CENTURY ALUMINUM CO
Form 10-Q
November 09, 2012
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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 September 30, 2012
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 1-34474
Century Aluminum Company
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (831) 642-9300
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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x	Accelerated Filer	o
Non-Accelerated Filer (Do not check if a smaller reporting company)	o	Smaller Reporting Company	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 88,486,445 shares of common stock outstanding at October 31, 2012.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CENTURY ALUMINUM COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$173,375	$183,401
Accounts receivable — net	44,327	47,647
Due from affiliates	39,755	44,665
Inventories	159,968	171,961
Prepaid and other current assets	48,253	40,646
Total current assets	465,678	488,320
Property, plant and equipment — net	1,197,644	1,218,225
Other assets	120,117	104,549
TOTAL	$1,783,439	$1,811,094
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	$78,272	$86,172
Due to affiliates	42,665	41,904
Accrued and other current liabilities	52,913	40,776
Accrued employee benefits costs — current portion	17,211	16,698
Industrial revenue bonds	7,815	7,815
Total current liabilities	198,876	193,365
Senior notes payable	250,303	249,512
Accrued pension benefits costs — less current portion	65,151	70,899
Accrued postretirement benefits costs — less current portion	129,335	128,078
Other liabilities	39,720	40,005
Deferred taxes	90,403	90,958
Total noncurrent liabilities	574,912	579,452
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
SHAREHOLDERS' EQUITY:		
Series A Preferred stock (one cent par value, 5,000,000 shares authorized; 80,542 and 80,718 issued and outstanding at September 30, 2012 and December 31, 2011, respectively)	1	1
Common stock (one cent par value, 195,000,000 shares authorized; 93,272,966 issued and 88,486,445 outstanding at September 30, 2012; 93,230,848 issued and 88,844,327 outstanding at December 31, 2011)	933	932
Additional paid-in capital	2,507,254	2,506,842
Treasury stock, at cost	(49,924)	(45,891)
Accumulated other comprehensive loss	(130,893)	(134,588)
Accumulated deficit	(1,317,720)	(1,289,019)
Total shareholders' equity	1,009,651	1,038,277
TOTAL	$1,783,439	$1,811,094

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 September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
NET SALES:				
Third-party customers	$170,023	$202,598	$542,884	$598,001
Related parties	134,612	143,048	411,560	440,259
	304,635	345,646	954,444	1,038,260
Cost of goods sold	301,385	334,322	924,645	935,106
Gross profit	3,250	11,324	29,799	103,154
Other operating expenses (income) – net	7,388	2,659	14,926	(8,430)
Selling, general and administrative expenses	9,182	7,950	24,792	37,116
Operating income (loss)	(13,320)	715	(9,919)	74,468
Interest expense – third party	(6,041)	(5,951)	(17,966)	(19,114)
Interest income – third party	72	37	324	257
Interest income – related parties	—	59	62	242
Net gain (loss) on forward contracts	(340)	4,163	(4,049)	(2,263)
Other income (expense) - net	7,648	(1,143)	8,115	(1,598)
Income (loss) before income taxes and equity in earnings of joint ventures	(11,981)	(2,120)	(23,433)	51,992
Income tax expense	(1,168)	(5,387)	(7,384)	(12,146)
Income (loss) before equity in earnings of joint ventures	(13,149)	(7,507)	(30,817)	39,846
Equity in earnings of joint ventures	1,126	907	2,116	2,586
Net income (loss)	$(12,023)	$(6,600)	$(28,701)	$42,432
Net income (loss) allocated to common shareholders	$(12,023)	$(6,600)	$(28,701)	$39,003
EARNINGS (LOSS) PER COMMON SHARE:				
Basic and Diluted	$(0.14)	$(0.07)	$(0.32)	$0.42
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	88,468	92,032	88,549	92,697
Diluted	88,468	92,032	88,549	93,097

See notes to consolidated financial statements

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CENTURY ALUMINUM COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Comprehensive income (loss):				
Net income (loss)	$(12,023)	$(6,600)	$(28,701)	$42,432
Other comprehensive income (loss) before income tax effect:				
Net unrealized gain (loss) on financial instruments	2	(16)	(218)	(49)
Net loss (gain) reclassified to income on financial instruments	68	(16)	549	(66)
Net gain on foreign currency cash flow hedges reclassified to income	(47)	(47)	(140)	(139)
Defined benefit plans and other postretirement benefits:				
Net gain (loss) arising during the period	—	—	49	(5,769)
Amortization of prior service benefit during the period	(1,029)	(1,028)	(3,085)	(31,648)
Amortization of net loss during the period	2,562	1,823	7,687	15,103
Other comprehensive income (loss) before income tax effect	1,556	716	4,842	(22,568)
Income tax effect	(382)	(383)	(1,147)	(5,357)
Other comprehensive income (loss)	1,174	333	3,695	(27,925)
Comprehensive income (loss)	$(10,849)	$(6,267)	$(25,006)	$14,507

See notes to consolidated financial statements

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

	Nine months ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(28,701)	$42,432
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized net loss on forward contracts	3,196	1,643
Accrued and other plant curtailment costs — net	4,025	(15,023)
Lower of cost or market inventory adjustment	(19,818)	13,463
Depreciation and amortization	46,925	46,579
Debt discount amortization	791	1,601
Pension and other postretirement benefits	673	(30,768)
Stock-based compensation	412	2,670
Non-cash loss on early extinguishment of debt	—	763
Undistributed earnings of joint ventures	(2,116)	(2,586)
Change in operating assets and liabilities:		
Accounts receivable — net	3,320	(8,164)
Due from affiliates	317	6,602
Inventories	31,810	(23,269)
Prepaid and other current assets	(8,254)	(25,405)
Accounts payable, trade	(8,823)	(2,783)
Due to affiliates	761	(476)
Accrued and other current liabilities	8,743	17,071
Other — net	(12,176)	(13,256)
Net cash provided by operating activities	21,085	11,094
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(10,399)	(10,868)
Nordural expansion — Helguvik	(5,474)	(10,335)
Purchase of carbon anode assets	(14,185)	—
Investments in and advances to joint ventures	(275)	(13)
Payments received on advances from joint ventures	3,166	3,056
Proceeds from the sale of property, plant and equipment	89	1,471
Net change in restricted cash	—	3,673
Net cash used in investing activities	(27,078)	(13,016)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	—	(47,067)
Repayment of contingent obligation	—	(189)
Borrowings under revolving credit facility	18,076	15,900
Repayments under revolving credit facility	(18,076)	(15,900)
Repurchase of common stock	(4,033)	(38,806)
Issuance of common stock — net	—	83
Net cash used in financing activities	(4,033)	(85,979)
CHANGE IN CASH AND CASH EQUIVALENTS	(10,026)	(87,901)
Cash and cash equivalents, beginning of the period	183,401	304,296

Cash and cash equivalents, end of the period	$173,375	$216,395

See notes to consolidated financial statements

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements for the
Three and nine months ended September 30, 2012 and 2011
(Dollar amounts in thousands, except per share amounts)
(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, 2011. 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 nine months of 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. 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.

2. Asset Acquisition

In June 2012, our wholly owned subsidiary, Century Aluminum Vlissingen B.V. ("Century Vlissingen") purchased substantially all of the assets of the former Zalco anode production facility located in Vlissingen, the Netherlands for approximately $12,500. In connection with the purchase, we entered into a ground lease with respect to the facility that is renewable at our option. Century Vlissingen did not assume, and is indemnified against, historical liabilities of the facility.

The anode production facility, which was curtailed by Zalco in December 2011, will require a significant capital investment to optimize anode production for our customers, including our smelter in Grundartangi, Iceland ("Grundartangi") and eventually provide anodes for the planned Helguvik smelter and any other customers and to comply with current environmental regulations. We purchased the assets to provide anode production to replace third-party anode supply contracts that will terminate in 2013.

3. Fair value measurements

ASC 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value, and delineates disclosures about fair value measurements. This guidance applies to a broad range of other existing accounting pronouncements that require or permit fair value measurements. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fair value is an exit price and that exit price should reflect all the assumptions that market participants would use in pricing the asset or liability.

Our fair value measurements include the consideration of market risks that other market participants might consider in pricing the particular asset or liability, specifically non-performance risk and counterparty credit risk. Consideration of the non-performance risk and counterparty credit risk are used to establish the appropriate risk-adjusted discount rates used in our fair value measurements.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

The following section describes the valuation methodology used to measure our financial assets and liabilities that were accounted for at fair value.

Overview of Century's valuation methodology

	Level	Significant inputs
Cash equivalents	1	Quoted market prices
Trust assets (1)	1	Quoted market prices
Surety bonds	1	Quoted market prices
Primary aluminum put option contracts	2	Quoted London Metal Exchange ("LME") forward market prices, historical volatility measurements and risk-adjusted discount rates
Natural gas forward financial contracts	2	Quoted natural gas forward market prices for primary aluminum and risk-adjusted discount rates
Ravenswood power contract	3	Quoted LME forward market prices, power tariff prices, management's estimate of future power usage and risk-adjusted discount rates
E.ON U.S. ("E.ON") contingent obligation	3	Quoted LME forward market prices for primary aluminum, management's estimates of the LME forward market prices for primary aluminum for periods beyond the quoted periods and management's estimate of future level of operations at Century Aluminum of Kentucky, our wholly owned subsidiary ("CAKY")
Primary aluminum sales premium contracts	3	Management's estimates of future U.S. Midwest premium and risk-adjusted discount rates

(1) Trust assets are currently invested in money market funds. The trust has sole authority to invest the funds in secure interest producing investments consisting of short-term securities issued or guaranteed by the United States government or cash and cash equivalents.

Fair value measurements

The following table sets forth by level within the ASC 820 fair value hierarchy our financial assets and liabilities that are accounted for at fair value on a recurring basis. As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and the placement within the fair value hierarchy levels. There were no transfers between Level 1 and 2 during the periods presented. There were no transfers into or out of Level 3 during the periods presented below.

Recurring Fair Value Measurements	As of September 30, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$167,325	$—	$—	$167,325
Trust assets	14,572	—	—	14,572
Surety bond – workers comp insurance	2,381	—	—	2,381
TOTAL	$184,278	$—	$—	$184,278
LIABILITIES:				
E.ON contingent obligation	$—	$—	$15,016	$15,016
Primary aluminum sales contract	—	—	1,379	1,379
TOTAL	$—	$—	$16,395	$16,395

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

Recurring Fair Value Measurements	As of December 31, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$176,284	$—	$—	$176,284
Trust assets	15,889	—	—	15,889
Surety bonds – workers comp insurance	2,391	—	—	2,391
Primary aluminum put option contracts	—	9,331	—	9,331
Power contract	—	—	106	106
TOTAL	$194,564	$9,331	$106	$204,001
LIABILITIES:				
Natural gas forward financial contracts	$—	$281	$—	$281
E.ON contingent obligation	—	—	13,958	13,958
Primary aluminum sales contract – premium collar	—	—	908	908
TOTAL	$—	$281	$14,866	$15,147

Change in Level 3 Fair Value Measurements during the three months ended September 30,

	Derivative liabilities - net	
	2012	2011
Beginning balance, July 1,	$(16,024)	$(14,536)
Total loss (realized/unrealized) included in earnings	(371)	(45)
Settlements	—	(29)
Ending balance, September 30,	$(16,395)	$(14,610)
Amount of loss included in earnings attributable to the change in unrealized losses relating to assets and liabilities held at September 30,	$(371)	$(45)

Change in Level 3 Fair Value Measurements during the nine months ended September 30,

	Derivative liabilities - net	
	2012	2011
Beginning balance, January 1,	$(14,760)	$(13,802)
Total loss (realized/unrealized) included in earnings	(1,529)	(1,275)
Settlements	(106)	467
Ending balance, September 30,	$(16,395)	$(14,610)
Amount of loss included in earnings attributable to the change in unrealized losses relating to assets and liabilities held at September 30,	$(1,529)	$(1,275)

The net gain (loss) on our derivative assets and liabilities is recorded in our statement of operations under net gain (loss) on forward contracts. See Note 4 Derivative and hedging instruments for the location of our Level 3 derivative assets and liabilities within our consolidated balance sheets.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
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4. Derivative and hedging instruments

The following table provides the fair value and balance sheet classification of our derivatives:

Fair Value of Derivative Assets and Liabilities

	Balance sheet location	September 30, 2012	December 31, 2011
DERIVATIVE ASSETS:			
Primary aluminum put option contracts	Due from affiliates	$—	$5,439
Primary aluminum put option contracts	Prepaid and other current assets	—	3,892
Power contract	Prepaid and other current assets	—	106
TOTAL		$—	$9,437
DERIVATIVE LIABILITIES:			
E.ON contingent obligation	Other liabilities	$15,016	$13,958
Aluminum sales premium contracts – current portion	Accrued and other current liabilities	1,187	607
Natural gas forward financial contracts	Accrued and other current liabilities	—	281
Aluminum sales premium contracts – less current portion	Other liabilities	192	301
TOTAL		$16,395	$15,147

Natural gas forward financial contracts

To mitigate the volatility of our natural gas cost due to the natural gas markets, we have entered into fixed-price forward financial contracts which settle in cash in the period corresponding to the intended usage of natural gas. These forward contracts are designated as cash flow hedges and qualify for hedge accounting under ASC 815.

During the three and nine months ended September 30, 2012 and 2011, the changes in our accumulated other comprehensive loss resulting from realized and unrealized gains and losses on these derivatives were not significant to our financial statements. There were no losses recognized for ineffective portions of these derivatives during the periods.

Foreign currency forward contracts

We manage our foreign currency exposure by entering into foreign currency forward contracts when management deems such transactions appropriate. As of September 30, 2012 and December 31, 2011, we had no foreign currency forward contracts outstanding. We are exposed to foreign currency risk due to fluctuations in the value of the U.S. dollar as compared to the euro, the Icelandic krona (“ISK”) and the Chinese yuan. The labor costs, maintenance costs and other local services at our facility in Grundartangi are denominated in ISK and a portion of its anode costs are denominated in euros and Chinese yuan. Labor costs, maintenance costs and other local services at Century Vlissingen are denominated in euros. As a result, an increase or decrease in the value of those currencies relative to the U.S. dollar would affect Grundartangi’s and Century Vlissingen's operating margins.

We have realized gains and losses for our foreign currency cash flow hedges for the Grundartangi expansion and Helguvik project capital expenditures that were recognized in accumulated other comprehensive loss and are reclassified to earnings as part of the depreciation expense of the capital assets (for the Helguvik project this would occur when Helguvik is put into service).

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
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Ravenswood power contract

We are party to a power supply agreement at our facility in Ravenswood, West Virginia (“Ravenswood”) that contains an embedded derivative due to LME-based pricing provisions (the "special rate mechanism"). The embedded derivative does not qualify for cash flow hedge treatment and is marked to market quarterly.

In June 2011, the Public Service Commission of the State of West Virginia (the “PSC”) extended the special rate mechanism for one year. The current special rate mechanism will remain in place until the PSC issues an order on our recently filed special rate proposal which occurred in October 2012. We cannot be certain if the special pricing provisions will be extended in the future. As of September 30, 2012, based on our estimated future power usage under the special rate mechanism, the embedded derivative has no fair value. See Note 18 Subsequent events for additional information about the PSC order.

Primary aluminum put option contracts

As of September 30, 2012, we had no primary aluminum put option contracts outstanding. We had previously entered into primary aluminum put option contracts that settled monthly based on LME prices through June 2012. These options were purchased to partially mitigate the risk of a future decline in aluminum prices.

Our counterparties included two non-related third parties and Glencore International (together with its subsidiaries, "Glencore"), a related party. We paid cash premiums to enter into the put option contracts and recorded an asset on the consolidated balance sheets. We determined the fair value of the put option contracts using a Black-Scholes model with market data provided by an independent vendor and accounted for the contracts as derivative financial instruments with gains and losses in the fair value of the contracts recorded on the consolidated statements of operations in net gain (loss) on forward contracts.

Aluminum sales premium contracts

The Glencore Metal Agreement is a physical delivery contract for 20,400 metric tons per year (“mtpy”) of primary aluminum through December 31, 2013 with variable, LME-based pricing. Under the Glencore Metal Agreement, pricing is based on 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. We account for the Glencore Metal Agreement as a derivative instrument under ASC 815. Gains and losses on the derivative are based on the difference between the contracted U.S. Midwest premium and actual and forecasted U.S. Midwest premiums. Settlements are recorded in related party sales. Unrealized gains (losses) based on forecasted U.S. Midwest premiums are recorded in net gain (loss) on forward contracts on the consolidated statements of operations.

Derivatives not designated as hedging instruments:

	Gain (loss) recognized in income from derivatives				
		Three months ended September 30,		Nine months ended September 30,	
	Location	2012	2011	2012	2011
Primary aluminum put option contracts	Net gain (loss) on forward contracts	$—	$4,222	$(2,725)	$(1,444)
Aluminum sales premium contracts	Related party sales	386	364	917	620
Aluminum sales premium contracts	Net gain (loss) on forward contracts	(404)	(99)	(1,389)	(965)
E.ON contingent obligation	Interest expense - third party	(353)	(349)	(1,059)	(1,077)

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

We had the following outstanding forward contracts that were entered into that were not designated as hedging instruments:

	September 30, 2012	December 31, 2011
Power contracts (in megawatt hours ("MWH")) (1)	—	3,772
Primary aluminum sales contract premium (metric tons) (2)	25,500	40,870
Primary aluminum put option contracts (metric tons)	—	15,000
Primary aluminum put option contracts (metric tons) – related party	—	18,000

(1) Represents our expected usage during the remaining term of the Ravenswood power contract. In June 2011, the West Virginia PSC extended the term of this contract for an additional year.

(2) Represents the remaining physical deliveries under the Glencore Metal Agreement.

Counterparty credit risk. We only enter into forward financial contracts with counterparties we determine to be creditworthy at the time of entering into the contract. If any counterparty failed to perform according to the terms of the contract, the 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.

As of September 30, 2012, income of $134 is expected to be reclassified out of accumulated other comprehensive loss into earnings over the next 12-month period for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions.

5. Earnings per share

Basic earnings per share ("EPS") amounts are calculated by dividing earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive common shares outstanding. The following table shows the basic and diluted earnings per share for three and nine months ended September 30, 2012 and 2011:

	For the three months ended September 30,					
	2012			2011		
	Loss	Shares (000)	Per-Share	Loss	Shares (000)	Per-Share
Net loss	$(12,023)			$(6,600)		
Amount allocated to common shareholders (1)	100%			100%		
Basic EPS:						
Loss allocable to common shareholders	(12,023)	88,468	$(0.14)	(6,600)	92,032	$(0.07)
Effect of Dilutive Securities:						
Stock compensation plans	—	—		—	—	
Diluted EPS:						
Loss applicable to common shareholders with assumed conversion	$(12,023)	88,468	$(0.14)	$(6,600)	92,032	$(0.07)

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

	For the nine months ended September 30,					
	2012			2011		
	Loss	Shares (000)	Per-Share	Income	Shares (000)	Per-Share
Net income (loss)	$(28,701)			$42,432		
Amount allocated to common shareholders (1)	100%			91.92%		
Basic EPS:						
Income (loss) allocable to common shareholders	(28,701)	88,549	$(0.32)	39,003	92,697	$0.42
Effect of Dilutive Securities:						
Stock compensation plans	—	—		—	400	
Diluted EPS:						
Income (loss) applicable to common shareholders with assumed conversion	$(28,701)	88,549	$(0.32)	$39,003	93,097	$0.42

(1) We have not allocated net losses to common shareholders between common and preferred shareholders, as the holders of our preferred shares do not have a contractual obligation to share in the loss.

Impact of our outstanding Series A Convertible Preferred Stock on EPS
Our Series A Convertible Preferred Stock has similar characteristics to the “participating security” as described by ASC 260-10-45 “Participating Securities and the Two-Class Method”. In accordance with the guidance in the ASC 260-10-45, we calculate basic EPS using the Two-Class Method, allocating undistributed income to our preferred shareholder consistent with its participation rights, and diluted EPS using the If-Converted Method, when applicable. The generally accepted accounting principles for reporting EPS do not require the presentation of basic and diluted EPS for securities other than common stock and the EPS amounts, as presented, only pertain to our common stock. The Two-Class Method is an earnings allocation formula that determines earnings per share for common shares and participating securities according to dividends declared (or accumulated) and the participation rights in undistributed earnings.

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CENTURY ALUMINUM COMPANY
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The holders of our convertible preferred stock do not have a contractual obligation to share in the losses of Century. Thus, in periods where we report net losses, we will not allocate the net losses to the convertible preferred stock for the computation of basic or diluted EPS.

Calculation of EPS:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Options to purchase common stock outstanding	626,334	632,334	626,334	632,334
Weighted average service-based share awards outstanding	406,070	323,396	382,462	294,709
Excluded from the calculation of diluted EPS:				
Stock options (1)	626,334	632,334	626,334	350,601
Service-based share award	406,070	323,396	382,462	—

(1) These stock option awards 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, except in periods when we had a net loss where all options were excluded because of their antidilutive effect on earnings per share.

During the nine months ended September 30, 2012, we repurchased 400,000 shares of our common stock under a stock repurchase program. (See Note 6 Shareholders' Equity for additional information about this program) Shares repurchased under the program are excluded from the calculation of weighted average shares of common stock outstanding.

Service-based share awards for which vesting is based upon continued service are not considered issued and outstanding shares of common stock until vested and issued. However, the service-based share awards are considered common stock equivalents and, therefore, the weighted average service-based share awards are 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.

6. Shareholders' equity

Common Stock

Under our Amended and Restated Certificate of Incorporation, our Board of Directors is authorized to issue up to 195,000,000 shares of our common stock.

The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock which are currently outstanding, including our Series A Convertible Preferred Stock, or any series which we may designate and issue in the future.

Common and Preferred Stock Activity:	Preferred stock	Common stock	
	Series A convertible	Treasury	Outstanding
Beginning balance as of December 31, 2011	80,718	4,386,521	88,844,327
Repurchase of common stock	—	400,000	(400,000)
Conversion of convertible preferred stock	(176)	—	17,587
Issuance for stock compensation plans	—	—	24,531
Ending balance as of September 30, 2012	80,542	4,786,521	88,486,445

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Stock Repurchase Program

In August 2011, our Board of Directors approved a $60,000 stock repurchase program. Under the program, we may repurchase up to $60,000 in value of our outstanding shares of common stock from time to time on the open market at prevailing market prices, in block trades or otherwise. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions, the trading price of the stock and other factors. The repurchase program may be suspended or discontinued at any time.

Shares of common stock repurchased are recorded at cost as treasury stock and result in a reduction of shareholders' equity in the consolidated balance sheets. From time to time, treasury shares may be reissued as contributions to our employee benefit plans and for the conversion of convertible preferred stock. When shares are reissued, we use an average cost method for determining cost. The difference between the cost of the shares and the reissuance price is added to or deducted from additional paid-in capital.

From August 11, 2011 through September 30, 2012, we repurchased 4,786,521 shares of common stock for an aggregate purchase price of $49,924. We had approximately $10,076 remaining under the repurchase program authorization as of September 30, 2012.

Series A Convertible Preferred Stock conversions

All shares of Series A Convertible Preferred Stock are held by Glencore. The issuance of common stock under our stock incentive programs, debt exchange transactions and any stock offering that excludes Glencore participation triggers anti-dilution provisions of the preferred stock agreement and results in the automatic conversion of Series A Convertible Preferred Stock shares into shares of common stock. See Common and Preferred Stock Activity table above for additional information about preferred stock conversions during the period.

7. Income taxes

The components of our unrecognized tax positions are as follows:

	September 30, 2012	December 31, 2011
Highly certain tax positions	$16,900	$15,100
Other unrecognized tax benefits	884	800
Gross unrecognized tax benefits	$17,784	$15,900
Accrued interest and penalties related to unrecognized tax benefits	$200	$100

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense.

We do not expect a significant change in the balance of unrecognized tax benefits within the next twelve months.

Our federal income tax returns beginning in 2008 are subject to examination. Our 2008 tax year is currently under audit by the Internal Revenue Service ("IRS"). Additionally, a 2005 amended return is also under audit with respect to carry back items. Our state returns beginning in 2005 are subject to examination. Our Icelandic tax returns are subject to examination beginning with the 2005 tax year.

For the years 2011, 2010 and 2009, we did not elect to permanently reinvest foreign earnings. In March 2012, we removed our election to permanently reinvest foreign earnings prior to 2009.

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8. Inventories

Inventories consist of the following:

	September 30, 2012	December 31, 2011
Raw materials	$40,930	$41,142
Work-in-process	14,953	15,548
Finished goods	7,535	10,535
Operating and other supplies	96,550	104,736
Inventories	$159,968	$171,961

Inventories are stated at the lower of cost or market, using the first-in, first-out method (“FIFO”).

9. Debt

	September 30, 2012	December 31, 2011
Debt classified as current liabilities:		
Hancock County industrial revenue bonds due 2028, interest payable quarterly (variable interest rates (not to exceed 12%))(1)	$7,815	$7,815
Debt classified as non-current liabilities:		
8.0% senior secured notes payable due May 15, 2014, net of debt discount of $1,903 and $2,695, respectively, interest payable semiannually	247,700	246,909
7.5% senior unsecured notes payable due August 15, 2014, interest payable semiannually	2,603	2,603
E.ON contingent obligation, principal and accrued interest, contingently payable monthly, annual interest rate of 10.94% (2)	15,016	13,958
TOTAL	$273,134	$271,285

(1) 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 September 30, 2012 was 0.38%.

(2) E.ON contingent obligation principal and interest payments are payable based on CAKY’s operating level and the LME price for primary aluminum. See E.ON contingent obligation below.

Revolving credit facility

On July 1, 2010, we and certain of our direct and indirect domestic subsidiaries (together with Century, the "Borrowers") entered into a four-year $100,000 senior secured revolving credit facility pursuant to a Loan and Security Agreement, dated as of July 1, 2010, among the Borrowers and Wells Fargo Capital Finance, LLC, as lender and agent (the "Credit Facility"), a portion of which was later syndicated to Credit Suisse AG. The Credit Facility will expire on July 1, 2014.

Status of our revolving credit facility:

	September 30, 2012
Senior secured revolving credit facility amount	$100,000
Borrowing availability, net of outstanding letters of credit	42,335
Outstanding borrowings on revolving credit facility	—
Letter of credit sub-facility amount	50,000
Outstanding letters of credit issued under the revolving credit facility	46,019

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The availability of funds under the revolving credit facility is limited by a specified borrowing base consisting of accounts receivable and inventory which meet the eligibility criteria.
Our obligations under the Credit Facility are guaranteed by certain of our domestic subsidiaries and secured by a first priority security interest in all of the domestic accounts receivable, inventory and certain bank accounts. The guarantees for any and all obligations under the Credit Facility are on a joint and several basis.
Any amounts outstanding under the Credit Facility will bear interest, at our option, at LIBOR or a base rate, plus, in each case, an applicable interest margin. In addition, we pay a commitment fee on undrawn amounts, less the amount of our letters of credit exposure. For standby letters of credit, we are required to pay a fee on the face amount of such letters of credit.

E.ON contingent obligation
The E.ON contingent obligation consists of the aggregate E.ON payments made on CAKY’s behalf under a swap agreement relating to CAKY's power purchase agreement (the "Big Rivers Agreement") with Kenergy Corporation, ("Kenergy"), a member cooperative of Big Rivers Electric Corporation ("Big Rivers"), in excess of the agreed upon base amount. Interest accrues at an annual rate equal to 10.94%. The repayment term of the swap agreement is through December 31, 2028. Our obligation to make repayments is contingent upon certain operating criteria for Hawesville and the LME price of primary aluminum. Based on the LME forward market and our expectation of Hawesville’s future operations, we classified the E.ON contingent obligation within noncurrent liabilities, which includes accrued interest on the obligation. When the conditions for repayment are met, and for so long as those conditions continue to be met, we will be obligated to make principal and interest payments.
10. Commitments and contingencies
Environmental Contingencies
Based upon all available information, 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. Because of the issues and uncertainties described below and the inability to predict the requirements of future environmental laws, there can be no assurance that future capital expenditures and costs for environmental compliance at currently or formerly owned or operated properties will not result in liabilities which may have a material adverse effect.
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 $1,095 and $852 at September 30, 2012 and December 31, 2011, respectively. All accrued amounts have been recorded without giving effect to any possible future recoveries. With respect to costs for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred.
Century Aluminum of West Virginia, Inc. (“CAWV”) continues to perform remedial measures at Ravenswood pursuant to an order issued by the 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 formally documents the conclusion of these activities, has been submitted by the EPS for a final order.
Prior to our purchase of Hawesville, the EPA issued a final Record of Decision (“ROD”) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”). By agreement, Southwire Company (“Southwire”), the former owner and operator is to perform all obligations under the ROD. CAKY has agreed to operate and maintain the ground water treatment system required under the ROD on behalf of Southwire, and Southwire will reimburse CAKY for any expense that exceeds $400 annually.

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In July 2006, we were 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 in July 1999. The complaint also seeks costs and attorney fees. The matter is in a preliminary stage, and we cannot predict the ultimate outcome of this action or estimate a range of possible losses related to this matter at this time. We do not expect that the ultimate costs to resolve this action will have a material adverse effect on our financial condition, results of operations or liquidity, regardless of the final outcome.

Matters relating to the St. Croix Alumina Refining Facility

We are 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 (the "St. Croix Alumina Refinery") 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. In connection with the sale of the facility by Lockheed Martin Corporation ("Lockheed"), to one of our affiliates, Virgin Islands Alumina Corporation ("Vialco"), in 1989, Lockheed, Vialco and Century entered into the Lockheed-Vialco Asset Purchase Agreement. The indemnity provisions contained in the Lockheed-Vialco Asset Purchase Agreement allocate responsibility for certain environmental matters. Lockheed has tendered indemnity and defense of the above matter to Vialco. We have likewise tendered indemnity to Lockheed. Through September 30, 2012, we have expended approximately $940 on the Hydrocarbon Recovery Plan. 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, we and Vialco were among several defendants listed in a lawsuit filed by the Commissioner of the Department of Planning and Natural Resources ("DPNR"), 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 St. Croix Alumina Refinery and the adjacent petroleum refinery. The primary cause of action is pursuant to the natural resource damage provisions of CERCLA, but various ancillary Territorial law causes of action were included as well. We and Lockheed have each tendered indemnity and defense of the case to the other pursuant to the terms of the Lockheed-Vialco Asset Purchase Agreement. The complaint seeks unspecified monetary damages, costs and attorney fees. In November 2011, the court granted a motion by Century, dismissing Century from the case. Vialco, however, remains a defendant in this case and has asserted factual and affirmative defenses. The parties are currently engaged in the discovery process. As of September 30, 2012, no trial date has been set for the remaining claims.

In December 2006, Vialco and the two succeeding owners of the St. Croix Alumina Refinery were named as defendants in a lawsuit filed by the Commissioner of the DPNR. The complaint alleges the defendants failed to take certain actions specified in a Coastal Zone management permit issued to Vialco in October 1994, and alleges violations of territorial water pollution control laws during the various defendants' periods of ownership. The complaint seeks statutory and other unspecified monetary penalties for the alleged violations. The parties are currently engaged in the discovery process.

In May 2009, St. Croix Renaissance Group, L.L.L.P. ("SCRG") filed a third-party complaint for contribution and other relief against several third-party defendants, including Vialco, relating to a lawsuit filed against SCRG seeking recovery of response costs relating to the aforementioned DPNR CERCLA matter. In February 2011, the court granted a motion by Century, dismissing Century from the case. Vialco, however, remains a defendant in this case. In March 2011, the court granted the remaining defendants', including Vialco's, motion for summary judgment, dismissing the case. The plaintiff filed a notice of appeal with the Third Circuit Court of Appeals in May 2011. A date has not been set for the hearing on the appeal.

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In December 2010, Century was among several defendants listed in a lawsuit filed by approximately 2,300 plaintiffs who either worked, resided or owned property in the area downwind from the St. Croix Alumina Refinery. In March 2011, Century was also named a defendant in a nearly identical suit brought by approximately 200 plaintiffs previously named in the aforementioned suit. The plaintiffs in both suits allege damages caused by the presence of red mud and other particulates coming from the alumina facility. The plaintiffs in both suits seek unspecified monetary damages, costs and attorney fees as well as certain injunctive relief. We have tendered indemnity and defense to St. Croix Alumina LLC and Alcoa Alumina & Chemical LLC under the terms of an acquisition agreement relating to the facility and have filed a motion to dismiss plaintiffs' claims, but the court has not yet ruled on the motion.

Pursuant to the terms of the asset purchase agreement between Vialco and the purchaser of the St. Croix Alumina Refinery in 1995, the purchaser assumed responsibility for all costs and other liabilities associated with the bauxite waste disposal facilities, including pre-closure and post-closure liabilities. At this time, it is not practicable to predict the ultimate outcome of or to estimate a range of possible losses relating to any of the foregoing actions.

Legal Contingencies

We have pending against us or may be subject to various lawsuits, claims and proceedings related primarily to employment, commercial, environmental, shareholder, 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.

In evaluating whether to accrue for costs associated with legal contingencies, it is our policy to take into consideration factors such as the facts and circumstances asserted, our historical experience with contingencies of a similar nature, the likelihood of our prevailing and the severity of any potential loss. For some matters, no accrual is established because we have assessed our risk of loss to be remote. Where the risk of loss is probable and the costs can be reasonably estimated, we record an accrual, either on an individual basis or with respect to a group of matters involving similar claims, based on the factors set forth above.

We also determine estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when we have assessed that a loss is reasonably possible. Based on current knowledge, management has ascertained estimates for losses that are reasonably possible and management does not believe that any reasonably possible outcomes in excess of our accruals, if any, would be material to our financial condition, results of operations, or liquidity. We reevaluate and update our assessments and accruals as matters progress over time.

We have been named as a defendant in a lawsuit filed by our former Chief Executive Officer, Logan Kruger, alleging breach of contract and wrongful termination in violation of public policy. The lawsuit alleges that Century anticipatorily breached the employment and severance protection agreements between Century and Mr. Kruger and that Century is obligated to make various severance payments in excess of $20,000 to Mr. Kruger under such agreements. In addition, the complaint seeks unspecified damages, including exemplary and punitive damages, for wrongful termination, as well as costs and attorneys' fees. The trial court has transferred the matter to an arbitration panel for resolution. We believe these claims are without merit and intend to vigorously defend ourself against them. The matter is in a preliminary stage, and we cannot predict the ultimate outcome of this action or estimate a range of possible losses related to this matter at this time. We do not expect that the ultimate costs to resolve this action will have a material adverse effect on our financial condition, results of operations or liquidity, regardless of the final outcome.

In March 2011, the purported stockholder class actions pending against us consolidated as In re: Century Aluminum Company Securities Litigation were dismissed with prejudice by the United States District Court for the Northern District of California. The plaintiffs in the class actions allege that we improperly accounted for cash flows associated with the termination of certain forward financial sales contracts which accounting allegedly resulted in artificial inflation of our stock price and investor losses. Plaintiffs are seeking rescission of our February 2009 common stock

offering, unspecified compensatory damages, including interest thereon, costs and expenses and attorneys' fees. On March 10, 2011, plaintiffs filed a notice of appeal to the order and judgment entered by the court on March 3, 2011. The appeal remains pending before the U.S. Court of Appeals for the Ninth Circuit.

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In February 2010, our subsidiary, CAWV, was named as a defendant in a lawsuit filed by Ingram Barge Company ("Ingram") in the United States District Court for the Middle District of Tennessee. The lawsuit alleges that CAWV breached two barging contracts with Ingram by failing to consume a specified amount of barging services as a result of the curtailment of operations at Ravenswood. Ingram is seeking damages of approximately $4,600 plus interest. In July 2012, the trial court granted Ingram's motion for summary judgment and will hold a subsequent hearing to determine Ingram's damages, if any. While we do not believe that Ingram has suffered any damages and intend to continue to vigorously defend ourselves against this claim, we believe that it is reasonably possible that a damages judgment may be entered against CAWV. We estimate that the range for this potential loss is between $0 and $5,000.

Ravenswood Retiree Medical Benefits changes

Century Aluminum of West Virginia, Inc. amended its postretirement medical benefit plan, effective January 1, 2010, for all current and former CAWV salaried employees, their dependents and all bargaining unit employees who retired before June 1, 2006, and their dependents. Effective January 1, 2011, CAWV no longer provided retiree medical benefits to active salaried CAWV personnel or any other personnel who retired prior to November 1, 2010.

In November 2009, CAWV filed a class action complaint for declaratory judgment against the USWA ("United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial & Service Workers International Union"), the USWA’s local union, and four CAWV retirees, individually and as class representatives, seeking a declaration of CAWV’s rights to modify/terminate retiree medical benefits as described above. Later in November 2009, the USWA and representatives of a retiree class filed a separate suit against CAWV, Century Aluminum Company, Century Aluminum Master Welfare Benefit Plan, and various John Does with respect to the foregoing. These actions, entitled Dewhurst, et al. v. Century Aluminum Co., et al., and Century Aluminum of West Virginia, Inc. v. United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial & Service Workers International Union, AFL-CIO/CLC, et al., have been consolidated and venue has been set in the District Court for the Southern District of West Virginia.

In January 2010, the USWA filed a motion for preliminary injunction to prevent us from implementing the foregoing changes while these lawsuits are pending, which was dismissed by the trial court. In August 2011, the Fourth Circuit Court of Appeals upheld the District Court’s dismissal of the USWA’s motion for preliminary injunction, finding that the USWA had failed to establish the likelihood of success on the merits of the underlying matter. In October 2011, CAWV filed a motion to dismiss plaintiff’s first amended complaint with the trial court. No ruling has yet been made on the motion. The parties have agreed in principle to settle the lawsuit upon a successful restart of Ravenswood, see “CAWV Retiree VEBA contributions” below.

Ravenswood Pension Plan

In June 2011, the Pension Benefit Guaranty Corporation (the “PBGC”) informed us that it believed that a “cessation of operations” under the Employee Retirement Income Security Act of 1974 (“ERISA”) had occurred at our Ravenswood facility as a result of the curtailment of operations at the facility and requested that we engage in discussions with the PBGC relating thereto. We have notified the PBGC that we do not believe that a “cessation of operations” has occurred and have entered into ongoing discussions with the PBGC to resolve the matter. If a “cessation of operations” is ultimately determined to have occurred under ERISA, it may be necessary for Century Aluminum of West Virginia to accelerate the timing of approximately $17,400 in contributions over a period of years to certain of its defined pension plans or post other collateral with the PBGC or negotiate an alternative agreement.

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Power Commitments

Hawesville

The Big Rivers Agreement has a term through December 2023, unless extended. The Big Rivers Agreement provides sufficient power at cost-based rates for Hawesville's full production capacity requirements. The Big River Agreement is take-or-pay for Hawesville's energy requirements at full production.

In August 2012, CAKY issued a 12-month notice to terminate the Big River Agreement. During the 12-month notice period, Century is required to pay a demand charge for power, but is not obligated to continue operating the plant. We believe that our Hawesville facility would be competitive globally but for the price it pays for electric power, which is among the highest rates for smelters in the U.S. CAKY is engaged in discussions with Big Rivers, Kenergy and other stakeholders to be allowed to access the wholesale market for power.

Mt. Holly

Mt. Holly has a power purchase agreement (the "Santee Cooper Agreement") with the South Carolina Public Service Authority ("Santee Cooper") with a term through December 2015, unless extended. The Santee Cooper Agreement provides adequate power for Mt. Holly's full production capacity requirements at prices fixed based on published rate schedules (which are subject to change), with adjustments for fuel prices and other items. The Santee Cooper Agreement restricts Mt. Holly's ability to reduce its power consumption (or the associated payment obligations) below contracted levels and to terminate the agreement, unless, in each case, the LME falls below certain negotiated levels.

Effective June 1, 2012, Mt. Holly and Santee Cooper amended the terms of Santee Cooper agreement in order to allow Mt. Holly to receive all or a portion of Mt. Holly's Supplemental Power requirements from an off-system natural gas-fired power generation facility (the "off-system facility"). The energy charge for Supplemental Power from the off-system facility is based on the cost of natural gas rather than Santee Cooper's system average fuel costs, which are primarily coal-based. The amendments to the power agreement may provide a benefit to Mt. Holly provided that natural gas costs remain below Santee Cooper's system average fuel costs. The amended power agreement provides that Mt. Holly may continue to receive its Supplemental Power requirements from the off-system facility through July 31, 2013, which may be extended through December 31, 2015 if firm transmission agreements can be obtained.

Ravenswood

CAWV has a power purchase agreement (the "ApCo Agreement") with the Appalachian Power Company ("ApCo"). CAWV currently purchases a limited amount of power under the ApCo Agreement as necessary to maintain its Ravenswood smelter, which is presently curtailed. Power is supplied under the ApCo Agreement at prices set forth in published tariffs (which are subject to change), with certain adjustments. Under the special rate contract, Ravenswood may be excused from, or may defer the payment of, any increase in the tariff rate if LME prices fall below certain negotiated levels. The current special rate mechanism will remain in place until the PSC issues an order on our recently filed new special rate proposal for an LME-based rate, which was issued in October 2012. See Note 18 Subsequent events for additional information about the PSC order.

Grundartangi

Nordural Grundartangi ehf has power purchase agreements with HS Orka hf ("HS"), Landsvirkjun and Orkuveita Reykjavikur ("OR") to provide power to its Grundartangi smelter. These power purchase agreements, which will expire on various dates from 2019 through 2036, provide power at LME-based variable rates. Each power purchase agreement contains take-or-pay obligations with respect to a significant percentage of the total committed and available power under such agreement.

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In the fourth quarter of 2011, an additional 47.5 MW of power became available under a power purchase agreement with OR. This power can be used at either Grundartangi or Helguvik and is currently being utilized at Grundartangi. In order to use this additional power, Nordural Grundartangi has temporarily reduced its power purchases under each of its outstanding power purchase agreements, but continues to consume power in excess of its take-or-pay obligation. HS and OR have disputed Nordural Grundartangi's right to make such reductions and have commenced arbitration proceedings against Nordural Grundartangi that are currently expected to occur in the first quarter of 2013.

In June 2012, Nordural Grundartangi entered into a new supplemental power contract with Landsvirkjun. The supplemental power contract, which will expire in October 2029 (or upon the occurrence of certain earlier events), will provide Nordural Grundartangi with supplemental power, as Nordural Grundartangi may request from time to time, at LME-based variable rates. Nordural Grundartangi has agreed to make certain prepayments to Landsvirkjun in connection with the contract, which will reduce the price paid for power at the time of consumption.

Helguvik

Nordural Helguvik ehf has power purchase agreements with HS and OR to provide power to the Helguvik project. These power purchase agreements provide power at LME-based variable rates and contain take-or-pay obligations with respect to a significant percentage of the total committed and available power under such agreements. The first stage of power under the OR power purchase agreement (approximately 47.5 MW) became available in the fourth quarter of 2011 and is currently being utilized at Grundartangi. No other power is currently available under either power purchase agreement. HS (with respect to all phases) and OR (with respect to all phases other than the first phase) have alleged that certain conditions to the delivery of power under the power purchase agreements have not been satisfied. Nordural Helguvik is in discussion with both HS and OR with respect to such conditions.

Other Commitments and Contingencies

Labor Commitments

Approximately 75% of our U.S. based work force is represented by the USWA. CAKY’s Hawesville plant employees represented by the USWA are under a collective bargaining agreement which expires on March 31, 2015.

In April 2010, Nordural Grundartangi ehf entered into a new labor agreement with the five labor unions representing approximately 84% of Grundartangi’s work force. The labor agreement expires on December 31, 2014.

CAWV’s Ravenswood plant employees represented by the USWA are under a labor agreement that expired on August 31, 2010. Negotiations for a new labor agreement are ongoing.

CAWV Retiree VEBA contributions

We have reached an agreement in principle with the CAWV retirees to make contributions to a voluntary employee beneficiary association (“VEBA”) trust that would provide certain health care benefits to these retirees and their eligible dependents in the event of a restart of our Ravenswood facility. If this agreement were entered into, our obligations under the agreement, including any contributions to the VEBA, would be contingent upon the occurrence of several future events that are necessary in order to restart the Ravenswood facility. None of these events, including the finalization of this agreement, are certain to occur.

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Other Commitments
The Patient Protection and Affordable Care Act and the related Health Care and Education Reconciliation Act were enacted in March 2010. The Health Care Acts extend health care coverage to many uninsured individuals and expands coverage to those already insured. The Health Care Acts contain provisions which could impact our retiree medical benefits in future periods. However, the extent of that impact, if any, cannot be determined until regulations are promulgated under the Health Care Acts and additional interpretations of the Health Care Acts become available. We are continuing to assess the potential impacts that this legislation may have on our future results of operations, cash flows and financial position related to our health care benefits and other postemployment benefit obligations. Among other things, the Health Care Acts will eliminate the tax deductibility of the Medicare Part D subsidy for companies that provide qualifying prescription drug coverage to retirees effective for years beginning after December 31, 2012.

11. Forward delivery contracts and financial instruments

As a producer of primary aluminum, we are exposed to fluctuating raw material and primary aluminum prices. We enter into fixed and market priced contracts for the sale of primary aluminum and the purchase of raw materials in future periods.

Forward Physical Delivery Agreements

Primary Aluminum Sales Contracts

Contract	Customer	Volume	Term	Pricing
Glencore Metal Agreement (1)	Glencore	20,400 mtpy	Through December 31, 2013	Variable, based on U.S. Midwest market
Glencore Sweep Agreement (2)	Glencore	Surplus primary aluminum produced in the United States	Through December 31, 2012	Variable, based on U.S. Midwest market
Glencore Nordural Metal Agreement	Glencore	Approximately 16,000 metric tons	Through December 31, 2012	Variable, based on LME
Southwire Metal Agreement (3)	Southwire	240 million pounds per year (high conductivity molten aluminum)	Through December 31, 2013	Variable, based on U.S. Midwest market

(1) We account for the Glencore Metal Agreement as a derivative instrument under ASC 815. Under the Glencore Metal Agreement, pricing is based on then-current Midwest 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.

(2) The Glencore Sweep Agreement is for all metal produced in the U.S. in 2012, less existing sales agreements and high-purity metal sales. The term of the contract may be extended for one year upon mutual agreement.

(3) The Southwire Metal Agreement contains termination rights in the event of a partial or full curtailment of the Hawesville facility.

Long-term 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)	Glencore	90,000 mtpy	Through July 31, 2016	LME-based
Glencore Toll Agreement (1)	Glencore	40,000 mtpy	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.

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Apart from the Glencore Metal Agreement, the Glencore Sweep Agreement, the Glencore Nordural Metal Agreement and the Southwire Metal Agreement, we had the following forward delivery contractual commitments:
Other forward delivery contracts

	September 30, 2012	December 31, 2011
	(in metric tons)	
Other forward delivery contracts – total	28,511	41,504
Other forward delivery contracts – Glencore	1,420	3,423
Other forward delivery contracts – fixed price	20	41

Forward Financial Instruments
We are party to various forward financial and physical delivery contracts, including primary aluminum put option contracts, which are accounted for as derivative instruments. See Note 4 Derivative and hedging instruments for additional information about these instruments.

12. Supplemental cash flow information

	Nine months ended September 30,	
	2012	2011
Cash paid for:		
Interest	$10,220	$11,257
Income/withholding taxes (1)	33,625	41,694

(1) We paid withholding taxes in Iceland of $22,633 and $39,386 in the nine months ended September 30, 2012 and 2011, respectively. Our tax payments in Iceland for withholding taxes, estimated and prepayments of Icelandic income taxes and any associated refunds are denominated in ISK.

13. Asset retirement obligations (“ARO”)
Our asset retirement obligations consist primarily of costs associated with the disposal of spent pot liner used in the reduction cells of our domestic facilities.

The reconciliation of the changes in the asset retirement obligations is presented below:

	Nine months ended September 30,	Year ended December 31, 2011
Beginning balance, ARO liability	$15,171	$14,274
Additional ARO liability incurred	874	1,110
ARO liabilities settled	(1,035)	(1,315)
Accretion expense	875	1,102
Ending balance, ARO liability	$15,885	$15,171

Certain conditional AROs related to the disposal costs of fixed assets at our primary aluminum facilities have not been recorded because they have an indeterminate settlement date. These conditional AROs will be initially recognized in the period in which sufficient information exists to estimate their fair value.

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14. Components of accumulated other comprehensive loss

	September 30, 2012	December 31, 2011
Unrealized loss on financial instruments	$(849)	$(1,040)
Defined benefit plan liabilities	(137,608)	(142,259)
Equity in investee other comprehensive income (1)	(8,476)	(8,476)
Other comprehensive loss before income tax effect	(146,933)	(151,775)
Income tax effect (2)	16,040	17,187
Accumulated other comprehensive loss	$(130,893)	$(134,588)

(1) The amount includes our equity in the other comprehensive income of Mt. Holly Aluminum Company.

(2) The allocation of the income tax effect to the components of other comprehensive income is as follows:

	September 30, 2012	December 31, 2011
Unrealized loss on financial instruments	$(657)	$(682)
Defined benefit plan liabilities	16,191	17,311
Equity in investee other comprehensive income	506	558

15. Components of net periodic benefit cost

	Pension Benefits			
	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Service cost	$701	$783	$2,102	$2,350
Interest cost	1,717	1,744	5,153	5,231
Expected return on plan assets	(1,740)	(1,658)	(5,222)	(4,973)
Amortization of prior service cost	34	34	103	103
Amortization of net loss	910	466	2,731	1,397
Net periodic benefit cost	$1,622	$1,369	$4,867	$4,108

	Other Postretirement Benefits ("OPEB")			
	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Service cost	$448	$417	$1,343	$1,251
Interest cost	1,378	1,433	4,135	4,295
Expected return on plan assets	—	—	—	—
Amortization of prior service cost (1)	(1,063)	(1,063)	(3,188)	(31,751)
Amortization of net loss	1,652	1,357	4,956	13,706
Net periodic benefit cost	$2,415	$2,144	$7,246	$(12,499)

(1) Plan amendments made in November 2010 resulted in a reduction in OPEB liability and a credit to accumulated other comprehensive loss. The resulting prior service benefit and actuarial losses were amortized ratably into income over the period November 1, 2010 to September 30, 2011 at which time the CAWV OPEB plan terminated.

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Employer contributions
During the nine months ended September 30, 2012, we have made contributions of approximately $7,282 to the qualified defined benefit plans we sponsor.

16. Recently issued and adopted accounting standards

We evaluate the impact of the Financial and Accounting Standards Board ("FASB") accounting standards updates ("ASUs") issued. When the adoption or planned adoption of recently issued ASUs will potentially have a material impact on our consolidated financial position, results of operations, and cash flows, we disclose the quantitative and qualitative effects of the adoption in our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement." This ASU amended the requirements for measuring fair value and disclosing information about fair value measurements and was effective for Century on January 1, 2012. Upon adoption, this standard resulted in changes to our financial disclosures, but did not have any impact on the reporting of our financial condition, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income". This ASU addresses the financial statement presentation of other comprehensive income and its components. Companies may elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. At December 31, 2011, we adopted ASU 2011-05 and included the updated presentation requirements in the current financial statements. Upon adoption, this standard resulted in changes to our financial disclosures, but did not have any impact on the reporting of our financial condition, results of operations or cash flows.

17. Condensed consolidating financial information

Our 8.0% senior secured notes due 2014 and 7.5% senior unsecured notes due 2014 are guaranteed by each of our material existing and future domestic subsidiaries, except for Nordural US LLC. Each subsidiary guarantor is 100% owned by Century. All guarantees are full and unconditional; all guarantees are joint and several. These notes are not guaranteed by our foreign subsidiaries (such subsidiaries and Nordural US LLC, collectively the "Non-Guarantor Subsidiaries"). We allocate corporate expenses or income to our subsidiaries and charge interest on certain intercompany balances.

The following summarized condensed consolidating balance sheets as of September 30, 2012 and December 31, 2011, condensed consolidating statements of operations for the three and nine months ended September 30, 2012 and September 30, 2011, condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2012 and September 30, 2011 and the condensed consolidating statements of cash flows for the nine months ended September 30, 2012 and September 30, 2011 present separate results for Century, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries, consolidating adjustments and total consolidated amounts.

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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CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$—	$137,992	$35,383	$—	$173,375
Accounts receivable — net	32,006	12,321			44,327
Due from affiliates	620,739	15,817	2,462,532	(3,059,333)	39,755
Inventories	95,165	64,803	—	—	159,968
Prepaid and other current assets	4,799	37,585	5,869	—	48,253
Total current assets	752,709	268,518	2,503,784	(3,059,333)	465,678
Investment in subsidiaries	41,827	—	(1,015,036)	973,209	—
Property, plant and equipment — net	319,498	877,569	902	(325)	1,197,644
Other assets	21,835	59,747	38,535	—	120,117
Total	$1,135,869	$1,205,834	$1,528,185	$ (2,086,449)	$1,783,439
Liabilities:					
Accounts payable, trade	$40,054	$37,124	$1,094	$—	$78,272
Due to affiliates	2,105,832	105,203	210,154	(2,378,524)	42,665
Accrued and other current liabilities	16,460	20,796	15,657	—	52,913
Accrued employee benefits costs — current portion	14,970	—	2,241	—	17,211
Industrial revenue bonds	7,815				7,815
Total current liabilities	2,185,131	163,123	229,146	(2,378,524)	198,876
Senior notes payable			250,303		250,303
Accrued pension benefit costs — less current portion	34,875	—	30,276	—	65,151
Accrued postretirement benefit costs — less current portion	123,727	—	5,608	—	129,335
Other liabilities/intercompany loan	64,513	653,140	3,201	(681,134)	39,720
Deferred taxes	—	90,403	—	—	90,403
Total noncurrent liabilities	223,115	743,543	289,388	(681,134)	574,912
Shareholders' equity:					
Preferred stock	—	—	1	—	1
Common stock	60	12	933	(72)	933
Additional paid-in capital	302,659	149,743	2,507,254	(452,402)	2,507,254
Treasury stock, at cost	—	—	(49,924)	—	(49,924)
Accumulated other comprehensive loss	(128,699)	(1,487)	(130,893)	130,186	(130,893)
Retained earnings (accumulated deficit)	(1,446,397)	150,900	(1,317,720)	1,295,497	(1,317,720)
Total shareholders' equity	(1,272,377)	299,168	1,009,651	973,209	1,009,651
Total	$1,135,869	$1,205,834	$1,528,185	$ (2,086,449)	$1,783,439

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CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$—	$159,157	$24,244	$—	$183,401
Accounts receivable — net	40,062	7,585	—	—	47,647
Due from affiliates	616,830	13,517	2,474,727	(3,060,409)	44,665
Inventories	96,197	75,764	—	—	171,961
Prepaid and other current assets	8,668	38,809	3,169	(10,000)	40,646
Total current assets	761,757	294,832	2,502,140	(3,070,409)	488,320
Investment in subsidiaries	36,965	—	(995,131)	958,166	—
Property, plant and equipment — net	338,946	878,333	1,211	(265)	1,218,225
Other assets	21,870	43,269	39,410	—	104,549
Total	$1,159,538	$1,216,434	$1,547,630	$(2,112,508)	$1,811,094
Liabilities:					
Accounts payable, trade	$43,215	$42,278	$679	$—	$86,172
Due to affiliates	2,103,687	78,411	205,651	(2,345,845)	41,904
Accrued and other current liabilities	10,596	29,822	10,358	(10,000)	40,776
Accrued employee benefits costs — current portion	14,267	—	2,431	—	16,698
Industrial revenue bonds	7,815	—	—	—	7,815
Total current liabilities	2,179,580	150,511	219,119	(2,355,845)	193,365
Senior notes payable	—	—	249,512	—	249,512
Accrued pension benefit costs — less current portion	40,277	—	30,622	—	70,899
Accrued postretirement benefit costs — less current portion	122,609	—	5,469	—	128,078
Other liabilities/intercompany loan	63,369	686,834	4,631	(714,829)	40,005
Deferred taxes	—	90,958	—	—	90,958
Total noncurrent liabilities	226,255	777,792	290,234	(714,829)	579,452
Shareholders' equity:					
Preferred stock	—	—	1	—	1
Common stock	60	12	932	(72)	932
Additional paid-in capital	297,300	144,383	2,506,842	(441,683)	2,506,842
Treasury stock, at cost	—	—	(45,891)	—	(45,891)
Accumulated other comprehensive income (loss)	(132,235)	(1,373)	(134,588)	133,608	(134,588)
Retained earnings (accumulated deficit)	(1,411,422)	145,109	(1,289,019)	1,266,313	(1,289,019)
Total shareholders' equity	(1,246,297)	288,131	1,038,277	958,166	1,038,277
Total	$1,159,538	$1,216,434	$1,547,630	$(2,112,508)	$1,811,094

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
NET SALES:					
Third-party customers	$123,525	$46,498	$—	$ —	$170,023
Related parties	75,590	59,022	—	—	134,612
	199,115	105,520	—	—	304,635
Cost of goods sold	210,417	90,968	—	—	301,385
Gross profit (loss)	(11,302)	14,552	—	—	3,250
Other operating expenses – net	7,388	—	—	—	7,388
Selling, general and administrative expenses	7,530	1,652	—	—	9,182
Operating income (loss)	(26,220)	12,900	—	—	(13,320)
Interest expense – third party	(6,041)	—	—	—	(6,041)
Interest expense – affiliates	15,860	(15,860)	—	—	—
Interest income – third party	4	68	—	—	72
Interest income – affiliates	—	—	—	—	—
Net loss on forward contracts	(340)	—	—	—	(340)
Other income (expense) - net	(48)	7,696	—	—	7,648
Income (loss) before income taxes and equity in earnings of joint ventures	(16,785)	4,804	—	—	(11,981)
Income tax benefit (expense)	964	(2,132)	—	—	(1,168)
Income (loss) before equity in earnings of joint ventures	(15,821)	2,672	—	—	(13,149)
Equity in earnings (loss) of joint ventures	(638)	1,126	(12,023)	12,661	1,126
Net income (loss)	$(16,459)	$3,798	$(12,023)	$ 12,661	$(12,023)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the three months ended September 30, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
NET SALES:					
Third-party customers	$139,865	$62,733	$—	$ —	$202,598
Related parties	70,967	72,081	—	—	143,048
	210,832	134,814	—	—	345,646
Cost of goods sold	232,810	101,512	—	—	334,322
Gross profit (loss)	(21,978)	33,302	—	—	11,324
Other operating expenses – net	2,659	—	—	—	2,659
Selling, general and administrative expenses	7,391	559	—	—	7,950
Operating income (loss)	(32,028)	32,743	—	—	715
Interest expense – third party	(5,951)	—	—	—	(5,951)
Interest expense – affiliates	17,005	(17,005)	—	—	—
Interest income – third party	4	33	—	—	37
Interest income – affiliates	—	59	—	—	59
Net gain loss on forward contracts	4,163	—	—	—	4,163
Other expense - net	(595)	(548)	—	—	(1,143)
Income (loss) before income taxes and equity in earnings of joint ventures	(17,402)	15,282	—	—	(2,120)
Income tax benefit (expense)	93	(5,480)	—	—	(5,387)
Income (loss) before equity in earnings of joint ventures	(17,309)	9,802	—	—	(7,507)
Equity in earnings of joint ventures	1,374	907	(6,600)	5,226	907
Net income (loss)	$(15,935)	$10,709	$(6,600)	$ 5,226	$(6,600)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the nine months ended September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
NET SALES:					
Third-party customers	$391,100	$ 151,784	$—	$ —	$542,884
Related parties	226,589	184,971	—	—	411,560
	617,689	336,755	—	—	954,444
Cost of goods sold	640,650	283,995	—	—	924,645
Gross profit (loss)	(22,961)	52,760	—	—	29,799
Other operating expenses – net	14,926	—	—	—	14,926
Selling, general and administrative expenses	23,747	1,045	—	—	24,792
Operating income (loss)	(61,634)	51,715	—	—	(9,919)
Interest expense – third party	(17,966)	—	—	—	(17,966)
Interest expense – affiliates	48,108	(48,108)	—	—	—
Interest income – third party	19	305	—	—	324
Interest income – affiliates	—	62	—	—	62
Net loss on forward contracts	(4,049)	—	—	—	(4,049)
Other income - net	750	7,365	—	—	8,115
Income (loss) before income taxes and equity in earnings of joint ventures	(34,772)	11,339	—	—	(23,433)
Income tax benefit (expense)	279	(7,663)	—	—	(7,384)
Income (loss) before equity in earnings of joint ventures	(34,493)	3,676	—	—	(30,817)
Equity in earnings (loss) of joint ventures	(482)	2,116	(28,701)	29,183	2,116
Net income (loss)	$(34,975)	$ 5,792	$(28,701)	$ 29,183	$(28,701)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the nine months ended September 30, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
NET SALES:					
Third-party customers	$413,404	$ 184,597	$—	$ —	$598,001
Related parties	222,030	218,229	—	—	440,259
	635,434	402,826	—	—	1,038,260
Cost of goods sold	632,515	302,591	—	—	935,106
Gross profit	2,919	100,235	—	—	103,154
Other operating income – net	(8,430)	—	—	—	(8,430)
Selling, general and administrative expenses	33,105	4,011	—	—	37,116
Operating income (loss)	(21,756)	96,224	—	—	74,468
Interest expense – third party	(19,114)	—	—	—	(19,114)
Interest expense – affiliates	51,677	(51,677)	—	—	—
Interest income – third party	47	210	—	—	257
Interest income – affiliates	—	242	—	—	242
Net loss on forward contracts	(2,263)	—	—	—	(2,263)
Other expense - net	(879)	(719)	—	—	(1,598)
Income before income taxes and equity in earnings of joint ventures	7,712	44,280	—	—	51,992
Income tax benefit (expense)	3,683	(15,829)	—	—	(12,146)
Income before equity in earnings of joint ventures	11,395	28,451	—	—	39,846
Equity in earnings of joint ventures	3,982	2,586	42,432	(46,414)	2,586
Net income (loss)	$15,377	$ 31,037	$42,432	$ (46,414)	$42,432

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CENTURY ALUMINUM COMPANY
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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the three months ended September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$(16,459)	$ 3,798	$(12,023)	$ 12,661	$(12,023)
Other comprehensive income (loss) before income tax effect:					
Net unrealized gain (loss) on financial instruments	2	—	2	(2)	2
Net loss (gain) reclassified to income on financial instruments	68	—	68	(68)	68
Net gain on foreign currency cash flow hedges reclassified to income	—	(47)	(47)	47	(47)
Defined benefit plans and other postretirement benefits:					
Net gain (loss) arising during the period	—	—	—	—	—
Amortization of prior service benefit during the period	(1,037)	—	(1,029)	1,037	(1,029)
Amortization of net loss during the period	2,306	—	2,562	(2,306)	2,562
Other comprehensive income (loss) before income tax effect	1,339	(47)	1,556	(1,292)	1,556
Income tax effect	(4)	9	(382)	(5)	(382)
Other comprehensive income (loss)	1,335	(38)	1,174	(1,297)	1,174
Comprehensive income (loss)	$(15,124)	$ 3,760	$(10,849)	$ 11,364	$(10,849)

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the three months ended September 30, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$ (15,935)	$ 10,709	$ (6,600)	$ 5,226	$ (6,600)
Other comprehensive income (loss) before income tax effect:					
Net unrealized gain (loss) on financial instruments	(16)	—	(16)	16	(16)
Net loss (gain) reclassified to income on financial instruments	(16)	—	(16)	16	(16)
Net gain on foreign currency cash flow hedges reclassified to income	—	(47)	(47)	47	(47)
Defined benefit plans and other postretirement benefits:					
Net gain (loss) arising during the period	—	—	—	—	—
Amortization of prior service benefit during the period	(1,036)	—	(1,028)	1,036	(1,028)
Amortization of net loss during the period	1,687	—	1,823	(1,687)	1,823
Other comprehensive income (loss) before income tax effect	619	(47)	716	(572)	716
Income tax effect	(5)	9	(383)	(4)	(383)
Other comprehensive income (loss)	614	(38)	333	(576)	333
Comprehensive income (loss)	$ (15,321)	$ 10,671	$ (6,267)	$ 4,650	$ (6,267)

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the nine months ended September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$(34,975)	$5,792	$(28,701)	$29,183	$(28,701)
Other comprehensive income (loss) before income tax effect:					
Net unrealized gain (loss) on financial instruments	(218)	—	(218)	218	(218)
Net loss (gain) reclassified to income on financial instruments	549	—	549	(549)	549
Net gain on foreign currency cash flow hedges reclassified to income	—	(140)	(140)	140	(140)
Defined benefit plans and other postretirement benefits:					
Net gain (loss) arising during the period	—	—	49	—	49
Amortization of prior service benefit during the period	(3,109)	—	(3,085)	3,109	(3,085)
Amortization of net loss during the period	6,919	—	7,687	(6,919)	7,687
Other comprehensive income (loss) before income tax effect	4,141	(140)	4,842	(4,001)	4,842
Income tax effect	(605)	26	(1,147)	579	(1,147)
Other comprehensive income (loss)	3,536	(114)	3,695	(3,422)	3,695
Comprehensive income (loss)	$(31,439)	$5,678	$(25,006)	$25,761	$(25,006)

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CENTURY ALUMINUM COMPANY
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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the nine months ended September 30, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Reclassifications and Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	$ 15,377	$ 31,037	$ 42,432	$ (46,414)	$ 42,432
Other comprehensive income (loss) before income tax effect:					
Net unrealized gain (loss) on financial instruments	(49)	—	(49)	49	(49)
Net loss (gain) reclassified to income on financial instruments	(66)	—	(66)	66	(66)
Net gain on foreign currency cash flow hedges reclassified to income	—	(139)	(139)	139	(139)
Defined benefit plans and other postretirement benefits:					
Net gain (loss) arising during the period	(5,769)	—	(5,769)	5,769	(5,769)
Amortization of prior service benefit during the period	(31,672)	—	(31,648)	31,672	(31,648)
Amortization of net loss during the period	14,696	—	15,103	(14,696)	15,103
Other comprehensive income (loss) before income tax effect	(22,860)	(139)	(22,568)	22,999	(22,568)
Income tax effect	(1,655)	24	(5,357)	1,631	(5,357)
Other comprehensive income (loss)	(24,515)	(115)	(27,925)	24,630	(27,925)
Comprehensive income (loss)	$ (9,138)	$ 30,922	$ 14,507	$ (21,784)	$ 14,507

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2012

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Consolidated
Net cash provided by operating activities	$11,824	$9,261	$—	$21,085
Investing activities:				
Purchase of property, plant and equipment	(4,102)	(6,219)	(78)	(10,399)
Nordural expansion - Helguvik	—	(5,474)	—	(5,474)
Purchase of carbon anode assets	(14,185)	—	—	(14,185)
Investments in and advances to joint ventures	—	—	(275)	(275)
Payments received on advances to joint ventures	—	—	3,166	3,166
Proceeds from the sale of property, plant and equipment	—	89	—	89
Net cash provided by (used in) investing activities	(18,287)	(11,604)	2,813	(27,078)
Financing activities:				
Borrowings under revolving credit facility	—	—	18,076	18,076
Repayments under revolving credit facility	—	—	(18,076)	(18,076)
Intercompany transactions	6,463	(18,822)	12,359	—
Repurchase of common stock	—	—	(4,033)	(4,033)
Net cash provided by (used in) financing activities	6,463	(18,822)	8,326	(4,033)
Net change in cash and cash equivalents	—	(21,165)	11,139	(10,026)
Cash and cash equivalents, beginning of the period	—	159,157	24,244	183,401
Cash and cash equivalents, end of the period	$—	$137,992	$35,383	$173,375

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2011

	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	The Company	Consolidated
Net cash provided by operating activities	$277	$10,817	$—	$11,094
Investing activities:				
Purchase of property, plant and equipment	(4,836)	(5,648)	(384)	(10,868)
Nordural expansion - Helguvik	—	(10,335)	—	(10,335)
Proceeds from the sale of property, plant and equipment	1,415	56	—	1,471
Investments in and advances to joint ventures	—	—	(13)	(13)
Payments received on advances to joint ventures	—	—	3,056	3,056
Net change in restricted cash	3,673	—	—	3,673
Net cash provided by (used in) investing activities	252	(15,927)	2,659	(13,016)
Financing activities:				
Repayments of long-term debt	—	—	(47,067)	(47,067)
Repayment of contingent obligation	(189)	—	—	(189)
Borrowings under revolving credit facility	—	—	15,900	15,900
Repayments under revolving credit facility	—	—	(15,900)	(15,900)
Intercompany transactions	(340)	(25,750)	26,090	—
Repurchase of common stock	—	—	(38,806)	(38,806)
Issuance of common stock - net	—	—	83	83
Net cash used in financing activities	(529)	(25,750)	(59,700)	(85,979)
Net change in cash and cash equivalents	—	(30,860)	(57,041)	(87,901)
Cash and cash equivalents, beginning of the period	—	214,923	89,373	304,296
Cash and cash equivalents, end of the period	$—	$184,063	$32,332	$216,395

18. Subsequent events

We have evaluated all subsequent events through the date the financial statements were issued.
West Virginia PSC issues decision in Century Aluminum rate case
In October 2012, the West Virginia Public Service Commission (the "PSC") issued an order to establish a new special rate mechanism for CAWV's Ravenswood smelter. While the new special rate mechanism included certain elements that CAWV had requested, it failed to establish a structure that would allow for a restart of the Ravenswood smelter under current conditions. On October 26, 2012, Century filed a motion for reconsideration with the PSC.
Termination of West Virginia postemployment benefits
In October 2012, we notified the effected retirees that CAWV amended its postretirement medical benefits plan, effective January 1, 2013, for all bargaining unit employees who retired on or after November 1, 2010 and before October 1, 2012, and their dependents. Effective January 1, 2013, CAWV will no longer provide retiree medical benefits to to these retirees or their dependents. However, CAWV will subsidize the full cost of medical and prescription drug benefits until the earlier of a) June 30, 2013; b) the last day of the month in which he/she turns age 65 and becomes eligible for Medicare; or c) in the event that a Voluntary Employee Beneficiary Association (VEBA)

Trust is established to support health benefits for CAWV retirees and their covered dependents, and he/she becomes eligible to receive health benefits from the VEBA.

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CENTURY ALUMINUM COMPANY
Notes to the Consolidated Financial Statements - continued
(Unaudited)

Corporate Headquarters Relocation

In October 2012, we informed our headquarters' staff of the decision to relocate the corporate headquarters from Monterey, California to Chicago, Illinois. We expect to complete the process by the end of the first half of 2013.

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FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements, which are subject to the "safe harbor" created by section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. We may make forward-looking statements in our SEC filings, press releases, news articles, earnings presentations and when we are speaking on behalf of the Company. Forward-looking statements can be identified by the fact that they do not strictly relate to historical or current facts. Often, they include the words "believe," "expect," "target," "anticipate," "intend," "plan," "seek," "estimate," "potential," "project," or words of similar meaning, or future or conditional verbs such as "would," "should," "could," "might," or "may." Forward-looking statements are based on current expectations and assumption that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A of Part I of our 2011 Annual Report on Form 10-K and those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements in this quarterly report, for example, include statements about the following subjects, among other things:

- Our business objectives, strategies and initiatives, the growth of our business and our competitive position and prospects;
- Our assessment of significant economic, financial, political and other factors and developments that may affect our results, including currency risks;
- Our assessment of the aluminum market, aluminum prices, aluminum financing, inventories and warehousing arrangements and other similar matters;
- Aluminum prices and their effect on our financial position and results of operations;
- Future construction investment and development of our facility in Helguvik, Iceland and with respect to the Century Vlissingen project, including our discussions regarding power purchase agreements, future capital expenditures, the costs of completion or cancellation, production capacity and the sources of funding for the facility;
- Our hedging and other strategies to mitigate risk and their potential effects;
- Our curtailed operations, including the potential restart of curtailed operations at Ravenswood, and potential curtailment of other domestic assets;
- Our procurement of electricity, alumina, carbon products and other raw materials and our assessment of pricing and other terms relating thereto including the potential benefits of the amended Santee Cooper Service Agreement and the potential benefits to be provided to Grundartangi and our planned Helguvik smelter from the recent purchase by Century Vlissingen of carbon anode assets in the Netherlands;
- Our ability to access the wholesale power market for Hawesville and a favorable conclusion of the West Virginia Public Service Commission proceedings for Ravenswood;
- Estimates of our pension and other postemployment liabilities and future payments, deferred income tax assets and property plant and equipment impairment, environmental liabilities and other contingent liabilities and contractual commitments;
- Our agreement in principle with the CAWV retirees and any contributions to a voluntary employee benefit association relating to that agreement;
- Changes in, or the elimination of, the retiree medical benefit plans and programs of certain of our subsidiaries and their effect on our financial position and results of operation;
- Discussions with the Pension Benefit Guaranty Corporation regarding our Ravenswood facility;
- Critical accounting policies and estimates, the impact or anticipated impact of recent accounting pronouncements or changes in accounting principle;
- Our anticipated tax liabilities, benefits or refunds;
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- Our assessment of the ultimate outcome of outstanding litigation, including litigation with our former Chief Executive Officer, and environmental matters, including future potential payments in connection with the St. Croix Hydrocarbon Recovery Plan, and liabilities relating thereto;
- Compliance with laws and regulations and the effect of future laws and regulations;
- Expected timing for the relocation of our corporate headquarters;
- Our capital resources, projected financing sources and projected uses of capital including with respect to the E. ON contingent obligation, the Century Vlissingen and Helguvik projects; and
- Our debt levels and intentions to incur or repay debt in the future.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Recent Developments

Hawesville issues 12-month notice to terminate power contract

In August 2012, CAKY issued a 12-month notice to terminate its power contract with Kenergy, a member cooperative of Big Rivers, for Hawesville. During the 12-month notice period, we will be required to pay a demand charge for power, but we are not obligated to continue operating the plant. We believe that the contract price Hawesville pays for electric power under the Big Rivers Agreement is among the highest rates for smelters in the U.S. CAKY is engaged in discussions with Big Rivers, Kenergy and other stakeholders to access the wholesale market for power.

West Virginia PSC issues decision in Century Aluminum rate case

In October 2012, the PSC issued an order to establish a new special rate mechanism for CAWV's Ravenswood smelter. While the new special rate mechanism included certain elements that CAWV had requested, it failed to establish a structure that would allow for a restart of the Ravenswood smelter under current conditions. On October 26, 2012, Century filed a motion for reconsideration with the PSC.

West Virginia Coal Severance Tax

In 2012, the West Virginia State Legislature approved a 10-year coal severance tax credit of $20 million per year that will be allocated to power producers and would likely result in reduced power costs to the Ravenswood smelter, if the smelter were to restart.

Grundartangi receives insurance settlement for damaged transformer

In September 2012, we received a $7.9 million settlement payment related to insurance claims by Grundartangi for the cost of repairs to a transformer damaged in transit, a related business interruption claim, interest and other fees associated with the claim. We recorded the payment on the consolidated statement of operations in other income - net.

Grundartangi expansion program

The Grundartangi expansion program, a $65 million capital expenditure project, is expected to increase production capacity at Grundartangi by 40,000 mtpy over the next four years.

Mt. Holly amends power contract

Effective June 1, 2012, Mt. Holly and South Carolina Public Service Authority (“Santee Cooper”) amended the terms of Mt. Holly's power agreement in order to allow Mt. Holly to receive all or a portion of Mt. Holly's Supplemental Power requirements from an off-system natural gas-fired power generation facility (the “off-system facility”). The energy charge for Supplemental Power from the off-system facility is based on the cost of natural gas rather than Santee Cooper's system average fuel costs, which are primarily coal-based. The amendments to the power agreement may provide a benefit to Mt. Holly provided that natural gas costs remain below Santee Cooper's system average fuel costs. The amended power agreement provides that Mt. Holly may continue to receive its Supplemental Power requirements from the off-system facility through July 31, 2013, which may be extended through December 31, 2015 if firm transmission agreements can be obtained.

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Century purchases carbon anode assets in the Netherlands

In June 2012, our wholly owned subsidiary, Century Vlissingen, purchased substantially all of the assets of the former Zalco anode production facility located in Vlissingen, the Netherlands for approximately $12.5 million. In connection with the purchase, we also entered into a ground lease with respect to the facility that is renewable at our option. As part of the transaction, Century Vlissingen will not assume, and is indemnified against, historical liabilities of the facility.

In anticipation of a restart of 75,000 metric tons of annual anode production capacity at the Vlissingen facility in the third quarter of 2013, we intend to invest approximately $45 million over the next three years, including capital expenditures, restart expenses and working capital to optimize production for our customers, including Grundartangi and to comply with environmental regulations. Upon restart, the facility will provide a source of anode production for Grundartangi and the planned Helguvik smelter, and replace certain anode supply contracts that will terminate in 2013.

Century announces decision to relocate corporate headquarters

In October 2012, we informed our headquarters' staff of the decision to relocate the corporate headquarters from Monterey, California to Chicago, Illinois. We expect to complete the process by the end of the first half of 2013.

Results of Operations

The following discussion reflects our historical results of operations.

Century's financial highlights include:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Net sales:				
Third-party customers	$170,023	$202,598	$542,884	$598,001
Related parties	134,612	143,048	411,560	440,259
Total	$304,635	$345,646	$954,444	$1,038,260
Gross profit	$3,250	$11,324	$29,799	$103,154
Net income (loss)	$(12,023)	$(6,600)	$(28,701)	$42,432
Earnings (loss) per common share:				
Basic and Diluted	$(0.14)	$(0.07)	$(0.32)	$0.42

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Shipments – primary aluminum (metric tons):				
Direct	95,747	82,236	283,665	247,224
Toll	67,684	68,596	200,561	199,269
Total	163,431	150,832	484,226	446,493

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Net sales (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$304.6	$345.6	$(41.0)	(11.9)%
Nine months ended September 30,	$954.4	$1,038.3	$(83.9)	(8.1)%

Lower price realizations for our primary aluminum shipments in the three months ended September 30, 2012 were due to lower LME prices for primary aluminum, which were partially offset by increased premiums. The lower price realizations resulted in a $74.8 million decrease in sales. Higher shipment volumes had a $33.8 million positive impact on net sales. Direct shipments from our three operating smelters increased 13,511 metric tons in the three months ended September 30, 2012 compared to the same period in 2011, due to the restart of idled capacity at our Hawesville facility. Toll shipments decreased 912 metric tons relative to the same period last year, but were replaced with direct shipments.

Lower price realizations for our primary aluminum shipments in the nine months ended September 30, 2012 were due to lower LME prices for primary aluminum, which were partially offset by increased premiums. The lower price realizations resulted in a $182.7 million sales decrease. Higher shipment volumes had a $98.8 million positive impact on net sales. Direct shipments from our three operating smelters increased 36,441 metric tons in the nine months ended September 30, 2012 compared to the same period in 2011, due to the restart of idled capacity at our Hawesville facility. Toll shipments increased 1,292 metric tons relative to the same period last year.

Gross profit (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$3.3	$11.3	$(8.0)	(70.8)%
Nine months ended September 30,	$29.8	$103.2	$(73.4)	(71.1)%

During the three months ended September 30, 2012, lower price realizations, net of LME-based alumina cost and LME-based power cost, decreased gross profit by $55.5 million, with volume and mix reducing gross profit by $0.7 million. In addition, we experienced $26.5 million in net cost decreases, relative to the same period in 2011, comprised of: lower power and natural gas costs at our U.S. smelters, $7.1 million; lower costs for materials, supplies and maintenance, $14.1 million; other cost reductions, $5.5 million; offset by increased depreciation, $0.2 million.

During the nine months ended September 30, 2012, lower price realizations, net of LME-based alumina cost and LME-based power cost, decreased gross profit by $142.0 million, with volume and mix increasing gross profit by $4.6 million. In addition, we experienced $30.7 million in net cost decreases, relative to the same period in 2011, comprised of: decreased power and natural gas costs at our U.S. smelters, $5.2 million; decreased costs for materials, supplies and maintenance, $12.0 million; other cost reductions, $11.1 million; offset by increased depreciation, $0.5 million. In addition, we recorded a charge of $2.9 million in September 2011 related to an insurance recovery that went into litigation.

Our operating costs in 2011 were negatively impacted by the costs to restart idled capacity at the Hawesville facility. The absence of those costs in 2012 had a favorable impact on gross profit and their impact is included in the amounts reported above.

Increases in LME prices at the end of the third quarter of 2012, compared to the prior period-ending price levels, resulted in an increase in the market value of our inventory relative to its cost basis, resulting in credits to cost of goods sold for the three months ended September 30, 2012 of $8.2 million. At the end of the third quarter of 2011, the opposite situation occurred. Decreases in LME prices, compared to the prior period-ending price levels, resulted in a decrease in the market value of our inventory relative to its cost basis, resulting in a charge to cost of goods sold for the three months ended September 30, 2011 of $13.5 million. This resulted in a quarter to quarter improvement in gross profit of $21.7 million.

During the nine months ended September 30, 2012, increases in the market value of our inventory relative to its cost basis, resulted in credits to cost of goods sold of $19.8 million. During the nine months ended September 30, 2011, decreases in the market value of our inventory relative to its cost basis, resulted in charges to cost of goods sold of $13.5 million. This resulted in a period to period improvement in gross profit of $33.3 million.

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Other operating expenses (income) - net (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$7.4	$2.7	$4.7	174.1 %
Nine months ended September 30,	$14.9	$(8.4)	$23.3	(277.4)%

Other operating expenses (income) - net is primarily related to items associated with Ravenswood. During the three months ended September 30, 2012, we increased our estimate of accrued litigation liabilities. During the nine months ended September 30, 2011, we recorded net benefits of $18.1 million resulting from the elimination of medical benefits for retirees of the Ravenswood facility.

Selling, general and administrative expenses (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$9.2	$8.0	$1.2	15.0 %
Nine months ended September 30,	$24.8	$37.1	$(12.3)	(33.2)%

During the three months ended September 30, 2012, we began to incur general and administrative expenses related to the integration of the Century Vlissingen anode facility into our business. During 2012, our expenditures related to the Helguvik power arbitration were lower than in 2011. In addition, as part of the Helguvik arbitration decision, we were reimbursed for a portion of those expenditures in the second quarter of 2012. During the nine months ended September 30, 2011, we recorded selling, general and administrative charges of $7.7 million related to the contractual impact of changes in our Board of Directors and executive management team; these charges did not repeat in 2012.

Net gain (loss) on forward contracts (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$(0.3)	$4.2	$(4.5)	(107.1)%
Nine months ended September 30,	$(4.0)	$(2.3)	$(1.7)	73.9 %

The net gain (loss) on forward contracts for the three and nine months ended September 30, 2012 and 2011 related primarily to marking-to-market and recording settlements of option contracts that were put in place to provide partial downside price protection for our domestic facilities. As of June 30, 2012, all of these option contracts had been settled.

Other income (expense) - net (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$7.6	$(1.1)	$8.7	(790.9)%
Nine months ended September 30,	$8.1	$(1.6)	$9.7	(606.3)%

During the three months ended September 30, 2012, Grundartangi received a $7.9 million settlement payment for the costs to repair a transformer damaged in transit, a related business interruption claim, interest and other fees associated with the claim.

Income tax expense (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$(1.2)	$(5.4)	$4.2	(77.8)%
Nine months ended September 30,	$(7.4)	$(12.1)	$4.7	(38.8)%

Our 2012 and 2011 income tax expense was primarily driven by our earnings in Iceland. In addition, during the first half of 2011, we had a partial offset to income tax expense due to a discrete tax benefit arising from the elimination of medical benefits for retirees of the Ravenswood facility.

Equity in the earnings of joint ventures (in millions)	2012	2011	$ Difference	% Difference
Three months ended September 30,	$1.1	$0.9	$0.2	22.2 %
Nine months ended September 30,	$2.1	$2.6	$(0.5)	(19.2)%

The amounts reported in both periods primarily reflect Century's equity in the earnings of its joint venture, BHH.

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Liquidity and Capital Resources

Liquidity

Our principal sources of liquidity are available cash, cash flow from operations and available borrowings under our revolving credit facility. We have also raised capital in the past through the public equity and debt markets. We regularly explore various other financing alternatives. Our principal uses of cash are the funding of operating costs (including postemployment benefits), maintenance of curtailed production facilities, payments of principal and interest on our outstanding debt, the funding of capital expenditures, investments in our growth activities and in related businesses, repurchases of common stock, working capital and other general corporate requirements.

Our consolidated cash and cash equivalents balance at September 30, 2012 was approximately $173 million compared to $183 million at December 31, 2011. Century's revolving credit facility matures in July 2014. As of September 30, 2012, our credit facility had no loan amounts outstanding and approximately $42 million of net availability. We have approximately $46 million of letters of credit outstanding under our credit facility. Future curtailments of domestic production capacity would reduce domestic accounts receivable and inventory, which comprise the borrowing base of our credit facility, and would result in a corresponding reduction in availability under the credit facility.

We have $249.6 million in 8.0% senior secured notes payable that will mature on May 15, 2014.

We may be required to make installment payments for the E.ON contingent obligation. These payments are contingent based on the LME price of primary aluminum and the level of Hawesville’s operations. Based on the LME forward market at September 30, 2012 and management’s estimate, we do not expect to make any payments for the E.ON contingent obligation until 2018.

In August 2011, our Board of Directors approved a $60 million stock repurchase program. Through September 30, 2012, we have expended approximately $50 million under the program. At September 30, 2012, we had approximately $10 million remaining under the repurchase program authorization. The repurchase program may be suspended or discontinued at any time.

In September 2012, we received a $7.9 million settlement payment related to insurance claims by Grundartangi for the cost of repairs to a transformer damaged in transit, a related business interruption claim, interest and other fees associated with the claim. We recorded the payment on the consolidated statement of operations in other income - net.

Based on current actuarial and other assumptions, we expect to make contributions to the qualified defined benefit plans we sponsor of approximately $7.3 million during 2012. Through September 30, 2012, we have made contributions to these plans of $7.3 million. We may choose to make additional contributions to these plans from time to time at our discretion.

In June 2011, the Pension Benefit Guaranty Corporation (the “PBGC”) informed us that it believed that a “cessation of operations” under the Employee Retirement Income Security Act of 1974 (“ERISA”) had occurred at our Ravenswood facility as a result of the curtailment of operations at the facility and requested that we engage in discussions with the PBGC relating thereto. We have notified the PBGC that we do not believe that a “cessation of operations” has occurred and have entered into ongoing discussions with the PBGC to resolve the matter. If a “cessation of operations” is ultimately determined to have occurred under ERISA, it may be necessary for Century Aluminum of West Virginia to accelerate the timing of additional contributions to certain of its defined pension plans or post other collateral with the PBGC or negotiate an alternative agreement.

In March 2012, we reached an agreement in principle with the CAWV retirees to make contributions to a voluntary employee beneficiary association (“VEBA”) trust that would provide certain health care benefits to these retirees and their eligible dependents in the event of a restart of our Ravenswood facility. If this agreement were entered into, our obligations under the agreement, including any contributions to the VEBA, would be contingent upon the occurrence of several future events that are necessary in order to restart the Ravenswood facility. None of these events, including the finalization of this agreement, are certain to occur.

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Under an agreement with the Government of Iceland, Nordural Grundartangi ehf agreed to prepay taxes during 2012, 2011 and 2010 as an advance levy of income taxes and other governmental taxes for the period of 2013 through 2018. The amount of prepaid taxes paid through September 30, 2012 was approximately $6.5 million and we expect to prepay an additional $3.1 million in 2012. The prepaid taxes will offset taxes otherwise payable in equal installments over the period 2013 through 2018. In addition, in 2012, we expect to make estimated income tax payments in Iceland of approximately $12.4 million. Through September 30, 2012, we made approximately $7.0 million of these payments.

We paid approximately $20 million in net withholding tax for intercompany dividend payments in Iceland in 2011 and paid an additional $22.6 million through the first nine months of 2012. We received approximately $28 million in withholding tax refunds in the fourth quarter of 2012 related to withholding taxes paid on intercompany dividend payments through February 2012. We paid an additional $13.1 million in withholding taxes in the third quarter of 2012 which we expect will be refunded in the fourth quarter of 2013. The withholding taxes and associated refunds are payable in Icelandic krona ("ISK") and we are subject to foreign currency risk associated with fluctuations in the value of the U.S. dollar as compared the ISK.

In June 2012, Nordural Grundartangi entered into a new supplemental power contract with Landsvirkjun. The supplemental power contract, which will expire in October 2029 (or upon the occurrence of certain earlier events), will provide Nordural Grundartangi with supplemental power, as Nordural Grundartangi may request from time to time, at LME-based variable rates. Nordural Grundartangi has agreed to make certain prepayments to Landsvirkjun in connection with the contract, which will reduce the price paid for power at the time of consumption.

Capital Resources

We intend to finance our future recurring capital expenditures from available cash and our cash flow from operations. For major investment projects, such as the Helguvik project, we would seek financing from various capital and loan markets and may potentially pursue the formation of strategic alliances. We may be unable to issue additional debt or equity securities, or to issue these securities on attractive terms, due to a number of factors including a lack of demand, unfavorable pricing, poor economic conditions, unfavorable interest rates, or our financial condition or credit rating at the time. Future uncertainty in the U.S. and international markets and economies may adversely affect our liquidity, our ability to access the capital markets and our financial condition.

Capital expenditures for the nine months ended September 30, 2012 were $15.9 million, $5.5 million of which was related to the Helguvik project, with the balance principally related to upgrading production equipment, improving facilities and complying with environmental requirements. We believe capital spending in 2012, excluding the activity on the Century Vlissingen and Helguvik projects, will be approximately $20 to $25 million.

In order to restart the first 75,000 metric tons of annual anode capacity at the Century Vlissingen project, we currently intend to make approximately $30 million in capital expenditures over the next 12 months and approximately $45 million over the next three years. We expect this capacity will be restarted in the third quarter of 2013 and will provide an anode supply to replace third-party anode supply contracts that will terminate in 2013. Before committing to this capital program, we intend to evaluate the current and prospective global economic climate. If we deem the environment unfavorable, we have the option to defer the capital program and thus the restart of the anode facility. We would, for the short term, increase our purchases from other suppliers, including BHH.

We have made and continue to make capital expenditures for the construction and development of our Helguvik project. We have substantial future contractual commitments for the Helguvik project. If we were to cancel the Helguvik project, we estimate that our exposure to contract cancellation costs would be approximately $20 million. We are continuing to negotiate with the power suppliers to the project to remove all the remaining conditions to their obligations to supply contracted power. The timing of the power availability together with other factors, including financing, will determine the timing of any resumption of major construction activity at Helguvik. We expect that the portion of capital expenditures for this project that we will fund from our existing cash and operating cash flow will be approximately $1 million per month through 2012 and then reducing to approximately $1 million per quarter until the restart of major construction activities. We cannot, at this time, predict when the restart of major construction activity will occur.

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Historical

Our statements of cash flows for the nine months ended September 30, 2012 and 2011 are summarized below:

	Nine months ended September 30,	
	2012	2011
	(dollars in thousands)	
Net cash provided by operating activities	$21,085	$11,094
Net cash used in investing activities	(27,078)	(13,016)
Net cash used in financing activities	(4,033)	(85,979)
Net change in cash and cash equivalents	$(10,026)	$(87,901)

Net cash provided by operating activities in the nine months ended September 30, 2012 was $21.1 million compared to net cash provided by operating activities of $11.1 million in the first nine months of 2011. The increase in cash from operations in 2012 was primarily due to reduced withholding tax payments in Iceland, lower pension and benefit contributions, and a decrease in working capital, which were partially offset by the impact of lower LME prices.

Our net cash used in investing activities for the first nine months of 2012 was $27.1 million compared to $13.0 million in the nine months ended September 30, 2011. The increase in cash used was primarily due to the purchase of carbon anode assets for $14.2 million, offset by lower capital expenditures in 2012 and the return of restricted cash deposits in 2011 of $3.7 million.

Our net cash used in financing activities for the nine months ended September 30, 2012 was $4.0 million. The cash used was related to the repurchase of our common stock. Our net cash used in financing activities for the first nine months of 2011 was $86.0 million. This use was primarily for the redemption of our 1.75% convertible senior notes in May 2011 and the repurchase of common stock.

Other Commitments and Contingencies

We are a defendant in several actions relating to various aspects of our business. While there are uncertainties relating to the ultimate disposition of any litigation, management, based on information currently available, does not believe that the resolution of any of these lawsuits, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or liquidity. See Note 10 Commitments and contingencies to the consolidated financial statements included herein for additional information.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Commodity price risk

We are exposed to price risk for primary aluminum. From time to time, we may manage our exposure to fluctuations in the price of primary aluminum through financial instruments designed to protect our downside price risk exposure for our domestic production. In addition, we manage our exposure to fluctuations in our costs by purchasing certain of our alumina and power requirements under supply contracts with prices tied to the same indices as our aluminum sales contracts (the LME price of primary aluminum). Our risk management activities do not include any trading or speculative transactions.

Apart from the Glencore Metal Agreement, the Glencore Sweep Agreement, the Glencore Nordural Metal Agreement and the Southwire Metal Agreement, we had the following forward delivery contractual commitments:

Other forward delivery contracts

	September 30, 2012	December 31, 2011
	(in metric tons)	
Other forward delivery contracts – total	28,511	41,504
Other forward delivery contracts – Glencore	1,420	3,423
Other forward delivery contracts – fixed price	20	41

We had no outstanding primary aluminum forward financial sales contracts at September 30, 2012. We had no fixed price forward financial contracts to purchase aluminum at September 30, 2012.

Natural gas forward financial contracts

To mitigate the volatility of our natural gas cost due to the natural gas markets, we have entered into fixed-price forward financial contracts which settle in cash in the period corresponding to the intended usage of natural gas. These forward contracts were designated as cash flow hedges. As of September 30, 2012, we did not have a significant amount of natural gas forward financial contracts outstanding.

Foreign currency

We are exposed to foreign currency risk due to fluctuations in the value of the U.S. dollar as compared to the Icelandic krona (“ISK”), euro and the Chinese yuan. Grundartangi’s labor costs, part of its maintenance costs and other local services are denominated in ISK and a portion of its anode costs are denominated in euros and Chinese yuan. Our tax payments in Iceland for withholding taxes on intercompany dividends and estimated payments of Icelandic income taxes and any associated refunds are denominated in ISK. As a result, an increase or decrease in the value of those currencies relative to the U.S. dollar would affect Grundartangi’s operating margins. We expect to incur capital expenditures for capital investments in Century Vlissingen in the Netherlands over the next three years. In addition, Century Vlissingen labor costs, maintenance costs and other local services will be denominated in euros. We expect to incur capital expenditures for the construction of the Helguvik project, although we continue to evaluate the Helguvik project’s cost, scope and schedule. A significant portion of the capital expenditures for the Helguvik project are forecasted to be denominated in currencies other than the U.S. dollar, with significant portions in ISK, euros and Swiss francs.

We may manage our exposure by entering into foreign currency forward contracts or option contracts for forecasted transactions and projected cash flows for foreign currencies in future periods. As of September 30, 2012, we had no foreign currency forward contracts outstanding.

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Natural Economic Hedges

The following estimate of our exposure to the commodity price of aluminum is necessarily limited, as it does not take into consideration our inventory or forward delivery contracts, or the offsetting impact on the sales price of primary aluminum products. Our alumina contracts are indexed to the LME price for primary aluminum and provide a natural hedge for approximately 16% of our production. As of September 30, 2012, approximately 33% of our production for 2012 was hedged by our LME-based alumina contracts and by Grundartangi's electrical power and tolling contracts.

Risk Management

Our metals, foreign currency and natural gas risk management activities are subject to the control and direction of senior management within guidelines established by Century's Board of Directors. These activities are regularly reported to Century's Board of Directors.

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Item 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

As of September 30, 2012, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our management, including the Chief Executive Officer and our principal financial officer, has concluded that our disclosure controls and procedures were effective as of September 30, 2012.

b. Changes in Internal Controls over Financial Reporting

During the three months ended September 30, 2012, there were no changes in our internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In addition to the matters discussed below, we may from time to time be involved in claims, proceedings and litigation arising from our business and property ownership. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition.

In November 2011, we were named as a defendant in a lawsuit filed by our former Chief Executive Officer, Logan Kruger, alleging breach of contract and wrongful termination in violation of public policy. The lawsuit alleges that Century anticipatorily breached the employment and severance protection agreements between Century and Mr. Kruger and that Century is obligated to make various severance payments in excess of $20 million to Mr. Kruger under such agreements. In addition, the complaint seeks unspecified damages, including exemplary and punitive damages, for wrongful termination, as well as costs and attorneys' fees. The trial court has transferred the matter to an arbitration panel for resolution. We believe these claims are without merit and intend to vigorously defend ourself against them. The matter is in a preliminary stage, and we cannot predict the ultimate outcome of this action or estimate a range of possible losses related to this matter at this time. We do not expect that the ultimate costs to resolve this action will have a material adverse effect on our financial condition, results of operations or liquidity, regardless of the final outcome.

In March 2011, the purported stockholder class actions pending against us consolidated as In re: Century Aluminum Company Securities Litigation were dismissed with prejudice by the United States District Court for the Northern District of California. The plaintiffs in the class actions allege that we improperly accounted for cash flows associated with the termination of certain forward financial sales contracts which accounting allegedly resulted in artificial inflation of our stock price and investor losses. Plaintiffs are seeking rescission of our February 2009 common stock offering, unspecified compensatory damages, including interest thereon, costs and expenses and attorneys' fees. In March 2011, plaintiffs filed a notice of appeal to the order and judgment entered by the court dismissing their claims. The appeal remains pending before the U.S. Court of Appeals for the Ninth Circuit.

Item 1A. Risk Factors

Other than below, there have been no material changes from the risk factors previously disclosed under the heading "Risk Factors" in our December 31, 2011 Annual Report on Form 10-K. You should carefully consider the risk factor set forth below and those contained in our Annual Report on Form 10-K and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

We have notified our power provider at Hawesville of our intention to terminate our power contract; if we are unable to obtain better power pricing, we may close the facility.

Our subsidiary, CAKY, issued a 12-month notice in August 2012 to terminate its power contract with Kenergy Corporation, a member cooperative of Big Rivers, for its Hawesville, Kentucky smelter. During the 12-month notice period, Century is required to pay a demand charge for power, but is not obligated to continue operating the plant. We believe that our Hawesville facility would be competitive globally but for the price it pays for electric power, which is among the highest rates for smelters in the U.S. At current LME prices, we have determined that the smelter is not economically viable with its current power rate and that we must obtain better power pricing to maintain its viability. We are currently in discussions with Big Rivers and Kenergy regarding the opportunity to access the wholesale power market. We cannot be sure whether these negotiations will be successful or whether we will otherwise be able to obtain better pricing, in which case we may proceed with closing the facility. Such a closure would impose substantial costs on us, and adversely affect our revenues and operations.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Purchases of Equity Securities by the Issuer

In August 2011, we announced that our Board of Directors approved a $60 million stock repurchase program. Under the program, Century is authorized to repurchase up to $60 million of our outstanding shares of common stock, from time to time, on the open market at prevailing market prices, in block trades or otherwise. The timing and amount of any shares repurchased will be determined by our management based on its evaluation of market conditions, the trading price of our common stock and other factors. The stock repurchase program may be suspended or discontinued at any time.

2012 Periods	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
July 1 – July 30	—	—	—	$10,076,076
August 1 – August 31	—	—	—	$10,076,076
September 1 – September 30	—	—	—	$10,076,076
Total for quarter ended September 30, 2012	—		—	

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Item 6. Exhibits

Exhibit Number	Description of Exhibit	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Century Aluminum Company				X
3.2	Amended and Restated Bylaws of Century Aluminum Company	8-K	001-34474	September 18, 2012	
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Executive Officer and Principal Financial Officer				X
32.1*	Section 1350 Certifications				X
101.INS**	XBRL Instance Document				X
101.SCH**	XBRL Taxonomy Extension Schema				X
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF**	XBRL Taxonomy Extension Definition Linkbase				X
101.LAB**	XBRL Taxonomy Extension Label Linkbase				X
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase				X

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

** In accordance with Rule 406T of Regulation S-T, the information furnished in these exhibits will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such exhibits will not be deemed to be incorporated by reference into any filing under the Securities Act or Exchange Act.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Century Aluminum Company

Date: November 9, 2012

By: /s/ MICHAEL A. BLESS
Michael A. Bless
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

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101.LAB**	XBRL Taxonomy Extension Label Linkbase				X
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