CENTURY ALUMINUM CO
Form 10-Q
November 05, 2014

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, 2014
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.)
One South Wacker Drive Suite 1000 Chicago, Illinois (Address of principal executive offices)	60606 (Zip Code)

Registrant's telephone number, including area code: (312) 696-3101
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. (Check one):

Large accelerated filer	o	Accelerated filer	x
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 88,948,158 shares of common stock outstanding at October 31, 2014.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
NET SALES:				
Third-party customers	$175,857	$271,016	$480,872	$680,480
Related parties	324,775	128,912	898,931	372,659
	500,632	399,928	1,379,803	1,053,139
Cost of goods sold	424,918	387,574	1,267,343	1,028,901
Gross profit	75,714	12,354	112,460	24,238
Other operating expense – net	1,417	2,174	5,705	6,288
Selling, general and administrative expenses	12,146	14,422	32,826	45,875
Operating income (loss)	62,151	(4,242)	73,929	(27,925)
Interest expense	(5,493)	(5,406)	(16,541)	(17,706)
Interest income	23	141	197	458
Net gain (loss) on forward and derivative contracts	353	440	(174)	16,151
Gain on bargain purchase	—	—	—	5,253
Loss on early extinguishment of debt	—	—	—	(3,272)
Other income (expense) – net	(470)	213	(423)	(1,001)
Income (loss) before income taxes and equity in earnings of joint ventures	56,564	(8,854)	56,988	(28,042)
Income tax expense	(6,444)	(1,384)	(7,004)	(4,714)
Income (loss) before equity in earnings of joint ventures	50,120	(10,238)	49,984	(32,756)
Equity in earnings of joint ventures	285	731	661	2,118
Net income (loss)	$50,405	$(9,507)	$50,645	$(30,638)
Net income (loss) allocated to common stockholders	$46,277	$(9,507)	$46,487	$(30,638)
EARNINGS (LOSS) PER COMMON SHARE:				
Basic and Diluted	$0.52	$(0.11)	$0.52	$(0.35)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	88,827	88,611	88,777	88,588
Diluted	89,532	88,611	89,372	88,588

See notes to consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Comprehensive income (loss):				
Net income (loss)	$50,405	$(9,507)	$50,645	$(30,638)
Other comprehensive income (loss) before income tax effect:				
Net gain on foreign currency cash flow hedges reclassified as income	(46)	(46)	(139)	(139)
Defined benefit plans and other postretirement benefits:				
Net gain arising during the period		—	440	10,349
Amortization of prior service benefit during the period	(952)	(968)	(2,856)	(2,912)
Amortization of net loss during the period	1,402	1,880	4,207	6,362
Other comprehensive income before income tax effect	404	866	1,652	13,660
Income tax effect	(557)	(383)	(1,837)	(1,148)
Other comprehensive income (loss)	(153)	483	(185)	12,512
Total comprehensive income (loss)	$50,252	$(9,024)	$50,460	$(18,126)

See notes to consolidated financial statements

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

	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$133,410	$84,088
Restricted cash	1,217	1,697
Accounts receivable — net	50,576	56,184
Due from affiliates	52,452	43,587
Inventories	241,750	239,615
Prepaid and other current assets	29,101	32,276
Deferred taxes	13,614	13,614
Total current assets	522,120	471,061
Property, plant and equipment — net	1,221,705	1,247,661
Other assets	95,656	91,474
TOTAL	$1,839,481	$1,810,196
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	$89,918	$108,490
Due to affiliates	64,917	53,582
Accrued and other current liabilities	46,007	69,466
Accrued employee benefits costs	8,672	8,410
Industrial revenue bonds	7,815	7,815
Total current liabilities	217,329	247,763
Senior notes payable	246,796	246,528
Accrued pension benefits costs — less current portion	40,322	39,848
Accrued postretirement benefits costs — less current portion	129,130	129,284
Other liabilities	38,879	37,743
Deferred taxes	112,694	106,218
Total noncurrent liabilities	567,821	559,621
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
SHAREHOLDERS' EQUITY:		
Series A Preferred stock (one cent par value, 5,000,000 shares authorized; 160,000 issued and 78,670 outstanding at September 30, 2014; 160,000 issued and 79,620 outstanding at December 31, 2013)	1	1
Common stock (one cent par value, 195,000,000 shares authorized; 93,724,391 issued and 88,937,870 outstanding at September 30, 2014; 93,496,798 issued and 88,710,277 outstanding at December 31, 2013)	937	935
Additional paid-in capital	2,509,631	2,508,574
Treasury stock, at cost	(49,924)	(49,924)
Accumulated other comprehensive loss	(92,017)	(91,832)
Accumulated deficit	(1,314,297)	(1,364,942)
Total shareholders' equity	1,054,331	1,002,812
TOTAL	$1,839,481	$1,810,196

See notes to consolidated financial statements

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

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$50,645	$(30,638)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized net gain on forward contracts	—	(762)
Gain on bargain purchase	—	(5,253)
Unrealized gain on E.ON contingent obligation	(1,059)	(16,428)
Accrued and other plant curtailment costs — net	3,267	3,380
Lower of cost or market inventory adjustment	(1,247)	10,286
Depreciation	52,784	49,082
Sebree power contract amortization	(5,534)	(14,461)
Debt discount amortization	268	586
Pension and other postretirement benefits	1,432	(2,674)
Deferred income taxes	6,502	(1,532)
Stock-based compensation	957	961
Loss on early extinguishment of debt	—	3,272
Equity in earnings of joint ventures, net of dividends	(661)	(2,118)
Change in operating assets and liabilities:		
Accounts receivable — net	5,608	(1,063)
Due from affiliates	(8,866)	12,915
Inventories	(889)	(22,848)
Prepaid and other current assets	3,035	(4,892)
Accounts payable, trade	(8,885)	26,547
Due to affiliates	11,336	32,002
Accrued and other current liabilities	(7,566)	2,209
Other — net	(3,413)	3,887
Net cash provided by operating activities	97,714	42,458
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(26,865)	(31,994)
Nordural expansion — Helguvik	(277)	(2,855)
Purchase of carbon anode assets and improvements	(12,280)	(8,519)
Purchase of Sebree smelter	(1,042)	(48,058)
Proceeds from sale of property, plant and equipment	46	515
Restricted and other cash deposits	480	(3,015)
Net cash used in investing activities	$(39,938)	$(93,926)

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

	Nine months ended September 30, 2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	$(2,603)	$(249,604)
Proceeds from issuance of debt	—	246,330
Borrowings under revolving credit facilities	91,731	16,725
Repayments under revolving credit facilities	(97,731)	—
Debt issuance costs	—	(3,994)
Debt retirement costs	—	(1,208)
Issuance of common stock	149	44
Net cash provided by (used in) financing activities	(8,454)	8,293
CHANGE IN CASH AND CASH EQUIVALENTS	49,322	(43,175)
Cash and cash equivalents, beginning of period	84,088	183,976
Cash and cash equivalents, end of period	$133,410	$140,801

See notes to consolidated financial statements

CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements
Three and nine months ended September 30, 2014 and 2013
(amounts in thousands, except share and 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, 2013. 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 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. Throughout this Form 10-Q, and unless expressly stated otherwise or as the context otherwise requires, "Century Aluminum," "Century," the "Company", "we," "us," "our" and "ours" refer to Century Aluminum Company and its consolidated subsidiaries.

2. Acquisition of Sebree aluminum smelter

On June 1, 2013, our wholly owned subsidiary, Century Aluminum Sebree LLC ("Century Sebree"), acquired the Sebree aluminum smelter ("Sebree") from a subsidiary of Rio Tinto Alcan, Inc. ("RTA"). Sebree, located in Robards, Kentucky, has an annualized hot metal production capacity of 205,000 tonnes of primary aluminum and employs approximately 500 people. The purchase price for the acquisition was $61,000 (subject to customary working capital adjustments). As part of the transaction, RTA retained all historical environmental liabilities of the Sebree smelter and funded the pension plan assumed by Century in accordance with the purchase agreement.

Working Capital Adjustment

In July 2014, we reached the final determination of the working capital adjustments for the Sebree acquisition, resulting in a final purchase price of $49,035. As the final determination was subsequent to the expiration of measurement period defined under ASC 805, we recognized a gain of approximately $965 in the second quarter of 2014 (these adjustments were not included as part of the gain on bargain purchase recorded in 2013). The gain was recorded in other income (expense) - net, from the release of accrued amounts related to the acquisition.

Purchase Price Allocation

Allocating the purchase price to the acquired assets and liabilities involves management judgment. We allocated the purchase price in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" using the estimated fair values at the date of acquisition. Based on the final purchase price allocation, we recorded a gain on bargain purchase of $5,253 in 2013. The following table summarizes the fair value of the assets acquired and the liabilities assumed as of the acquisition date:

	Acquisition Date Fair Value
Consideration:	
Cash	$48,083
Deferred purchase price	1,910
Assets Acquired:	
Inventories	59,018
Prepaid and other current assets	2,273
Property, plant and equipment – net	55,520
Total assets acquired	$116,811
Liabilities Assumed:	
Accrued and other current liabilities	$43,316
Accrued pension benefit costs	996
Accrued post retirement benefit costs	6,544
Other liabilities	7,476
Deferred taxes	3,233

Total liabilities assumed	$61,565
Gain on bargain purchase:	$5,253

CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

The following unaudited pro forma financial information for the three and nine months ended September 30, 2013 reflects our results of continuing operations as if the acquisition of Sebree had been completed on January 1, 2013. This unaudited pro forma financial information is provided for informational purposes only and is not necessarily indicative of what the actual results of operations would have been had the transactions taken place on January 1, 2013, nor is it indicative of the future consolidated results of operations or financial position of the combined companies.

	Nine months ended September 30, 2013
Pro forma revenues	$1,261,533
Pro forma loss from continuing operations	(57,853)
Loss per common share, basic	(0.65)
Loss per common share, diluted	(0.65)

Our net income for the three months ended September 30, 2014 and 2013, includes a non-recurring credit for the amortization of the deferred power contract liability of $0 and $11,720, respectively. Our net income for the nine months ended September 30, 2014 and 2013 includes a non-recurring credit for the amortization of the deferred power contract liability of $5,534 and $14,461, respectively, related to the amortization of an unfavorable power contract assumed as part of the Sebree acquisition resulting in a credit to our depreciation and amortization expense within cost of goods sold on the consolidated statement of operations for the first quarter of 2014. The power contract terminated on January 31, 2014.

3. Fair value measurements

The following section describes the valuation methodology used to measure our financial assets and liabilities that were accounted for at fair value and are categorized based on the fair value hierarchy described in ASC 820 "Fair Value Measurements and Disclosures."

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
E.ON ("E.ON") contingent obligation	3	Quoted London Metal Exchange ("LME") forward market, management's estimates of the LME forward market prices 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 contract	3	Management's estimates of future U.S. Midwest premium and risk-adjusted discount rates
Midwest premium contracts	3	Management's estimates of future U.S. Midwest premium

(1) Trust assets are currently invested in money market funds. These trust assets are held to fund the non-qualified supplemental executive pension benefit obligations for certain of our officers. 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

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
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

The following table sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis by the level of input within the ASC 820 fair value hierarchy. As required by generally accepted accounting principles in the United States ("GAAP") for fair value measurements and disclosures, 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. It is our policy to recognize transfers into and transfers out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer.

Recurring Fair Value Measurements	As of September 30, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$125,960	$—	$—	$125,960
Trust assets	8,835	—	—	8,835
Surety bonds	1,987	—	—	1,987
TOTAL	$136,782	$—	$—	$136,782
LIABILITIES:				
E.ON contingent obligation – net (1)	$—	$—	$—	$—
TOTAL	$—	$—	$—	$—
Recurring Fair Value Measurements	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash equivalents	$49,658	$—	$—	$49,658
Trust assets	11,151	—	—	11,151
Surety bonds	2,002	—	—	2,002
Midwest premium contracts	—	—	140	140
TOTAL	$62,811	$—	$140	$62,951
LIABILITIES:				
E.ON contingent obligation – net (1)	$—	$—	$—	$—
Primary aluminum sales contract	—	—	140	140
TOTAL	$—	$—	$140	$140

(1) See Note 9 Debt for additional information about the E.ON contingent obligation.

CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

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

	Derivative liabilities - net	
	2014	2013
Beginning balance, July 1,	$—	$(773)
Total gain included in earnings	—	365
Ending balance, September 30,	$—	$(408)
Amount of gain included in earnings attributable to the change in unrealized losses relating to assets and liabilities held at September 30,	$—	$365

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

	Derivative liabilities - net	
	2014	2013
Beginning balance, January 1,	$—	$(16,539)
Total gain (loss) included in earnings	(940)	16,131
Settlements	940	—
Ending balance, September 30,	$—	$(408)
Amount of gain included in earnings attributable to the change in unrealized losses relating to assets and liabilities held at September 30,	$—	$16,131

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

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, 2014	December 31, 2013
DERIVATIVE ASSETS:			
Midwest premium contracts	Prepaid and other current assets	$—	$140
TOTAL		$—	$140
DERIVATIVE LIABILITIES:			
Primary aluminum sales contract	Accrued and other current liabilities	$—	$140
E.ON contingent obligation – net (1)	Other liabilities	—	—
TOTAL		$—	$140

(1) See Note 9 Debt for additional information about the E.ON contingent obligation.

Midwest premium contracts

We entered into a fixed-price forward contract that settled monthly from January 2014 to March 2014 based on the Midwest premium price published in the Platts Metals Week for the applicable period. Losses associated with the settlements of the U.S. Midwest premium contracts were recorded in net gain (loss) on forward and derivative contracts on the consolidated statement of operations.

CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

Primary aluminum sales contract
We had a contract to sell to Glencore plc (together with its subsidiaries, "Glencore") primary aluminum produced at Mt. Holly, Hawesville and Sebree through December 31, 2013 (the "Glencore Metal Agreement"). The Glencore Metal Agreement was a physical delivery contract for primary aluminum with variable, LME-based pricing. Under the Glencore Metal Agreement, pricing was 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 accounted for the Glencore Metal Agreement as a derivative instrument under ASC 815 "Derivatives and Hedging." Gains and losses on the derivative were based on the difference between the contracted U.S. Midwest premium and actual and forecasted U.S. Midwest premiums. Settlements were recorded in related party sales. Unrealized gains (losses) based on forecasted U.S. Midwest premiums were recorded in net gain (loss) on forward and derivative 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	2014	2013	2014	2013
E.ON contingent obligation – net	Net gain (loss) on forward and derivative contracts	$353	$353	$1,059	$16,428
Midwest premium contracts	Net gain (loss) on forward and derivative contracts	—	363	(1,080)	363
Primary aluminum sales contract	Related party sales	—	278	292	1,039
Primary aluminum sales contract	Net gain (loss) on forward and derivative contracts	—	(276)	(153)	(640)
E.ON contingent obligation – net	Interest expense – third party	(353)	(353)	(1,059)	(1,059)

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

	September 30, 2014	December 31, 2013
Primary aluminum sales contract premium (tonnes) (1)	—	1,782
Midwest premium contracts (tonnes)	—	6,000

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

Counterparty credit risk. Forward financial contracts are subject to counterparty credit risk. However, 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.

5.Earnings (loss) per share
Basic earnings (loss) per share ("EPS") amounts are calculated by dividing earnings available to common stockholders 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.
Our Series A Convertible Preferred Stock has similar characteristics to a "participating security" as described by ASC 260 "Earnings Per Share" and we calculate the amount of earnings (loss) available to common shareholders and basic EPS using the Two-Class Method earnings allocation formula, allocating undistributed income to our preferred shareholder consistent with their participation rights, and diluted EPS using the If-Converted Method when applicable.
Our Series A Convertible Preferred Stock is a non-cumulative perpetual participating convertible preferred stock with no set dividend preferences. The holders of our convertible preferred stock do not have a contractual obligation to share in our losses. In periods where we report net losses, we do not allocate these losses to the convertible preferred stock for the computation of basic or diluted EPS.

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CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

The following table shows the basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2014 and 2013:

	For the three months ended September 30,					
	2014			2013		
	Income	Shares (000)	Per-Share	Loss	Shares (000)	Per-Share
Net income (loss)	$50,405			$(9,507)		
Amount allocated to common stockholders (1)	91.81 %			100 %		
Basic EPS:						
Income (loss) allocable to common stockholders	46,277	88,827	$0.52	(9,507)	88,611	$(0.11)
Effect of Dilutive Securities:						
Share-based compensation plans	—	705		—	—	
Diluted EPS:						
Income (loss) applicable to common stockholders with assumed conversion	$46,277	89,532	$0.52	$(9,507)	88,611	$(0.11)

	For the nine months ended September 30,					
	2014			2013		
	Income	Shares (000)	Per-Share	Loss	Shares (000)	Per-Share
Net income (loss)	$50,645			$(30,638)		
Amount allocated to common stockholders (1)	91.79 %			100 %		
Basic EPS:						
Income (loss) allocable to common stockholders	46,487	88,777	$0.52	(30,638)	88,588	$(0.35)
Effect of Dilutive Securities:						
Share-based compensation plans	—	595		—	—	
Diluted EPS:						
Income (loss) applicable to common stockholders with assumed conversion	$46,487	89,372	$0.52	$(30,638)	88,588	$(0.35)

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

Securities excluded from the calculation of diluted EPS:	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Stock options (1)	338,433	620,334	344,433	620,334
Service-based share awards (1)	—	573,628	—	522,032

(1) In periods when we report a net loss, all share awards are excluded from the calculation of diluted weighted average shares outstanding because of their antidilutive effect on earnings (loss) per share.

CENTURY ALUMINUM COMPANY
Condensed Notes to the Consolidated Financial Statements (continued)
(amounts in thousands, except share and per share amounts)
(Unaudited)

6. Shareholders' equity

Common Stock

Under our 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 which we may designate and issue in the future.

Stock Repurchase Program

In August 2011, our Board of Directors approved a stock repurchase program. Under the program, we may repurchase up to $60,000 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 expanded, 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, 2014, we repurchased 4,786,521 shares of common stock for an aggregate purchase price of $49,924. We have made no repurchases since March 2012 and had approximately $10,076 remaining under the repurchase program authorization as of September 30, 2014.

Series A Convertible Preferred Stock

Glencore holds all of the issued and outstanding Series A Convertible Preferred Stock. 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. The Common and Preferred Stock Activity table below contains additional information about preferred stock conversions during the nine months ended September 30, 2014 and 2013.

Common and Preferred Stock Activity:	Preferred stock	Common stock	
(in shares)	Series A convertible	Treasury	Outstanding
Beginning balance as of December 31, 2013	79,620	4,786,521	88,710,277
Conversion of convertible preferred stock	(950)	—	95,039
Issuance for share-based compensation plans	—	—	132,554
Ending balance as of September 30, 2014	78,670	4,786,521	88,937,870
Beginning balance as of December 31, 2012	80,283	4,786,521	88,548,637
Conversion of convertible preferred stock	(549)	—	54,825
Issuance for share-based compensation plans	—	—	79,469
Ending balance as of September 30, 2013	79,734	4,786,521	88,682,931

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7. Income taxes

We recorded income tax expense for the nine months ended September 30, 2014 of $7,004, which primarily consisted of foreign and state income taxes. Our domestic deferred tax assets, net of deferred tax liabilities, are subject to a valuation allowance; therefore, the domestic losses were not benefited.

We recorded income tax expense for the nine months ended September 30, 2013 of $4,714, which primarily consisted of foreign and state income taxes.

Our income tax benefit or expense is based on an annual effective tax rate forecast, including estimates and assumptions that could change during the year. The application of the requirements for accounting for income taxes in interim periods, after consideration of our valuation allowance, causes a significant variation in the typical relationship between income tax expense and pretax accounting income.

As of September 30, 2014, all of Century's U.S. and certain foreign deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which, at September 30, 2014, is not more likely than not to be achieved.

Our Icelandic tax returns are subject to examination beginning with the 2008 tax year. A review of our 2010 through 2012 tax years was recently completed by the Directorate of Internal Revenue of Iceland and no further action is expected for this matter.

8. Inventories

Inventories consist of the following:	September 30, 2014	December 31, 2013
Raw materials	$67,145	$69,776
Work-in-process	21,597	22,183
Finished goods	16,722	17,661
Operating and other supplies	136,286	129,995
Inventories	$241,750	$239,615

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

9. Debt

	September 30, 2014	December 31, 2013
Debt classified as current liabilities:		
Hancock County industrial revenue bonds ("IRBs") due 2028, interest payable quarterly (variable interest rates (not to exceed 12%)) (1)	$7,815	$7,815
7.5% senior unsecured notes due August 15, 2014, interest payable semiannually (2)(3)	—	2,603
Iceland revolving credit facility (3)(4)	—	6,000
Debt classified as non-current liabilities:		
7.5% senior secured notes due June 1, 2021, net of debt discount of $3,204 and $3,472, respectively, interest payable semiannually	246,796	246,528
TOTAL	$254,611	$262,946

(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, 2014 was 0.24%.

(2) The amount outstanding was repaid upon maturity.

(3) These items are recorded in accrued and other current liabilities based on the repayment terms and expected maturity.

(4) Borrowings under the Iceland revolving credit facility bear variable interest based on LIBOR plus the applicable margin per annum. The interest rate at December 31, 2013 was 3.92%.

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U.S. Revolving Credit Facility

General. We and certain of our direct and indirect domestic subsidiaries (together with Century, the "Borrowers") and Wells Fargo Capital Finance, LLC, as lender and agent, and Credit Suisse AG, BNP Paribas, and Morgan Stanley Senior Funding Inc., as lenders, are parties to the Amended and Restated Loan and Security Agreement (the "U.S. revolving credit facility"), dated May 24, 2013, as amended. The U.S. revolving credit facility has a term through May 24, 2018 and provides for borrowings of up to $150,000 in the aggregate, including up to $80,000 under a letter of credit sub-facility. Any letters of credit issued and outstanding under the U.S. revolving credit facility reduce our borrowing availability on a dollar-for-dollar basis. See Note 17 Subsequent events for additional information about an amendment to the U.S. revolving credit facility.

Status of our U.S. revolving credit facility:

	September 30, 2014
Credit facility maximum amount	$148,560
Borrowing availability, net of outstanding letters of credit	76,327
Outstanding borrowings	—
Letter of credit sub-facility amount	80,000
Outstanding letters of credit issued	72,233

Borrowing Base. The availability of funds under the U.S. revolving credit facility is limited by a specified borrowing base consisting of accounts receivable and inventory of the Borrowers which meet the eligibility criteria.

Guaranty. The Borrowers' obligations under the U.S. revolving credit facility are guaranteed by certain of our domestic subsidiaries and secured by a continuing lien upon, and a security interest in, all of the Borrowers' accounts receivable, inventory and certain bank accounts. Each Borrower is liable for any and all obligations under the U.S. revolving credit facility on a joint and several basis.

Interest Rates and Fees. Any amounts outstanding under the U.S. revolving credit facility will bear interest, at our option, at LIBOR or a base rate, plus, in each case, an applicable interest margin. The applicable interest margin is determined based on the average daily availability for the immediately preceding quarter. In addition, we pay an unused line 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 that varies depending on whether the letter of credit exposure is cash collateralized.

Iceland Revolving Credit Facility

General. Nordural Grundartangi ehf, as borrower, and Landsbankinn hf., as lender, entered into a three-year $50,000 Committed Revolving Credit Facility agreement (the "Iceland revolving credit facility"), dated November 27, 2013. Grundartangi may in the future use the Iceland revolving credit facility to repay existing indebtedness or to finance capital expenditures and for ongoing working capital needs and other general corporate purposes. Under the terms of the Iceland revolving credit facility, when Grundartangi borrows funds it will designate a repayment date, which may be any date prior to the maturity of the Iceland revolving credit facility. The Iceland revolving credit facility has a term through November 27, 2016.

Status of our Iceland revolving credit facility:

	September 30, 2014
Credit Facility maximum amount	$50,000
Borrowing availability	50,000
Outstanding borrowings	—

Borrowing Base. The availability of funds under the Iceland revolving credit facility is limited by a specified borrowing base consisting of inventory and accounts receivable of Grundartangi.

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Security. Grundartangi's obligations under the Iceland revolving credit facility are secured by a general bond under which Grundartangi's inventory and accounts receivable are pledged to secure full payment of the loan.

Interest Rates and Fees. Any amounts outstanding under the Iceland revolving credit facility will bear interest at LIBOR plus the margin per annum.

7.5% Notes due 2021

General. On June 4, 2013, we issued $250,000 of our 7.5% Notes due 2021 (the "7.5% Notes") in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended. The 7.5% Notes were issued at a discount and we received proceeds of $246,330, prior to payment of financing fees and related expenses.

Interest rate. The 7.5% Notes bear interest at 7.5% per annum on the principal amount, payable semi-annually in arrears in cash on June 1 and December 1 of each year.

Maturity. The 7.5% Notes mature on June 1, 2021.

E.ON contingent obligation

The E.ON contingent obligation consists of the aggregate E.ON payments made to Big Rivers Electric Corporation ("Big Rivers") on CAKY's behalf in excess of the agreed upon base amount under the long-term cost-based power contract with Kenergy, a member cooperative of Big Rivers (the "Big Rivers Agreement"). Our obligation to make repayments is contingent upon certain operating criteria for Hawesville and the LME price of primary aluminum. 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, in up to 72 monthly payments.

Based on the LME forward market prices for primary aluminum at September 30, 2014 and management's estimate of the LME forward market for periods beyond the quoted periods, we recognized a derivative asset which offsets our contingent obligation. As a result, our net liability decreased and we recorded a gain of $1,059 and $16,428 in net gain (loss) on forward and derivative contracts for the nine months ended September 30, 2014 and 2013, respectively. In addition, we believe that we will not have any payment obligations for the E.ON contingent obligation through the term of the agreement, which expires in 2028. However, future increases in the LME forward market may result in a partial or full derecognition of the derivative asset and a corresponding recognition of a loss. The following table provides information about the balance sheet location and gross amounts offset:

Offsetting of financial instruments and derivatives

	Balance sheet location	September 30, 2014	December 31, 2013
E.ON contingent obligation – principal	Other liabilities	$(12,902)	$(12,902)
E.ON contingent obligation – accrued interest	Other liabilities	(4,938)	(3,879)
E.ON contingent obligation – derivative asset	Other liabilities	17,840	16,781
		$—	$—

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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 that may have a material adverse effect on our financial condition, results of operations or liquidity.

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 $1,340 and $999 at September 30, 2014 and December 31, 2013, 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.

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 in the U.S. District Court for the District of Delaware, and we cannot predict the ultimate outcome of this action or estimate a range of possible losses related to this matter at this time.

Matters relating to the St. Croix Alumina Refining Facility

We are a party to a United States Environmental Protection Agency Administrative Order on Consent (the "Order") pursuant to which certain 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 to Vialco. We have likewise tendered indemnity to Lockheed. Through September 30, 2014, we have expended approximately $1,033 on the Hydrocarbon Recovery Plan. At this time, we are not able to estimate the amount of any future potential payments under this indemnification to comply with the Order, but we do not anticipate that any such amounts will have a material adverse effect on our financial condition, results of operations or liquidity, regardless of the final outcome. Vialco sold the St. Croix Alumina Refinery to St. Croix Alumina, LLC, a subsidiary of Alcoa in 1995.

In December 2010, Century was among several defendants named in a lawsuit filed by 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 certain additional plaintiffs. The plaintiffs in both suits allege damages caused by the presence of red mud and other particulates coming from the alumina facility and are seeking 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 motions to dismiss plaintiffs' claims, but the Superior Court of the Virgin Islands, Division of St. Croix has not yet ruled on the motions. At this time, it is not practicable to predict the ultimate outcome of or to estimate a range of possible losses for any of the foregoing actions relating to the St. Croix Alumina Refinery.

Legal Contingencies

In addition to the foregoing matters, we have pending against us or may be subject to various lawsuits, claims and proceedings related primarily to employment, commercial, stockholder, safety and health matters.

In evaluating whether to accrue for losses 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 amount of the loss 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.

When we have assessed that a loss associated with legal contingencies is reasonably possible, we determine if estimates of possible losses or ranges of possible losses are in excess of related accrued liabilities, if any. 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, either individually or in aggregate, 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.

Ravenswood Retiree Medical Benefits changes

In November 2009, Century Aluminum of West Virginia ("CAWV") filed a class action complaint for declaratory judgment against the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USWA"), the USWA's local and certain CAWV retirees, individually and as class representatives, seeking a declaration of CAWV's rights to modify/terminate retiree medical benefits. 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 and 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 any modifications to the retiree medical benefits while these lawsuits are pending, which was dismissed by the trial court, and affirmed upon appeal. CAWV has filed a motion for summary judgment of these actions. The case in chief is currently proceeding in the trial court, subject to the court's ruling on the motion for summary judgment.

PBGC Settlement

In June 2011, the Pension Benefit Guaranty Corporation (the "PBGC") informed us that it believed a "cessation of operations" under ERISA had occurred at our Ravenswood facility as a result of the curtailment of operations at the facility. Although we disagree that a "cessation of operations" occurred, we entered into a settlement agreement with the PBGC in April 2013 to resolve the matter. Pursuant to the terms of the agreement, we will make additional contributions (above any minimum required contributions) to our defined benefit pension plans totaling approximately $17,400 over the term of the agreement. During 2013, we made contributions pursuant to this agreement of approximately $6,700. Under certain circumstances, in periods of lower primary aluminum prices relative to our cost of operations, we may defer one or more of these payments, but we would be required to provide the PBGC with acceptable security for any deferred payments. In the first quarter of 2014, we elected to defer contributions for 2014 under the PBGC agreement and have provided the PBGC with the appropriate security.

Power Commitments and Contingencies

Hawesville

We are party to a power supply arrangement with Kenergy and Big Rivers, in effect since August 2013, which provides market-based power to the Hawesville smelter. Under this arrangement, the power companies purchase power on the open market and pass it through to Hawesville at Midcontinent Independent System Operator ("MISO") pricing plus transmission and other costs incurred by them. In connection with this power arrangement, CAKY has received approval from applicable regional transmission organizations and regulatory bodies regarding grid stability and energy import capability.

Sebree

We are party to a power supply arrangement with Kenergy and Big Rivers, effective since January 2013, which provides market-based power to the Sebree smelter. Similar to the arrangement at Hawesville, the power companies purchase power on the open market and pass it through to Sebree at MISO pricing plus transmission and other costs incurred by them.

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. The Santee Cooper Agreement provides power for Mt. Holly's full production capacity requirements at prices 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.

In 2012, Mt. Holly and Santee Cooper amended the terms of the 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, among other factors, on the cost of natural gas rather than Santee Cooper's system average fuel costs, which are primarily coal-based. The amended power agreement provides that Mt. Holly may continue to receive its supplemental power requirements from the off-system facility through December 31, 2015.

On June 30, 2014, Mt. Holly gave notice to Santee Cooper under the Santee Cooper Agreement to reduce the contract demand to zero effective December 31, 2015. We are continuing discussions with Santee Cooper and other parties regarding power arrangements for Mt. Holly following December 31, 2015.

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.

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 (subject to extension), 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.

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.

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In June 2012, Nordural Grundartangi ehf entered into a 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 ehf with supplemental power, as Nordural Grundartangi ehf may request from time to time, at LME-based variable rates. Nordural Grundartangi ehf has agreed to make certain prepayments to Landsvirkjun for power expected to be used at a later date in connection with the contract, which will reduce the price paid for power at the time of consumption. As of September 30, 2014, these power prepayments totaled approximately $2,267. We do not expect to realize the benefits from the prepayments in the near term.

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.

The power purchase agreements with HS and OR to provide power to Helguvik contain certain conditions to HS’s and OR’s obligations. HS (with respect to all phases) and OR (with respect to all phases other than the first phase) have alleged that certain of these conditions have not been satisfied. Nordural Helguvik ehf is in discussions with both HS and OR with respect to such conditions and other matters pertaining to these agreements.

In July 2014, HS commenced arbitration proceedings against Nordural Helguvik ehf seeking, among other things, an order declaring, (i) that the conditions to the power contract have not been fulfilled and, (ii) that the power contract is therefore no longer valid. Nordural Helguvik ehf believes HS' renewed claims are without merit and intends to defend itself against them.

In June 2014, Nordural Helguvik ehf entered into a supplemental power contract with OR. The supplemental power contract will expire in October 2036 (or upon the occurrence of certain earlier events) and will provide Grundartangi or Helguvik with supplemental power at LME-based rates, as may be requested from Grundartangi or Helguvik from time to time.

Other Commitments and Contingencies

Labor Commitments

Approximately 73% of our U.S. based work force is represented by the USWA. CAKY’s Hawesville employees represented by the USWA are under a collective bargaining agreement that expires on March 31, 2015. The Sebree employees represented by the USWA are under a collective bargaining agreement that expires on October 28, 2019. Approximately 82% of Grundartangi’s work force is represented by five labor unions, governed by a labor agreement that expires on December 31, 2014.

Approximately 77% of Vlissingen's work force is represented by the Federation for the Metal and Electrical Industry ("FME"), governed by a labor agreement that expires on May 1, 2015.

The labor agreement for CAWV’s Ravenswood plant employees represented by the USWA expired on August 31, 2010.

11. Forward delivery contracts and financial instruments

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

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Forward Physical Delivery Agreements

Primary Aluminum Sales Contracts

Contract	Customer	Volume	Term	Pricing
Glencore Grundartangi Metal Agreement (1)	Glencore	All primary aluminum produced at Grundartangi, net of tolling and other sales commitments	January 1, 2014 through December 31, 2017	Variable, based on LME and European Duty Paid premium
Southwire Metal Agreement (2)	Southwire	216 million pounds per year (high conductivity molten aluminum)	January 1, 2014 through December 31, 2014	Variable, based on U.S. Midwest Transaction Price

(1) The Glencore Grundartangi Metal Agreement is for all metal produced at Grundartangi from 2014 through 2017 less commitments under existing tolling and other sales contracts. Grundartangi currently estimates that it will sell Glencore approximately 155,000 tonnes of aluminum under this agreement in 2014.

(2) Southwire may, at its option, increase the volume purchased under the agreement by up to four percent by adjusting their monthly metal commitment.

Tolling Contracts

Contract	Customer	Volume	Term	Pricing
Glencore Toll Agreement	Glencore	90,000 tonnes per year ("tpy")	Through July 2016	Variable, based on LME and European Duty Paid premium
Glencore Toll Agreement	Glencore	49,000 tpy	Through December 31, 2014	Variable, based on LME and European Duty Paid premium

Apart from the Glencore Grundartangi Metal Agreement, the Southwire Metal Agreement and the Glencore Sweep Agreement (a contract for all metal produced in the U.S. in 2013, less existing sales agreements and valued-added metal sales, which expired at the end of 2013), we had the following forward delivery contractual commitments:

Other forward delivery contracts

	September 30, 2014	December 31, 2013
	(in tonnes)	
Other forward delivery contracts – total	72,025	118,373
Other forward delivery contracts – Glencore	40,760	20,008
Other forward delivery contracts – fixed price	500	—
Other forward delivery contracts – fixed price with Glencore	480	—

We had no outstanding primary aluminum forward financial sales contracts at September 30, 2014. We had no fixed price forward financial contracts to purchase aluminum at September 30, 2014.

Forward Financial Instruments

We are party to various forward financial and physical delivery contracts, which are accounted for as derivative instruments. See Note 4 Derivative and hedging instruments for additional information about these instruments.

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12. Supplemental cash flow information

	Nine months ended September 30,	
	2014	2013
Cash paid for:		
Interest	$9,684	$11,293
Income/withholding taxes (1)	10,079	27,254
Non-cash investing activities:		
Accrued capital costs	$663	$5,734

(1) We paid withholding taxes in Iceland on intercompany dividends of $5,491 and $18,067 during the nine months ended September 30, 2014 and 2013, respectively. Our tax payments in Iceland for withholding taxes, income taxes and any associated refunds are denominated in Icelandic kronur ("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, 2014	Year ended December 31, 2013
Beginning balance, ARO liability	$27,113	$16,124
Additional ARO liability incurred	1,493	1,730
ARO liabilities settled	(3,547)	(2,580)
Accretion expense	1,114	1,733
Additional ARO liability from Sebree acquisition	—	10,106
Ending balance, ARO liability	$26,173	$27,113

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.

14. Components of accumulated other comprehensive loss