CENTURY ALUMINUM CO
Form 10-K
February 29, 2012

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

OR

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

Commission File Number 1-34474

CENTURY ALUMINUM COMPANY

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class: | Name of each exchange on which registered: |
|---|---|
| Common Stock, $0.01 par value per share | NASDAQ Stock Market LLC |

| | |
|---|---|
| Preferred Stock Purchase Rights | (NASDAQ Global Select Market) |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes ¨ No x

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. Yes x 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). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in a definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Large Accelerated Filer | x | Accelerated Filer | ¨ | Non-Accelerated Filer (Do not check if a smaller reporting company) | ¨ | Smaller Reporting Company | ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

Based upon the closing price of the registrant's common stock on the NASDAQ Global Select Market on June 30, 2011, the approximate aggregate market value of the common stock held by non-affiliates of the registrant was approximately $885,000,000. As of January 31, 2012, 88,844,327 shares of common stock of the registrant were issued and outstanding.

Documents Incorporated by Reference:

All or a portion of Items 10 through 14 in Part III of this Form 10-K are incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if the Registrant's Schedule 14A is not filed within such period, will be included in an amendment to this Report on Form 10-K which will be filed within such 120 day period.

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PART I

## Item 1. Business

Century Aluminum Company is a Delaware corporation with our principal executive offices located at 2511 Garden Road, Building A, Suite 200, Monterey, California 93940.

Throughout this Form 10-K, and unless expressly stated otherwise or as the context otherwise requires, "Century Aluminum Company," "Century Aluminum," "Century," the "Company," "we," "us," and "our" refer to Century Aluminum Company and its subsidiaries.

### Available Information

Additional information about Century may be obtained from our website, which is located at www.centuryaluminum.com. Our website provides access to filings we have made through the EDGAR filing system of the Securities and Exchange Commission (the "SEC"), including our annual, quarterly and current reports filed on Forms 10-K, 10-Q and 8-K, respectively, our code of ethics that applies to all employees and ownership reports filed on Forms 3, 4 and 5 after December 16, 2002 by our directors, executive officers and beneficial owners of more than 5% of our outstanding common stock. These filings are also available on the SEC website at www.sec.gov. In addition, we will make available free of charge copies of our Forms 10-K, Forms 10-Q, and Forms 8-K upon request. A copy of the code of ethics is available on our website. Requests for these documents can be made by contacting our Investor Relations Department by mail at: 2511 Garden Road, Building A, Suite 200, Monterey, CA 93940, or by phone at: (831) 642-9300. Information contained in our website is not incorporated by reference in, and should not be considered a part of, this Annual Report on Form 10-K.

### FORWARD-LOOKING STATEMENTS

This annual 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 in this annual 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, including our discussions and arbitration 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;
- Estimates relating to the costs and time necessary to restore our facility in Hawesville, KY to full stable operations following the restart of its previously curtailed potline;

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- Our curtailed operations, including the potential restart of curtailed operations, 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;
- 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;
- 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;
- 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;
- Negotiations with our unionized workforce;
- Our assessment of the ultimate outcome of outstanding litigation and environmental matters and liabilities relating thereto;
- Compliance with laws and regulations and the effect of future laws and regulations;
- The costs and effects and our evaluation of and strategies with respect to legal and regulatory actions, investigations and similar matters;
- Discussions with the Pension Benefit Guaranty Corporation regarding our Ravenswood facility;
- Our capital resources, projected financing sources and projected uses of capital; and
- Our debt levels and intentions to incur or repay debt in the future.

We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date of this annual report. However, all forward-looking statements are subject to many risks and uncertainties, including those described under Item 1A, “Risk Factors,” and we cannot guarantee our future performance or results of operations, and you should not place undue reliance on these forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law, you are advised to consult any additional disclosures we make in our quarterly reports on Form 10-Q, annual report on Form 10-K and current reports on Form 8-K filed with the SEC. See Item 1, “Business - Available Information.”

## Overview

We produce primary aluminum. Aluminum is an internationally traded commodity, and its price is effectively determined on the London Metal Exchange (the “LME”). Our primary aluminum facilities produce standard grade and value-added primary aluminum products. Our current primary aluminum rated production capacity is 785,000 metric tons per year (“mtpy”), of which approximately 170,000 mtpy remained curtailed as of December 31, 2011. We restarted approximately 49,000 mtpy of curtailed capacity at our Hawesville facility during 2011. We produced approximately 602,000 metric tons of primary aluminum in 2011.

Our primary aluminum capacity includes our facility in Grundartangi, Iceland ("Grundartangi") with rated capacity of 260,000 mtpy; our facility in Hawesville, Kentucky ("Hawesville") with rated capacity of 244,000 mtpy; a 49.7% interest in a facility in Mt. Holly, South Carolina ("Mt. Holly") that provides us with rated capacity of 111,000 mtpy; and our facility in Ravenswood, West Virginia ("Ravenswood"), currently curtailed, with rated capacity of 170,000 mtpy. We are constructing a primary aluminum facility in Helguvik, Iceland (the "Helguvik project") which is currently contemplated to have a rated capacity of up to 360,000 mtpy. In addition to our primary aluminum assets, we have a 40% stake in Baise Haohai Carbon Co., Ltd. ("BHH"), a carbon anode and cathode facility located in China. The BHH facility has an annual anode production capacity of up to 180,000 mtpy and an annual graphitization capacity of up to 20,000 mtpy and supplies a portion of the anodes used in our Grundartangi facility.

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In light of its high relative operating cost structure, as of December 31, 2011, all operations at Ravenswood remained curtailed. We restarted the curtailed potline at our Hawesville facility in 2011. With the full restart of the curtailed potline at Hawesville, our annualized operating rated production capacity of primary aluminum increased to approximately 615,000 mtpy.

We have continued investing in the Helguvik project. During 2011, project activity and spending remained at modest levels. We plan to restart major construction activity if we are able to successfully resolve of ongoing discussions with the contracted power suppliers for the project. See "Electrical Power Supply Agreements."

Primary Aluminum Facilities:

| Facility | Location | Operational | Rated Capacity (mtpy) (4) | Ownership Percentage |
|---|---|---|---|---|
| Grundartangi | Grundartangi, Iceland | 1998 | 260,000 | 100% |
| Hawesville (1) | Hawesville, Kentucky, USA | 1970 | 244,000 | 100% |
| Ravenswood (2) | Ravenswood, West Virginia, USA | 1957 | 170,000 | 100% |
| Mt. Holly (3) | Mt. Holly, South Carolina, USA | 1980 | 224,000 | 49.7% |

(1) As of December 31, 2011, with the restart of the curtailed potline, the Hawesville facility is fully operational.

(2) In February 2009, we curtailed all operations at the Ravenswood facility. We may in the future restart the curtailed operations upon the realization of several objectives, including a new power agreement which would provide for flexibility in Ravenswood's cost structure under adverse industry conditions as well as a new labor agreement.

(3) Alcoa holds the remaining 50.3% ownership interest and is the operator. Century's share of Mt. Holly's capacity is approximately 111,000 mtpy.

(4) The rated capacity refers to the rated capacity of the technology used in the construction of the facility. The actual production capacity of a facility may significantly exceed the rated capacity through production efficiencies, increased amperage and other similar measures.

Joint Venture Facility:

| Facility | Location | Type | Capacity | Ownership Percentage |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Baise Haohai Carbon Co., Ltd (1) | Guangxi Zhuang, China | Carbon anode, cathode and graphitized products | 180,000 mtpy anode; 20,000 mtpy cathode/graphitized products | 40% |

(1) Guangxi Qiangqiang Carbon Co., Ltd. holds the remaining 60% ownership interest and is the operator of this facility.

Our current long-term strategic objectives are to: (a) optimize our existing assets by managing costs and improving safety, productivity and efficiency; (b) expand our primary aluminum business by constructing, investing in or acquiring additional capacity that offers favorable returns; and (c) pursue upstream opportunities in bauxite mining, alumina refining and the production of other key raw materials. The following table shows our primary aluminum shipment volumes since 2006.

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Recent Developments

Information on our recent developments is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Competition

The market for primary aluminum is global, and demand for aluminum varies widely from region to region. We compete with U.S. and international companies in the aluminum industry primarily in the areas of price, quality and service. In addition, aluminum competes with materials such as steel, copper, carbon fiber, composites, plastic and glass, each of which may be substituted for aluminum in certain applications.

Our Hawesville plant is located adjacent to its largest customer. This location allows Hawesville to deliver a portion of its production in molten form, at a cost savings to both parties, providing a competitive advantage over other potential suppliers. We believe that Hawesville also has a competitive advantage in that it currently is the largest producer of high purity aluminum in North America.

Customer Base

In 2011, we derived approximately 80% of our consolidated sales from our three major customers: Glencore International (together with its subsidiaries, "Glencore"), Southwire Company ("Southwire"), and BHP Billiton. Additional information about the revenues and percentage of sales to these major customers is available in Note 20 Business Segments of the consolidated financial statements included herein. We currently have long-term primary aluminum sales or tolling contracts with each of these customers. More information about these contracts is available under "Forward Physical Delivery Agreements" in Note 16 Forward delivery contracts and financial instruments of the consolidated financial statements included herein.

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Financial Information about Segments and Geographic Areas

We operate in one reportable segment, primary aluminum. Additional information about our primary aluminum segment and certain geographic information is available in Note 20 Business Segments to the consolidated financial statements included herein. For a description of certain risks attendant to our operations, see Item 1A, "Risk Factors."

Energy, Key Supplies and Raw Materials

We consume the following key supplies and raw materials in the primary aluminum reduction process:

| | | |
|---|---|---|
| electricity | carbon anodes | liquid pitch |
| alumina | cathode blocks | calcined petroleum coke |
| aluminum fluoride | natural gas | silicon carbide |

Electrical power, alumina, carbon anodes and labor are the principal components of cost of goods sold. These components together represented over 80% of our 2011 cost of goods sold. We have long-term contracts to attempt to ensure the future availability of many of our cost components. For a description of certain risks attendant to our raw material supplies and labor, see Item 1A, "Risk Factors."

Long-term Supply Contracts

Alumina Supply Agreements

A summary of our alumina supply agreements is provided below. Grundartangi does not have long-term alumina supply agreements because this facility primarily tolls alumina provided by BHP Billiton and Glencore into primary aluminum.

In 2011, 10,500 metric tons of primary aluminum was produced at Grundartangi outside of such toll agreements, using alumina purchased on a spot basis.

| Facility | Supplier | Term | Pricing |
|---|---|---|---|
| Mt. Holly | Trafigura AG | Through December 31, 2013 | Variable, LME-based |
| Hawesville | Glencore | Through December 31, 2014 | Variable, LME-based |

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Electrical Power Supply Agreements

We use significant amounts of electricity in the aluminum production process. A summary of our long-term power supply agreements is provided below.

| Facility | Supplier | Term | Pricing |
|---|---|---|---|
| Ravenswood (1) | Appalachian Power Company | Through June 30, 2012 | Based on published tariff, with provisions for pricing based on the LME price for primary aluminum |
| Mt. Holly (2) | South Carolina Public Service Authority (“Santee Cooper”) | Through December 31, 2015 | Fixed price, with fuel cost adjustment clause |
| Hawesville (3) | Big Rivers Energy Corporation (“Big Rivers”) | Through December 31, 2023 | Cost-based |
| Grundartangi (4) | Landsvirkjun<br>Orkuveita Reykjavíkur (“OR”)<br>HS Orka hf (“HS”) | Through 2019 - 2036 | Variable rate based on the LME price for primary aluminum |
| Helguvik (4)(5) | OR<br>HS | Approximately 25 years from the dates of each phase of power delivery under the respective power agreements | Variable rate based on the LME price for primary aluminum |

(1) All operations at the Ravenswood facility are presently curtailed. Appalachian Power supplies all of Ravenswood’s power requirements. Effective July 2006, the Public Service Commission of the State of West Virginia (the “PSC”) approved a special rate mechanism in connection with an increase in the applicable tariff rates. Under the special rate mechanism, Ravenswood may be excused from or may defer the payment of the increase in the tariff rate if aluminum prices as quoted on the LME fall below pre-determined levels. In June 2011, the PSC extended the special rate mechanism through June 2012.

(2) In 2010, Santee Cooper amended the Mt. Holly power contract to provide power through 2015 priced at rates fixed under currently published schedules, subject to adjustments to cover Santee Cooper’s fuel costs with early termination provisions to allow Mt. Holly to terminate the power contract early, in whole or in part, without penalty, if the LME falls

below certain negotiated levels.

(3) Century Aluminum of Kentucky, our wholly owned subsidiary ("CAKY") entered into an arrangement (the "Big Rivers Agreement") toprovide power for Hawesville's full production capacity requirements (approximately 482 megawatts ("MW")) with pricing based on the provider's cost of production. The Big Rivers Agreement is take-or-pay for Hawesville's energy requirements at full production. Under the terms of the Big Rivers agreement, any power not consumed by Hawesville will be made available for sale and we will receive credits for actual power sales up to our cost for that power.

(4) The first stage of power under the Helguvikpower supply agreement with OR (approximately 47.5MW) became available in the fourth quarter of 2011. This power is currently being utilized at Grundartangi.

(5) HS and OR have alleged that certain conditions for the delivery of power under the Helguvik power supply agreements have not yet been satisfied. We are in discussions with HS and OR with respect to the satisfaction of these conditions. See "—Primary Aluminum Facilities — Helguvik project — Power Supply Agreements" and Item 1A, "Risk Factors — If we are unable to procure a reliable source of power the Helguvik project may not be feasible."

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Labor Agreements

Our labor costs at Ravenswood and Hawesville are subject to the terms of labor contracts with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“USWA”) which generally have provisions for annual fixed increases in hourly wages and benefits adjustments. The five labor unions represented at Grundartangi operate under a labor contract that establishes wages and work rules for covered employees. The employees at Mt. Holly are employed by Alcoa and are not unionized. A summary of key labor agreements is provided below.

| Facility | Organization | Term |
|---|---|---|
| Hawesville | USWA | Through March 31, 2015 |
| Ravenswood (1) | USWA | Expired August 31, 2010 |
| Grundartangi (2) | Icelandic labor unions | Through December 31, 2014 |

(1) We are in discussions with the USWA regarding a new labor contract, but are unable to predict the outcome of such discussions at this time. See Item 1A, “Risk Factors — Union disputes could raise our production costs or impair our production operations.”

(2) 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 wage terms of the labor agreement expired in January 2011. In September 2011, we reached an agreement on revised wage terms under our existing labor agreement with these labor unions. The labor agreement in its entirety expires on December 31, 2014

Pricing

Our operating results are highly sensitive to changes in the price of primary aluminum, electrical power, raw materials and supplies used in production. As a result, we try to mitigate the effects of fluctuations in primary aluminum, electrical power, raw material and supply prices using various fixed-price commitments and financial instruments. We purchase alumina for our U.S. facilities and electrical power at Grundartangi at prices indexed to the price of primary aluminum; this mechanism provides a “natural hedge” in the pricing of some of our largest production costs. In addition, in recent years, we have purchased primary aluminum put option contracts to protect our downside price risk exposure for a significant portion of our domestic production.

Generally, we price our products at an indexed or “market” price, in which the customer pays an agreed-upon premium over the LME price or other market indices.

Grundartangi derives most of its revenues from tolling arrangements whereby it converts alumina provided by its customers into primary aluminum for a fee based on the LME price for primary aluminum. Grundartangi's revenues are subject to market price risk associated with the LME price for primary aluminum; however, because Grundartangi tolls alumina for its customers, it is not exposed to fluctuations in the price of alumina for its tolling production. Grundartangi’s tolling revenues include a premium based on the European Union (“EU”) import duty for primary aluminum. Any decreases in the EU import duty could have a negative impact on Grundartangi’s revenues.

Primary Aluminum Facilities

Grundartangi

The Grundartangi facility located in Grundartangi, Iceland, is owned and operated by our subsidiary, Nordural Grundartangi ehf. Grundartangi is our most modern and lowest cost facility. Operations began in 1998 and production capacity has expanded to its current annual rated production capacity of 260,000 mtpy. In 2011, Grundartangi produced almost 278,000 metric tons of primary aluminum, seven percent above its rated production capacity.

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Grundartangi operates under various long-term agreements with the Government of Iceland, local municipalities, and Faxafloahafnir sf (which operates the harbor at Grundartangi and is jointly owned by several municipalities). These agreements include: (a) an investment agreement which establishes Grundartangi's tax status and the Government's obligations to grant certain permits; (b) a reduction plant site agreement by which Grundartangi leases the property; and (c) a harbor agreement by which Grundartangi is granted access to the port at Grundartangi through 2020, subject to renewal at its option.

Tolling Agreements. Grundartangi has long-term tolling agreements for most of its production capacity with BHP Billiton and Glencore. The tolling counterparties provide alumina and receive primary aluminum in return for tolling fees that are based on the LME price of primary aluminum. See Note 16 Forward delivery contracts and financial instruments in the consolidated financial statements included herein for more information about these agreements.

Direct Sales. In 2011, Grundartangi produced approximately 10,500 metric tons of primary aluminum outside of the tolling agreements, using alumina purchased on a spot basis.

Power. Grundartangi purchases power from Landsvirkjun, HS and OR under various long-term contracts due to expire between 2019 and 2036. The power delivered to Grundartangi is priced at rates based on the LME price for primary aluminum and is produced from hydroelectric and geothermal sources.

Employees. Our employees at Grundartangi are represented by five labor unions that operate under a labor contract through December 31, 2014. See “Long-term Supply Contracts - Labor Agreements” above.

Hawesville

Hawesville is owned and operated by Century Aluminum of Kentucky, our wholly owned subsidiary. Hawesville is located adjacent to the Ohio River near Hawesville, Kentucky and began operations in 1970. Hawesville has five reduction potlines with an annual rated production capacity of 244,000 metric tons.

Four of Hawesville's potlines are specially configured and operated to produce high purity primary aluminum and have an annual rated production capacity of approximately 195,000 metric tons, making it the largest producer of high purity primary aluminum in North America. The average purity level of primary aluminum produced by these potlines is 99.9%, compared to standard-purity aluminum which is approximately 99.7%. High purity primary aluminum is sold at a premium to standard-purity aluminum. Hawesville’s specially configured facility provides the high-conductivity metal required by Hawesville’s largest customer, Southwire, for its electrical wire and cable products as well as for certain aerospace applications.

In December 2010, we announced plans to restart a potline at our Hawesville facility that had been curtailed in March 2009. Restarting the curtailed potline brought Hawesville essentially to full production capacity by December 31, 2011. Hawesville's slower than anticipated return to full stable operations following the restart of the curtailed potline in 2011 resulted in lower than expected domestic production for the year. In addition, the plant experienced reduced production efficiencies and higher costs related to the unstable conditions which prevailed during the majority of the year. Though the plant has essentially returned to full production, we expect that Hawesville’s operations will continue to be negatively impacted by production inefficiencies through the first quarter of 2012.

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Metal Sales Agreement. Hawesville has an aluminum sales contract with Southwire (the "Southwire Metal Agreement"). The Southwire Metal Agreement extends through December 2013. The price for molten aluminum delivered to Southwire is variable and is determined by reference to the U.S. Midwest Market Price. Under the contract, Hawesville supplies between 220 and 240 million pounds (approximately 100,000 to 109,000 metric tons) of high-conductivity molten aluminum annually to Southwire's adjacent wire and cable manufacturing facility. In addition, we have contracted with Glencore to sell all primary aluminum we produce in the U.S., less existing agreements and high purity sales, through December 2012 (the "Glencore Sweep Agreement"). The Glencore Sweep Agreement provides for variable pricing determined by reference to the U.S. Midwest Market Price. More information on the Southwire Metal Agreement and Glencore Sweep Agreement is available under "Primary Aluminum Sales Contracts" in Note 16 Forward delivery contracts and financial instruments of the consolidated financial statements included herein.

Alumina. Hawesville receives its alumina supply from Glencore under our long-term alumina purchase agreement.

Power. Kenergy, a subsidiary of Big Rivers, provides Hawesville's electrical power under the Big Rivers Agreement. The Big Rivers Agreement provides for long-term cost-based power through December 31, 2023. See Long-term Supply Contracts - Electrical Power Supply Agreements above for additional information.

CAKY has a contingent obligation to repay E.ON related to the unwind of a previous power agreement, subject to certain conditions. See Note 6 Debt for additional information about the contingent obligation.

Employees. The bargaining unit employees at Hawesville are represented by the USWA. The collective bargaining agreement, which covers all of the represented hourly employees at Hawesville, expires in March 2015.

Mt. Holly

Mt. Holly, located in Mt. Holly, South Carolina, was built in 1980 and is the most recently constructed aluminum reduction facility in the United States. The facility consists of two potlines with a total rated production capacity of 224,000 mtpy and casting equipment used to cast molten aluminum into standard-grade ingot, extrusion billet and other value-added primary aluminum products. Value-added primary aluminum products are sold at a premium to standard-grade primary aluminum. Our 49.7% interest represents approximately 111,000 mtpy of the facility's annual production capacity.

Our interest in Mt. Holly is held through our subsidiary, Berkeley Aluminum, Inc. ("Berkeley"). Under the Mt. Holly ownership structure, we hold an undivided 49.7% interest in the property, plant and equipment comprising the aluminum reduction operations at Mt. Holly and an equivalent share in the general partnership responsible for the operation and maintenance of the facility. Alcoa owns the remaining 50.3% interest in Mt. Holly and an equivalent share of the operating partnership. Under the terms of the operating partnership, Alcoa is responsible for operating and maintaining the facility. Each owner supplies its own alumina for conversion to primary aluminum and is responsible for its proportionate share of operational and maintenance costs.

Metal Sales Agreements. We have a contract to sell to Glencore 20,400 mtpy of primary aluminum through December 31, 2013, produced at Mt. Holly or Hawesville at a price determined by reference to the U.S. Midwest Market Price, subject to an agreed cap and floor as applied to the U.S. Midwest Premium (the "Glencore Metal

Agreement”). Under the Glencore Sweep Agreement, any additional primary aluminum produced in the U.S. (including Mt. Holly), less existing agreements and high purity sales, will be sold to Glencore at variable pricing determined by reference to the U.S. Midwest Market Price. More information on the Glencore Metal Agreement and Glencore Sweep Agreement is available under “Primary Aluminum Sales Contracts” in Note 16 Forward delivery contracts and financial instruments of the consolidated financial statements included herein.

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Alumina. Substantially all of our alumina requirements for Mt. Holly are provided by Trafigura AG under an agreement that extends through 2013. The pricing for alumina under our contract with Trafigura is variable and based on the LME price for primary aluminum.

Power. Mt. Holly purchases all of its power requirements from Santee Cooper under a take-or-pay service agreement that runs through 2015. See Long-term Supply Contracts - Electrical Power Supply Agreements above for additional information.

Employees. The employees at Mt. Holly are employed by Alcoa and are not unionized.

Ravenswood

The Ravenswood facility is owned and operated by our subsidiary, Century Aluminum of West Virginia, Inc. Built in 1957, Ravenswood has four potlines with a production capacity of 170,000 metric tons. The facility is located adjacent to the Ohio River near Ravenswood, West Virginia.

In February 2009, we conducted an orderly curtailment of the plant operations at Ravenswood. We may restart the curtailed operations upon the realization of several objectives, including a new power agreement which would provide for flexibility in Ravenswood’s cost structure under adverse industry conditions as well as a new labor agreement.

Legislation has been passed in West Virginia that gives us the ability to enter into discussions with the public service commission in regard to an enabling power contract for the curtailed plant. We are currently engaged in discussions with the utility as well as the labor union. Until those discussions are further progressed it is not possible to predict when or if a restart of the plant might occur.

Power. Appalachian Power Company (“APCo”) supplies all of Ravenswood’s power requirements under an agreement at prices set forth in published tariffs, which are subject to change. In July 2006, the Public Service Commission of the State of West Virginia approved a special rate mechanism in connection with an increase in the applicable tariff rates. Under the special rate mechanism, Ravenswood may be excused from or may defer the payment of the increase in the tariff rate if aluminum prices as quoted on the LME fall below pre-determined levels.

Employees. The bargaining unit employees at Ravenswood represented by the USWA were under a labor agreement that expired in August 2010. Negotiations for a new labor agreement are ongoing.

Amendments to retiree medical benefits. As of January 1, 2011, CAWV no longer provides retiree medical benefits to active salaried CAWV personnel or any other personnel who retired prior to November 1, 2010. CAWV has made no commitments as to the future status of retiree medical benefits for hourly personnel who are currently covered by an active medical program.

Helguvik project

The Helguvik project site is located approximately 30 miles from the city of Reykjavik, Iceland and is owned and would be operated through our Nordural Helguvik ehf subsidiary. This site provides a flat location and existing harbor, as well as proximity to the international airport, the capital and other industry.

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We commenced construction of the Helguvik project in June 2008. We significantly reduced construction activity and spending on the project in late 2008 in response to the global financial crisis and deterioration of Icelandic economic and political conditions. Construction activity and spending on the project remains significantly curtailed pending confirmation from the contracted power suppliers that they will be able to deliver the required power per an agreed schedule. See "Long-term Supply Contracts – Electrical Power Supply Agreements" and Item 1A, "Risk Factors – If we are unable to procure a reliable source of power the Helguvik project may not be feasible." We are working to complete the activities required for a full restart of construction activity at Helguvik as soon as we have resolution of the power supply issues. Capitalized costs for the project through December 31, 2011 were approximately $138 million, withapproximately $13 million incurred during 2011.

See Item 1A, "Risk Factors – Construction at our Helguvik smelter site is under review. Substantial delay in the completion of this project may increase its cost and impose other risks to completion that are not foreseeable at this time" and "If we are unable to procure a reliable source of power the Helguvik project may not be feasible."

Power Supply Agreements. Nordural Helguvik has signed electrical power supply agreements with HS and OR to supply power to the Helguvik smelter. Each of HS and OR have alleged that certain conditions to the delivery of power under the power supply agreements have not been satisfied. The first stage of power under the OR power purchase agreement (approximately 47.5 MW) became available in the fourth quarter of 2011. This power is being utilized at Grundartangi until the first stage of the Helguvik project has been completed. No other power is currently available under either power purchase agreement.

Helguvik Investment Agreement. An Enabling Act for an Investment Agreement with the Government of Iceland for Helguvik, which governs certain meaningful aspects of the project such as the fiscal regime, was approved in April 2009 by the Icelandic Parliament. In July 2009, the European Surveillance Authority approved the Investment Agreement and in August 2009 Nordural Helguvik ehf and the Icelandic Minister of Industry executed the agreement. Among other things, the Investment Agreement includes a commitment by the Government of Iceland to assist us in obtaining necessary regulatory approvals for completion of the Helguvik project.

Environmental Impact Assessment. In October 2007, Nordural received a positive opinion from the Icelandic Planning Agency on the Environmental Impact Assessment ("EIA") for the proposed Helguvik smelter.

Transmission Agreement. Nordural Helguvik entered into a transmission agreement with Landsnet hf ("Landsnet") to provide an electrical power transmission system to the Helguvik project. Landsnet is the company responsible for operating and managing Iceland's transmission system. As a result of delays in construction of the Helguvik project, the parties are currently in discussions with respect to the timeline for construction of the transmission system.

Operating License. In September 2008, the Environmental Agency of Iceland issued an Operating License for the Helguvik smelter project. The license authorizes production of up 250,000 mtpy.

Other agreements. We have also entered into a site and harbor agreement with respect to the Helguvik project.

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## Joint Venture Facility

Baise Haohai Carbon Company, Ltd.

In 2008, we entered into a joint venture agreement whereby we acquired a 40% stake in Baise Haohai Carbon Co., Ltd. ("BHH"), a carbon anode and cathode facility located in the Guangxi Zhuang Autonomous Region of south China. The BHH facility has an anode production capacity of 180,000 mtpy and a cathode baking and graphitization capacity of 20,000 mtpy. Construction of the facility was completed in 2008.

We paid $27.6 million for the investment and loaned BHH an additional $9.4 million. Through December 2011, BHH has repaid $6.2 million on the loan. Our investment in the joint venture is accounted for using the equity method of accounting with results of operations reported on a one-quarter lag.

Anode agreement. BHH provides anodes to Grundartangi under a long-term agreement through 2012, renewable through December 31, 2015.

## Environmental Matters

We are subject to various environmental laws and regulations both in the U.S. and in other countries. We have spent, and expect to spend, significant amounts for compliance with those laws and regulations. In addition, some of our past manufacturing activities have resulted in environmental consequences which require remedial measures. Under certain environmental laws, which may impose liability regardless of fault, we may be liable for the costs of remediation of contaminated property, including our current and formerly owned or operated properties or adjacent areas, or for the amelioration of damage to natural resources. We believe, based on currently available information, that our current environmental liabilities are not likely to have a material adverse effect on Century. However, we cannot predict the requirements of future environmental laws and future requirements at current or formerly owned or operated properties or adjacent areas. Such future requirements may result in unanticipated costs or liabilities which may have a material adverse effect on our financial condition, results of operations or liquidity. More information concerning our environmental contingencies can be found in Item 3 Legal Proceedings and in Note 15 Commitments and contingencies to the consolidated financial statements included herein.

## Intellectual Property

We own or have rights to use a number of patents or patent applications relating to various aspects of our operations. We do not consider our business to be materially dependent on any of these patents or patent applications.

## Employees

As of December 31, 2011, we employed approximately 1,300 employees.

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## Item 1A. Risk Factors

The following describes certain of the risks and uncertainties we face that could cause our future results to differ materially from our current results and from those anticipated in our forward-looking statements. These risk factors should be considered together with the other risks and uncertainties described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere herein. This list of significant risk factors is not all-inclusive or necessarily in order of importance.

The cyclical nature of the aluminum industry causes variability in our earnings and cash flows.

Our operating results depend on the market for primary aluminum, which is a highly cyclical commodity with prices that are affected by global demand and supply, political and economic conditions and other related factors. For example, aluminum warehouse inventory levels were at or near historically high levels in 2010 and 2011, which may cause primary aluminum prices to fall as such inventory enters the market. Historically, aluminum prices have been volatile, and we expect such volatility to continue.

Declines in primary aluminum prices reduce our earnings and cash flows. If the price we realize for our products falls below our cost of production, we may choose or be forced to curtail operations to fund our operations. There can be no assurance that we will be able to take actions necessary to curtail operations, if these steps are required. Future downturns in aluminum prices may significantly reduce the amount of cash available to meet our obligations and fund our long-term business strategies and could have a material adverse effect on our business, financial conditions, results of operations and liquidity.

Disruptions to our raw material and electricity supply arrangements could increase our production costs.

Our business depends upon the adequate supply of alumina, electricity, aluminum fluoride, calcined petroleum coke, pitch, finished carbon anodes and cathodes and other raw materials at competitive prices. Disruptions to the supply of these production inputs could occur for a variety of reasons, including disruptions of production at a particular supplier's facility or power plant, as applicable. For some of these production inputs, such as power and anode supply, we rely on a single or limited number of suppliers.

Any disruption may require us to purchase these products on the spot market on less favorable terms than under our current agreements due to the limited number of suppliers of these products or other market conditions. In addition, we may not be able to obtain alumina in the future at prices that are based on the LME. Because we sell our products based on the LME price for primary aluminum, we would not be able to pass on any increased costs of raw material that are not linked to the LME price to our customers. A disruption in our materials or electricity supply may adversely affect our operating results if we are unable to secure alternate supplies of materials at comparable prices.

Certain of our alumina and electricity supply contracts contain "take-or-pay" obligations.

We have obligations under certain contracts to take-or-pay for specified quantities of alumina and electricity over the term of those contracts regardless of our operating requirements. Our financial position and results of operations may therefore be adversely affected by the market price for alumina and electric power even if we were to curtail unprofitable production capacity (or delay construction of new capacity) as we will continue to incur costs under these contracts to meet or settle our contractual take-or-pay obligations. If we were unable to use such electrical power or raw materials in our operations or sell them at prices consistent with or greater than our contract costs, we could incur significant losses under these contracts. In addition, these commitments may also limit our ability to take advantage of favorable changes in the market prices for electricity or raw materials and may have a material adverse effect on our business, financial position, results of operations and liquidity.

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Increases in electricity costs adversely affect our business.

Electricity represents our single largest operating cost. As a result, the availability of electricity at economic prices is critical to the profitability of our operations. Portions of the contracted cost of the electricity supplied to Mt. Holly and all of Hawesville's electricity costs vary with the supplier's costs. An increase in these costs would increase the price these facilities pay for electricity. Costs under the Hawesville and Mt. Holly electricity contracts have substantially increased in recent years with rising fuel prices. As these contracts have take-or-pay type provisions, the financial position, results of operations and cash flows of Hawesville and Mt. Holly may be adversely affected by the price for electric power even if we curtail unprofitable production capacity. Significant increases in electricity costs at any of our operations may have a material adverse effect on our business, financial condition, results of operations and liquidity.

Losses caused by disruptions in our supply of power would adversely affect our operations.

We use large amounts of electricity to produce primary aluminum. Any loss of power which reduces the amperage to our equipment or causes an equipment shutdown would result in a reduction in the volume of molten aluminum produced, and prolonged losses of power may result in the hardening or "freezing" of molten aluminum in the pots where it is produced, which could require an expensive and time consuming restart process. Interruptions in the supply of electrical power to our facilities can be caused by a number of circumstances, including unusually high demand, blackouts, equipment or transformer failure, human error, malicious acts, natural disasters or other catastrophic events. See "Unpredictable events, including natural disasters, dangerous weather conditions, terrorist attacks and political unrest, may adversely affect our ability to conduct business." At several of our facilities, an alternative supply of power in the event of a disruption may not be feasible. If such a condition were to occur, we may lose production for a prolonged period of time and incur significant losses.

We operate our plants at close to peak amperage. Accordingly, even partial failures of high voltage equipment could affect our production. We maintain property and business interruption insurance to mitigate losses resulting from catastrophic events, but are required to pay significant amounts under the deductible provisions of those insurance policies. In addition, the coverage under those policies may not be sufficient to cover all losses, or may not cover certain events. Certain of our insurance policies do not cover any losses that may be incurred if our suppliers are unable to provide power during periods of unusually high demand. Certain losses or prolonged interruptions in our operations may trigger a default under certain of our outstanding indebtedness and could have a material adverse effect on our business, financial position, results of operations and liquidity.

International operations expose us to political, regulatory, currency and other related risks.

We receive a significant portion of our revenues from our international operations, primarily in Iceland. These operations expose us to risks, including unexpected changes in foreign laws and regulations, political and economic instability, challenges in managing foreign operations, increased costs to adapt our systems and practices to those used in foreign countries, taxes, export duties, currency restrictions, tariffs and other trade barriers, and the burdens of complying with a wide variety of foreign laws. Changes in foreign laws and regulations are generally beyond our ability to control, influence or predict and future adverse changes in these laws could have a material adverse effect on our business, financial condition, results of operations and liquidity.

In addition, we may be exposed to fluctuations in currency exchange rates and, as a result, an increase in the value of foreign currencies relative to the U.S. dollar could increase our operating expenses which are denominated and payable in those currencies. As we continue to explore other opportunities outside the U.S., including the Helguvik project, our currency risk with respect to the Icelandic Krona and other foreign currencies will significantly increase.

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If economic, financial and political conditions in Iceland were to deteriorate, our financial position and results of operations could be adversely impacted.

Iceland is important to our business. Disruptions in Iceland's economic, financial and political systems have decreased the stability of Iceland's economy and financial markets and made cash management activities in Iceland more challenging. For example, the Icelandic government and the Central Bank of Iceland are restricting the free transfer of funds outside of Iceland and, specifically, foreign currency within and outside of Iceland. While we are currently exempt from these foreign currency rules, we cannot control further actions by the Central Bank of Iceland which might restrict our ability to transfer funds through the Icelandic banking system and outside of Iceland. While we currently maintain essentially all of our Icelandic operating funds in accounts outside of Iceland, and are receiving substantially all of our customer payments in such accounts, a portion of our funds remain in the Icelandic banks to meet local working capital requirements. In addition, as payables become due in Iceland, we must transfer funds through the Icelandic banking system. If economic, financial or political conditions in Iceland deteriorate, or if counterparties and lenders become unwilling to engage in normal banking relations with and within Iceland, our ability to operate our Grundartangi smelter, including paying vendors, processing payroll and receiving payments, as well as our ability to complete the Helguvik project could be adversely impacted, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Curtailment of unprofitable aluminum production at our U.S. facilities could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Curtailing unprofitable production to reduce our operating costs requires us to incur substantial expense, both at the time of the curtailment and on an ongoing basis. Our facilities are subject to contractual and other fixed costs that continue even if we curtail operations at these facilities. These costs reduce the cost saving advantages of curtailing unprofitable aluminum production. In addition, the prospect of these costs and our joint ownership of certain of our operations limit our flexibility to curtail unprofitable production.

If we are unable to realize the intended effects of any production curtailment, including at our currently curtailed Ravenswood facility, or if any production curtailment does not achieve sufficient reduction in operating expenses, we may have to seek bankruptcy protection for some or all of our U.S. subsidiaries and/or may be forced to divest some or all of our U.S. subsidiaries. If we were to seek bankruptcy protection for these subsidiaries, we would face additional risks. Such action could cause concern among our customers and suppliers generally, distract our management and our other employees and subject us to increased risks of lawsuits. Other negative consequences could include negative publicity, which could have a material negative impact on the trading price of our securities and negatively affect our ability to raise capital in the future.

Any curtailments of our U.S. operations, or actions taken to seek bankruptcy protection or divest some or all of our U.S. subsidiaries, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We require substantial resources to pay our operating expenses and fund our capital expenditures.

We require substantial resources to pay our operating expenses and fund our capital expenditures, including construction at our Helguvik smelter site and the investment programs at our Grundartangi and Hawesville smelters. In addition, if we were to resume operations at our Ravenswood smelter, we would incur substantial capital expenditures, working capital funding and operating expenses. If we are unable to generate funds from our operations to pay our operating expenses and fund our capital expenditures and other obligations, our ability to continue to meet these cash requirements in the future could require substantial liquidity and access to sources of funds, including from capital and credit markets. Changes in global economic conditions, including material cost increases and decreases in economic activity, and the success of plans to manage costs, inventory and other important elements of our business, may significantly impact our ability to generate funds from operations. If, among other factors, primary aluminum prices were to decline, our costs are higher than contemplated, we suffer unexpected production outages, or Icelandic laws change and either increase our tax obligations or limit our access to cash flow from our Icelandic operations, we would need to identify additional sources of liquidity.

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If funding is not available when needed, or is available only on unacceptable terms, we may be unable to respond to competitive pressures, take advantage of market opportunities or fund operations, capital expenditure or other obligations, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Our business and growth prospects may be negatively impacted by past or future reductions in our capital expenditures or curtailment of production capacity.

In response to the global economic downturn and related disruptions in the financial markets, in 2008 and 2009 we curtailed significant production capacity and reduced capital expenditures. Certain of these assets remain curtailed or delayed, including our Ravenswood smelter and the development of our Helguvik smelter. Our ability to take advantage of improved market conditions may be constrained by these earlier curtailments, capital expenditure restrictions and other similar actions, and the long-term value of our business could be adversely impacted. Our position in relation to our competitors may also deteriorate. We may also be required to address commercial and political issues in relation to our reductions in capital expenditures or operational curtailment in certain of the jurisdictions in which we operate. In addition, if we do not eventually resume operations at Ravenswood, we may be required to recognize a loss related to all or a portion of the assets of this facility. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Construction at our Helguvik smelter site has been significantly curtailed. Substantial delay in the completion of this project may increase its cost and impose other risks to completion that are not foreseeable at this time.

Nordural Helguvik ehf, our indirect, wholly owned subsidiary, has significantly curtailed construction activity and spending at our Helguvik project in response to the recent global economic conditions, Icelandic economic and political conditions and ongoing discussions with the power companies contracted to provide power to the Helguvik project. See “If we are unable to procure a reliable source of power, the Helguvik project may not be feasible,” and “If economic and political conditions in Iceland deteriorate further, our financial position and results of operations could be adversely impacted.” Nordural Helguvik cannot be certain when or if it will restart major construction and engineering activities or ultimately complete the Helguvik project or, if completed, that the Helguvik smelter would operate in a profitable manner. We will not realize any return on our significant investment in the Helguvik project until we are able to commence Helguvik operations in a profitable manner. If we fail to achieve operations at Helguvik, we may have to recognize a loss on our investment, which would have a material adverse impact on our future earnings.

If we decide to proceed with the Helguvik project, this project is subject to various contractual approvals and conditions. Many of the contractual arrangements related to the Helguvik project have time periods for performance. The delay in restarting major construction and completing the Helguvik project has caused Nordural Helguvik to renegotiate and extend, or undertake to renegotiate and extend, existing contractual commitments, including with respect to power, transmission, technology, equipment and construction. There can be no assurance that the contractual arrangements and conditions, including extensions, necessary to proceed with construction of the Helguvik project will be obtained or satisfied on a timely basis or at all. In addition, such approvals or extensions may be subject to conditions that are unfavorable or make the project impracticable or less attractive from a financial standpoint. Even if we receive the necessary approvals and extensions on terms that we determine are acceptable, the construction of this project is a complex undertaking. There can be no assurance that we will be able to complete the project within our projected budget and schedule.  To successfully execute this project, we will also need to procure a reliable source of power, arrange additional financing and either enter into tolling arrangements or secure a supply of alumina as well as other raw materials.  In addition, unforeseen technical difficulties could increase the cost of the project, delay the project or render the project infeasible.

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We intend to finance our future capital expenditures from future capital raising, available cash and cash flow from operations. We may be unable to raise additional capital, or do so on attractive terms, due to a number of factors, including a lack of demand, poor economic conditions, interruptions in the capital markets, unfavorable interest rates or our financial condition or credit rating at the time. If additional capital resources are unavailable, we may further curtail construction and development activities.

Further delay in the completion of the project or increased costs could have a material adverse effect on our business, financial condition, results of operations and liquidity.

If we are unable to procure a reliable source of power, the Helguvik project may not be feasible.

The Helguvik project will require generation and transmission of a substantial amount of electricity to power the smelter. Nordural Helguvik has entered into agreements with two providers of geothermal power, HS and OR. Each of HS and OR has alleged that certain conditions to the delivery of power under the power agreements have not yet been satisfied. If we are unable to reach agreement with each of HS and OR, we may have to seek alternative sources of power, incur substantially increased power costs or further curtail construction activities of the Helguvik project. Due to the limited number of Icelandic power providers with resources sufficient to provide power to the Helguvik project (only three are currently in operation in Iceland), we may find it difficult or impossible to procure additional sources of power if HS and OR do not perform under their existing agreements and may be unable to complete construction of the smelter. If we agree to pay increased prices for power or substantially delay or are unable to complete the Helguvik project, we may have to recognize a substantial loss on our investment. Any failure to complete the Helguvik project could have a material adverse effect on our business, financial condition, results of operations and liquidity.

The generation of the contracted power for the Helguvik project will also require successful development of new geothermal energy sources within designated areas in Iceland and completion of the necessary transmission infrastructure to service the Helguvik project. If there are construction delays or technical difficulties in developing these new geothermal energy sources or transmission infrastructure, power may be delayed or may not be available. Development of the generation and transmission infrastructure is expensive and requires significant resources from the power and transmission providers. Factors which could delay or impede the generation and transmission of electric power are substantially beyond our ability to control, influence or predict, including the power and transmission providers' ability to finance and obtain necessary permits, real property and other rights for the development of new geothermal energy sources and associated transmission infrastructure. In addition, if Nordural Helguvik is unable to proceed with the Helguvik project, it may incur significant reimbursement obligations for certain costs incurred by third party providers under transmission and other agreements entered into in connection with the Helguvik project and remain subject to significant power commitments already confirmed under its agreement with OR. If the power or transmission providers are unable to provide or transmit the contracted amounts of power, such failure could substantially delay or make the Helguvik project infeasible and could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Union disputes could raise our production costs or impair our production operations.

The bargaining unit employees at our Grundartangi, Hawesville and Ravenswood smelters are represented by labor unions. If we fail to maintain satisfactory relations with any labor union representing our employees, our labor contracts may not prevent a strike or work stoppage at any of these facilities in the future. Any threatened or actual work stoppage in the future or inability to renegotiate our collective bargaining agreements could prevent or significantly impair our ability to conduct production operations at our unionized facilities, which could have a material adverse effect on our financial condition, results of operations and liquidity.

We could be adversely affected by the loss of a major customer or changes in the business or financial condition of our major customers.

In 2011, we derived approximately 80% of our consolidated sales from our three major customers: Southwire Glencore and BHP Billiton. We currently have long-term primary aluminum sales or tolling contracts with each of these customers. However, a significant downturn or further deterioration in the business or financial condition of one of these major customers could affect our results of operations. In addition, a loss of any of these customers could have a material adverse effect on our financial condition, results of operations and liquidity.

Our ability to access the credit and capital markets on acceptable terms may be limited due to our credit ratings, our financial condition or the deterioration of these markets.

Our credit rating was adversely affected by the downturn in global economic and financial conditions, curtailment of our Ravenswood smelter and the substantial levels of our existing indebtedness. Our availability under our revolving credit facility is dependent on our domestic accounts receivable and inventory which secure the facility. Curtailment of production capacity at Ravenswood has reduced the amount of domestic accounts receivable and inventory available to secure this facility and further curtailments of domestic production capacity could further reduce availability under our revolving credit facility. Our existing credit ratings, or any future negative actions the credit agencies may take, could negatively affect our ability to access the credit and capital markets in the future and could lead to worsened trade terms, increasing our liquidity needs. An inability to access capital and credit markets when needed could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We may be unable to continue to compete successfully in the highly competitive markets in which we operate.

We are engaged in a highly competitive industry. Aluminum also competes with other materials, such as steel, copper, plastics, composite materials and glass, among others, for various applications. Many of our competitors are larger than us and have greater financial and technical resources than we do. These larger competitors may be better able to withstand reductions in price or other adverse industry or economic conditions. Similarly, competitors with superior cost positions to ours may be better able to withstand reductions in price or other adverse industry or economic conditions. If we are not able to compete successfully, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Because we own less than a majority of some of our operating assets, we cannot exercise complete control over their operations.

We have limited control over the operation of some of our operating assets, including the Mt. Holly smelter and the BHH carbon anode and cathode facility, because we beneficially own less than a majority of the ownership interests in such assets. While we seek to exert as much influence with respect to the management and operation of such assets as possible, we are dependent on our co-owners to operate such assets. Our co-owners may not have the level of experience, technical expertise, human resource management and other attributes to operate these assets optimally. In addition, our co-owners may have interests, objectives and incentives with respect to such assets that differ from our own.

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We require significant cash flow to meet our debt service requirements, which increases our vulnerability to adverse economic and industry conditions, reduces cash available for other purposes and limits our operational flexibility.

As of December 31, 2011, we had an aggregate of approximately $257 million principal amount of outstanding debt. We may incur additional debt in the future.

The level of our debt could have important consequences, including:

- increasing our vulnerability to adverse economic and industry conditions;
- reducing cash flow available for other purposes, including capital expenditures, acquisitions, dividends, working capital and other general corporate purposes, because a substantial portion of our cash flow from operations must be dedicated to servicing our debt; and
- limiting our flexibility in planning for, or reacting to, competitive and other changes in our business and the industry in which we operate.

We have various obligations to make payments in cash that will reduce the amount of cash available to make interest payments required on our outstanding debt and for other uses. Our industrial revenue bonds ("IRBs") and any future borrowings on our credit facility are at variable interest rates, and future borrowings required to fund working capital at our businesses, construction of the Helguvik project, acquisitions, or other strategic opportunities may be at variable rates. An increase in interest rates would increase our debt service obligations under these instruments, further limiting cash flow available for other uses. In addition to our debt, we have liabilities and other obligations which could reduce cash available for other purposes and could limit our operational flexibility.

Our ability to pay interest on and to repay or refinance our debt and to satisfy other commitments will depend upon our access to additional sources of liquidity and future operating performance, which is subject to general economic, financial, competitive, legislative, regulatory, business and other factors, including market prices for primary aluminum, that are beyond our control. Accordingly, there can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay debt service obligations, or to fund our other liquidity needs. If we are unable to meet our debt service obligations or fund our other liquidity needs, we could attempt to restructure or refinance our debt or seek additional equity or debt capital. There can be no assurance that we would be able to accomplish those actions on satisfactory terms, or at all, and if we are unable to ultimately meet our debt service obligations and fund our other liquidity needs, it may have a material adverse effect on our business, financial condition, results of operations and liquidity.

Despite our substantial level of debt, we may incur more debt, which could exacerbate any or all of the risks described above.

We may incur substantial additional debt in the future. Although the loan and security agreement governing our revolving credit facility and the indenture governing the 8.0% Senior Secured Notes due 2014 (the "8.0% Notes") limits our ability and the ability of certain of our subsidiaries to incur additional debt, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. For example, as of December 31, 2011, approximately $58 million was available to us for borrowing under our revolving credit facility. In addition, the loan and security agreement governing our revolving credit facility and the indenture governing the 8.0% Notes do not prevent us from incurring certain obligations that do not constitute debt as defined in these agreements. To the extent that we incur additional debt or such other obligations, the risks associated with our substantial debt described above, including our possible inability to service our debt or other obligations, would increase.

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Our debt instruments subject us to covenants and restrictions

Our existing debt instruments contain various covenants that restrict the way we conduct our business and limit our ability to incur debt, pay dividends and engage in transactions such as acquisitions and investments, among other things, which may impair our ability to obtain additional liquidity and grow our business. Any failure to comply with those covenants would likely constitute a breach under such debt instruments which may result in the acceleration of all or a substantial portion of our outstanding indebtedness and termination of commitments under our revolving credit facility. If our indebtedness is accelerated, we may be unable to repay the required amounts and our secured lenders could foreclose on any collateral securing our secured debt. Any of the foregoing actions could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We depend upon intercompany transfers from our subsidiaries to meet our debt service obligations.

We are a holding company and conduct all of our operations through our subsidiaries. Our ability to meet our debt service obligations depends upon the receipt of intercompany transfers from our subsidiaries. Subject to the restrictions contained in our revolving credit facility and the indenture governing our 8.0% Notes, future borrowings by our subsidiaries could contain restrictions or prohibitions on intercompany transfers by those subsidiaries. In addition, under applicable law, our subsidiaries could be limited in the amounts that they are permitted to pay as dividends on their capital stock. For example, the Icelandic government and the Central Bank of Iceland are currently restricting the free transfer of funds outside of Iceland. While we are currently exempt from these foreign currency rules, we cannot control further actions by the Central Bank of Iceland, which might restrict our ability to transfer funds through the Icelandic banking system and outside of Iceland.

Future declines in the financial markets and/or our curtailment actions could have significant and adverse effects on our pension funding obligations.

We maintain two qualified defined benefit plans, and contribute to a third, on behalf of our employees. As a result of poor investment returns, the benefit plans we maintain were underfunded as of December 31, 2011. If capital markets experience further significant losses, pension fund balances would likely fall and additional cash contributions to the pension funds will be required. Additionally, 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. While we do not believe a “cessation of operations” under ERISA has occurred, if such a determination is ultimately made by the PBGC, 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.

We may be required to write down the book value of certain assets.

We are required to perform various analyses related to the carrying value of various assets whenever events or circumstances indicate that their net carrying amount may not be recoverable. Given the recent lack of profitability of certain of our production facilities and recent global economic conditions, which in part drive assumptions for the future in such analyses, we could have significant adjustments in the carrying value for certain assets. In the future, we will continue to evaluate our assets for impairments and valuation allowance, which could be significant. Any such adjustments would be in the form of a non-cash charge which would reduce our earnings and reduce our balance of retained earnings.

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Climate change, climate change legislation or regulations and greenhouse effects may adversely impact our operations.

Climate change and greenhouse gas emissions are the subject of significant attention in the countries in which we operate and a number of governments or governmental bodies in these countries have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change. For example, as a member of the European Economic Area and a signatory to the Kyoto Protocol, Iceland has implemented legislation to abide by the Kyoto Protocol and prepare to abide by Directive 2003/87/EC of the European Parliament which establishes a “cap and trade” scheme for greenhouse gas emission allowance trading. Because Iceland was granted emissions allowances under the Kyoto Protocol through 2012, Iceland has not yet implemented Directive 2003/87/EC, but it is anticipated that Iceland will begin complying with the Directive in 2013. In addition, we are aware of proposed U.S. legislation that if enacted, among other things, would implement a “cap and trade” system of allowances and credits in the United States.

Implementation of these potential regulatory changes or others is uncertain and may be either voluntary or legislated and may impact our operations directly or indirectly through customers or our supply chain. As a result of the foregoing, we may incur increased capital expenditures resulting from required compliance with such regulatory changes, increased energy costs, costs to purchase or profits from sales of, allowances or credits under a “cap and trade” system, increased insurance premiums and deductibles, a change in competitive position relative to industry peers and changes to profit or loss arising from increased or decreased demand for goods produced by us and indirectly, from changes in costs of goods sold. For example, “cap and trade” legislation may impose significant additional costs to our power suppliers that could lead to significant increases in our energy costs. In addition, the potential physical impacts of climate change on our operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. Any adverse regulatory and physical changes may have a material adverse effect on our business, financial condition, results of operations and liquidity.

We are subject to a variety of environmental laws and regulations that could result in costs or liabilities.

We are obligated to comply with various federal, state and other environmental laws and regulations, including the environmental laws and regulations of the United States, Iceland, China and the EU. Environmental laws and regulations may expose us to costs or liabilities relating to our manufacturing operations or property ownership. We incur operating costs and capital expenditures on an ongoing basis to comply with applicable environmental laws and regulations. In addition, we are currently and may in the future be responsible for the cleanup of contamination at some of our current and former facilities or for the amelioration of damage to natural resources. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, previously unknown environmental conditions or damages to natural resources are discovered or alleged, or if contributions from other responsible parties with respect to sites for which we have cleanup responsibilities are not available, we may be subject to additional liability, which may have a material adverse effect on our business, financial condition, results of operations and liquidity. Further, additional environmental matters for which we may be liable may arise in the future at our present sites where no problem is currently known, with respect to sites previously owned or operated by us, by related corporate entities or by our predecessors, or at sites that we may acquire in the future. In addition, overall production costs may become prohibitively expensive and prevent us from effectively competing in price sensitive markets if future capital expenditures and costs for environmental compliance or cleanup are significantly greater than current or projected expenditures and costs.

Unpredictable events, including natural disasters, dangerous weather conditions, terrorist attacks and political unrest, may adversely affect our ability to conduct business.

We receive a significant portion of our revenues from operations in areas that have heightened risk of natural disasters, including Iceland. Iceland suffered several natural disasters in 2010 and 2011, including significant volcanic eruptions and earthquakes. In addition, our Grundartangi smelter lost power for approximately three hours in January 2012 as the result of damage sustained due to abnormal and extreme weather conditions at an offsite electrical substation owned and operated by the national power grid operator.

Future unpredictable events, including natural disasters, dangerous weather conditions, terrorist attacks and political unrest, may adversely affect our ability to conduct business by causing disruptions in Icelandic, Chinese, U.S. or global economic conditions, inflicting loss of life, damaging property and requiring substantial capital expenditures and operating expenses to remediate damage and restore operations at our production facilities.

Acquisitions may present difficulties.

We have a history of making acquisitions and we expect to opportunistically seek to make acquisitions in the future. We are subject to numerous risks as a result of our acquisition strategy, including the following:

- we may spend time and money pursuing acquisitions that do not close;
- acquired companies may have contingent or unidentified liabilities;
- it may be challenging for us to manage our existing business as we integrate acquired operations;
- we may not achieve the anticipated benefits from our acquisitions; and
- management of acquisitions will require continued development of financial controls and information systems, which may prove to be expensive, time-consuming and difficult to maintain.

Accordingly, our past or future acquisitions might not ultimately improve our competitive position and business prospects as anticipated and may subject us to additional liabilities that could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Any restart of the Ravenswood smelter would involve significant risks and uncertainties

In 2009, we curtailed all operations at our Ravenswood smelter. Any potential restart of operations at the Ravenswood smelter would involve significant risks and uncertainties, including:

- we may spend time and incur significant costs and liabilities pursuing a restart that does not occur or that does not achieve the anticipated benefits; and
- it may be challenging for us to manage our existing business as we restart operations at Ravenswood.

Accordingly, any potential restart of operations at Ravenswood might not ultimately improve our competitive position and business prospects as anticipated and may subject us to additional liabilities that could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Our ability to utilize certain net operating loss carryforwards to offset future taxable income may be significantly limited if we experience an “ownership change” under the Internal Revenue Code.

As of December 31, 2011, we had net operating loss carryforwards of approximately $1.4 billion, after adjusting for losses carried back to previous tax years, which could offset future taxable income. Our ability to utilize our deferred tax assets to offset future taxable income may be significantly limited if we experience an “ownership change” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). In general, an ownership change would occur if our “five−percent shareholders,” as defined under the Code, collectively increase their ownership in us by more than 50 percentage points over a rolling three−year period. Future transactions in our stock that may not be in our control may cause us to experience an ownership change and thus limit our ability to utilize net operating losses, tax credits and other tax assets to offset future taxable income.

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Provisions in our charter documents and state law may make it difficult for others to obtain control of Century Aluminum, even though some stockholders may consider them to be beneficial; Glencore's ownership interest in us may also deter any change in control of us.

Certain provisions of our restated certificate of incorporation and amended and restated bylaws, as well as provisions of the Delaware General Corporation Law, may have the effect of delaying, deferring or preventing a change in control of Century, including transactions in which our stockholders might otherwise have received a substantial premium for their shares over then current market prices.  For examples, these provisions:

- give authority to our board of directors to issue preferred stock and to determine the price, rights, preferences, privileges and restrictions of those shares without any stockholder vote;
- provide for a board of directors consisting of three classes, each of which serves for a different three-year term;
- require stockholders to give advance notice prior to submitting proposals for consideration at stockholders' meetings or to nominate persons for election as directors; and
- restrict certain business combinations between us and any person who beneficially owns 10% or more of our outstanding voting stock.

In addition, while our Tax Benefit Preservation Plan expired in 2010, our board of directors could re-implement the Tax Benefit Preservation Plan or other similar plan that would cause substantial dilution to any person or group who attempts to acquire a significant interest in us without advance approval from our board of directors.

While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

Our relationship with Glencore may also deter a takeover.  As of December 31, 2011, we believe that Glencore beneficially owned, through its common stock, approximately 42% of our issued and outstanding common stock and, through its ownership of common and preferred stock, an overall 46% economic ownership of Century.  In addition, four members of our Board of Directors are employees or former employees of Glencore.

## Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the SEC.

## Item 2. Properties

We own the property on which our Hawesville and Ravenswood facilities are located. The site on which the Grundartangi facility is situated is leased from Faxafloahafnir sf under a long-term lease that runs through 2020, renewable at our option. The site for our Helguvik project is leased from Reykjaneshofn, an independent public authority owned by the Municipality of Reykjanesbaer, under a long-term lease expected to run through 2060, with an automatic extension provision. Our corporate offices are subject to an operating lease that expires in June 2015. We hold a 49.7% interest in a partnership which operates the Mt. Holly facility and a 49.7% undivided interest in the property on which the Mt. Holly facility is located. The remaining interest in the undivided property at Mt. Holly is owned by Alumax of South Carolina, Inc., a subsidiary of Alcoa.

Except for our Ravenswood facility, which was fully curtailed in February 2009, all of our facilities are operating above, at or near their productive capacity. We believe all of our facilities are suitable and adequate for our current operations. Additional information about the age, location, and productive capacity of our facilities is available in the "Overview" section of Item 1, "Business."

## Item 3. Legal Proceedings

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

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. We believe these claims are without merit and intend to vigorously defend our self 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 relating to this matter at this time.

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 notice of appeal remains pending before the U.S. Court of Appeals for the Ninth Circuit.

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## Item 4. Mine Safety Disclosures

Not applicable.

## Our Executive Officers

Executive officers are appointed by and serve at the discretion of the Board of Directors. The following table details certain information about our executive officers as of February 29, 2012.

| Name | Age | Position and Duration |
|---|---|---|
| Michael A. Bless | 46 | President and Chief Executive Officer since November 2011. Executive Vice President and Chief Financial Officer from January 2006 to October 2011. |
| William J. Leatherberry | 41 | Executive Vice President, Chief Legal Officer, General Counsel and Secretary since January 2010. Senior Vice President, General Counsel and Assistant Secretary from April 2009 to December 2009. Vice President, Assistant General Counsel and Assistant Secretary from January 2008 to March 2009. Assistant General Counsel and Assistant Secretary from July 2007 to December 2007, Corporate Counsel and Assistant Secretary from May 2007 to June 2007 and Corporate Counsel from January 2005 to April 2007. |
| Steve Schneider | 56 | Senior Vice President, Chief Accounting Officer and Controller since June 2006, Vice President and Corporate Controller from April 2002 through May 2006. |
| Michelle M. Harrison | 36 | Vice President and Treasurer since February 2007, Treasurer since June 2006, Assistant Treasurer from November 2005 to June 2006, Corporate Financial Analyst from May 2000 to October 2005. |
| John E. Hoerner | 54 | Vice President – North America Operations since September 1, 2011. |
| David Kjos | 59 | Vice President of Major Projects, Technology & Sustainability since October 2011. Vice President Operations – Iceland since June 2007. |

Prior to joining Century, Mr. Hoerner served as General Director of Finished Production for the Western Division of RUSAL from 2010 to August 2011 and Managing Director of Kubikenborg Aluminium in Sundsvall, Sweden (Kubal) from 2003 through 2010.

Prior to joining Century, Mr. Kjos was the Vice President and Director of Cygnus, Inc. from February 2006 through June 2007.

Messrs. Bless, Leatherberry and Schneider and Ms. Harrison joined Century in 2006, 2005, 2001 and 2000, respectively. Their respective biographical information is set forth in the table above.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the NASDAQ Global Market under the symbol: CENX. The following table sets forth, on a quarterly basis, the high and low sales prices of the common stock during the two most recent fiscal years.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | High sales price | Low sales price | High sales price | Low sales price |
| First quarter | $ 19.00 | $ 13.90 | $ 18.77 | $ 10.13 |
| Second quarter | $ 20.76 | $ 13.60 | $ 16.75 | $ 8.57 |
| Third quarter | $ 16.55 | $ 8.72 | $ 13.26 | $ 8.25 |
| Fourth quarter | $ 12.30 | $ 7.25 | $ 16.59 | $ 11.62 |

Holders

As of February 3, 2012, there were 24 holders of record of our common stock, which does not include the much larger number of beneficial owners whose common stock was held in street name or through fiduciaries.

Dividend Information

We did not declare dividends in 2011 or 2010 on our common stock. We do not plan to declare cash dividends in the foreseeable future.

Our revolving credit facility and the indenture governing the 8.0% Notes contain restrictions which limit our ability to pay dividends. Additional information about the terms of our long-term borrowing agreements is available at Note 6 Debt to the consolidated financial statements included herein.

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Stock Performance Graph

The following line graph compares Century Aluminum Company's cumulative total return to stockholders with the cumulative total return of the S&P Composite Index and the Morningstar Aluminum Index. These comparisons assume the investment of $100 on December 31, 2006 and the reinvestment of dividends.

Comparison of Cumulative Total Return to Stockholders December 31, 2006 through December 31, 2011

| As of December 31, | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Century Aluminum Company | $ 100 | $ 121 | $ 22 | $ 36 | $ 35 | $ 19 |
| Morningstar Aluminum Index | 100 | 145 | 42 | 72 | 72 | 39 |
| S&P 500 Index | 100 | 105 | 66 | 84 | 97 | 99 |

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Issuer Purchases of Equity Securities during the three months ended December 31, 2011

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs (1) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|---|---|---|---|---|
| October 1 through October 31, 2011 | — | $— | — | $ 21,193,000 |
| November 1 through November 30, 2011 | 375,000 | 8.50 | 375,000 | 18,005,000 |
| December 1 through December 31, 2011 | 386,303 | $ 10.08 | 386,303 | $ 14,109,000 |
| Total October 1 through December 31, 2011 | 761,303 | | 761,303 | |

(1) On August 11, 2011, our Board of Directors authorized 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.

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## Item 6. Selected Financial Data

The following table presents selected consolidated financial data for each of the last five fiscal years. The selected consolidated historical balance sheet data as of each of the years ended December 31, 2011 and 2010 and the selected consolidated statement of operations data for each of the years ended December 31, 2011, 2010 and 2009 is derived from our consolidated financial statements audited by Deloitte & Touche LLP included herein. The selected consolidated historical balance sheet data as of each of the years ended December 31, 2009, 2008 and 2007 and the selected consolidated statement of operations data for each of the years ended December 31, 2008 and 2007 is derived from our consolidated financial statements audited by Deloitte & Touche LLP which are not included herein.

Our selected historical results of operations include:

- the restart of the curtailed potline at our 244,000 mtpy Hawesville smelter in the second quarter of 2011;
- the curtailment of operations of our 170,000 mtpy Ravenswood smelter which became fully curtailed in the first quarter of 2009;
- the curtailment of one potline at our 244,000 mtpy Hawesville smelter in the first quarter of 2009;
- our equity in the earnings and related losses on disposition of our 50% joint venture investments in Gramercy Alumina LLC and St. Ann Bauxite Ltd. prior to divesting our interest in those companies in August 2009;
- the results of operations from our 40,000 mtpy expansion of Grundartangi which became operational in the fourth quarter of 2007; and,
- our equity in the earnings of our 40% joint venture investments in Baise Haohai Carbon Co. since we acquired an interest in that company in April 2008.

Our results for these periods and prior periods are not fully comparable to our results of operations for fiscal year 2011 and may not be indicative of our future financial position or results of operations. The information set forth below should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, “Financial Statements and Supplementary Data” and notes thereto.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 (1) | 2010 (2) | 2009 (3) | 2008 (4) | 2007 (5) |
| Net sales | $ 1,356,424 | $ 1,169,271 | $ 899,253 | $ 1,970,776 | $ 1,798,163 |
| Gross profit (loss) | 89,522 | 112,396 | (65,665) | 311,624 | 363,463 |
| Operating income (loss) | 47,296 | 102,980 | (97,456) | 168,557 | 303,543 |
| Net income | 11,325 | 59,971 | (205,982) | (895,187) | (105,586) |

| | | | | | |
|---|---|---|---|---|---|
| (loss) | | | | | |
| Income (loss) per share: | | | | | |
| Basic and diluted | $ 0.11 | $ 0.59 | $(2.73 ) | $ (20.00 ) | $(2.84 ) |

LIGN="bottom">

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 9/19/2003 | 280,000 | 0 | $ 13.33 | 9/19/2013 | | | |
| | 9/29/2004 | 168,000 | 112,000(2) | $ 15.96 | 9/29/2014 | | | |
| | 11/16/2005 | 112,000 | 168,000(3) | $ 16.35 | 11/16/2015 | | | |
| | 11/17/2006 | 0 | 500,000(4) | $ 15.37 | 11/17/2016 | | | |
| | 11/17/2006 | 0 | 500,000(5) | $ 15.37 | 11/17/2016 | | | |
| | 12/19/2006 | | | | | 381,538(6) | $ | 4, |
| | 11/16/2007 | 0 | 500,000(7) | $ 15.06 | 11/16/2017 | | | |
| Dennis Leatherby | 3/29/2001 | 20,000 | 0 | $ 11.50 | 3/29/2011 | | | |
| | 10/15/2001 | 6,000 | 0 | $ 9.32 | 10/15/2011 | | | |
| | 10/10/2002 | 6,000 | 0 | $ 9.64 | 10/10/2012 | | | |
| | 9/19/2003 | 6,000 | 0 | $ 13.33 | 9/19/2013 | | | |
| | 9/29/2004 | 4,800 | 3,200(2) | $ 15.96 | 9/29/2014 | | | |
| | 11/12/2004 | | | | | 21,510(8) | $ | |
| | 11/16/2005 | 3,200 | 4,800(3) | $ 16.35 | 11/16/2015 | | | |
| | 11/17/2006 | 0 | 8,000(4) | $ 15.37 | 11/17/2016 | | | |
| | 11/16/2007 | 0 | 8,000(7) | $ 15.06 | 11/16/2017 | | | |
| | 6/6/2008 | | | | | 36,757(9) | $ | |
| | 6/6/2008 | | | | | 4,768(8) | $ | |
| James V. Lochner | 2/1/2000 | 20,000 | 0 | $ 6.19 | 1/31/2010 | | | |
| | 7/2/2001 | 7,992 | 0 | $ 10.60 | 7/1/2011 | | | |
| | 10/15/2001 | 15,000 | 0 | $ 9.32 | 10/15/2011 | | | |
| | 10/10/2002 | 15,000 | 0 | $ 9.64 | 10/10/2012 | | | |
| | 9/19/2003 | 15,000 | 0 | $ 13.33 | 9/19/2013 | | | |
| | 9/29/2004 | 24,000 | 16,000(2) | $ 15.96 | 9/29/2014 | | | |
| | 10/4/2004 | | | | | 52,015(8) | $ | |
| | 10/3/2005 | | | | | 11,537(10) | $ | |
| | 10/3/2005 | | | | | 7,082(8) | $ | |
| | 10/3/2005 | | | | | | | |
| | 11/16/2005 | 20,000 | 30,000(3) | $ 16.35 | 11/16/2015 | | | |
| | 10/2/2006 | | | | | | | |
| | 11/17/2006 | 0 | 50,000(4) | $ 15.37 | 11/17/2016 | | | |
| | 10/1/2007 | | | | | | | |
| | 11/16/2007 | 0 | 50,000(7) | $ 15.06 | 11/16/2017 | | | |

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| | | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date or Performance Period | Number of Securities Underlying Unexercised Options(#) Exercisable | Number of Securities Underlying Unexercised Options(#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#) | Option Exercise Price($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($) |
| Bernard Leonard | 10/15/2001 | 6,960 | 0 | | $ 9.32 | 10/15/2011 | | | | |
| | 10/10/2002 | 6,960 | 0 | | $ 9.64 | 10/10/2012 | | | | |
| | 9/19/2003 | 6,960 | 0 | | $ 13.33 | 9/19/2013 | | | | |
| | 9/29/2004 | 6,000 | 4,000(2) | | $ 15.96 | 9/29/2014 | | | | |
| | 10/4/2004 | | | | | | 25,421(8) | $ 322,592 | | |
| | 11/16/2005 | 4,000 | 6,000(3) | | $ 16.35 | 11/16/2015 | | | | |
| | 11/16/2006 | | | | | | 8,045(8) | $ 102,091 | | |
| | 11/16/2006 | | | | | | 23,966(14) | $ 304,129 | | |
| | 11/16/2006 | | | | | | | | 7,871(12) | $ 99,883 |
| | 11/17/2006 | 0 | 40,000(4) | | $ 15.37 | 11/17/2016 | | | | |
| | 10/1/2007 | | | | | | | | 7,002(13) | $ 88,855 |
| | 11/16/2007 | 0 | 40,000(7) | | $ 15.06 | 11/16/2017 | | | | |
| Donnie Smith | 10/10/2002 | 1,392 | 0 | | $ 9.64 | 10/10/2012 | | | | |
| | 9/19/2003 | 2,784 | 0 | | $ 13.33 | 9/19/2013 | | | | |
| | 9/29/2004 | 2,000 | 4,000(2) | | $ 15.96 | 9/29/2014 | | | | |
| | 10/4/2004 | | | | | | 25,421(8) | $ 322,592 | | |
| | 11/16/2005 | 4,000 | 6,000(3) | | $ 16.35 | 11/16/2015 | | | | |
| | 1/9/2006 | | | | | | 1,200(8) | $ 15,228 | | |
| | 1/9/2006 | | | | | | 8,964(15) | $ 113,753 | | |
| | 1/9/2006 | | | | | | | | 2,770(11) | $ 35,151 |
| | 10/2/2006 | | | | | | | | 3,148(12) | $ 39,948 |
| | 11/17/2006 | 0 | 20,000(4) | | $ 15.37 | 11/17/2016 | | | | |
| | 5/24/2007 | | | | | | 6,505(15) | $ 82,548 | | |
| | 5/24/2007 | | | | | | 10,299(16) | $ 130,694 | | |
| | 10/1/2007 | | | | | | | | 7,002(13) | $ 88,855 |
| | 11/16/2007 | 0 | 40,000(7) | | $ 15.06 | 11/16/2017 | | | | |
| Wade D. Miquelon | | 0 | 0 | | | | 0 | $ 0 | 0 | $ 0 |

Some of the footnotes below are applicable to more than one of the NEOs listed above

(1) Amounts in this table do not reflect 846,563.7699 restricted stock units held by Mr. Bond which vested on February 12, 2008. The Company will issue to Mr. Bond one share of common stock for each of these restricted stock units on the earlier of the following dates: (i) the first business day of the fiscal year beginning after the date on which Mr. Bond separates from service with the Company, within the meaning of Section 409A of the Internal Revenue Code, and (ii) the 60th day following a change of control of the Company (as defined in Mr. Bond s employment agreement) if such event is a change of control event within the meaning of Section 409A.

(2) 50% of these options vested and became exercisable on September 29, 2008. The remaining 50% of these options vest and become exercisable on September 29, 2009.

(3) One-third of these options vested and became exercisable on November 16, 2008. The remaining options vest and become exercisable in equal installments on November 16, 2009 and 2010.

(4) 40% of these options vested and became exercisable on November 17, 2008. The remaining options vest and become exercisable in equal installments on November 17, 2009, 2010 and 2011.

(5) These options will vest on December 31, 2009 if the Company s fiscal year 2009 earnings, based on adjusted operating earnings, are at least $1.34 per share.

(6) These shares vest and the restrictions lapse on October 4, 2010.

(7) 40% of these options vest and become exercisable on November 16, 2009. The remaining options vest and become exercisable in equal installments on November 16, 2010, 2011 and 2012.

(8) These shares vest and the restrictions lapse on October 4, 2009.

(9) These shares vest and the restrictions lapse on June 6, 2013.
(10) These shares vest and the restrictions lapse on October 3, 2010.
(11) This represents an award of performance shares that would have vested on the second business day following the Company s release of its earnings for the end of fiscal year 2008 had the applicable performance criteria been satisfied. The applicable performance criteria were not satisfied and the shares did not vest.
(12) This represents an award of performance shares that vests on the second business day following the Company s release of its earnings for the end of fiscal year 2009 subject to the satisfaction of the applicable performance criteria.
(13) This represents an award of performance shares that vests on the second business day following the last day of fiscal year 2010 subject to the satisfaction of the applicable performance criteria.
(14) These shares vest and the restrictions lapse on November 16, 2011.
(15) These shares vest and the restrictions lapse on January 9, 2011.
(16) These shares vest and the restrictions lapse on May 24, 2012.

**Option Exercises and Stock Vested During Fiscal Year 2008**

The table below sets forth the number of shares acquired and the value realized upon exercise of stock options and vesting of stock awards during fiscal year 2008 by each of the NEOs.

| | **Option Awards** | | **Stock Awards** | |
|---|---|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized on Exercise($)(1)** | **Number of Shares Acquired on Vesting (#)** | **Value Realized on Vesting($)** |
| Richard L. Bond | 0 | 0 | 0 | 0 |
| Dennis Leatherby | 0 | 0 | 0 | 0 |
| James V. Lochner | 6,552 | $ 36,495(2) | 0 | 0 |
| Bernard Leonard | 20,000 | $ 96,000 | 0 | 0 |
| Donnie Smith | 0 | 0 | 0 | 0 |
| Wade D. Miquelon | 0 | 0 | 0 | 0 |

(1) This amount is determined by (a) for each separate exercise, multiplying the number of shares acquired on exercise by the difference between the market price of the Company s stock at the time of exercise and the option exercise price, and (b) adding the product of all exercises.
(2) Mr. Lochner retained the shares received on exercise. For the value realized on such shares, the Company has reported the product of the number of shares exercised times the difference between the closing price of Class A Common Stock on the date of exercise and the option exercise price.

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**Pension Benefits for Fiscal Year 2008**

The table below provides information concerning retirement plan benefits for each of our NEOs under the SERP. For additional information regarding other benefits provided upon retirement of the NEOs, please refer to the section titled Potential Payments Upon Termination in this Proxy Statement.

| Name | Plan Name | Numbers of Years of Creditable Service(#)(1) | Present Value of Accumulated Benefit($)(2) | Payments During Last Fiscal Year($) |
|---|---|---|---|---|
| Richard L. Bond | Tyson Foods, Inc. SERP | 9.5 | $ 2,856,454 | 0 |
| Dennis Leatherby | Tyson Foods, Inc. SERP | 9.5 | $ 221,981 | 0 |
| James V. Lochner | Tyson Foods, Inc. SERP | 9.5 | $ 611,957 | 0 |
| Bernard Leonard | Tyson Foods, Inc. SERP | 9.5 | $ 323,593 | 0 |
| Donnie Smith | Tyson Foods, Inc. SERP | 9.5 | $ 284,960 | 0 |
| Wade D. Miquelon | Tyson Foods, Inc. SERP | 0 | $ 0 | 0 |

(1) The plan considers only a limited number of years of service, as more fully described below. The NEOs actual years of service are as follows: Mr. Bond - 28 years, Mr. Leatherby - 18 years, Mr. Lochner - 25 years, Mr. Leonard -15 years, Mr. Smith - 27 years and Mr. Miquelon - 2 years.

(2) The present value of these benefits is based on the assumptions we use in determining our annual pension expense, as reflected in the table titled SERP Assumptions in this Proxy Statement.

*Supplemental Executive Retirement and Life Insurance Premium Plan*

Pension benefits are offered under the SERP, which is a nonqualified deferred compensation plan providing life insurance protection during employment and a cash benefit at retirement. Contributions to the SERP are made entirely by the Company. The Company does not contribute funds to a trust for the purpose of paying benefits from the plan. This plan is also discussed in the subsection titled Elements of Compensation General Benefits under the Compensation Discussion and Analysis section of this Proxy Statement. The Company does not sponsor a tax-qualified pension plan that covers NEOs.

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The retirement benefit is a lifetime annuity and the primary formula for determining such benefit is equal to one percent of a participant s final average annual compensation multiplied by his or her years of creditable service. Compensation includes cash compensation (salary plus non-equity incentive plan compensation) disclosed in the Summary Compensation Table for Fiscal Years 2008 and 2007 in this Proxy Statement, except it is determined on a calendar year basis. The final average annual compensation is the average of the last five completed calendar years cash compensation of a participant s career. Officers prior to 2002 receive an additional one percent of their final five year average annual compensation multiplied by their final five years of creditable service. Payments are also based, in part, on an NEO s years of creditable service, considering completed years and whole months. The normal retirement age under the SERP is 62, but participants may receive a benefit prior thereto, or in certain cases forfeit benefits, as further explained in the subsection titled Elements of Compensation General Benefits under the Compensation Discussion and Analysis section of this Proxy Statement.

The present value of accumulated benefits was computed based on the assumptions in the following table, which we used in our year-end pension footnote disclosures in our audited financial statements for fiscal year 2008.

**SERP Assumptions**

| Assumptions as of | September 29, 2007 | September 27, 2008 |
|---|---|---|
| **Discount Rate** | 6.25% | 6.50% |
| **Mortality Table for Annuities** | RP-2000 | RP-2000 Scale AA(2008) |

The following table shows the estimated annual single life annuity payable from the plan upon retirement at age 62, based on the specific compensation and years of service classifications indicated below.

**SERP Estimate**

| | Years of Service | | | | |
|---|---|---|---|---|---|
| **Average Compensation** | **15** | **20** | **25** | **30** | **35** |
| $500,000 | $ 75,000 | $ 100,000 | $ 125,000 | $ 150,000 | $ 175,000 |
| $750,000 | $ 112,500 | $ 150,000 | $ 187,500 | $ 225,000 | $ 262,500 |
| $1,000,000 | $ 150,000 | $ 200,000 | $ 250,000 | $ 300,000 | $ 350,000 |
| $1,500,000 | $ 225,000 | $ 300,000 | $ 375,000 | $ 450,000 | $ 525,000 |
| $2,000,000 | $ 300,000 | $ 400,000 | $ 500,000 | $ 600,000 | $ 700,000 |
| $3,000,000 | $ 450,000 | $ 600,000 | $ 750,000 | $ 900,000 | $ 1,050,000 |
| $5,000,000 | $ 750,000 | $ 1,000,000 | $ 1,250,000 | $ 1,500,000 | $ 1,750,000 |

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**Nonqualified Deferred Compensation for Fiscal Year 2008**

The table below provides information on benefits available to the NEOs for fiscal year 2008 under the Company s Executive Savings Plan and Retirement Income Plan.

| Name | Plan(1) | Executive Contributions in Last Fiscal Year($) | Company Contributions in Last Fiscal Year ($)(2) | Aggregate Earnings in Last Fiscal Year ($)(3) | Aggregate Withdrawals/ Distributions ($) | Aggregate Balance at Last Fiscal Year-End ($) |
|---|---|---|---|---|---|---|
| Richard L. Bond | Executive Savings Plan | $ 188,004 | $ 106,696 | $ 90,016 | | $ 1,835,209 |
| | Retirement Income Plan | $ 0 | $ 0 | $ (734,506) | | $ 4,704,113 |
| | Total | $ 188,004 | $ 106,696 | $ (644,490) | | $ 6,539,322 |
| Dennis Leatherby | Executive Savings Plan | $ 30,909 | $ 8,366 | $ 15,175 | | $ 223,298 |
| James V. Lochner | Executive Savings Plan | $ 29,537 | $ 24,132 | $ 7,327 | | $ 123,961 |
| | Retirement Income Plan | $ 0 | $ 0 | $ 251,196 | | $ 3,417,458 |
| | Total | $ 29,537 | $ 24,132 | $ 258,523 | | $ 3,541,419 |
| Bernard Leonard | Executive Savings Plan | $ 198,854 | $ 15,880 | $ 74,694 | | $ 1,107,607 |
| Donnie Smith | Executive Savings Plan | $ 24,811 | $ 14,742 | $ 5,840 | | $ 94,230 |
| Wade D. Miquelon | Executive Savings Plan | $ 33,875 | $ 30,392 | $ (15,951) | | $ 68,412 |

(1) As further detailed in the narrative below, all NEOs may participate in the Company s Executive Savings Plan. As previous executives of IBP, inc., Messrs. Bond and Lochner also have account balances in the Company s Retirement Income Plan, a deferred compensation plan previously maintained by IBP, inc., as further described below.

(2) Amounts in this column are included in the NEOs compensation reported in the Summary Compensation Table for Fiscal Years 2008 and 2007 in this Proxy Statement.

(3) The above-market portion of these earnings is reported in the Summary Compensation Table for Fiscal Years 2008 and 2007 in this Proxy Statement.

*Executive Savings Plan*

The Company sponsors an Executive Savings Plan available to NEOs and other highly compensated employees of the Company that is intended to provide participants the opportunity to defer their salaries and bonuses in excess of the limits of the Internal Revenue Code imposed on the Company s Retirement Savings Plan (its qualified 401(k) plan) up to 100% of their compensation. Participants must elect to defer their compensation for a year in the year prior to performing services, and deferral elections are generally irrevocable. The Executive Savings Plan also provides a matching contribution by the Company equal to 100% of the first 3% of base pay contributed, plus 50% of the next 2% contributed which is not otherwise matched under the Company s Retirement Savings Plan. Bonus deferrals are also matched at the same rates. Participants accounts under the Executive Savings Plan are adjusted for investment gains or losses. Participants may elect how their accounts are invested from the investment options available under the Company s Retirement Savings Plan plus an investment option paying the prime rate as reported in the *Wall Street Journal* plus two percentage points.

For amounts deferred to the Executive Savings Plan on or after January 1, 2005, and any earnings, gains or losses thereon, the following distribution rules apply. Participants must elect the time and form of their distribution prior to the year the services are performed. Participants may elect to receive distributions at termination of employment, in January of a specified calendar year as elected by the participant, or a combination of the foregoing payable on the earliest applicable date. Participants may apply for an earlier distribution on account of an unforeseen emergency, which is limited to an extraordinary and unforeseeable event. Participants may elect the form of their distributions in either a lump sum payment or annual or biannual installments payable over a period not to exceed 15 years from the later of the date the participant terminates employment or attains age 62. Changes are permitted to these elections only in accordance with limited rules of the plan. Certain key employees may be required to delay a distribution payable at termination of employment for six months as required by law. Notwithstanding a participant s distribution election, if a participant dies prior to distribution of the account, the account will be paid to the participant s designated beneficiary in ten annual installments or in a lump sum if the value of the account does not exceed $50,000 at the time of distribution. If a participant dies after distributions have begun to the participant, the participant s designated beneficiary receives payment in accordance with the participant s distribution election. For account balances prior to January 1, 2005 and earnings, gains and losses thereon, the distribution rules described in the section below titled Retirement Income Plan apply.

The assets of the Executive Savings Plan are subject to the claims of our creditors, including NEOs deferrals, and benefits are paid from the Company s general assets. We have not established a trust to secure our obligations under the plan; however, a trust which was established to secure our obligations under the Retirement Income Plan described below may be used to satisfy our obligations under this plan once our obligations under the Retirement Income Plan are fully satisfied.

*Retirement Income Plan*

The Company maintains the Retirement Income Plan, which is a nonqualified deferred compensation plan originally maintained by IBP, inc. The Retirement Income Plan is currently frozen, meaning that no further contributions are permitted to be made to the plan. Prior to being frozen, certain individuals of IBP, inc. could defer their compensation to the Retirement Income Plan and receive matching contributions on their deferrals in excess of limits imposed on qualified plans under the Internal Revenue Code. Accounts under the Retirement Income Plan continue to realize gain or loss. Participants may elect how their accounts are invested from the investment options available under the Company s Retirement Savings Plan plus an investment option paying the prime rate as reported in the *Wall Street Journal* plus two percentage points. The Retirement Income Plan will terminate after all distributions from the plan have been made.

A participant is eligible for a distribution from the Retirement Income Plan at termination or, if the participant elects, while in-service or on account of a hardship. In-service distributions requested by June 30 are paid in January of the year following the request. Distributions requested on account of hardship may be requested at anytime and distributed when approved by the plan s administrative committee. Distributions are made in the form elected by the participant from a lump sum payment or annual or biannual installments payable over a period not to exceed 15 years from the later of the date the participant terminates employment or attains age 62. Notwithstanding the foregoing, a participant s account will be distributed in a lump sum if it does not exceed $50,000 at the time of distribution. If a participant dies prior to distribution of the account, the account will be paid to the participant s designated beneficiary in ten annual installments following the later of the year the participant dies or would have attained age 62, in a lump sum if the value of the account does not exceed $50,000 at the time of distribution or as the beneficiary elects from the distribution options available to the participant. If a participant dies after distributions have begun to the participant, the participant s designated beneficiary receives payment in accordance with the participant s distribution election.

The assets of the Retirement Income Plan are subject to the claims of our creditors, including NEOs deferrals, and benefits are paid from a trust we have established to secure our obligations under the plan.

*Supplemental Executive Retirement and Life Insurance Premium Plan*

The Company s SERP is a nonqualified deferred compensation plan. Information on this plan is reported in the section titled Pension Benefits for Fiscal Year 2008 in this Proxy Statement.

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**Potential Payments Upon Termination**

Mr. Bond. Under Mr. Bond s employment contract, in general, if Mr. Bond s employment with the Company is terminated prior to expiration of the term of his employment contract by the Company (other than for cause or by reason of Mr. Bond s death or permanent disability) or by Mr. Bond for good reason, he will receive the following items and payments: (i) a single payment in an amount equal to the sum of (x) three times his base salary for the fiscal year immediately preceding the year in which such termination occurs plus (y) three times his bonus for the fiscal year immediately preceding the year in which such termination occurs; (ii) a cash lump sum payment in respect of accrued but unused vacation days and base salary earned but not paid; (iii) any then unvested restricted stock and/or time-vesting stock option awards previously granted to him will immediately vest; and (iv) any amounts due him under the terms of any employee benefit plan or policy maintained generally for management employees as it may exist on his termination. These payments were chosen because they represent the approximate amount of compensation that would be lost if Mr. Bond s employment were terminated.

If Mr. Bond s employment terminates for cause or by Mr. Bond other than because of his death or disability or for good reason, he will receive only his accrued compensation and accrued and unpaid vacation. If Mr. Bond s employment terminates as a result of his death or disability, Mr. Bond (or his estate) will (i) enter into a senior executive employment contract for a ten year term; (ii) receive a lump sum cash payment of his annual bonus prorated to the date of termination; (iii) receive full vesting of any unvested restricted stock, stock options and performance stock options (in the event of Mr. Bond s death, all options will terminate and be paid out in accordance with a formula set forth in his contract which, assuming his death on the last day of fiscal year 2008, would be approximately $92,200); (iv) receive any earned but unpaid compensation; and (v) receive any amounts due him under the terms of any employee benefit plan or policy maintained generally for management employees as it may exist at his termination.

For purposes of Mr. Bond s employment contract, good reason means any of the following without his express written consent: (x) any material breach by the Company of Mr. Bond s employment agreement, including any material reduction by the Company of Mr. Bond s title, duties or responsibilities (except in connection with the termination of Mr. Bond s employment for cause or as a result of permanent disability, death or Mr. Bond s termination other than for good reason ); (y) a reduction by the Company in Mr. Bond s base salary, other than a reduction that is part of a general salary reduction program affecting senior executives of the Company; or (z) any change by the Company of Mr. Bond s place of employment at a location more than 50 miles from the Company s headquarters. The term cause means (i) willful malfeasance, willful misconduct or gross negligence; (ii) willful and continuing refusal to perform duties provided in his employment contract or any lawful direction of our Board, after notice of any such refusal to perform such duties or direction was given to Mr. Bond and he is provided a reasonable opportunity to cure such deficiency; (iii) any material breach by Mr. Bond relating to disclosure of Company confidential information, violation of the noncompetition or nondisparagement provisions of his contract with the Company or any other material breach by Mr. Bond of his employment contract after notice of any such breach and an opportunity to cure such breach; or (iv) the conviction of any (A) felony or (B) a misdemeanor involving moral turpitude. Termination of Mr. Bond s employment for cause is made by delivery to him of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the then members of the Board at a meeting of the Board called and held for the purpose (after 30 days prior written notice to Mr. Bond and reasonable opportunity for him to be heard before the Board prior to such vote), finding that in the reasonable judgment of the Board, Mr. Bond was guilty of conduct set forth in any of clauses (i) through (iv) above and specifying the particulars thereof.

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Mr. Bond would have been entitled to the following estimated payments and benefits from the Company if a termination occurred on September 27, 2008 under the following circumstances. In addition, Mr. Bond would be eligible for payment of his account under the Company s qualified retirement plan, employee stock purchase plan and nonqualified plans. For a description of the benefits under these plans, see the sections titled Compensation Discussion and Analysis, Pension Benefits for Fiscal Year 2008 and Nonqualified Deferred Compensation for Fiscal Year 2008 of this Proxy Statement.

| | Termination by Company Without Cause or by Mr. Bond for Good Reason | Termination by Company for Cause | Death or Permanent Disability |
|---|---|---|---|
| Severance | $ 8,889,960(1) | $ 0 | $ 5,682,150(2) |
| Accrued and Unpaid Vacation | $ 97,131 | $ 97,131 | $ 97,131 |
| Acceleration of vesting of equity-based compensation awards(3) | $ 4,841,717 | $ 0 | $ 4,841,717 |
| Health Insurance | $ 17,061(4) | $ 0 | $ 436,154(5) |
| Perquisites | $ 0 | $ 0 | $ 4,472,053(6) |
| Total | $ 13,845,869 | $ 97,131 | $ 15,529,205 |

(1) This amount represents the sum of (x) three times Mr. Bond s fiscal year 2007 base salary and three times his fiscal year 2007 bonus (which was $1,743,320), as more fully described above.
(2) Mr. Bond would also be eligible to receive the annual bonus described in his employment contract prorated to the date of his death or disability. For fiscal year 2008, no bonus was payable to Mr. Bond.
(3) The amounts in this row represent the value of Mr. Bond s unvested stock options and restricted stock that would vest on account of a termination, based on our stock price of $12.69 as of the last day of fiscal year 2008. If Mr. Bond is terminated following a change in control, his accelerated benefit from these equity awards is disclosed in the section titled Potential Payments Upon a Change in Control in this Proxy Statement.
(4) This amount represents the premiums to continue Mr. Bond s coverage under our medical reimbursement and health insurance plans for 18 months following termination.
(5) This amount represents the estimated premiums for ten years to provide Mr. Bond and his spouse with health insurance coverage generally equivalent to that which was provided to Mr. Bond and his spouse under our medical reimbursement and health insurance plans at September 27, 2008.
(6) This amount represents the dollar value of the perquisites Mr. Bond (or his estate) would be contractually entitled to receive figured using the dollar value of the perquisites received by him (using a four percent annual inflation factor) and life insurance premiums paid for his benefit during fiscal year 2008.

Other NEOs. In fiscal year 2006, the Compensation Committee adopted a severance program for senior officers. The terms of the new severance program are reflected in each new employment contract with senior officers executed since adoption of the new severance program. The Compensation Committee resolved that the new program should also be available to senior officers whose contracts were executed prior to such date, which includes Mr. Lochner, notwithstanding the fact that his employment contract was entered into prior to adoption of the new program.

Under the program, in the event the Company terminates the employment of Messrs. Leatherby, Lochner, Leonard or Smith prior to the expiration of their respective terms (other than for egregious circumstances or by reason of their death or permanent disability), the Company will continue paying the NEO s then current base salary for a period of eighteen months. Any stock options or restricted stock awards Messrs. Leatherby, Lochner, Leonard or Smith have held for more than 60% of the vesting period will become 100% vested at the time of such termination. In addition, if on the date of termination the NEO has reached age 55 and the sum of his age

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and years of service with the Company equals or exceeds 70 ( Rule of 70 ), any stock options the NEO has held for at least two years will vest 100% at the time of termination. If such awards have been held for less than 60% of the vesting period, or to the extent the NEO does not meet the Rule of 70, a prorated amount of the awards will become vested at the time of such termination.

If the employment of Messrs. Leatherby, Lochner, Leonard or Smith terminates because of their death or disability, the NEO (or his estate) will receive a prorated bonus in a lump sum payment for the portion of his time worked during the fiscal year in which his termination occurs based on his bonus received in the fiscal year preceding the year of termination and any unvested options, restricted stock and performance shares (subject to satisfaction of performance criteria) shall vest. If the NEO s employment terminates for egregious circumstances he is not entitled to any of the foregoing benefits and will receive only his accrued but unpaid compensation as of the date of his termination. The term egregious circumstances means that the NEO engages in misconduct that results in injury to the Company or is convicted of a job-related felony or misdemeanor.

Messrs. Leatherby, Lochner, Leonard and Smith would have been entitled to the following estimated payments and benefits from the Company if a termination occurred on September 27, 2008 under the following circumstances. In addition, NEOs may be eligible for payment of their accounts under the Company s qualified retirement plan, employee stock purchase plan and nonqualified plans. For the benefits under these plans, see the sections titled Compensation Discussion and Analysis, Pension Benefits for Fiscal Year 2008 and Nonqualified Deferred Compensation for Fiscal Year 2008 of this Proxy Statement.

| | Leatherby | | | Lochner | | |
|---|---|---|---|---|---|---|
| | Termination by Company Without Cause | Termination by Company for Egregious Circumstances | Death or Permanent Disability | Termination by Company Without Cause | Termination by Company for Egregious Circumstances | Death or Permanent Disability |
| Severance | $ 675,000(1) | $ 0 | $ 0 | $ 885,000(1) | $ 0 | $ 0 |
| Accrued and Unpaid Vacation | $ 34,615 | $ 34,615 | $ 34,615 | $ 45,385 | $ 45,385 | $ 45,385 |
| Acceleration of vesting of equity-based compensation awards(2) | $ 308,392 | $ 0 | $ 799,914 | $ 835,345 | $ 0 | $ 896,346 |
| Health Insurance | $ 22,697(3) | $ 0 | $ 0 | $ 17,862(3) | $ 0 | $ 0 |
| Total | $ 1,040,704 | $ 34,615 | $ 834,529 | $ 1,783,592 | $ 45,385 | $ 941,731 |

| | Leonard | | | Smith | | |
|---|---|---|---|---|---|---|
| | Termination by Company Without Cause | Termination by Company for Egregious Circumstances | Death or Permanent Disability | Termination by Company Without Cause | Termination by Company for Egregious Circumstances | Death or Permanent Disability |
| Severance | $ 667,500(1) | $ 0 | $ 0 | $ 675,000(1) | $ 0 | $ 0 |
| Accrued and Unpaid Vacation | $ 34,231 | $ 34,231 | $ 34,231 | $ 34,615 | $ 34,615 | $ 34,615 |
| Acceleration of vesting of equity-based compensation awards(2) | $ 536,203 | $ 0 | $ 728,812 | $ 464,060 | $ 0 | $ 664,816 |
| Health Insurance | $ 17,862(3) | $ 0 | $ 0 | $ 22,697(3) | $ 0 | $ 0 |
| Total | $ 1,255,796 | $ 34,231 | $ 763,043 | $ 1,196,372 | $ 34,615 | $ 699,431 |

(1) This amount represents continued payment of the NEO s base salary for 18 months.

(2) The amounts in this row represent the value of each NEO s unvested stock options and restricted stock that are vested on account of a termination, based on our stock price of $12.69 as of the last day of fiscal year 2008. If an NEO is terminated following a change in control, the NEO s accelerated benefit from these equity awards is disclosed in the section titled Potential Payments Upon a Change in Control in this Proxy

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Statement. No amount is included for performance shares; however, if performance shares vest in the future pursuant to satisfaction of performance criteria, such shares will be awarded to the NEO or his estate.

(3) These amounts represent the premiums to continue these NEOs coverage under our medical reimbursement and health insurance plans for 18 months following termination.

**Potential Payments Upon a Change in Control**

Each employment contract entered into between the Company and Messrs. Bond, Leatherby, Lochner, Leonard and Smith contains change in control provisions in favor of the NEO. Each of these contracts provides for the acceleration of vesting of the equity-based compensation awards held by such NEOs upon the occurrence of a change of control of the Company. Under the contracts, Change in Control means any one of the following: (1) the acquisition by any individual or entity of the Company s voting securities where the acquisition causes the individual or entity to own twenty-five percent or more of the combined voting power of the Company s then outstanding voting securities entitled to vote in the election of directors; (2) a merger, consolidation, combination or like transaction involving the Company in which the shareholders of the Company immediately prior to the transaction do not own at least fifty percent of the voting power of the issued and outstanding capital stock of the Company immediately after the transaction; (3) the sale or transfer by the Company of more than fifty percent of its assets or by any shareholder or shareholders of the Company of more than fifty percent of the voting power of the issued and outstanding capital stock of the Company in any one transaction or a series of related transactions occurring within a one year period in which the Company, any corporation controlled by the Company or the shareholders of the Company immediately prior to the transaction do not own at least fifty percent of the voting power of the issued and outstanding equity securities of the acquiror immediately after the transaction; (4) a majority of the persons who were members of the Board cease to be directors within any twelve-month period; or (5) the dissolution or liquidation of the Company. However, for the purpose of the acceleration of vesting of equity-based compensation awards, a change of control does not include any event as a result of which one or more of the following persons or entities possess, immediately after such event, over fifty percent of the combined voting power of the Company or any successor entity: (i) Don Tyson; (ii) individuals related to Don Tyson by blood, marriage or adoption, or the estate of any such individual; or (iii) any entity in which one or more individuals or estates described in the preceding clauses (i) and (ii) possess over fifty percent of the combined voting power or beneficial interests of such entity. If such a change of control occurs, any stock option, restricted stock or performance stock that have been previously granted to the executive officer will vest (to the extent not already vested) sixty days after the occurrence of the change of control or upon any earlier date after such change of control if the executive officer is terminated other than for egregious circumstances, as defined in the NEO s contract.

Each NEO would have been entitled to the following estimated payments and benefits from the Company or its successor if a change in control occurred on September 27, 2008.

| | Bond | Leatherby | Lochner | Leonard | Smith |
|---|---|---|---|---|---|
| Acceleration of vesting of equity-based compensation awards(1) | $ 4,841,717 | $ 799,914 | $ 1,560,236 | $ 1,106,289 | $ 992,726 |
| Excise Tax & Gross-Up | 0 | 0 | 0 | 0 | 0 |
| Total | $ 4,841,717 | $ 799,914 | $ 1,560,236 | $ 1,106,289 | $ 992,726 |

(1) The amounts in this row represent the value of the NEOs unvested stock options, restricted stock and performance shares that are vested on account of the change in control, figured based on our stock price of $12.69 as of the last day of fiscal year 2008.

If the Company terminates any NEO following a change in control, the NEO is not entitled to any unique benefit because his termination followed a change in control. Instead, the NEO who is terminated following a change in control receives the termination benefits described above under the section titled Potential Payments Upon Termination. The payments available on a change in control are more particularly described in the Compensation Discussion and Analysis section of this Proxy Statement.

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## DIRECTOR COMPENSATION FOR FISCAL YEAR 2008

The Board adopted a Director Compensation Policy in 2005 which provides that directors who have been determined by the Board to qualify as independent directors in accordance with NYSE governance rules receive (i) an annual retainer of $70,000 (payable in quarterly installments); (ii) a grant of a deferred stock award for shares of Class A Common Stock having a value of $80,000 on the date of election or re-election as a director at the Annual Meeting, which award does not become payable until 180 days after termination of their service as a director; and (iii) the option to defer any portion of their retainer (which would be credited with interest semi-annually) or to take Class A Common Stock in lieu of the cash retainer. The number of shares received would vary according to the market value of the stock on the payment date of the retainer. Additionally, the Chairperson of the Audit Committee receives an additional $10,000 annual retainer paid in quarterly installments and the Chairpersons of the Governance Committee, the Compensation Committee and the Nominating Committee receive an additional $5,000 annual retainer paid in quarterly installments. The Lead Independent Director receives an additional $25,000 annual retainer paid in quarterly installments. Directors who are also employees or consultants of the Company do not receive any retainer or fee for their service as a director.

The table below summarizes the total compensation earned or paid by the Company to directors who were not executive officers during fiscal year 2008.

| Name | Fees earned or paid in cash($) | Stock awards ($)(1) | Option awards ($)(2) | Non-equity incentive plan compensation ($) | Change in pension value and nonqualified deferred compensation earnings($)(3) | All other compensation ($)(4) | Total($) |
|---|---|---|---|---|---|---|---|
| Don Tyson | 0 | 0 | 0 | 0 | 0 | $ 2,174,419 | $ 2,174,419 |
| John Tyson | 0 | 0 | 0 | 0 | 0 | $ 1,093,187 | $ 1,093,187 |
| Scott T. Ford | $ 52,500(5) | $ 80,000 | 0 | 0 | 0 | 0 | $ 132,500 |
| Lloyd V. Hackley | $ 75,000 | $ 80,000 | 0 | 0 | 0 | 0 | $ 155,000 |
| Jim Kever | $ 80,000 | $ 80,000 | 0 | 0 | 0 | 0 | $ 160,000 |
| Kevin M. McNamara | $ 72,500 | $ 80,000 | 0 | 0 | 0 | 0 | $ 152,500 |
| Jo Ann R. Smith | $ 75,000 | $ 80,000 | 0 | 0 | 0 | 0 | $ 155,000 |
| Brad T. Sauer | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leland E. Tollett | 0 | 0 | 0 | 0 | $ 112 | $ 207,107 | $ 207,219 |
| Barbara A. Tyson | 0 | 0 | 0 | 0 | 0 | $ 14,040 | $ 14,040 |
| Albert C. Zapanta | $ 70,000 | $ 80,000 | 0 | 0 | 0 | $ 2,120 | $ 152,120 |

(1) Each director who qualifies as an independent director in accordance with NYSE governance rules receives a deferred award of Class A Common Stock having a value of $80,000 on the date of election or re-election as a director at our Annual Meeting. These shares become payable 180 days after the director terminates his or her service as a director to the Company. As of the last day of fiscal year 2008, outstanding deferred stock awards for the directors were as follows: Dr. Hackley (20,707), Mr. Kever (20,707), Mr. McNamara (5,597), Ms. Smith (20,707) and Mr. Zapanta (20,707).

(2) The Company has not awarded options to nonemployee directors since fiscal year 2004. As of the last day of the fiscal year, Dr. Hackley, Mr. Kever and Ms. Smith each held 6,000 shares subject to outstanding option awards from previous years, 5,400 of which were vested as of the last day of fiscal year 2008 and the remainder of which will vest on February 6, 2009.

(3) The amounts reflected in this column represent above market earnings on nonqualified deferred compensation.

(4) The amounts in this column represent the sum of perquisites, tax gross-ups and other compensation as more particularly described in this footnote below. These benefits are provided to Mr. Don Tyson, Mr. John

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Tyson, Mr. Tollett and Ms. Tyson pursuant to their consulting agreements with the Company, which are more fully described in the section below titled Advisory Contracts. Mr. Zapanta s other compensation represents use of Company-owned event tickets.

For Mr. Don Tyson the amount in this column includes, in part, $1,200,000 in advisory fees, $542,571 for personal use of Company-owned aircraft, $132,345 for estate planning fees, $105,000 for life insurance premiums, $30,000 as a matching contribution under the Company s Employee Stock Purchase Plan and $136,561 for tax reimbursements. This column also includes amounts for personal security, premiums for the Company s medical reimbursement plan and long-term disability plan, tax preparation fees and event tickets. The value of these perquisites are based on the incremental aggregate cost to the Company and are not individually quantified because none of them individually exceed the greater of $25,000 or 10% of the total amount of perquisites. The value of Mr. Tyson s use of Company-owned aircraft is determined under the same methodology applied to NEOs as more fully explained in the footnotes to the Summary Compensation Table for Fiscal Years 2008 and 2007 in this Proxy Statement.

For Mr. John Tyson the amount in this column includes, in part, $316,731 in advisory fees (which includes one week at Mr. Tyson s previous higher salary rate), $325,528 for personal use of Company-owned aircraft, $175,196 for SERP payment, $57,908 for insurance and $142,192 for tax reimbursements. This column also includes amounts for personal security, premiums for the Company s medical reimbursement plan and long-term disability plan, tax preparation fees, automobile allowance, country club dues, event tickets, a matching contribution under the Company s Retirement Savings Plan and a matching contribution under the Company s Executive Savings Plan. The value of these perquisites are based on the incremental aggregate cost to the Company and are not individually quantified because none of them individually exceed the greater of $25,000 or 10% of the total amount of perquisites. The value of Mr. Tyson s use of Company-owned aircraft is determined under the same methodology applied to NEOs as more fully explained in the footnotes to the Summary Compensation Table for Fiscal Years 2008 and 2007 in this Proxy Statement.

For Mr. Tollett the amount in this column includes $187,401 in advisory fees. This column also includes for Mr. Tollett premiums for the Company s medical reimbursement plan, a matching contribution under the Company s Employee Stock Purchase Plan, a matching contribution under the Company s Retirement Savings Plan and a matching contribution under the Company s Executive Savings Plan. The value of these benefits are not individually quantified because none of them individually exceed $25,000 or 10% of the total amount of perquisites.

For Ms. Tyson the amount in this column includes $7,200 in advisory fees. This column also includes for Ms. Tyson premiums for the Company s medical reimbursement plan and a matching contribution under the Company s Retirement Savings Plan. The value of these benefits are not individually quantified because none of them individually exceed $25,000 or 10% of the total amount of perquisites.

(5) As permitted for all non-employee directors, Mr. Ford elected to take his annual director retainer in the form of Class A Common Stock, payable in four quarterly installments. In lieu of the cash retainer, Mr. Ford received 3,376 shares of our Class A Common Stock and $12 as payment for fractional shares.

*Advisory Contracts*

Don Tyson. The Company and Mr. Don Tyson, former Senior Chairman of the Board, entered into a contract on July 30, 2004 which provides that Mr. Tyson will furnish up to 20 hours per month of advisory services to the Company for a term expiring on October 19, 2011. In consideration for his advisory services, Mr. Tyson will receive $1,200,000 for each year during the term of the contract. Mr. Tyson is also entitled to health insurance and is eligible to participate in any benefit plan or arrangement, including reimbursement of business related expenses, in each case solely to the extent such benefits are generally made available to employees of the Company. Under the terms of the contract, Mr. Tyson will also receive non-cash compensation which includes: (i) personal use of Company aircraft for himself and/or his designated passengers for up to

150 hours per year, so long as such use does not conflict with Company business and is approved in advance by Company senior management, (ii) reimbursement for costs incurred relating to tax and estate planning advice or services from an entity recommended by the Company, (iii) personal use of Company-owned skyboxes and vacation homes at pre-established daily rates to be paid by Mr. Tyson to the Company as reimbursement for such usage, and (iv) up to 1,500 hours per year of security services (which the Company estimates will cost $40 per hour). Mr. Tyson will be reimbursed for any and all tax liability imposed on him in connection with the provision of the non-cash compensation set forth above. As additional consideration for the benefits he will receive under the contract, Mr. Tyson is bound to confidentiality restrictions regarding Company information. In the event of Mr. Tyson s death, the cash consideration described above will continue to be paid for the remaining term of the contract to the surviving of Mr. Tyson s three children. The contract will terminate if Mr. Tyson accepts employment with any competitor of the Company.

John Tyson. On September 28, 2007, the Company entered into a contract with Mr. Tyson. Mr. Tyson s current contract will expire on September 27, 2017 unless terminated earlier. Mr. Tyson is required to perform certain advisory and limited public relations services not to exceed twenty (20) hours per month, which services are provided in a non-executive officer capacity. The contract provides for a payment of $300,000 per annum to Mr. Tyson. Mr. Tyson is also eligible (i) to participate in any benefit plan or program maintained by the Company other than plans or programs related to Company bonus, equity compensation or long-term disability, (ii) to receive coverage under all employee pension and welfare benefit programs, plans and practices in accordance with the terms thereof and which the Company generally makes available to its most senior officers, (iii) to receive healthcare, hospitalization, medical, long term care, vision, dental, and other similar insurance coverage or benefits at such coverage levels and upon such terms and conditions as shall otherwise be made available to any of the most senior officers of the Company (which includes coverage for his spouse and eligible dependents), and (iv) to receive the following perquisites: reimbursement for annual country club dues; use of, and the payment of all reasonable expenses for, an automobile; reimbursement for reasonable costs incurred for tax and estate planning advice; up to 1,500 hours per year in security services; reasonable personal use of the Company-owned aircraft during the term of the contract (limited to 120 hours annually); and reimbursement for the annual premium payment on a $7,500,000 life insurance policy. Unless the contract is terminated by the Company for Cause or voluntarily by Mr. Tyson (other than by reason of the Company s breach of the contract), before the expiration or termination of the term of the contract, the Company will continue to provide health coverage to Mr. Tyson, his spouse and his eligible dependents consistent with the terms of the contract. Mr. Tyson is also eligible to receive benefit payments under the Company s SERP, which began in April 2008. The annual payments to Mr. Tyson under the SERP are $175,196 (which represents the total grossed-up benefit amount) less any required tax withholdings. In the event of Mr. Tyson s death during the term of the contract, Mr. Tyson s estate will receive a single payment equal to the remaining annual payments that would have been made to Mr. Tyson under his contract for the period of time between the date of his death and September 27, 2017, and his spouse and eligible dependents will continue to receive health coverage. In addition, from and after the earlier of the expiration or termination of the contract and the date of Mr. Tyson s death, upon written notice of Mr. Tyson or his beneficiary(ies) to the Company, the Company will terminate and redeem all outstanding and unexercised stock options (vested and unvested) then held by Mr. Tyson in exchange for a single payment equal to the aggregate difference between (i) the fair market value of the stock represented by such stock options as determined as of the close of the Company s business on the date of the occurrence of the event giving rise to application and (ii) the strike price for such stock under the applicable stock options. If the contract is terminated by the Company for Cause or by Mr. Tyson (other than by reason of the Company s breach of the contract), the obligations of the Company under the contract will cease.

Leland E. Tollett. The Company and Mr. Tollett, who retired as Chairman and Chief Executive Officer in 1998, entered into a contract which provides that he will furnish advisory services to the Company for a period of up to ten years. In consideration for his advisory services, which began January 1, 1999, Mr. Tollett received $350,000 per year for the first three years, $310,000 for the next two years and effective January 1, 2004 began receiving $125,000 per year. Effective February 4, 2005, the Company and Mr. Tollett amended his contract to provide that his compensation thereunder increase from $125,000 to $310,000 per year for the remaining term thereof (until December 31, 2008) so long as Mr. Tollett continues serving on the Company s Board. Beginning February 1, 2008 when Mr. Tollett no longer served on the Board, his annual compensation was reduced to $125,000. The contract also provides for continued vesting of outstanding stock options and continuation of health benefits. In the event of Mr. Tollett s death: (i) the above described annual compensation and health benefits will be paid for the remaining term of the contract to his surviving spouse until her death at which time all benefits shall cease and (ii) all unexercised stock options issued to Mr. Tollett will be purchased by the Company based upon the value of such options on the business day immediately succeeding his death. No benefits will be payable under the contract in the event he accepts employment with any competitor of the Company.

Barbara A. Tyson. The Company and Ms. Tyson, who retired as a Vice President effective October 1, 2002, entered into an agreement which provides that she will continue to furnish advisory services to the Company for a period of up to ten years following the date of her retirement from employment. In consideration for her advisory services, since October 1, 2002, Ms. Tyson has received annual compensation of $7,200. The agreement also provides for continuation of health benefits. In the event of Ms. Tyson s death, the above described benefits will cease. No benefits will be payable under the agreement in the event she accepts employment with any competitor of the Company.

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## REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the Company s audited financial statements as of and for the fiscal year ended September 27, 2008. The Audit Committee has discussed with Ernst & Young LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with Ernst & Young LLP that firm s independence from management and the Company. The Audit Committee has concluded that the provision of all non-audit services rendered by Ernst & Young LLP to the Company for the fiscal years ended September 27, 2008 and September 29, 2007 were compatible with maintaining Ernst & Young LLP s independence. Based on the review and discussions above, the Audit Committee recommends to the Board the year-end audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended September 27, 2008 for filing with the SEC.

The Board has delegated to the Audit Committee the responsibility to, among other things, (i) oversee and monitor the Company s financial reporting, auditing and accounting process, (ii) be directly responsible for the appointment, compensation and oversight of the Company s independent registered public accounting firm, (iii) review and oversee the Company s internal audit department, and (iv) provide an open avenue of communication among the Company s independent registered public accounting firm, financial and senior management, the internal auditor and the Board. The Audit Committee s duties and responsibilities are embodied in a written charter, which is evaluated annually. The Audit Committee s charter was last amended by the Board during fiscal year 2006 and is available on the Company s Investor Relations website at *http://ir.tyson.com* or in print to any shareholder who sends a request to Tyson Foods, Inc., Attention: Secretary, 2200 Don Tyson Parkway, Mail Stop CP004, Springdale, AR 72762-6999.

Audit Committee of the Board of Directors

Jim Kever, Chairman

Kevin M. McNamara

Brad T. Sauer

Jo Ann R. Smith

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**CERTAIN TRANSACTIONS**

The following list is a summary of transactions occurring during fiscal year 2008, or that are currently proposed, (i) in which the Company was or is to be a participant, (ii) where the annual amount involved exceeds $120,000, and (iii) in which the Company s NEOs, directors, nominees, principal shareholders and other related parties had a direct or indirect material interest or which the Company has chosen to voluntarily disclose.

1. During fiscal year 2008, the Company leased certain farms from the following with aggregate lease payments as follows: (i) a partnership of which Mr. John Tyson and the Randal W. Tyson Testamentary Trust are the partners, $191,160; (ii) an entity in which the children of Mr. Don Tyson, including Mr. John Tyson, are owners, $191,160; and (iii) the Tyson Children Partnership, in which the children of Mr. Don Tyson, including Mr. John Tyson, are partners, $450,000.

2. The Company has an aircraft lease agreement with Tyson Family Aviation, LLC, of which Mr. Don Tyson, Mr. John Tyson and the Randal W. Tyson Testamentary Trust are members, with aggregate lease payments to Tyson Family Aviation, LLC during fiscal year 2008 of $1,237,638.

3. A subsidiary of the Company, Cobb Vantress, Inc. ( Cobb ), leases a breeder hen research and development farm from the Leland E. Tollett Annuity Trust ( Tollett Trust ) and an entity in which the daughter of Mr. Tollett is an owner, with aggregate payments of $536,191 during fiscal year 2008. Also during fiscal year 2008, the Tollett Trust paid Cobb $29,738 as reimbursement for certain accumulated expenses paid by Cobb which Cobb should have forwarded for payment by the Tollett Trust but had not. Mr. Tollett was a director for the Company until February 1, 2008.

4. The Company has an agreement with an entity of which Mr. Don Tyson is a principal for the lease of a wastewater treatment plant which services the Company s chicken processing facility in Nashville, Arkansas. Aggregate payments made by the Company during fiscal year 2008 pursuant to such agreement were $687,500. The Company also has an agreement with the same entity for the lease of a wastewater treatment plant which services the Company s chicken processing facility in Springdale, Arkansas. Aggregate payments made by the Company during fiscal year 2008 pursuant to such agreement were $412,500.

5. During fiscal year 2008, the Company leased office and warehouse space from entities in which the children of Mr. Don Tyson, including Mr. John Tyson, are partners or owners, with aggregate lease payments of $42,000. Also during fiscal year 2008, the Company reimbursed the entity for property taxes pursuant to the lease agreement in the amount of $45,075. During fiscal year 2008, the children divested their ownership interest in these entities.

6. The Company made reimbursements and/or paid directly $41,047 for (i) Mr. Bond s membership dues, (ii) company golf outings and (iii) business meals at The Blessings, a golf club owned by the Tyson Limited Partnership and a limited liability company owned by Mr. Don Tyson and Mr. John Tyson.

7. During fiscal year 2008, the Company paid Alltel Corporation $251,582 for communication services. Scott T. Ford, a director of the Company until June 10, 2008, is the President and Chief Executive Officer of Alltel Corporation. He is also a director of Alltel Corporation.

8. During fiscal year 2008, CJRW, an advertising and communications firm, charged the Company $10,758,468 of which $8,329,081 were pass-through dollars for invoices from newspapers and other media. Mr. Bond s daughter managed the firm s northwest Arkansas office during fiscal year 2008 and a portion of her bonus is based on the profitability of the office. In 2008 this portion of Ms. Bond s bonus equaled $28,000.

9. During fiscal year 2008, the Company paid Kutak Rock LLP approximately $1,567,953 in legal fees. Mr. Bond s son is a partner in the firm s northwest Arkansas office and represents the Company on certain litigation matters.

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10. During fiscal year 2008, the Company paid 3M Company $1,427,625 for direct purchases of lab-related supplies and materials. Brad T. Sauer, a director of the Company, is the Executive Vice President, Health Care Business for 3M Company.

11. During fiscal year 2008, Don Tyson and the Tyson Limited Partnership paid the Company $4.5 million pursuant the settlement of certain shareholder litigation styled *In re Tyson Foods, Inc. Consolidated Shareholder s Litigation*.

All related party transactions described above, with the exception of purchases of products from 3M Company, have been reviewed by the Governance Committee, which has determined the transactions are fair to the Company. This review typically entails the receipt of appraisals or other information from independent third parties which are utilized in the Governance Committee s determination of fairness. The Board does not have a separate written policy regarding the review and approval of related party transactions. However, our Governance Committee charter requires that the Governance Committee review and approve all transactions with related persons as may be required to be disclosed by the rules of the SEC. The Governance Committee is responsible for determining whether such transactions are fair to the Company. Directors and executive officers are specifically asked to disclose such transactions in our annual Directors and Officers Questionnaire.

In addition to the SEC rules regarding related party transactions, the Company has agreed that, in connection with the settlement on April 8, 2008 of certain shareholder litigation styled *In re Tyson Foods, Inc. Consolidated Shareholder s Litigation*, it will not engage in any new related party transactions with the Tyson Limited Partnership, Mr. Don Tyson, any spouse, child, grandchild, parent or sibling of Mr. Don Tyson, or any NEO unless prior to entry of any such transaction there has been a unanimous finding by the Governance Committee that either (a) reasonably equivalent transactions on reasonably equivalent terms are not available from third parties who are not related parties, or (b) special or exigent circumstances exist which would not make it practical or desirable under the circumstances to investigate the availability of third party options. These additional requirements do not apply to (a) related party transactions already existing or in place during part or all of calendar year 2007, including but not limited to any related party transaction disclosed in the Company s Proxy Statement for its annual meeting of shareholders on February 2, 2007, or (b) renewals of any transactions between the Company and any such related parties already existing or in place during part or all of calendar year 2007, including but not limited to any related party transaction disclosed in the Company s Proxy Statement for its annual meeting of shareholders on February 2, 2007.

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## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company s directors and executive officers are required to file under the Securities Exchange Act of 1934 reports of ownership and changes of ownership with the SEC.

Based solely on information provided to the Company by individual directors and executive officers, the Company believes that during fiscal year 2008, all filing requirements applicable to directors and executive officers have been complied with in a timely manner except as follows: Messrs. Lochner, Miquelon, Richard A. Greubel and William W. Lovette each filed a Form 4 two days late for an award of performance shares and former director Leland E. Tollett filed a Form 4 late for a gift of shares.

## SHAREHOLDER PROPOSALS

Proposals of shareholders intended to be presented at the 2010 Annual Meeting of Shareholders (the 2010 Annual Meeting ) must be received by the Company on or before September 1, 2009 in order to be eligible for inclusion in the Company s Proxy Statement and form of proxy. To be so included, a proposal must also comply with all applicable provisions of Rule 14a-8 under the Securities Exchange Act of 1934.

Additionally, the Company s by-laws provide that for a shareholder proposal to be brought before and considered at an annual meeting by a shareholder proponent (the Proponent ), such Proponent must provide, deliver or mail notice thereof to the Secretary of the Company at the principal executive office of the Company (and the Secretary must receive such notice) not less than 75 days nor more than 100 days prior to the date of such annual meeting. For such provision to be effective, the Company must have provided notice to shareholders, or otherwise publicly disclose, the date of the annual meeting at least 85 days in advance thereof. If no notice or public disclosure is made by the Company within that time frame, the Proponent s notice to be timely received must be received not later than the close of business on the tenth day following the day on which notice of the meeting is actually mailed to shareholders or public disclosure of the meeting date is actually made. The actual date of the Company s 2010 Annual Meeting has not yet been determined. The Company anticipates that public disclosure of the date of the 2010 Annual Meeting will be made in the Company s Quarterly Report on Form 10-Q for the third quarter of fiscal year 2009, which report will be filed with the SEC no later than August 10, 2009.

## SHAREHOLDER COMMUNICATIONS

Shareholders and other interested parties may direct communications to individual directors, including the Lead Independent Director, to a Board committee, the non-management directors as a group or to the Board as a whole, by addressing the communication to the named individual, the committee, the non-management directors as a group or the Board as a whole, c/o Tyson Foods, Inc., Attention: Secretary, 2200 Don Tyson Parkway, Springdale, AR 72762-6999.

## EXPENSES OF SOLICITATION

The cost of soliciting proxies will be borne by the Company. Solicitations may be made by executive officers, directors and employees of the Company personally or by mail, telephone or other similar means of communication. Solicitation by such persons will be made on a part-time basis and no special compensation other than reimbursement of actual expenses incurred in connection with such solicitation will be paid.

## ADDITIONAL INFORMATION AVAILABLE

Upon written request of any shareholder, the Company will furnish a copy of the Company s 2008 Annual Report on Form 10-K, as filed with the SEC, including the financial statements and schedules thereto. The

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written request should be sent to the Secretary, at the Company s executive office. The written request must state that as of December 12, 2008, the person making the request was a beneficial owner of capital stock of the Company. In addition, the 2008 Annual Report on Form 10-K, including the financial statements and schedules thereto, are available on the Company s Investor Relations website at *http://ir.tyson.com*.

**OTHER MATTERS**

So far as is now known, there is no business other than that described above to be presented to the shareholders for action at the Annual Meeting. Should other business come before the Annual Meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the persons acting under the proxies.

SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING ARE URGED TO VOTE BY INTERNET, TELEPHONE OR BY MAIL. TO VOTE BY MAIL, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO ADDITIONAL POSTAGE, IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors

R. Read Hudson

*Secretary*

December 30, 2008

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*2200 DON TYSON PARKWAY*

*SPRINGDALE, AR 72762-6999*

**VOTE BY INTERNET - www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

TYSFD1 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

| | | | | |
|---|---|---|---|---|
| **TYSON FOODS, INC.** | **For All** | **Withhold All** | **For All Except** | To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below. |
| **The shares will be voted as recommended by the Board of Directors unless you indicate otherwise in which case they will be voted as marked.** | ¨ | ¨ | ¨ | |
| **The Board recommends a vote FOR Item 1 and AGAINST Items 2 and 3. Vote On Directors** | | | | |

1. To elect the following ten nominees to the Company s Board of Directors:

**Nominees:**

| | |
|---|---|
| 01) Don Tyson | 06) Kevin M. McNamara |
| 02) John Tyson | 07) Brad T. Sauer |
| 03) Richard L. Bond | 08) Jo Ann R. Smith |
| 04) Lloyd V. Hackley | 09) Barbara A. Tyson |
| 05) Jim Kever | 10) Albert C. Zapanta |

| **Vote On Proposals** | **For** | **Against** | **Abstain** |
|---|---|---|---|
| 2. To ratify the selection of Ernst & Young LLP, independent registered public accounting firm, as the Company s independent registered public accountant for the fiscal year ending October 3, 2009; | ¨ | ¨ | ¨ |
| 3. To consider and act upon shareholder proposal 1 regarding disclosure of greenhouse emissions; | ¨ | ¨ | ¨ |
| 4. To consider and act upon shareholder proposal 2 regarding use of gestation crates; and | ¨ | ¨ | ¨ |

5. To consider and act upon such other business as may properly come before the Annual Meeting of Shareholders or any adjournments or postponements thereof.

**Authorized Signatures Sign Here This section must be completed for your instructions to be executed. Please sign, date and return this proxy as soon as possible.** (The signature(s) should be exactly as the name(s) appear(s) hereon. If stock is in the name of (i) two or more persons, each should sign; (ii) a corporation, the president or other authorized officer should sign; or (iii) a partnership, an authorized person should sign in the partnership name. Persons signing as attorney, executor, administrator, trustee, guardian or other fiduciary should state their full title.)

For address changes and/or comments, please check this box and write them on the back where indicated. ¨

| | **Yes** | **No** |
|---|---|---|
| Please indicate if you plan to attend this meeting. | ¨ | ¨ |

**MATERIALS ELECTION**

As of July 1, 2007, SEC rules permit companies to send you a notice that proxy information is available on the Internet, instead of mailing you a complete set of materials. Check the box to the right if you want to receive a complete set of future proxy materials by mail, at no cost to you. If you do not take action you may receive only a Notice. ¨

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

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The annual meeting of shareholders will consist of a business meeting and a brief report from the CEO. The event will last approximately 30 minutes and will not include a reception buffet.

The annual meeting of shareholders will be webcast live at 10:00 a.m. CST, Friday, February 6, 2009, and a replay will be available at http://ir.tyson.com. To attend in person at the Holiday Inn, Northwest Arkansas Convention Center in Springdale, Arkansas, please contact Tyson Foods Investor Relations for tickets via email at ir@tyson.com or by telephone at 479-290-4524. A ticket is required for entry to the meeting.

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting of Shareholders:** The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

TYSFD2

**Proxy - Tyson Foods, Inc.**

**PROXY SOLICITED BY THE BOARD OF DIRECTORS**

**FOR THE ANNUAL MEETING OF SHAREHOLDERS, FEBRUARY 6, 2009**

The undersigned shareholder(s) of TYSON FOODS, INC. hereby appoint(s) Don Tyson and John Tyson, and each or either of them, the true and lawful agents and attorneys-in-fact for the undersigned, with power of substitution, to attend the meeting and to vote the stock owned by or registered in the name of the undersigned, as instructed on the reverse side, at the Annual Meeting of Shareholders to be held at the Holiday Inn, Northwest Arkansas Convention Center, 1500 South 48th St., Springdale, Arkansas, on February 6, 2009, at 10:00 a.m. Central Standard Time, and at any adjournments or postponements thereof, for the transaction of the business listed on the reverse side.

**IMPORTANT PLEASE SIGN AND DATE ON BACK OF CARD.**

**RETURN PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE;**

**NO POSTAGE NECESSARY.**

**Address Changes/Comments:** ______________________________

______________________________

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**(Continued and to be dated and signed on reverse side.)**