is estimated using market comparable information.

The intangible asset consists of the power contract acquired in connection with our acquisition of the Hawesville facility (“Hawesville”). The contract value is being amortized over its term using a method that results in annual amortization equal to the percentage of a given year’s expected gross annual benefit to the total as applied to the total recorded value of the power contract. As of June 30, 2007, the gross carrying amount of the intangible asset was $155,986 with accumulated amortization of $101,387.

For the three month periods ended June 30, 2007 and 2006, amortization expense for the intangible asset totaled $3,498 and $3,262, respectively. For the six month periods ended June 30, 2007 and 2006, amortization expense for the intangible asset totaled $6,995 and $6,524, respectively. For the year ending December 31, 2007, the estimated aggregate amortization expense for the intangible asset will be approximately $13,991. The estimated aggregate amortization expense for the intangible asset through the Hawesville power contract's term is as follows:

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

	2008	2009	2010
Estimated Amortization Expense	$ 15,076	$ 16,149	$ 16,378

The intangible asset is reviewed for impairment in accordance with SFAS 142, “Goodwill and Other Intangible Assets,” whenever events or circumstances indicate that its net carrying amount may not be recoverable.

7. Debt

	June 30, 2007	December 31, 2006
Debt classified as current liabilities:		
1.75% convertible senior notes due 2024, interest payable semiannually (1)(2)(5)	$ 175,000	$ 175,000
Hancock County industrial revenue bonds due 2028, interest payable quarterly (variable interest rates (not to exceed 12%))(1)	7,815	7,815
Current portion of long-term debt	618	30,105
Debt classified as non-current liabilities:		
7.5% senior unsecured notes payable due 2014, interest payable semiannually (5)(6)(8)	250,000	250,000
Nordural’s senior term loan facility maturing in 2010, variable interest rate, interest payments due semiannually through 2010 (3)(4)(7)	46,500	301,500
Nordural’s various loans, with interest rates ranging from 5.55% to 6.75% due through 2020, less current portion	7,518	7,831
Total Debt	$ 487,451	$ 772,251

(1) The convertible notes are classified as current because they are convertible at any time by the holder. The IRBs are classified as current liabilities because they are remarketed weekly and could be required to be repaid upon demand if there is a failed remarketing. The IRB interest rate at June 30, 2007 was 4.03%.

(2) The convertible notes are convertible at any time by the holder at an initial conversion rate of 32.7430 shares of Century common stock per one thousand dollars of principal amount of convertible notes, subject to adjustments for certain events. The initial conversion rate is equivalent to a conversion price of approximately $30.5409 per share of Century common stock. Upon conversion of a convertible note, the holder of such convertible note shall receive cash equal to the principal amount of the convertible note and, at our election, either cash or Century common stock, or a combination thereof, for the convertible notes’ conversion value in excess of such principal amount, if any.

(3) Nordural’s senior term loan interest rate at June 30, 2007 was 6.87%. The senior term loan facility contains customary covenants, including limitations

on additional indebtedness, investments, capital expenditures (other than related to the expansion project), dividends, and hedging agreements. Nordural is also subject to various financial covenants, including a net worth covenant and certain maintenance covenants, including minimum interest coverage and debt service coverage beginning as of December 31, 2006.

(4) Nordural's obligations under the senior term loan facility are secured by a pledge of all of Nordural's shares pursuant to a share pledge agreement with the lenders. In addition, substantially all of Nordural's assets are pledged as security under the loan facility.

(5) Century’s obligations pursuant to the notes are unconditionally, jointly and severally guaranteed, on a senior unsecured basis by all of our existing domestic restricted subsidiaries.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

(6) The indenture governing these obligations contain customary covenants, including limitations on our ability to incur additional indebtedness, pay dividends, sell assets or stock of certain subsidiaries and purchase or redeem capital stock.

(7) The senior term loan facility agreement repayment schedule was amended in March 2007 to allow a prepayment of the August 2007 principal payment on March 31, 2007. A further amendment in April 2007 allowing additional prepayment without penalty preceded an additional prepayment which eliminated all periodic principal payments. The remaining outstanding principal amount is due February 28, 2010.

(8) On or after August 15, 2009, we have the option to redeem any of the senior notes, in whole or in part, at an initial redemption price equal to 103.75% of the principal amount, plus accrued and unpaid interest. The redemption price will decline each year after 2009 and will be 100% of the principal amount, plus accrued and unpaid interest, beginning on August 15, 2012.

We have a $100,000 senior secured revolving credit facility (“Credit Facility”) with a syndicate of banks that will mature September 19, 2010. Our obligations under the Credit Facility are unconditionally guaranteed by our domestic subsidiaries (other than Century Aluminum Holdings, Inc., Century Louisiana, Inc., Century California, LLC, Century Aluminum Development LLC and Nordural US LLC) and secured by a first priority security interest in all accounts receivable and inventory belonging to Century and our subsidiary borrowers. The availability of funds under the Credit Facility is subject to a $15,000 reserve and limited by a specified borrowing base consisting of certain eligible accounts receivable and inventory. Borrowings under the Credit Facility are, at our option, at the LIBOR rate or bank base rate, plus or minus in each case an applicable margin. The Credit Facility is subject to customary covenants, including limitations on capital expenditures, additional indebtedness, affiliate transactions, liens, guarantees, mergers and acquisitions, dividends, distributions, capital redemptions and investments. We could issue up to a maximum of $25,000 in letters of credit under the Credit Facility. We have issued letters of credit totaling $2,277 as of June 30, 2007. We had no other outstanding borrowings under the Credit Facility as of June 30, 2007. As of June 30, 2007, we had a borrowing availability of $97,723 under the Credit Facility. We pay a commitment fee for the unused portion of the line.

8. Contingencies and Commitments

Environmental Contingencies

We believe our current environmental liabilities do not have, and are not likely to have, a material adverse effect on our financial condition, results of operations or liquidity. However, there can be no assurance that future requirements or conditions at currently or formerly owned or operated properties will not result in liabilities which may have a material adverse effect.

Century Aluminum of West Virginia, Inc. (“CAWV”) continues to perform remedial measures at our Ravenswood, West Virginia facility (“Ravenswood”) pursuant to an order issued by the Environmental Protection Agency (“EPA”) in 1994 (the “3008(h) Order”). CAWV also conducted a RCRA facility investigation (“RFI”) under the 3008(h) Order evaluating other areas at Ravenswood that may have contamination requiring remediation. The RFI has been approved by appropriate agencies. CAWV has completed interim remediation measures at two sites identified in the RFI, and we believe no further remediation will be required. A Corrective Measures Study, which will formally document the conclusion of these activities, is being completed with the EPA. We believe a significant portion of the contamination on the two sites identified in the RFI is attributable to the operations of third parties and is their financial responsibility.

Prior to our purchase of Hawesville, the EPA issued a final Record of Decision ("ROD") under the Comprehensive Environmental Response, Compensation and Liability Act. By agreement, Southwire is to perform all obligations under the ROD. Century Aluminum of Kentucky, LLC ("Century Kentucky") has agreed to operate and maintain the ground water treatment system required under the ROD on behalf of Southwire, and Southwire will reimburse Century Kentucky for any expense that exceeds $400 annually.

CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

Century is a party to an EPA Administrative Order on Consent (the "Order") pursuant to which other past and present owners of an alumina refining facility at St. Croix, Virgin Islands have agreed to carry out a Hydrocarbon Recovery Plan to remove and manage hydrocarbons floating on groundwater underlying the facility. Pursuant to the Hydrocarbon Recovery Plan, recovered hydrocarbons and groundwater are delivered to the adjacent petroleum refinery where they are received and managed. Lockheed Martin Corporation ("Lockheed"), which sold the facility to one of our affiliates, Virgin Islands Alumina Corporation ("Vialco"), in 1989, has tendered indemnity and defense of this matter to Vialco pursuant to the terms of the Lockheed–Vialco Asset Purchase Agreement. Management does not believe Vialco's liability under the Order or its indemnity to Lockheed will require material payments. Through June 30, 2007, we have expended approximately $700 on the Recovery Plan. Although there is no limit on the obligation to make indemnification payments, we expect the future potential payments under this indemnification to comply with the Order will be approximately $500, which may be offset in part by sales of recoverable hydrocarbons.

In May 2005, Century and Vialco were among the defendants listed in a lawsuit filed by the Commissioner of the Department of Planning and Natural Resources, in his capacity as Trustee for Natural Resources of the United States Virgin Islands. The complaint alleges damages to natural resources caused by alleged releases from the alumina refinery facility at St. Croix and the adjacent petroleum refinery. Lockheed has tendered indemnity and defense of the case to Vialco pursuant to the terms of the Lockheed-Vialco Asset Purchase Agreement. The complaint seeks unspecified monetary damages, costs and attorney fees. Vialco and the other defendants have filed separate motions to dismiss asserting certain affirmative defenses including the statute of limitations. No ruling on those motions has been rendered as of this date.

In July 2006, Century was named as a defendant together with certain affiliates of Alcan Inc. in a lawsuit brought by Alcoa Inc. seeking to determine responsibility for certain environmental indemnity obligations related to the sale of a cast aluminum plate manufacturing facility located in Vernon, California which we purchased from Alcoa Inc. in December 1998, and sold to Alcan Rolled Products-Ravenswood LLC (formerly Pechiney Rolled Products, LLC) in July 1999. The complaint also seeks costs and attorney fees.

In December 2006, Vialco and the company that purchased the assets of Vialco in St. Croix in 1995 were named as defendants in a lawsuit filed by the Commissioner of the Department of Planning and Natural Resources. The complaint alleges the defendants failed to take certain actions specified in a Coastal Zone management permit issued to Vialco in October 1994, and seeks statutory and other unspecified monetary penalties for the alleged violations. Vialco filed its answer to the complaint asserting factual and affirmative defenses.

It is our policy to accrue for costs associated with environmental assessments and remedial efforts when it becomes probable that a liability has been incurred and the costs can be reasonably estimated. The aggregate environmental-related accrued liabilities were $885 and $605 at June 30, 2007 and December 31, 2006, respectively. All accrued amounts have been recorded without giving effect to any possible future recoveries. With respect to cost for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred.

Because of the issues and uncertainties described above, and our inability to predict the requirements of future environmental laws, there can be no assurance that future capital expenditures and costs for environmental compliance will not have a material adverse effect on our future financial condition, results of operations, or liquidity. Based upon all available information, management does not believe that the outcome of these environmental matters will have a material adverse effect on our financial condition, results of operations, or liquidity.

Legal Contingencies

We have pending against us or may be subject to various lawsuits, claims and proceedings related primarily to employment, commercial, environmental, safety and health matters. Although it is not presently possible to determine the outcome of these matters, management believes their ultimate disposition will not have a material adverse effect on our financial condition, results of operations, or liquidity.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

Power Commitments

Hawesville purchases substantially all of its power from Kenergy Corp. ("Kenergy"), a retail electric member cooperative of the Big Rivers Electrical Corporation ("Big Rivers"), under a power supply contract that expires at the end of 2010. Under this contract, we have locked in prices for approximately 73% of this power. We continuously review our options to manage the balance, or 27%, of this power and lock in prices when we believe the combination of price and term are appropriate. Kenergy acquires most of the power it provides to Hawesville from a subsidiary of LG&E Energy Corporation ("LG&E"), with delivery guaranteed by LG&E.

Appalachian Power Company ("APCo") supplies all of Ravenswood's power requirements under an agreement at prices set forth in published tariffs, which are subject to change. In 2006, the Public Service Commission for the State of West Virginia ("PSC") approved an experimental rate design through June 2009 in connection with an increase in the applicable tariff rates. Under the experimental rate, Ravenswood may be excused from or may defer the payment of the increase in the tariff rate if aluminum prices as quoted on the LME fall below pre-determined levels. After December 31, 2007, CAWV may terminate the agreement by providing 12 months notice of termination.

In May 2007, the PSC agreed on proposed adjustments to the tariff rates paid by purchasers of electrical power from APCo. APCo requested an increase in the tariff rate established in July 2006 for pollution control additions and higher than anticipated fuel, purchased power and capacity charges. The agreement became effective July 1, 2007 and increased the special contract rate for CAWV by approximately ten percent.

The Mt. Holly facility ("Mt. Holly") purchases all of its power from the South Carolina Public Service Authority at rates established by published schedules. Mt. Holly's current power contract expires December 31, 2015. Power delivered through 2010 will be priced as set forth in currently published schedules, subject to adjustments for fuel costs. Rates for the period 2011 through 2015 will be as provided under then-applicable schedules.

The Nordural facility at Grundartangi, Iceland ("Grundartangi") purchases power from Landsvirkjun (a power company owned by the Republic of Iceland), Hitaveita Suðurnesja hf. ("HS") and Orkuveita Reykjavíkur ("OR") under long-term contracts due to expire in 2019, 2026 and 2028. The power delivered to Grundartangi is priced at a rate based on the LME price for primary aluminum and is from hydroelectric and geothermal sources.

In April 2006, we announced an expansion of the Grundartangi facility from 220,000 metric tonnes per year ("mtpy") to 260,000 mtpy ("Phase V expansion") which is expected to be completed in the fourth quarter of 2007. OR has agreed to deliver the electrical power for the additional expansion capacity by late 2008. In July 2007, we formalized our agreement with Landsvirkjun to deliver electrical power for the start-up of the Phase V capacity on an interim basis, if available, until electrical power is available from OR in late 2008. To date, we have energized 53 of the 80 cells of the expansion capacity. The energizing of further cells is subject to available power. We expect that production capacity at Grundartangi will reach 260,000 mtpy by the end of the fourth quarter of 2007.

In April 2007 and June 2007, Nordural signed electrical power supply agreements with HS and OR, respectively, for the planned primary aluminum reduction facility in Helguvik, Iceland. Under the agreements, power will be supplied to the planned Helguvik facility in stages, beginning with an initial phase of up to 250 MW, which will support production capacity of up to 150,000 mtpy. HS will provide up to 150 MW in this initial stage, and OR will supply up to 100 MW. Electricity delivery for this first phase is targeted for late 2010. The agreements provide for a total of 435 MW, which will ultimately provide power for a 250,000 mtpy facility. The agreements are subject to the satisfaction of certain conditions.

Labor Commitments

Approximately 81% of our U.S. based work force is represented by the United Steelworkers of America (the "USWA"). In May 2006, our Hawesville, Kentucky plant employees represented by the USWA ratified a four-year collective bargaining agreement that will expire on April 1, 2010. The agreement covers approximately 600 hourly workers at the Hawesville plant. In August 2006, our Ravenswood plant employees represented by the USWA ratified a three-year labor agreement that will expire on May 31, 2009. The agreement covers approximately 580 hourly employees at the Ravenswood plant.

Approximately 90% of Grundartangi's work force is represented by five labor unions under an agreement that expires on December 31, 2009.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

Other Commitments and Contingencies

At June 30, 2007 and December 31, 2006, we had outstanding capital commitments of approximately $27,376 and $67,732, respectively, primarily related to the Grundartangi Phase V expansion project. Our cost commitments for the Grundartangi expansion may materially change depending on the exchange rate between the U.S. dollar and certain foreign currencies, principally the Icelandic krona and the Euro.

In May 2006, we purchased foreign currency options with a notional value of $41,627 to hedge a portion of our foreign currency risk from our exposure to the Icelandic krona associated with capital expenditures from the ongoing Phase V project at Grundartangi. The option contracts, which are designated as cash flow hedges and qualify for hedge accounting under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS No.133”), have maturities through November 2007. The critical terms of the contracts match those of the underlying exposure. As of June 30, 2007 and December 31, 2006, the notional value outstanding on the foreign currency options was $9,916 and $31,196, respectively.

As of June 30, 2007, the fair value of the options of $2,285 is recorded in other assets. Included in accumulated other comprehensive income is an after-tax unrealized gain of $3,510.

9. Forward Delivery Contracts and Financial Instruments

As a producer of primary aluminum products, we are exposed to fluctuating raw material and primary aluminum prices. We routinely enter into fixed and market priced contracts for the sale of primary aluminum and the purchase of raw materials in future periods. The following tables present our long-term primary aluminum sales and tolling contracts. Certain contracts are with a related party, Glencore International AG (together with its subsidiaries, “Glencore”).

Forward Physical Delivery Agreements

Primary Aluminum Sales Contracts

Contract	Customer	Volume	Term	Pricing
Alcan Metal Agreement (1)	Alcan	276 to 324 million pounds per year	Through August 31, 2007	Variable, based on U.S. Midwest market
Glencore Metal Agreement I (2)	Glencore	50,000 mtpy	Through December 31, 2009	Variable, LME-based
Glencore Metal Agreement II (3)	Glencore	20,400 mtpy	Through December 31, 2013	Variable, based on U.S. Midwest market
Southwire Metal Agreement	Southwire	240 million pounds per year (high purity	Through March 31, 2011	Variable, based on U.S. Midwest

molten aluminum) (4)		market
60 million pounds per year (standard-grade molten aluminum)	Through December 31, 2010	Variable, based on U.S. Midwest market
48 million pounds per year (standard-grade molten aluminum)	Through December 31, 2007	Variable, based on U.S. Midwest market

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

(1) We and Alcan agreed to a one-month extension of the Alcan Metal agreement in July 2007 in order to finalize the terms of a new agreement. The contract was extended through August 31, 2007.

(2) We account for the Glencore Metal Agreement I as a derivative instrument under SFAS No. 133. We have not designated the Glencore Metal Agreement I as "normal" because it replaced and substituted for a significant portion of a sales contract which did not qualify for this designation. Because the Glencore Metal Agreement I is variably priced, we do not expect significant variability in its fair value, other than changes that might result from the absence of the U.S. Midwest premium.

(3) We account for the Glencore Metal Agreement II as a derivative instrument under SFAS No. 133. Under the Glencore Metal Agreement II, pricing is based on then-current market prices, adjusted by a negotiated U.S. Midwest premium with a cap and a floor as applied to the current U.S. Midwest premium.

(4) The Southwire Metal Agreement will automatically renew for additional five-year terms, unless either party provides 12 months notice that it has elected not to renew.

Tolling Contracts

Contract	Customer	Volume	Term	Pricing
Billiton Tolling Agreement (1)	BHP Billiton	130,000 mtpy	Through December 31, 2013	LME-based
Glencore Toll Agreement (1)(2)	Glencore	90,000 mtpy	Through July 2016	LME-based
Glencore Toll Agreement (1)(3)	Glencore	40,000 mpty	Through December 31, 2014	LME-based

(1) Grundartangi's tolling revenues include a premium based on the European Union ("EU") import duty for primary aluminum. In May 2007, the EU members reduced the EU import duty for primary aluminum from six percent to three percent and agreed to review the new duty after three years. This decrease in the EU import duty for primary aluminum negatively impacts Grundartangi's revenues and further decreases would also have a negative impact on Grundartangi's revenues, but it is not expected to have a material effect on our financial position and results of operations.

(2) In December 2005, Glencore assigned 50% of its tolling rights under this agreement to Hydro Aluminum for the period 2007 to 2010.

(3) In April 2007, Nordural entered into a tolling agreement with Glencore for 40,000 mtpy of the Phase V expansion capacity at Grundartangi.

Apart from the Alcan Metal Agreement, Glencore Metal Agreement I, Glencore Metal Agreement II and Southwire Metal Agreements, we had forward delivery contracts to sell 63,095 metric tonnes and 132,726 metric tonnes of primary aluminum at June 30, 2007 and December 31, 2006, respectively. Of these forward delivery contracts, we had fixed price commitments to sell 4,160 metric tonnes and 2,538 metric tonnes of primary aluminum at June 30, 2007 and December 31, 2006, respectively, of which 680 metric tonnes were with Glencore at June 30, 2007 (none of the December 31, 2006 fixed price commitments were with Glencore).

Financial Sales Agreements

To mitigate the volatility in our variable priced forward delivery contracts, we enter into fixed price financial sales contracts which settle in cash in the period corresponding to the intended delivery dates of the forward delivery contracts. Certain of these fixed price financial sales contracts are accounted for as cash flow hedges depending on our designation of each contract at its inception. Glencore is the counterparty for all of the primary aluminum financial sales contracts summarized below:

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Notes to the Consolidated Financial Statements - continued

Primary Aluminum Financial Sales Contracts as of:

	(Metric Tonnes)					
	June 30, 2007			**December 31, 2006**		
	Cash Flow Hedges	**Derivatives**	**Total**	**Cash Flow Hedges**	**Derivatives**	**Total**
2007	54,000	25,200	79,200	119,500	50,400	169,900
2008	9,000	100,200	109,200	9,000	100,200	109,200
2009	--	105,000	105,000	--	105,000	105,000
2010	--	105,000	105,000	--	105,000	105,000
2011	--	75,000	75,000	--	75,000	75,000
2012-2015	--	300,000	300,000	--	300,000	300,000
Total	63,000	710,400	773,400	128,500	735,600	864,100

In the event of a material adverse change in our creditworthiness, Glencore has the option to require a letter of credit, or any other acceptable security or collateral for outstanding balances on these contracts.

The contracts accounted for as derivatives contain clauses that trigger additional volume when the market price for a contract month is above the contract ceiling price. If the market price exceeds the ceiling price for all contract months through 2015, the maximum additional shipment volume would be 710,400 metric tonnes at June 30, 2007. These contracts will be settled monthly. We had no fixed price financial contracts to purchase aluminum at June 30, 2007 or December 31, 2006.

Additionally, to mitigate the volatility of the natural gas markets, we enter into financial purchase contracts, accounted for as cash flow hedges, which settle in cash in the period corresponding to the intended usage of natural gas.

Natural Gas Financial Purchase Contracts as of:

	(Thousands of MMBTU)	
	June 30, 2007	**December 31, 2006**
2007	2,660	2,200
2008	480	480
Total	3,140	2,680

Based on the fair value of our financial sales contracts for primary aluminum and financial purchase contracts for natural gas that qualify as cash flow hedges as of June 30, 2007, an accumulated other comprehensive loss of $40,837 is expected to be reclassified as a reduction to earnings over the next 12 month period.

The forward financial sales and purchase contracts are subject to counterparty credit risk. However, we only enter into forward financial contracts with counterparties we determine to be creditworthy. If any counterparty failed to perform according to the terms of the contract, the accounting impact would be limited to the difference between the contract price and the market price applied to the contract volume on the date of settlement.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

10. Supplemental Cash Flow Information

	Six months ended June 30, 2007	2006
Cash paid for:		
Interest	$ 22,239	$ 20,273
Income tax	38,619	31,448
Cash received for:		
Interest	3,825	300
Income tax refunds	--	577
Non-cash investing activities:		
Accrued Nordural expansion costs	(982)	(1,918)

Non-cash Activities

In the first quarter of 2007, we issued 50,985 shares of common stock as part of our performance share program to satisfy a $2,281 performance share liability to certain key employees. In addition, we recorded a $7,900 non-cash adjustment to the beginning balance of our retained earnings as part of the adoption of FIN 48, see Note 4.

In 2007, we reclassified the undistributed earnings of our joint ventures in our cash flow statement. In 2006, these undistributed earnings were reclassified out of "Other - net."

In the second quarter of 2007, we recorded a non-cash loss on extinguishment of debt of $2,461 from the write-off of deferred financing costs for the Nordural senior term loan facility.

During the six month period ended June 30, 2007 and 2006, we capitalized interest costs incurred in the construction of equipment of $2,858, and $6,430, respectively.

11. Asset Retirement Obligations

The reconciliation of the changes in the asset retirement obligation is as follows:

	For the six months ended June 30, 2007	For the year ended December 31, 2006
Beginning balance, ARO liability	$ 12,864	$ 11,808
Additional ARO liability incurred	1,019	2,302
ARO liabilities settled	(1,174)	(2,236)
Accretion expense	516	990
Ending balance, ARO liability	$ 13,225	$ 12,864

12. Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement applies to other existing accounting pronouncements that require or permit fair value measurements. The pronouncement does not require any new fair value measurements. SFAS No. 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007, and the interim periods within those years. We are currently assessing the new pronouncement and have not yet determined the impact of adopting SFAS No. 157 on our financial position and results of operations.

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CENTURY ALUMINUM COMPANY
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In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." The Statement would permit us to choose to measure certain financial instruments and other items at their fair value. The objective of the Statement is to mitigate the volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This fair value option would allow us to choose to measure eligible items at fair value at a specified election date. The Statement is effective for us as of January 1, 2008. We are currently assessing the new pronouncement and have not yet determined the impact of adopting SFAS No. 159 on our financial position and results of operations.

13. Comprehensive Income (Loss)

Comprehensive income (loss):

	Six months ended June 30,			
		2007		2006
Net income (loss)	$	3,584	$	(95,771)
Other comprehensive income (loss):				
Net unrealized (gain) loss on financial instruments, net of tax of $4,507 and $37,319, respectively		4,379		(66,647)
Net amount reclassified to income, net of tax of $(31,937) and $(21,625), respectively		50,873		38,249
Defined benefit pension and other postemployment benefit plans adjustment, net of $375 tax		(570)		--
Comprehensive income (loss)	$	58,266	$	(124,169)

14. Components of Net Periodic Benefit Cost

	Pension Benefits							
	Three months ended June 30,				Six months ended June 30,			
		2007		2006		2007		2006
Service cost	$	1,159	$	1,030	$	2,133	$	2,060
Interest cost		1,447		1,214		2,850		2,427
Expected return on plan assets		(1,692)		(1,700)		(3,387)		(3,400)
Amortization of prior service cost		182		103		364		207
Amortization of net gain		210		214		490		427
Net periodic benefit cost	$	1,306	$	861	$	2,450	$	1,721

	Other Postretirement Benefits							
	Three months ended June 30,				Six months ended June 30,			
		2007		2006		2007		2006
Service cost	$	1,741	$	1,468	$	3,502	$	2,936

Interest cost	2,824	2,420	5,822	4,840
Expected return on plan assets	--	--	--	--
Amortization of prior service cost	(540)	(219)	(1,081)	(438)
Amortization of net gain	1,200	1,035	2,569	2,070
Net periodic benefit cost	$ 5,225	$ 4,704	$ 10,812	$ 9,408

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

15. Other Assets

Components of Other Assets:	June 30, 2007	December 31, 2006
Deferred tax assets – noncurrent	$241,476	$203,452
Other assets (primarily investments in joint ventures)	85,154	75,950
Capitalized financing fees	9,184	12,978
	$335,814	$292,380

16. Condensed Consolidating Financial Information

Our 7.5% Senior Notes due 2014, and 1.75% Convertible Senior Notes due 2024 are guaranteed by each of our material existing and future domestic subsidiaries, except for Nordural US LLC. Each of the subsidiary guarantors are 100% owned by Century. All guarantees are full and unconditional and joint and several. These notes are not guaranteed by our foreign subsidiaries (such subsidiaries and Nordural US LLC, collectively the “Non-Guarantor Subsidiaries”). Our policy for financial reporting purposes is to allocate corporate expenses or income to subsidiaries. For the three months ended June 30, 2007 and 2006, we allocated total corporate expense of $2,323 and $149 to our subsidiaries, respectively. For the six months ended June 30, 2007 and 2006, we allocated total corporate expense of $4,969 and $(3,452) to our subsidiaries, respectively. Additionally, we charge interest on certain intercompany balances.

The following summarized condensed consolidating balance sheets as of June 30, 2007 and December 31, 2006, condensed consolidating statements of operations for the three and six months ended June 30, 2007 and June 30, 2006 and the condensed consolidating statements of cash flows for the six months ended June 30, 2007 and June 30, 2006 present separate results for Century, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries.

This summarized condensed consolidating financial information may not necessarily be indicative of the results of operations or financial position had Century, the Guarantor Subsidiaries or the Non-Guarantor Subsidiaries operated as independent entities.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2007

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Assets:					
Cash	$ —	$ 16,834	$ 170,893	$ —	$ 187,727
Restricted cash	2,012	—	—	—	2,012
Short-term investments	—	—	121,681	—	121,681
Accounts receivable — net	93,074	18,079	—	—	111,153
Due from affiliates	212,430	2,511	1,061,412	(1,238,354)	37,999
Inventories	136,206	32,433	—	(1,295)	167,344
Prepaid and other assets	1,800	13,428	5,127	—	20,355
Deferred taxes — current portion	43,810	—	25,351	51,035	120,196
Total current assets	489,332	83,285	1,384,464	(1,188,614)	768,467
Investment in subsidiaries	34,840	—	150,339	(185,179)	—
Property, plant and equipment — net	425,636	825,322	994	—	1,251,952
Intangible asset — net	54,599	—	—	—	54,599
Goodwill	—	94,844	—	—	94,844
Other assets	47,311	16,838	470,115	(198,450)	335,814
Total assets	$ 1,051,718	$ 1,020,289	$ 2,005,912	$ (1,572,243)	$ 2,505,676
Liabilities and shareholders' equity:					
Accounts payable – trade	$ 38,092	$ 31,969	$ 9	$ —	$ 70,070
Due to affiliates	557,022	85,707	246,585	(609,494)	279,820
Industrial revenue bonds	7,815	—	—	—	7,815
Long term debt — current portion	—	618	—	—	618
Accrued and other current liabilities	18,934	6,428	43,111	—	68,473
Accrued employee benefits costs — current portion	9,803	—	1,280	—	11,083
Convertible senior notes	—	—	175,000	—	175,000
Total current liabilities	631,666	124,722	465,985	(609,494)	612,879
Senior unsecured notes payable	—	—	250,000	—	250,000
Nordural debt	—	54,018	—	—	54,018
Accrued pension benefit costs — less current portion	4,537	—	16,252	—	20,789
Accrued postretirement benefit costs — less current portion	213,344	—	1,428	—	214,772
	100,254	548,676	15,301	(622,164)	42,067

Other liabilities/intercompany loan					
Due to affiliates — less current portion	—	—	655,782	—	655,782
Deferred taxes	188,304	21,308	—	(155,407)	54,205
Total noncurrent liabilities	506,439	624,002	938,763	(777,571)	1,291,633
Shareholders' equity:					
Common stock	60	12	410	(72)	410
Additional paid-in capital	292,334	136,790	853,273	(429,124)	853,273
Accumulated other comprehensive income (loss)	(119,100)	5,874	(111,890)	113,226	(111,890)
Retained earnings (accumulated deficit)	(259,681)	128,889	(140,629)	130,792	(140,629)
Total shareholders' equity	(86,387)	271,565	601,164	(185,178)	601,164
Total liabilities and shareholders' equity	$ 1,051,718	$ 1,020,289	$ 2,005,912	$ (1,572,243)	$ 2,505,676

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2006

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$ —	$ 11,866	$ 84,499	$ —	$ 96,365
Restricted cash	2,011	—	—	—	2,011
Accounts receivable — net	98,690	14,681	—	—	113,371
Due from affiliates	55,853	6,779	752,954	(778,044)	37,542
Inventories	112,975	32,604	—	(169)	145,410
Prepaid and other assets	4,603	12,981	2,246	—	19,830
Deferred taxes — current portion	66,530	—	11,007	25,573	103,110
Total current assets	340,662	78,911	850,706	(752,640)	517,639
Investment in subsidiaries	22,229	—	20,967	(43,196)	—
Property, plant and equipment — net	436,980	780,879	918	—	1,218,777
Intangible asset — net	61,594	—	—	—	61,594
Goodwill	—	94,844	—	—	94,844
Other assets	41,599	19,297	368,913	(137,429)	292,380
Total assets	$ 903,064	$ 973,931	$ 1,241,504	$ (933,265)	$ 2,185,234
Liabilities and shareholders' equity:					
Accounts payable – trade	$ 34,993	$ 29,804	$ 52	$ —	$ 64,849
Due to affiliates	381,853	56,665	73,734	(229,970)	282,282
Industrial revenue bonds	7,815	—	—	—	7,815
Long term debt — current portion	—	30,105	—	—	30,105
Accrued and other current liabilities	21,381	4,522	49,240	—	75,143
Accrued employee benefits costs — current portion	9,803	—	1,280	—	11,083
Convertible senior notes	—	—	175,000	—	175,000
Total current liabilities	455,845	121,096	299,306	(229,970)	646,277
Senior unsecured notes payable	—	—	250,000	—	250,000
Nordural debt	—	309,331	—	—	309,331
Accrued pension benefit costs — less current portion	3,624	—	15,615	—	19,239
Accrued postretirement benefit costs — less current portion	205,092	—	1,323	—	206,415
	215,839	353,997	—	(542,025)	27,811

Other liabilities/intercompany loan					
Due to affiliates — less current portion	9,314	—	545,550	—	554,864
Deferred taxes	143,421	16,240	—	(118,074)	41,587
Total noncurrent liabilities	577,290	679,568	812,488	(660,099)	1,409,247
Shareholders' equity:					
Common stock	60	12	325	(72)	325
Additional paid-in capital	259,248	85,190	432,270	(344,438)	432,270
Accumulated other comprehensive income (loss)	(172,685)	2,791	(166,572)	169,894	(166,572)
Retained earnings (accumulated deficit)	(216,694)	85,274	(136,313)	131,420	(136,313)
Total shareholders' equity	(130,071)	173,267	129,710	(43,196)	129,710
Total liabilities and shareholders' equity	$ 903,064	$ 973,931	$ 1,241,504	$ (933,265)	$ 2,185,234

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended June 30, 2007

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Net sales:					
Third-party customers	$ 279,524	$ 91,359	$ —	$ —	$ 370,883
Related parties	66,555	26,567	—	—	93,122
	346,079	117,926	—	—	464,005
Cost of goods sold	278,759	77,552	—	(698)	355,613
Gross profit	67,320	40,374	—	698	108,392
Selling, general and admin expenses	11,439	3,006	—	—	14,445
Operating income	55,881	37,368	—	698	93,947
Interest expense – third party	(5,093)	(3,544)	—	—	(8,637)
Interest income (expense) – affiliates	8,835	(8,835)	—	—	—
Interest income	470	728	—	—	1,198
Net loss on forward contracts	(205,246)	—	—	—	(205,246)
Other expense – net	(416)	(2,723)	—	—	(3,139)
Income (loss) before taxes and equity in earnings (loss) of subsidiaries and joint ventures	(145,569)	22,994	—	698	(121,877)
Income tax expense (benefit)	59,756	(2,435)	—	(276)	57,045
Income (loss) before equity in earnings (loss) of subsidiaries and joint ventures	(85,813)	20,559	—	422	(64,832)
Equity earnings (loss) of subsidiaries and joint ventures	6,216	673	(60,665)	57,943	4,167
Net income (loss)	$ (79,597)	$ 21,232	$ (60,665)	$ 58,365	$ (60,665)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended June 30, 2006

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Net sales:					

Third-party customers	$ 278,358	$ 77,884	$ —	$ —	$ 356,242
Related parties	49,734	—	—	—	49,734
	328,092	77,884	—	—	405,976
Cost of goods sold	248,134	51,357	—	(1,519)	297,972
Gross profit	79,958	26,527	—	1,519	108,004
Selling, general and admin expenses	8,191	185	—	—	8,376
Operating income	71,767	26,342	—	1,519	99,628
Interest expense – third party	(6,160)	(2,639)	—	—	(8,799)
Interest income (expense) – affiliates	7,598	(7,598)	—	—	—
Interest income	60	92	—	—	152
Net loss on forward contracts	(30,456)	—	—	—	(30,456)
Other income (expense) – net	(43)	80	—	—	37
Income before taxes and equity in earnings (loss) of subsidiaries	42,766	16,277	—	1,519	60,562
Income tax expense	(17,439)	(1,123)	—	(547)	(19,109)
Income before equity in earnings (loss) of subsidiaries	25,327	15,154	—	972	41,453
Equity earnings (loss) of subsidiaries and joint ventures	5,181	1,273	45,800	(47,907)	4,347
Net income (loss)	$ 30,508	$ 16,427	$ 45,800	$ (46,935)	$ 45,800

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the six months ended June 30, 2007

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Net sales:					