KAISER ALUMINUM CORP
Form 10-K
February 21, 2013
Table of Contents

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, 2012

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

For the transition period from ________________________________
to____
Commission File Number: 0-52105
KAISER ALUMINUM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	94-3030279
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
27422 Portola Parkway, Suite 200 Foothill Ranch, California	92610-2831
(Address of principal executive offices)	(Zip Code)

(949) 614-1740

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. þ

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

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2012) was approximately $974.3 million.

As of February 13, 2013, there were 19,313,235 shares of the Common Stock of the registrant outstanding.

Table of Contents

Documents Incorporated by Reference. Certain portions of the registrant's definitive proxy statement related to the registrant's 2013 annual meeting of stockholders are incorporated by reference into Part III of this Report on Form 10-K.

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business

Forward-Looking Statements

This Annual Report on Form 10-K (this “Report”) contains statements which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this Report, including Item 1. “Business — Business Operations,” Item 1A. “Risk Factors,” and Item 7. “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.” These forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “estimates,” “will,” “should,” “plans,” or “anticipates,” or the negative of the foregoing or other variations or comparable terminology, or by discussions of strategy.

Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary from those in the forward-looking statements as a result of various factors. These factors include: the effectiveness of management’s strategies and decisions; general economic and business conditions, including cyclicality and other conditions in the aerospace and other end markets we serve; developments in technology; new or modified statutory or regulatory requirements; changing prices and market conditions; and other factors discussed in Item 1A. “Risk Factors” and elsewhere in this Report. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Readers are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included herein are made only as of the date of this Report, and we undertake no obligation to update any information contained in this Report or to publicly release any revisions to any forward-looking statements that may be made to reflect events or circumstances that occur, or that we become aware of, after the date of this Report except as required by law.

Availability of Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, and other information with the Securities and Exchange Commission (“SEC”). You may inspect and, for a fee, copy any document that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also obtain the documents that we file electronically from the SEC's website at http://www.sec.gov. Our filings with the SEC, as well as news releases, announcements of upcoming earnings calls and events in which management participates or hosts with members of the investment community, and an archive of webcasts of such earnings calls and investor events, and related investor presentations, are also available on our website at http://www.kaiseraluminum.com. Information on our website is not incorporated into this Report.

Business Overview

Founded in 1946, Kaiser Aluminum Corporation’s primary line of business is the production of semi-fabricated specialty aluminum products. At December 31, 2012, we operated 11 focused production facilities in the United States and one in Canada. Consistent with the manner in which our chief operating decision maker reviews and evaluates our business, the Fabricated Products business is treated as a single operating segment.

In addition to the Fabricated Products segment, we have two business units, Secondary Aluminum and Corporate and Other, together combined into one category and referred to herein as All Other. The Secondary Aluminum business unit sells value added products, such as ingot and billet, produced by Anglesey Aluminium Limited ("Anglesey"), in which we have a 49% equity investment and which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales. Our Corporate and Other business unit provides general and administrative support for our operations. For purposes of segment reporting under United States generally accepted accounting principles (“GAAP”), we treat the Fabricated Products segment as its own reportable segment. All Other is not considered a reportable segment (see “Business Operations” below).

On January 1, 2012, we began reviewing the results of our primary aluminum hedging activities, which prior to January 1, 2012 had been reported in All Other, with the results of the Fabricated Products segment because we had begun to conduct such hedging activities with respect to primary aluminum solely for the Fabricated Products segment. Accordingly, all segment information presented herein has been re-cast to reflect the inclusion of primary aluminum hedging activities in the Fabricated Products segment for all periods presented.

1

Table of Contents

Through our 12 focused production facilities in North America, we manufacture rolled, extruded, and drawn aluminum products to strategically serve four end market applications: aerospace and high strength products (which we refer to as Aero/HS products), general engineering products (which we refer to as GE products), extrusions for automotive applications (which we refer to as Automotive Extrusions), and other industrial products (which we refer to as Other products). See “Business Operations — Fabricated Products Segment” below for additional information. In 2012, we produced and shipped approximately 585.9 million pounds of semi-fabricated aluminum products from these facilities, which comprised all of our consolidated net sales of approximately $1.4 billion.

We have long-standing relationships with our customers, which consist primarily of blue-chip companies including leading aerospace companies, automotive suppliers and metal distributors. In our served markets, we seek to be the supplier of choice by pursuing “Best in Class” customer satisfaction and offering a broad product portfolio. We have a culture of continuous improvement that is facilitated by the Kaiser Production System (“KPS”), an integrated application of the tools of Lean Manufacturing, Six Sigma and Total Productive Manufacturing. We believe KPS enables us to continuously reduce our own manufacturing costs, eliminate waste throughout the value chain, and deliver “Best in Class” customer service through consistent, on-time delivery of superior quality products on short lead times. We strive to tightly integrate the management of the operations within our Fabricated Products segment across multiple production facilities, product lines and target markets in order to maximize the efficiency of product flow to our customers.

Over the past three years, we completed two strategic acquisitions to provide complementary products to our sheet, plate, cold finish and drawn tube products, primarily for aerospace applications. In August 2010, we acquired the Florence, Alabama manufacturing facility, and related assets, of Nichols Wire, Incorporated (“Nichols”), expanding our offerings of small diameter rod, bar and wire products to our core end market applications for aerospace, general engineering and automotive applications. In January 2011, we purchased the manufacturing facility in Chandler, Arizona (the “Chandler, Arizona (Extrusion) facility”), and related assets, of Alexco, LLC (“Alexco”), which manufactures hard alloy extrusions for the aerospace industry.

Additionally, over the past six years, we have pursued significant capital spending initiatives to increase capacity and improve product capabilities, product quality, and efficiency. The most significant of these initiatives are (i) a series of investments to expand our capacity and increase thickness capability to produce aluminum heat treat plate for Aero/HS applications at our Spokane, Washington facility in order to capitalize on significant demand growth and (ii) a major investment in our Kalamazoo, Michigan facility to improve capabilities and efficiencies of our rod and bar operations and to provide capacity for future growth in extrusion applications.

Business Operations

Fabricated Products Segment

Overview

Our Fabricated Products segment produces rolled, extruded, and drawn aluminum products used principally for aerospace and defense, automotive, consumer durables, electronics, electrical, and machinery and equipment applications. As indicated above, the Fabricated Products segment focuses on products that strategically serve four end market applications, more particularly Aero/HS products, GE products, Automotive Extrusions and Other products. During 2012, 2011 and 2010, our North American manufacturing facilities produced and shipped approximately 585.9 million, 560.9 million, and 514.2 million pounds of fabricated aluminum products, respectively, which accounted for all of our total net sales for 2012, 2011 and 2010.

For information regarding net sales, operating income and total assets of the Fabricated Products segment, see Note 15 of Notes to Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Data,” of their Report; such information is incorporated herein by reference.

Types of Products Produced

We have strategically chosen end market applications that allow us to utilize our core metallurgical capabilities to create value added products in markets that present opportunities for sales growth and premium pricing of differentiated products. The market for aluminum fabricated mill products is broadly defined to include flat-rolled, extruded, drawn, forged and cast aluminum products, used in a variety of end market applications. We participate in certain portions of the markets for flat-rolled and extruded/drawn products, focusing on highly engineered products for aerospace/high strength, general engineering, automotive and other industrial end market applications.

The table below provides shipment and sales information (in millions of dollars except for shipment information) for our end market applications:

	Year Ended December 31, 2012			2011			2010		
Shipments (mm lbs):									
Aero/HS Products	223.9	38	%	192.0	34	%	158.9	31	%
GE Products	232.7	40	%	220.2	39	%	217.4	42	%
Automotive Extrusions	62.8	11	%	62.8	11	%	54.2	11	%
Other Products	66.5	11	%	85.9	16	%	83.7	16	%
	585.9	100	%	560.9	100	%	514.2	100	%
Sales:									
Aero/HS Products	$695.1	51	%	$596.3	46	%	$467.3	43	%
GE Products	441.4	33	%	447.0	34	%	409.3	38	%
Automotive Extrusions	125.5	9	%	126.9	10	%	103.0	10	%
Other Products	98.1	7	%	131.1	10	%	99.2	9	%
	$1,360.1	100	%	$1,301.3	100	%	$1,078.8	100	%

Aero/HS Products. Our Aero/HS products include high quality heat treat plate and sheet, as well as cold finish bar, seamless drawn tube, hard alloy extrusions, and billet that are manufactured to demanding specifications for the global aerospace and defense industries. These industries use our products in applications that demand high tensile strength, superior fatigue resistance properties and exceptional durability even in harsh environments. For instance, aerospace manufacturers use high-strength alloys for a variety of structures that must perform consistently under extreme variations in temperature and altitude. Our Aero/HS products are used for a wide variety of end uses. We make aluminum plate, sheet, extruded shapes, and tube for aerospace applications, and we manufacture a variety of specialized rod and bar products that are incorporated in diverse applications. The aerospace and defense industries' consumption of fabricated aluminum products is driven by overall levels of airframe build rates, which are cyclical in nature, and defense spending, as well as the potential availability of competing materials such as titanium and composites. Demand has increased for thick plate with growth in "monolithic" construction of commercial and other aircraft. In monolithic construction, aluminum plate is heavily machined to form the desired part from a single piece of metal (as opposed to creating parts using aluminum sheet, extrusions or forgings that are affixed to one another using rivets, bolts or welds). Military applications for heat treat plate and sheet include aircraft frames and skins.

GE Products. Most of our GE products are standard catalog items sold to large metal distributors. Our GE products consist of 6000-series alloy rod, bar, tube, wire, sheet, plate and standard extrusions. The 6000-series alloy is an extrudable medium-strength alloy that is heat treatable and extremely versatile. Our GE products have a wide range of uses and applications, many of which involve further fabrication of these products for numerous transportation and other industrial end market applications where machining of plate, rod and bar is intensive. For example, our products are used in the enhancement and production of military vehicles, semiconductor manufacturing cells, numerous electronic devices, after-market motor sport parts and tooling plate. Our rod and bar products are manufactured into rivets, nails, screws, bolts and parts of machinery and equipment. Demand growth and cyclicality for GE products tend to mirror broad economic patterns and industrial activity in North America. Demand is also impacted by the destocking and restocking of inventory throughout the supply chain.

Automotive Extrusions. Automotive products consist of extruded aluminum products for many North American automotive applications. Examples of the variety of extruded products that we supply to the automotive industry include extruded products for bumper systems, anti-lock braking systems and structural components and drawn tube for drive shafts. For some Automotive Extrusions, we perform limited fabrication, including sawing and cutting to length. Demand growth and cyclicality for Automotive Extrusions tend to mirror automotive build rates in North America. Additional growth for Automotive Extrusions is driven by efforts by automotive manufacturers to reduce the weight of vehicles to improve fuel efficiency by converting applications from steel to aluminum.

Other Products. Other products consist of extruded, drawn, and cast aluminum products for a variety of North American industrial end uses, including consumer durables, electrical/electronic, machinery and equipment, light truck, heavy truck and truck trailer applications. Demand growth and cyclicality for Other products tend to mirror broad economic patterns and industrial activity in North America, with specific individual market segments such as heavy truck and truck trailer applications tracking their respective build rates.

Types of Manufacturing Processes Employed

We utilize the following manufacturing processes to produce our fabricated products:

Table of Contents

Flat Rolling. The traditional manufacturing process for aluminum flat-rolled products uses ingot, a large rectangular slab of aluminum, as the starter material. The ingot is processed through a series of rolling operations, both hot and cold. Finishing steps may include heat treatment, annealing, coating, stretching, leveling or slitting to achieve the desired metallurgical, dimensional and performance characteristics. Aluminum flat-rolled products are manufactured using a variety of alloys, a range of tempers (hardness), gauges (thickness) and widths, and various coatings and finishes. Flat-rolled aluminum semi-finished products are generally either sheet (under 0.25 inches in thickness) or plate (up to 15 inches in thickness). The vast majority of the North American market for aluminum flat-rolled products uses “common alloy” material for construction, sheet and plate, beverage/food can, and other applications. However, we have focused our efforts on “heat treat” products, which are distinguished from common alloy products by higher strength and other desired product attributes. The primary end market applications of heat treat flat-rolled sheet and plate are for Aero/HS and GE products.

Extrusion. The extrusion process typically starts with a cast billet, which is an aluminum cylinder of varying length and diameter. The first step in the process is to heat the billet to an elevated temperature whereby the metal is malleable. The billet is put into an extrusion press and pushed, or extruded, through a die that gives the material the desired two-dimensional cross section. The material is either quenched as it leaves the press, or subjected to a post-extrusion heat treatment cycle, to control the material’s physical properties. The extrusion is then straightened by stretching and cutting to length before being hardened in aging ovens. The largest end market applications for extruded products are in the construction, general engineering and custom products. Building and construction products represent the single largest end market application for extrusions by a significant amount. However, we have strategically chosen to focus on extruded products for Aero/HS, general engineering and automotive end market applications, utilizing our well-developed technical expertise, strong production capability and high product quality to meet the requirements of these more demanding applications.

Drawing. Drawing is a fabrication operation in which extruded tubes and rods are pulled through a die, or drawn. The purpose of drawing is to reduce the diameter and wall thickness while improving physical properties and dimensions. Material may go through multiple drawing steps to achieve the final dimensional specifications. We primarily use drawing in connection with our Aero/HS products.

A description of the manufacturing processes and category of products at each of our production facilities at December 31, 2012 is shown below:

Location	Types of Products	Manufacturing Process
Chandler, Arizona (Extrusion)	Aero/HS	Extrusion
Chandler, Arizona (Tube)	Aero/HS	Extrusion/Drawing
Florence, Alabama	Aero/HS, GE, Other	Drawing
Jackson, Tennessee	Aero/HS, GE	Extrusion/Drawing
Kalamazoo, Michigan	GE	Extrusion
London, Ontario	Auto	Extrusion
Los Angeles, California	GE, Other	Extrusion
Newark, Ohio	Aero/HS, GE	Extrusion/Rod Rolling
Richland, Washington	Aero/HS, GE	Extrusion
Richmond (Bellwood), Virginia	Auto, GE	Extrusion/Drawing
Sherman, Texas	GE, Other	Extrusion
Spokane, Washington	Aero/HS, GE	Flat Rolling

As reflected by the table above, many of our facilities employ the same basic manufacturing process and produce the same type of products. We make a significant effort to tightly integrate the management of our Fabricated Products segment across multiple manufacturing locations, product lines, and end market applications to maximize the efficiency of product flow to customers. Purchasing is centralized for the Fabricated Products segment’s primary aluminum requirements in order to better manage price, credit and other benefits. Our sales force and the management thereof are also significantly integrated as many customers purchase a number of different products that are produced at different plant facilities. We believe that integration of our operations allows us to capture efficiencies while allowing our facilities to remain highly focused on their specific processes and end market applications.

Raw Materials

To make our fabricated products we purchase primary aluminum ingot and recycled and scrap aluminum from third party suppliers in varying percentages depending on various market factors including price and availability. The price for primary

Table of Contents

aluminum purchased for the Fabricated Products segment is typically based on the Average Midwest Transaction Price ("Midwest Price"), which reflects the primary aluminum supply/demand dynamics in North America. From 2010 to 2012, the Midwest Price has ranged between approximately $0.06 to $0.11 per pound above the price traded on the London Metal Exchange ("LME"). Recycled and scrap aluminum is typically purchased at a discount to ingot prices but can require additional processing. In addition to producing fabricated aluminum products for sale to third parties, certain of our production facilities provide one another with billet, log, ingot or other intermediate material for production in lieu of purchasing such items from third-party suppliers. For example, our Newark, Ohio facility supplies billet and log to the Jackson, Tennessee and redraw rod to the Florence, Alabama facilities.

Pricing

The price we pay for primary aluminum, the principal raw material for our fabricated aluminum products business, is typically the Midwest Price. We manage the risk of fluctuations in the price of primary aluminum through our pricing policies and use of financial derivatives. Our three principal pricing mechanisms are as follows:

- Spot price. Some of our customers pay a product price that incorporates the spot price of primary aluminum in effect at the time of shipment to a customer. This pricing mechanism typically allows us to pass metal price risk through to the customers. For some of our higher value added products sold on a spot basis, the pass through of metal price movements can sometimes lag by as much as several months, with a favorable impact to us when metal prices decline and an adverse impact to us when metal prices increase.
- Index-based price. Some of our customers pay a product price that incorporates an index-based price for primary aluminum such as Platt's Midwest price for primary aluminum. This pricing mechanism also typically allows us to pass metal price risk through to the customer.
- Firm price. Some of our customers pay a firm price. We hedge the metal price risk that we bear on such firm-price customer contracts with financial derivatives.

Sales, Marketing and Distribution

Industry sales margins for fabricated products fluctuate in response to competitive and market dynamics. Sales are made directly to customers by our sales personnel located in the United States, Canada, Europe, and China, and by independent sales agents in other regions of Asia, Mexico and the Middle East. Our sales and marketing efforts are focused on the markets for Aero/HS products, GE products, Automotive Extrusions, and Other products.

Aero/HS Products. Approximately 51% of our Aero/HS product shipments are sold to metal distributors with the remainder sold directly to end market application customers. Sales are made primarily under contracts (with terms spanning from one year to several years) as well as on an order-by-order basis. We serve this market with a North American sales force focused on Aero/HS and GE products and direct sales representatives in Western Europe and China. Primary demand drivers for Aero/HS products include the level of commercial aircraft construction spending (which in turn is often subject to broader economic cycles) and defense spending.

GE Products. A substantial majority of our GE products are sold to large metal distributors in North America, with orders primarily consisting of standard catalog type items shipped with a relatively short lead-time. We service this market with a North American sales force focused on GE and Aero/HS products. Competitive dynamics for GE products include product price, product-line breadth, product quality, delivery performance and customer service.

Automotive Extrusions. Our Automotive Extrusions are sold primarily to first tier automotive suppliers under annual or medium-term sales contracts. Almost all sales of Automotive Extrusions occur through direct channels using a North American direct sales force that works closely with our technical sales organization. Key demand drivers for our Automotive Extrusions include the level of North American light vehicle manufacturing and increased use of aluminum in vehicles in response to increasingly strict governmental standards for fuel efficiency.

Other Products. Other products are primarily sold directly to industrial end users under medium-term sales contracts. Almost all sales of these products occur through direct channels using a North American direct sales force, often working closely with our technical sales organization. Demand for industrial products is linked to the overall strength of the U.S. industrial economy.

Customers

In 2012, our Fabricated Products segment had approximately 1,000 customers. The largest, Reliance Steel & Aluminum ("Reliance"), and the five largest customers for fabricated products accounted for approximately 22% and

46%, respectively, of our net sales in 2012. While the loss of Reliance as a customer would have a material adverse effect on us, we believe that our longstanding relationship with Reliance is good and that the risk of losing Reliance as a customer is remote.

Table of Contents

Research and Development

We operate three research and development centers. Our Rolling and Heat Treat Center and our Metallurgical Analysis Center are both located at our Trentwood facility in Spokane, Washington. The Rolling and Heat Treat Center has complete hot rolling, cold rolling and heat treat capabilities to simulate, in small lots, processing of flat-rolled products for process and product development on an experimental scale. The Metallurgical Analysis Center consists of a full metallographic laboratory and a scanning electron microscope to support research development programs as well as respond to plant technical service requests. The third center, our Solidification and Casting Center, is located in Newark, Ohio and has a developmental casting unit capable of casting billets and ingots for extrusion and rolling experiments. The casting unit is also capable of casting full size billets and ingots for processing on the production extrusion presses and rolling mills. See Note 1 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information about our research and development costs.

The combination of our research and development work and concurrent product and process development within our production operations has resulted in the creation and delivery of value added KaiserSelect® products.

Hedging. Our pricing of fabricated aluminum products, discussed above, is generally intended to lock in a conversion margin (representing the value added from the fabrication process(es)) and to pass metal price risk through to our customers. However, in certain instances we enter into firm-price arrangements and incur price risk on our anticipated primary aluminum purchases in respect of the customer orders. We use third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts. Total fabricated product shipments for which we were subject to price risk were 178.8, 157.0, and 97.0 (in millions of pounds) during 2012, 2011 and 2010, respectively.

All hedging activities are managed centrally to minimize transaction costs, monitor consolidated net exposures, and allow for increased responsiveness to changes in market factors. Hedging activities are conducted in compliance with a policy approved by our Board of Directors and administered by our hedging committee (members of which include our principal executive officer, principal financial officer and principal accounting officer).

All Other

All Other consists of our Secondary Aluminum and Corporate and Other business units. All Other is not considered a reportable segment.

Secondary Aluminum. We own a 49% interest in Anglesey, which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales. Anglesey sells 49% of the secondary aluminum ingot and billet it produces to us, which we resell to a third party, receiving a portion of a premium over normal commodity market prices in transactions structured to largely eliminate our metal price and currency exchange rate risks with respect to our income and cash flow related to Anglesey. Because we in substance act as an agent in connection with sales of secondary aluminum produced by Anglesey, our secondary aluminum sales are accounted for net of cost of sales, and we reported zero net sales in 2012.

The carrying value of our ownership interest in Anglesey is zero, and we have suspended the use of the equity method of accounting with respect to our ownership in Anglesey. As a result, we did not record equity in income from Anglesey for any of the periods presented in this Report. We will not resume the use of the equity method of accounting with respect to our investment in Anglesey unless and until (i) our share of any future net income of Anglesey equals or is greater than our share of net losses not recognized during periods for which the equity method was suspended and (ii) future dividends can be expected. Given our uncertainty about the continued operation of Anglesey's cast and remelt facility, we do not anticipate the occurrence of such events during the next 12 months.

Corporate and Other. This business unit provides general and administrative support to our operations. The expenses incurred in this business unit are not allocated to our other operations.

Segment and Geographical Area Financial Information

The information set forth in Note 15 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report regarding our GAAP reporting segment and the geographical areas in which we operate is incorporated herein by reference.

Competition

The fabricated aluminum industry is highly competitive. We concentrate our fabricating operations on highly engineered products for which we believe we have production capability, technical expertise, high product quality, and geographic and other competitive advantages. We differentiate ourselves from our competitors by pursuing "Best in Class" customer satisfaction, which is driven by quality, availability, price, service, and delivery performance, and having a broad product offering, including the superior products in our Kaiser Select® product line. Our Kaiser Select® products are manufactured to

Table of Contents

deliver enhanced product characteristics with improved consistency which results in better performance, lower waste, and, in many cases, lower cost for our customers.

Our primary competitors in the global heat treated flat-rolled products are Alcoa and Constellium. In the extrusion market, we compete with many regional participants, as well as larger companies with a national presence, such as SAPA, Norsk Hydro and Alcoa. Some of our competitors are substantially larger, have greater financial resources, and may have other strategic advantages, including aluminum smelting capacity providing a long-term natural hedge that facilitates the offering of fixed price contracts without margin exposure, more efficient technologies or lower raw material costs.

Our fabricated aluminum products facilities are located in North America. To the extent our competitors have production facilities located outside North America, they may be able to produce similar products at a lower cost or sell those products at a lower price either during periods when the currency exchange rates favor foreign competition or through a process of dumping those products in violation of existing trade laws. We may not be able to adequately reduce costs or prices to compete with these products. Increased competition could cause a reduction in our shipment volume and profitability or increase our expenditures.

In addition, our fabricated aluminum products compete with products made from other materials, such as steel, titanium and composites, for various applications, including aircraft and automotive manufacturing. The willingness of customers to accept substitutions for aluminum and the ability of large customers to exert leverage in the marketplace to reduce the pricing for fabricated aluminum products could adversely affect our results of operations.

For heat treat plate and sheet products, particularly for aerospace applications, new competition is limited by technological expertise that only a few companies have developed through significant investment in research and development. Further, use of plate and sheet in safety critical applications make quality and product consistency critical factors. Suppliers must pass a rigorous qualification process to sell to airframe manufacturers. Additionally, significant investment in infrastructure and specialized equipment is required to supply heat treat plate and sheet.

Barriers to entry are lower for extruded products, mostly due to the lower required investment in equipment. However, the products that we produce are somewhat differentiated from the majority of extruded products sold by competitors. We maintain a competitive advantage by using application engineering and advanced process engineering to distinguish our company and our products. We believe our metallurgical expertise and controlled manufacturing processes enable superior product consistency.

Employees

At December 31, 2012, we employed approximately 2,600 people, of which approximately 2,540 were employed in our Fabricated Products segment and approximately 60 were employed in our corporate group, most of whom are located in our offices in Foothill Ranch, California.

The table below shows each manufacturing and warehouse location, the primary union affiliation, if any, and the expiration date for the current union contracts. As indicated below, union affiliations are with the United Steel, Paper and Foresting, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL — CIO, CLC (“USW”), International Association of Machinists (“IAM”) and International Brotherhood of Teamsters (“Teamsters”). We have adopted a position of neutrality regarding the unionization of any of our employees.

Table of Contents

Location	Union	Contract Expiration Date
Chandler, AZ (Tube)	USW	Mar 2015
Chandler, AZ (Extrusion)	Non-union	—
Florence, AL	USW	Mar 2014
Jackson, TN	Non-union	—
Kalamazoo, MI	USW	Feb 2016
London, Ontario	USW Canada	Feb 2015
Los Angeles, CA	Teamsters	Apr 2015
Newark, OH	USW	Sept 2015
Richland, WA	Non-union	—
Richmond (Bellwood), VA	USW/IAM	Nov 2014/Nov 2017
Sherman, TX	IAM	Dec 2013
Spokane, WA	USW	Sept 2015

Environmental Matters

We are subject to a number of environmental laws and regulations, potential fines or penalties assessed for alleged breaches of the environmental laws and regulations, and to potential claims and litigation based upon such laws and regulations.

We have established procedures for regularly evaluating environmental loss contingencies, including those arising from environmental reviews and investigations and any other environmental remediation or compliance matters. Our environmental accruals represent our undiscounted estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, existing requirements, currently available facts, existing technology, and our assessment of the likely remediation actions to be taken.

After public comment and agency review, we submitted to the Washington State Department of Ecology ("Washington State Ecology") a final feasibility study which included recommendations for remediation alternatives to primarily address the historical use of oils containing polychlorinated biphenyls, or PCBs, at our Spokane, Washington facility. During the third quarter of 2012, we signed an amended work order with Washington State Ecology allowing certain remediation activities to begin and to initiate a treatability study in regards to proposed PCB remediation methods. We continue to work with Washington State Ecology in developing the implementation work plans, which are subject to Washington State Ecology approval. We expect to begin implementation of approved work plans sometime in 2013.

At December 31, 2012, environmental accruals of $21.7 million represented our best estimate of the incremental cost based on proposed alternatives in the final feasibility study related to our Spokane, Washington facility and on investigational studies and other remediation activities occurring at certain other locations owned by us. We expect that these remediation actions will be taken over the next 30 years.

As additional facts are developed, feasibility studies are completed, draft remediation plans are modified, necessary regulatory approval for the implementation of remediation are obtained, alternative technologies are developed, and/or other factors change, there may be revisions to management's estimates, and actual costs may exceed the current environmental accruals. We believe at this time that it is reasonably possible that undiscounted costs associated with these environmental matters may exceed current accruals by amounts that could be, in the aggregate, up to an estimated $18.7 million over the next 30 years. It is reasonably possible that our recorded estimate may change in the next 12 months.

Legal Structure

Our current corporate structure is summarized as follows:

- We directly own 100% of the issued and outstanding shares of capital stock of Kaiser Aluminum Investments Company, a Delaware corporation ("KAIC"), which functions as an intermediate holding company.
- We directly own 100% of the ownership interest in Kaiser Aluminum Beijing Trading Company, which was formed in China for the primary purpose of engaging in market development and commercialization and distribution of our products in Asia.
- KAIC owns 49% of the ownership interests of Anglesey and 100% of the ownership interests of each of:

Table of Contents

- Kaiser Aluminum Fabricated Products, LLC, a Delaware limited liability company ("KAFP"), which directly holds the assets and liabilities associated with our Fabricated Products segment (excluding those assets and liabilities associated with our London, Ontario and Chandler, Arizona (Extrusion) facilities and certain of the assets and liabilities associated with our Fabricated Products segment's operations in the State of Washington) and owns 100% of the ownership interest of each of:
- Kaiser Aluminum Washington, LLC, a Delaware limited liability company, which holds certain of the assets and liabilities associated with our Fabricated Products segment's operations in the State of Washington; and
- Kaiser Aluminum Alexco, LLC, a Delaware limited liability company, which holds the assets and liabilities associated with our Chandler, Arizona (Extrusion) facility;
- Kaiser Aluminum Canada Limited, an Ontario corporation, which holds the assets and liabilities associated with our London, Ontario facility;
- Kaiser Aluminium Mill Products, Inc., a Delaware corporation, which functions primarily as the purchaser and seller of products produced by Anglesey and also engages in market development and commercialization and distribution of our products in Europe;
- Trochus Insurance Co., Ltd., a corporation formed in Bermuda, which has historically functioned as a captive insurance company;
- Kaiser Aluminum France, SAS, a corporation formed in France for the primary purpose of engaging in market development and commercialization and distribution of our products in Western Europe; and
- DCO Management, LLC, a Delaware limited liability company, which, as a successor by merger to Kaiser Aluminum & Chemical Corporation, holds our remaining non-operating assets and liabilities.

Item 1A. Risk Factors

This Item may contain statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See Item 1. "Business — Forward-Looking Statements" for cautionary information with respect to such forward-looking statements. Such cautionary information should be read as applying to all forward-looking statements wherever they appear in this Report. Forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results may vary from those in forward-looking statements as a result of a number of factors including those we discuss in this Item and elsewhere in this Report.

In addition to the factors discussed elsewhere in this Report, the risks described below are those which we believe are material to our company. The occurrence of any of the events discussed below could significantly and adversely affect our business, prospects, financial position, results of operations and cash flows as well as the trading price of our common stock.

We have experienced and continue to experience the effects of global economic uncertainty.

The U.S. and global economies continue to experience a period of substantial uncertainty with wide-ranging effects, including:

- disruption in global financial markets that has at times reduced the liquidity available to us, our customers, our suppliers and the purchasers of products that materially affect demand for our products, including commercial airlines;
- a weakened global banking and financial system that creates ongoing risk and exposure to the impact of non-performance by banks committed to provide financing, hedging counterparties, insurers, customers and suppliers;
- extreme volatility in commodity prices that can materially impact the results of our hedging strategies, create near-term cash margin requirements, reduce the value of our inventories and borrowing base under our revolving credit facility and result in substantial non-cash charges as we adjust inventory values and mark-to-market our hedge positions;
- substantial fluctuations in consumer spending that have at times reduced the demand for some applications that use our products;
- destocking and restocking of inventory levels throughout the supply chain for certain of our products;
- our inability to achieve the level of growth or other benefits anticipated from our acquisitions and other strategic investments, and the integration of acquired businesses;

- increases in our costs, including the cost of energy, and raw materials and freight costs, which we are unable to pass through to our customers;

9

Table of Contents

- pressure to reduce defense spending, which reductions could affect demand for our products used in defense applications, as the U.S. and foreign governments are faced with competing national priorities; and
- the inability to predict with any certainty the success or failure of efforts to address government deficit spending or the scope, nature or effectiveness of such efforts.

We are unable to predict the impact, severity and duration of these effects, any of which could have a material adverse impact on our financial position, results of operations and cash flows.

We operate in a highly competitive industry.

The fabricated products segment of the aluminum industry is highly competitive. Competition in the sale of fabricated aluminum products is based upon quality, availability, price, service, and delivery performance. Many of our competitors are substantially larger than we are and have greater financial resources than we do, and may have other strategic advantages, including aluminum smelting capacity providing a long-term natural hedge that facilitates the offering of fixed price contracts without margin exposure, more efficient technologies or lower raw material costs. Our facilities are located in North America. To the extent that our competitors have or develop production facilities located outside North America, they may be able to produce similar products at a lower cost or sell those products at a lower price either during periods when the currency exchange rates favor foreign competition or through a process of dumping those products in violation of existing trade laws. We may not be able to adequately reduce our costs or prices to compete with these products. Increased competition could cause a reduction in our shipment volumes and profitability or increase our expenditures, any one of which could have a material adverse effect on our financial position, results of operations and cash flows.

We depend on a core group of significant customers.

In 2012, our largest fabricated products customer, Reliance Steel & Aluminum Company, accounted for approximately 22% of our fabricated products net sales, and our five largest customers accounted for approximately 46% of our fabricated products net sales. If our existing relationships with significant customers materially deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected. In addition, a prolonged or increasing downturn in the business or financial position of any of our significant customers could cause any one or more of them to limit purchases to contractual minimum volumes, seek relief from contractual minimums or breach those obligations, all of which could materially and adversely affect our financial position, results of operations and cash flows.

Our industry is very sensitive to foreign economic, regulatory and political factors that may adversely affect our business.

We import primary aluminum from, and manufacture fabricated products used in, foreign countries. Factors in the politically and economically diverse countries in which we operate or have customers or suppliers, including inflation, fluctuations in currency and interest rates, availability of financial capital, competitive factors, civil unrest and labor problems, could affect our financial position, results of operations and cash flows. Our financial position, results of operations and cash flows could also be adversely affected by:

- acts of war or terrorism or the threat of war or terrorism;
- government regulation in the countries in which we operate, service customers or purchase raw materials;
- the implementation of controls on imports, exports or prices;
- the adoption of new forms of taxation and duties;
- new forms of emission controls and tax, commonly known as “cap and trade”;
- the imposition of currency restrictions;
- the nationalization or appropriation of rights or other assets; and
- trade disputes involving countries in which we operate, service customers or purchase raw materials.

The commercial aerospace industry is cyclical and downturns in the commercial aerospace industry, including downturns resulting from acts of terrorism, could adversely affect our business.

We derive a significant portion of our revenue from products sold to the aerospace industry, which is highly cyclical. The aerospace industry is historically driven by the demand for new commercial aircraft. Demand for commercial aircraft is influenced by trends in airline passenger traffic and increasing global travel, normal replacement of older aircraft, accelerated replacement of fuel inefficient aircraft, airline industry profitability, the state of the U.S. and global economies, the effects of terrorism, and numerous other factors, including safety concerns with newly introduced aircraft, any of which could result in a sharp decrease globally in new commercial aircraft deliveries and order cancellations or deferrals by the major airlines. Despite existing backlogs, continued financial uncertainty in the industry, inadequate liquidity of certain airline companies, terrorist acts

Table of Contents

or the increased threat of terrorism may lead to reduced demand for new aircraft that utilize our products, which could adversely affect our financial position, results of operations and cash flows.

Reductions in defense spending for aerospace and non-aerospace military applications could substantially reduce demand for our products.

Our products are used in a wide variety of military applications, including military jets, armored vehicles and ordinance. The funding of U.S. government programs is subject to congressional appropriations. Many of the programs in which we participate may extend several years; however, these programs are normally funded annually. Changes in military strategy and priorities may affect current and future programs. In recent years, the demand for our products for defense-related applications has arisen from the conflicts in Iraq and Afghanistan. Events such as the conflicts in Iraq and Afghanistan are unplanned and unpredictable. Virtually all U.S. troops have been withdrawn from Iraq, and plans are in place for the withdrawal of U.S. troops from Afghanistan, both of which will likely result in a reduction in the level of defense spending. There is significant pressure to reduce defense spending as the U.S. and foreign governments are faced with competing national priorities. In the U.S., by statute, the so-called "automatic sequestration" could require cuts to defense spending totaling $1 trillion if Congress fails to enact specific federal deficit reductions. Reductions in defense spending could reduce the demand for our products and could adversely affect our financial position, results of operations and cash flows.

Our customers may reduce their demand for aluminum products in favor of alternative materials.

Our fabricated aluminum products compete with products made from other materials, such as steel, titanium, and composites, for various applications. For instance, the commercial aerospace industry has used and continues to evaluate the further use of alternative materials to aluminum, such as titanium and composites, in order to reduce the weight and increase the fuel efficiency of aircraft. Additionally, the automotive industry, while motivated to reduce vehicle weight with the use of aluminum, may revert to steel for certain applications. The willingness of customers to accept substitutions for aluminum could adversely affect the demand for our products, particularly our aerospace and high strength products and automotive extrusions, and thus adversely affect our financial position, results of operations and cash flows.

Downturns in the automotive and heavy duty truck and trailer industries could adversely affect our business.

The demand for our automotive extrusions and many of our general engineering and other industrial products is dependent on the production of cars, light trucks, SUVs, and heavy duty vehicles and trailers in North America. The automotive industry is highly cyclical, as new vehicle demand is dependent on consumer spending and is tied closely to the overall strength of the North American economy. Production cuts by U.S. manufacturers may adversely affect the demand for our products. Substantial structural costs, including pension, healthcare and labor costs, have resulted in severe financial difficulty, including bankruptcy, for several North American automotive related manufacturers and first tier suppliers in recent years, with serious effects on the conditions of the markets which directly affect the demand of our products. If other North American automotive-related manufacturers and first tier suppliers experience such difficulties or bankruptcy, there could be further serious effects on such markets. Similarly, weak demand for new cars, light trucks, SUVs, and heavy duty vehicles and trailers, particularly in the U.S., could have a material adverse effect on our financial position, results of operations and cash flows.

Changes in consumer demand may adversely affect our operations which supply automotive end users.

Sensitivity to energy costs can influence consumer demand for motor vehicles that have a higher content of the aluminum automotive extrusions that we supply. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which we are a significant supplier could have an adverse impact on our financial position, results of operations and cash flows.

We face tremendous pressure from our automotive customers on pricing.

Cost cutting initiatives that our automotive customers have adopted generally result in downward pressure on pricing, and our automotive customers typically seek agreements requiring reductions in pricing over the period of production. Pricing pressure may further intensify as North American automobile manufacturers continue to aggressively pursue cost cutting initiatives. If we are unable to generate sufficient production cost savings in the future to offset any required price reductions, our financial position, results of operations and cash flows could be adversely impacted.

Reductions in demand for our products may be more severe than, and may occur prior to reductions in demand for, our customers' products.

Customers purchasing our fabricated aluminum products, such as those in the cyclical automotive and aerospace industries, generally require significant lead time in the production of their own products. Therefore, demand for our products may increase prior to demand for our customers' products. Conversely, demand for our products may decrease as our customers anticipate a downturn in their respective businesses. As demand for our customers' products begins to soften, our customers typically reduce or eliminate their demand for our products and meet the reduced demand for their products using their own inventory without replenishing that inventory, which results in a reduction in demand for our products that is greater than the

Table of Contents

reduction in demand for their products. This amplified reduction in demand for our products in the event of a downturn in our customers’ respective businesses (de-stocking) may adversely affect our financial position, results of operations and cash flows.

Our business is subject to unplanned business interruptions which may adversely affect our business.

The production of fabricated aluminum products and aluminum is subject to unplanned events such as explosions, fires, inclement weather, natural disasters, accidents, transportation interruptions and supply interruptions. Operational interruptions at one or more of our production facilities, particularly interruptions at our Trentwood facility in Spokane, Washington where our production of plate and sheet is concentrated, could cause substantial losses in our production capacity. Furthermore, because customers may be dependent on planned deliveries from us, customers that have to reschedule their own production due to our delivery delays may be able to pursue financial claims against us, and we may incur costs to correct such problems in addition to any liability resulting from such claims. Interruptions may also harm our reputation among actual and potential customers, potentially resulting in a loss of business. To the extent these losses are not covered by insurance, our financial position, results of operations and cash flows may be adversely affected by such events.

Covenants and events of default in our debt instruments could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

Our revolving credit facility and the indenture governing our $225.0 million of 8.250% Senior Notes due 2020 ("Senior Notes") contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

However, while the indenture governing the Senior Notes places limitations on our ability to pay dividends or make other distributions, repurchase or redeem capital stock, and make loans and investments, these limitations are subject to significant qualifications and exceptions. The aggregate amount of payments made in compliance with these limitations could be substantial. In addition, restrictive covenants in our revolving credit facility require us in certain circumstances to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them. You should read our more detailed descriptions of our revolving credit facility and the indenture governing our Senior Notes in our filings with the Securities and Exchange Commission, as well as the documents themselves, for further information about these covenants.

A breach of the covenants or restrictions under the indenture governing the Senior Notes or under our revolving credit facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our revolving credit facility could permit the lenders under our revolving credit facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay any amounts due and payable under our revolving credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or

Table of Contents

•unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

In addition, a payment default, including an acceleration following an event of default, under our revolving credit facility or under our indentures for our 4.5% Cash Convertible Senior Notes due 2015 ("Convertible Notes") and our Senior Notes, could each trigger an event of default under the other debt instrument, which could result in the principal of and the accrued and unpaid interest on such debt becoming due and payable.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

Our ability to make scheduled payments of the principal of, to pay interest on or refinance our debt obligations, including the Senior Notes and our Convertible Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Senior Notes and Convertible Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the Senior Notes and Convertible Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. Our revolving credit facility and the indenture governing the Senior Notes restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or certain forms of equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Senior Notes and Convertible Notes could declare all outstanding principal and interest to be due and payable, the lenders under our revolving credit facility could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

The conditional conversion features of our Convertible Notes, if triggered, may adversely affect our financial position, operating results and cash flows.

In the event the conditional conversion features of our Convertible Notes are triggered, holders of such notes will be entitled to convert such notes at any time during specified periods at their option. If one or more holders elect to convert their notes, we would be required to settle our conversion obligation through the payment of cash, which could adversely affect our liquidity and result in a material adverse effect on our financial position, results of operation and cash flows. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of our Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The convertible note hedge and warrant transactions that we entered into in connection with the issuance of our Convertible Notes may affect the market price of our common stock.

In connection with the issuance of our Convertible Notes, we entered into privately negotiated convertible note hedge transactions and warrant transactions. Under the terms of the convertible note hedge transactions, we purchased cash-settled call options relating to shares of our common stock. Under the terms of the warrant transactions, we sold to the option counterparties net-share-settled warrants relating to our common stock.

We have been informed that, in connection with establishing their initial hedge positions with respect to the convertible note hedge transactions and the warrant transactions, the option counterparties and/or their affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of our Convertible Notes and that the option counterparties and/or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions prior to the maturity of our Convertible Notes (and are likely to do so during any settlement averaging period related to a conversion of our Convertible Notes). The effect, if any, of these transactions and activities on the market price of our common

Table of Contents

stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the market price of our common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that these option counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate their obligations, under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If one or more of the option counterparties to one or more of our convertible note hedge transactions becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price of our common stock and in volatility of our common stock. In addition, upon a default or other failure to perform, or a termination of obligations, by one of the option counterparties, we may suffer adverse tax consequences and dilution with respect to our common stock and we may be prevented under our revolving credit facility (or any replacement credit facility) from paying the cash amount due upon the conversion of our Convertible Notes. We can provide no assurances as to the financial stability or viability of any of the option counterparties.

We are a holding company and depend on our subsidiaries for cash to meet our obligations and pay any dividends.

We are a holding company and conduct all of our operations through our subsidiaries, certain of which are not guarantors of our Senior Notes or our other indebtedness. Accordingly, repayment of our indebtedness, including the Senior Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the Senior Notes or other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Senior Notes or other indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Senior Notes. Each of our subsidiaries is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While our revolving credit facility and the indenture governing the Senior Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Senior Notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

We may not be able to successfully implement our productivity and cost reduction initiatives.

As the economy and markets for our products move through economic downturns or supply otherwise begins to exceed demand through increases in capacity or reduced demand, it is increasingly important for us to be a low cost producer. Although we have undertaken and expect to continue to undertake productivity and cost reduction initiatives to improve performance, including deployment of company-wide business improvement methodologies, such as our Kaiser Production System, which involves the integrated utilization of application and advanced process engineering and business improvement methodologies such as Lean manufacturing, Total Productive Manufacturing and Six Sigma, we cannot assure you that all of these initiatives will be completed or beneficial to us or that any estimated cost saving from such activities will be fully realized. Even when we are able to generate new efficiencies successfully in the short- to medium-term, we may not be able to continue to reduce cost and increase productivity over the long term.

Our business could be adversely affected by increases in the cost of raw materials and freight.

The price of primary aluminum has historically been subject to significant cyclical price fluctuations, and the timing of changes in the market price of aluminum is largely unpredictable. Although our pricing of fabricated aluminum products is generally intended to pass the risk of price fluctuations on to our customers, we may not be able to pass on the entire cost of increases to our customers or offset fully the effects of higher costs for other raw materials or freight through the use of surcharges and other measures, which may cause our profitability to decline. There will also be a potential time lag between increases in costs for raw materials or freight under our purchase contracts and the point when we can implement a corresponding increase in price under our sales contracts with our customers. As a result, we may be exposed to fluctuations in the costs for raw material, including aluminum and freight, since, during the time lag, we may have to bear the additional cost increase under our purchase contracts. If these events were to occur, they could have a material adverse effect on our financial position, results of operations and cash flows. In addition, increases in raw material costs may cause some of our customers to substitute other materials for our products over time, adversely affecting our financial position, results of operations and cash flows due to a decrease in the sales of fabricated aluminum products.

The price volatility of energy costs may adversely affect our business.

Our income and cash flows depend on the margin above fixed and variable expenses (including energy costs) at which we are able to sell our fabricated aluminum products. The volatility in costs of fuel, principally natural gas, and other utility services, principally electricity, used by our production facilities affect operating costs. Fuel and utility prices have been, and will continue to be, affected by factors outside our control, such as supply and demand for fuel and utility services in both local and regional markets and the potential regulation of greenhouse gases. Future increases in fuel and utility prices may have a material adverse effect on our financial position, results of operations and cash flows.

New derivatives legislation could have an adverse impact on our ability to hedge risks associated with our business and on the cost of our hedging activities.

We use over-the-counter ("OTC") derivatives products to hedge our risks relating to primary aluminum prices, energy prices, and, to a lesser extent, foreign currency. Recent legislation has been adopted to increase the regulatory oversight of the OTC derivatives markets and impose restrictions on certain derivative transactions, which could affect the use of derivatives in hedging transactions. If regulations subject us to additional capital or margin requirements or other restrictions on our trading and commodity positions, they could have an adverse effect on our ability to hedge risks associated with our business and on the cost of our hedging activities.

Our hedging programs may limit the income and cash flows we would otherwise expect to receive if our hedging program were not in place and may otherwise affect our business.

From time to time in the ordinary course of business, we enter into hedging transactions to limit our exposure to price risks relating to primary aluminum prices, energy prices and foreign currency. To the extent that these hedging transactions fix prices or exchange rates and primary aluminum prices, energy costs or foreign exchange rates are below the fixed prices or rates established by these hedging transactions, our income and cash flows will be lower than they otherwise would have been. Additionally, to the extent that primary aluminum prices, energy prices and/or foreign currency exchange rates deviate materially and adversely from fixed, floor or ceiling prices or rates established by outstanding hedging transactions, we fail to satisfy the covenants, or an event of default occurs under the terms of the underlying documents, we could incur margin calls that could adversely impact our liquidity and result in a material adverse effect on our financial position, results of operations and cash flows. Conversely, we are exposed to risks associated with the credit worthiness of our hedging counterparties. The credit worthiness of hedging counterparties is inherently difficult to assess and can change quickly and dramatically, as demonstrated by the significant trading losses and bankruptcies of some large financial institutions in recent years. Non-performance by a counterparty could have a material adverse effect on our financial position, results of operations and cash flows.

We are exposed to fluctuations in foreign currency exchange rates and interest rates, as well as inflation and other economic factors in the countries in which we operate, service customers or purchase raw materials.

Economic factors, including inflation and fluctuations in foreign currency exchange rates and interest rates in the countries in which we operate, service customers or purchase raw materials, could affect our revenues, expenses and results of operations. In particular, lower valuation of the U.S. dollar against other currencies, particularly the Canadian dollar and Euro, may affect our profitability as some important raw materials are purchased in other currencies, while products generally are sold in U.S. dollars.

Our ability to keep key management and other personnel in place and our ability to attract management and other personnel may affect our performance.

We depend on our senior executive officers and other key personnel to run our business, and we design our compensation programs to attract and retain key personnel and facilitate our ability to develop effective succession plans. The loss of any of these officers or other key personnel or failure to attract key personnel could materially and adversely affect our succession planning and operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to improve manufacturing operations, conduct research activities successfully and develop marketable products.

Our failure to maintain satisfactory labor relations could adversely affect our business.

A significant number of our employees are represented by labor unions under labor contracts with varying durations and expiration dates, including labor contracts with the United Steel, Paper and Foresting, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL - CIO, CLC ("USW"), covering seven of our manufacturing locations. Employees represented by labor unions under labor contracts represented approximately 63% of our employees at December 31, 2012. Contracts at our manufacturing locations expire in 2013 through 2017. We may not be able to renegotiate or negotiate these or our other labor contracts on satisfactory terms. As part of any negotiation, we may reach agreements with

Table of Contents

respect to future wages and benefits that could materially and adversely affect our future financial position, results of operations and cash flows. In addition, negotiations could divert management attention or result in union-initiated work actions, including strikes or work stoppages, that could have a material adverse effect on our financial position, results of operations and cash flows. Moreover, the existence of labor agreements may not prevent such union-initiated work actions.

Our participation in multi-employer union pension plans may have a material adverse effect on our financial performance.

We are required to make contributions to multi-employer pension plans in amounts established under collective bargaining agreements. Pension expense for these plans is recognized as contributions are funded. Benefits generally are based on a fixed amount for each year of service. Based on the most recent information available to us, we believe a number of these multiemployer plans are underfunded. As a result, we expect that contributions to these plans may increase. Additionally, the benefit levels and related items will be issues in the negotiation of our collective bargaining agreements. Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. The failure of a withdrawing employer to fund these obligations can impact remaining employers. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans and other employers who participate in the plans, government regulations and the actual return on assets held in the plans, among other factors.

Our business is regulated by a wide variety of health and safety laws and regulations and compliance may be costly and may adversely affect our business.

Our operations are regulated by a wide variety of health and safety laws and regulations, including recently executed federal health care legislation. Compliance with these laws and regulations may be costly and could have a material adverse effect on our results of operations. In addition, these laws and regulations are subject to change at any time, and we can give you no assurance as to the effect that any such changes would have on our operations or the amount that we would have to spend to comply with such laws and regulations as so changed.

Environmental compliance, clean up and damage claims may decrease our cash flow and adversely affect our business.

We are subject to numerous environmental laws and regulations with respect to, among other things: air and water emissions and discharges; the generation, storage, treatment, transportation and disposal of solid and hazardous waste; and the release of hazardous or toxic substances, pollutants and contaminants into the environment. Compliance with these environmental laws is and will continue to be costly.

Our continuing operations and certain of our former operations have subjected, and may in the future subject, us to fines, penalties and expenses for alleged breaches of environmental laws and to obligations to perform investigations or clean up of the environment. We may also be subject to claims from governmental authorities or third parties related to alleged injuries to the environment, human health or natural resources, including claims with respect to waste disposal sites, the clean up of sites currently or formerly used by us or exposure of individuals to hazardous materials. Any investigation, clean-up or other remediation costs, fines or penalties, or costs to resolve third-party claims, may be significant and could have a material adverse effect on our financial position, results of operations and cash flows.

We have accrued, and will accrue, for costs relating to the above matters that are reasonably expected to be incurred based on available information. However, it is possible that actual costs may differ, perhaps significantly, from the amounts expected or accrued. Similarly, the timing of those expenditures may occur faster than anticipated. These differences could have a material adverse effect on our financial position, results of operations and cash flows. In addition, new laws or regulations or changes to existing laws and regulations may be enacted, including government mandated green initiatives and limitations on carbon emissions, that increase the cost or complexity of compliance. Difference in actual costs, the timing of payments for previously accrued costs and the impact of new or amended laws and regulations may have a material adverse effect on our financial position, results of operations and cash flows.

New governmental regulation relating to greenhouse gas emissions may subject us to significant new costs and restrictions on our operations.

Climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Laws enacted by Congress or policies of the Environmental Protection Agency could regulate greenhouse gas emissions through a cap-and-trade system under which emitters would be required to buy allowances to offset emissions of greenhouse gas. In addition, several states, including states where we have manufacturing plants, are considering various greenhouse gas registration and reduction programs. Certain of our manufacturing plants use significant amounts of energy, including electricity and natural gas, and certain of our plants emit amounts of greenhouse gas above certain minimum thresholds that are likely to be imposed by existing proposals. Greenhouse gas regulation could increase the price of the electricity we purchase, increase costs for our use of natural gas, potentially restrict access to or the use of natural gas,

Table of Contents

require us to purchase allowances to offset our own emissions or result in an overall increase in our costs of raw materials, any one of which could significantly increase our costs, reduce our competitiveness in a global economy or otherwise negatively affect our business, operations or financial results. It is too early to predict how existing or future regulation will affect our business, operations or financial results.

Other legal proceedings or investigations or changes in the laws and regulations to which we are subject may adversely affect our business.

In addition to the matters described above, we may from time to time be involved in, or be the subject of, disputes, proceedings and investigations with respect to a variety of matters, including matters related to personal injury, employees, taxes and contracts, as well as other disputes and proceedings that arise in the ordinary course of business. It could be costly to address these claims or any investigations involving them, whether meritorious or not, and legal proceedings and investigations could divert management's attention as well as operational resources, negatively affecting our financial position, results of operations and cash flows.

Additionally, as with environmental laws and regulations, the other laws and regulations which govern our business are subject to change at any time. Compliance with changes to existing laws and regulations could have a material adverse effect on our financial position, results of operations and cash flows.

Product liability claims against us could result in significant costs and could adversely affect our business.

We are sometimes exposed to warranty and product liability claims. While we generally maintain insurance against many product liability risks, a successful claim that is not insured, exceeds our available insurance coverage, or is no longer fully insured as a result of the insolvency of one or more of the underlying carriers could have a material adverse effect on our financial position, results of operations and cash flows.

Our investment and other expansion projects may not be completed or start up as scheduled.

We are currently engaged in, and have recently completed, various investment and expansion projects. Our ability to complete such projects, and the timing and costs of doing so, are subject to various risks associated with all major construction projects, many of which are beyond our control, including technical or mechanical problems, economic conditions and permitting. Additionally, the start up of operations after such projects have been completed can be complicated and costly. If we are unable to fully complete these projects, if the actual costs for these projects exceed our expectations, or if the start up phase after completion is more complicated than anticipated, our financial position, results of operations and cash flows could be adversely affected.

We may not be able to successfully execute our strategy of growth through acquisitions.

A component of our growth strategy is to acquire fabricated products assets in order to complement our product portfolio. Our ability to do so will be dependent upon a number of factors, including our ability to identify acceptable acquisition candidates, consummate acquisitions on favorable terms, successfully integrate acquired assets, obtain financing to fund acquisitions and support our growth and many other factors beyond our control. Risks associated with acquisitions include those relating to:

- diversion of management's time and attention from our existing business;
- challenges in managing the increased scope, geographic diversity and complexity of operations;
- difficulties integrating the financial, technological and management standards, processes, procedures and controls of the acquired business with those of our existing operations;
- liability for known or unknown environmental conditions or other contingent liabilities not covered by indemnification or insurance;
- greater than anticipated expenditures required for compliance with environmental or other regulatory standards or for investments to improve operating results;
- difficulties achieving anticipated operational improvements;
- incurrence of indebtedness to finance acquisitions or capital expenditures relating to acquired assets; and
- issuance of additional equity, which could result in further dilution of the ownership interests of existing stockholders.

We may not be successful in acquiring additional assets, and any acquisitions that we do consummate may not produce the anticipated benefits or may have adverse effects on our financial position, results of operations and cash flows.

Our effective income tax rate could increase and materially adversely affect our business.

Table of Contents

We operate in multiple tax jurisdictions and pay tax on our income according to the tax laws of these jurisdictions. Various factors, some of which are beyond our control, determine our effective tax rate and/or the amount we are required to pay, including changes in or interpretations of tax laws in any given jurisdiction, our ability to use net operating losses and tax credit carryforwards and other tax attributes, changes in geographical allocation of income and expense, and our judgment about the realizability of deferred tax assets. Such changes to our effective tax rate could materially adversely affect our financial position, liquidity, results of operations and cash flows.

Exposure to additional income tax liabilities due to audits could materially adversely affect our business.

Due to our size and the nature of our business, we are subject to ongoing reviews by taxing jurisdictions on various tax matters, including challenges to various positions we assert on our income tax and withholding tax returns. We accrue income tax liabilities and tax contingencies based upon our best estimate of the taxes ultimately expected to be paid after considering our knowledge of all relevant facts and circumstances, existing tax laws, our experience with previous audits and settlements, the status of current tax examinations and how the tax authorities view certain issues. Such amounts are included in taxes payable or other non-current liabilities, as appropriate, and updated over time as more information becomes available. We record additional tax expense in the period in which we determine that the recorded tax liability is less than the ultimate assessment we expect. We are currently subject to audit and review in a number of jurisdictions in which we operate, and further audits may commence in the future.

We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act of 2002.

We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. While our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2012, we cannot assure you that we will not have a material weakness in the future. A “material weakness” is a control deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. If we fail to maintain a system of internal controls over financial reporting that meets the requirements of Section 404, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by the Nasdaq Stock Market LLC. Additionally, failure to comply with Section 404 or the report by us of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may be subject to increase in insurance costs, we may not have access to the capital markets, and our stock price may be adversely affected.

We may not be able to adequately protect proprietary rights to our technology.

Our success will depend in part upon our proprietary technology and processes. Although we attempt to protect our intellectual property through patents, trademarks, trade secrets, copyrights, confidentiality and nondisclosure agreements and other measures, these measures may not be adequate particularly in foreign countries where the laws may offer significantly less intellectual property protection than is offered by the laws of the United States. In addition, any attempts to enforce our intellectual property rights, even if successful, could result in costly and prolonged litigation, divert management’s attention and adversely affect our results of operations and cash flows. The unauthorized use of our intellectual property may adversely affect our results of operations as our competitors would be able to utilize such property without having had to incur the costs of developing it, thus potentially reducing our relative profitability. Furthermore, we may be subject to claims that our technology infringes the intellectual property rights of another. Even if without merit, those claims could result in costly and prolonged litigation, divert management’s attention and adversely affect our results of operations and cash flows. In addition, we may be required to enter into licensing agreements in order to continue using technology that is important to our business, or we may be unable to obtain license agreements on acceptable terms, either of which could negatively affect our financial position, results of operations and cash flows.

We may not be able to utilize all of our net operating loss carryforwards.

We have net operating loss carryforwards and other significant U.S. tax attributes that we believe could offset otherwise taxable income in the United States. The net operating loss carryforwards available in any year to offset our net taxable income will be reduced following a more than 50% change in ownership during any period of 36 consecutive months (an “ownership change”) as determined under the Internal Revenue Code of 1986 (the “Code”). Our certificate of incorporation prohibits and voids certain transfers of our common stock in order to reduce the risk that an ownership change will jeopardize our net operating loss carryforwards. Because U.S. tax law limits the time during which carryforwards may be applied against future taxes, we may not be able to take full advantage of the carryforwards for federal income tax purposes. In addition, federal and state tax laws pertaining to net operating loss carryforwards may be changed from time to time such that the net operating loss carryforwards may be reduced or eliminated. If the net operating loss carryforwards become unavailable to us or are fully utilized, our future income will not be shielded from federal and state income taxation, and the funds otherwise available for general corporate purposes would be reduced.

Transfer restrictions and other factors could hinder the market for our common stock.

Table of Contents

In order to reduce the risk that an ownership change would jeopardize the preservation of our U.S. federal income tax attributes, including net operating loss carryforwards, for purposes of Sections 382 and 383 of the Code, our certificate of incorporation includes restrictions on transfers involving 5% ownership. These transfer restrictions may make our stock less attractive to large institutional holders, discourage potential acquirers from attempting to take over our company, limit the price that investors might be willing to pay for shares of our common stock and otherwise hinder the market for our common stock.

We could engage in or approve transactions involving our common shares that inadvertently impair the use of our federal income tax attributes.

Section 382 of the Code affects our ability to use our federal income tax attributes, including our net operating loss carryforwards, following a more than 50% change in ownership during any period of 36 consecutive months, an ownership change, as determined under the Code. Certain transactions may be included in the calculation of an ownership change, including transactions involving our repurchase or issuance of our common shares. When we engage in or approve any transaction involving our common shares that may be included in the calculation of an ownership change, our practice is to first perform the calculations necessary to confirm that our ability to use our federal income tax attributes will not be affected. These calculations are complex and reflect certain necessary assumptions. Accordingly, it is possible that we could approve or engage in a transaction involving our common shares that causes an ownership change and inadvertently impairs the use of our federal income tax attributes.

We could engage in or approve transactions involving our common shares that adversely affect significant stockholders.

Under the transfer restrictions in our certificate of incorporation, our 5% stockholders are, in effect, required to seek the approval of, or a determination by, our Board of Directors before they engage in transactions involving our common stock. We could engage in or approve transactions involving our common stock that limit our ability to approve future transactions involving our common stock by our 5% stockholders in accordance with the transfer restrictions in our certificate of incorporation without impairing the use of our federal income tax attributes. In addition, we could engage in or approve transactions involving our common stock that cause stockholders owning less than 5% to become 5% stockholders, resulting in those stockholders' having to seek the approval of, or a determination by, our Board of Directors under our certificate of incorporation before they could engage in future transactions involving our common stock. For example, share repurchases reduce the number of our common shares outstanding and could cause a stockholder holding less than 5% to become a 5% stockholder even though it has not acquired any additional shares.

Our results may fail to meet investor expectations and the trading price of our stock may decline due to a variety of factors beyond our control.

Our financial and operating results may be significantly below the expectations of public market analysts and investors and the price of our common stock may decline due to the factors beyond our control, including, among others:

- volatility in the spot market for primary aluminum and energy costs;
- cyclical aspects impacting demand for our products;
- changes in the volume, price and mix of the products we sell;
- non-cash charges including last-in, first-out, or "LIFO", inventory charges and impairments, lower of cost or market valuation adjustments to inventory, mark-to-market gains and losses related to our derivative transactions and impairments of fixed assets and intangible assets;
- unanticipated interruptions of our operations including variations in the maintenance needs for our facilities;
- unanticipated changes in our labor relations; and
- U.S. and global economic conditions.

Our annual variable payment obligations to the VEBAs are linked with our profitability, which means that not all of our earnings will be available to our stockholders.

We are obligated to make annual payments to the two voluntary employer's beneficiary associations ("VEBAs") that provide benefits for certain eligible retirees and their spouses and eligible dependents calculated in part on our profitability and therefore, not all of our earnings will be available to our stockholders. The aggregate amount of our annual payments to the VEBAs is capped however at $20 million and is subject to other limitations. As a result of these variable payment obligations, our cash flows may be reduced. Our obligation to the VEBA that provides benefits for eligible retirees represented by certain unions and their surviving spouse and eligible dependents (the “Union VEBA”) terminates on September 30, 2017. In the future, groups representing our current and future retired hourly employees, or the Union VEBA itself, may seek to extend our obligation to the Union VEBA beyond the current termination date. Any such extension could have a material adverse effect on our financial position, results of operations and cash flows.

Table of Contents

The ownership of our stock is concentrated, with a few owners who may, individually or collectively, exert significant influence over us.

Certain investment funds, advisers and organizations own greater than 5% of our outstanding common stock as of December 31, 2012. As a result, any of them could have significant influence over matters requiring stockholder approval, including the composition of our Board of Directors. Further, to the extent that the substantial stockholders were to act in concert, they could potentially control any action taken by our stockholders. This concentration of ownership could also facilitate or hinder proxy contests, tender offers, open market purchase programs, mergers or other purchases of our common stock that might otherwise give stockholders the opportunity to realize a premium over the then prevailing market price of our common stock or cause the market price of our common stock to decline. We cannot assure you that the interests of our major stockholders will not conflict with our interests or the interests of our other investors.

The USW has director nomination rights through which it may influence us, and USW interests may not align with our interests or the interests of our other investors.

Pursuant to agreements between us and the USW, the USW has the right to nominate candidates which, if elected, would constitute 40% of our Board of Directors through September 30, 2015, at which time the USW is required to cause any director nominated by the USW to submit his or her resignation to our Board of Directors, which submission our Board of Directors may accept or reject in its discretion. As a result, the directors nominated by the USW have a significant voice in the decisions of our Board of Directors. It is possible that the USW may seek to extend the term of the agreement and its right to nominate board members beyond 2015.

Payment of dividends may not continue in the future, and our payment of dividends and stock repurchases are subject to restriction.

Our Board of Directors has declared a cash dividend for each quarter since the summer of 2007. The future declaration and payment of dividends, if any, will be at the discretion of the Board of Directors and will depend on a number of factors, including our financial and operating results, financial position, and anticipated cash requirements. We can give no assurance that dividends will be declared and paid or that dividends will not be reduced in the future. Additionally, our revolving credit facility and the indenture for our Senior Notes restrict our ability to pay dividends and repurchase our common shares.

Our certificate of incorporation includes transfer restrictions that may void transactions in our common stock effected by 5% stockholders.

Our certificate of incorporation restricts the transfer of our equity securities if either (1) the transferor holds 5% or more of the fair market value of all of our issued and outstanding equity securities or (2) as a result of the transfer, either any person would become such a 5% stockholder or the percentage stock ownership of any such 5% stockholder would be increased. These restrictions are subject to exceptions set forth in our certificate of incorporation. Any transfer that violates these restrictions is void and will be unwound as provided in our certificate of incorporation.

Delaware law and our governing documents may impede or discourage a takeover, which could adversely affect the value of our common stock.

Provisions of Delaware law and our certificate of incorporation and bylaws may discourage a change of control of our company or deter tender offers for our common stock. We are currently subject to anti-takeover provisions under Delaware law. These anti-takeover provisions impose various impediments to the ability of a third party to acquire control of us. Additionally, provisions of our certificate of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our certificate of incorporation authorizes our Board of Directors to determine the rights, preferences and privileges and restrictions of unissued shares of preferred stock without any vote or action by our stockholders. As a result, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of common stock. Our certificate of incorporation also divides our Board of Directors into three classes of directors who serve for staggered terms. A significant effect of a classified Board of Directors may be to deter hostile takeover attempts because an acquirer could experience delays in replacing a majority of directors. Moreover, stockholders are not permitted to call a special meeting. Our certificate of incorporation prohibits certain transactions in our common stock involving 5% stockholders or parties who would become 5% stockholders as a result of the transaction. The general effect of these transfer restrictions is to ensure that a change in ownership of more than 45% of our outstanding common stock cannot occur in any three-year period without the consent of our Board of Directors. These rights and provisions may have the effect of delaying or deterring a change of control of our company and may limit the price that investors might be willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments

Table of Contents

None.

Item 2. Properties

Information regarding the location, size and ownership of our principal plants as of December 31, 2012 is below:

Location	Square footage	Owned or Leased
Chandler, Arizona (Extrusion)	115,000	Owned/Leased[1]
Chandler, Arizona (Tube)	93,000	Owned/Leased[2]
Florence, Alabama	252,000	Owned
Jackson, Tennessee	310,000	Owned
Kalamazoo, Michigan	465,000	Leased[3]
London, Ontario (Canada)	265,000	Owned
Los Angeles, California	183,000	Owned
Newark, Ohio	1,293,000	Owned
Richland, Washington	45,000	Leased[4]
Richmond (Bellwood), Virginia	430,000	Owned
Sherman, Texas	313,000	Owned
Spokane, Washington	2,866,000	Owned/Leased[5]
Total	6,630,000	

1 The Chandler, Arizona (Extrusion) facility is subject to a land lease with a primary lease term that expires in 2023. The facility is owned by us and is not subject to any leases.

2 The Chandler, Arizona (Tube) facility is subject to a land lease with a primary lease term that expires in 2033. We have certain extension rights in respect of the Chandler, Arizona (Tube) facility lease. The facility is owned by us and is not subject to any leases.

3 The Kalamazoo, Michigan facility is subject to a lease with a 2033 expiration date.

4 The Richland, Washington facility is subject to a lease that expires in 2016, subject to certain extension rights held by us.

5 The Spokane, Washington facility consists of 2,745,000 square feet, which is owned by us, and 121,000 square feet, which is subject to a lease with a 2015 expiration date and a renewal option subject to certain terms and conditions.

Plants and equipment and other facilities are generally in good condition and suitable for their intended uses.

Our corporate headquarters, located in Foothill Ranch, California, is a leased facility consisting of 28,000 square feet at December 31, 2012, with an expiration date of June 2016.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

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

Market Information

Our outstanding common stock is traded on the Nasdaq Global Select Market under the ticker symbol "KALU."

The following table sets forth the high and low closing sale prices of our common stock for each quarterly period for fiscal years 2012 and 2011:

	High	Low
Fiscal 2012		
First quarter	$52.46	$46.82
Second quarter	$52.57	$46.62
Third quarter	$59.15	$49.42
Fourth quarter	$61.75	$56.27
Fiscal 2011		
First quarter	$52.77	$45.88
Second quarter	$54.62	$46.37
Third quarter	$56.30	$43.71
Fourth quarter	$49.46	$40.26

Holders

As of February 13, 2013, there were approximately 583 holders of record of our common stock.

Dividends

We declare and pay regular quarterly cash dividends to holders of our common stock, including holders of restricted stock. We also pay quarterly dividend equivalents to the holders of certain restricted stock units and the holders of performance shares with respect to approximately one half of the performance shares issued under our equity and performance incentive plan. Total cash dividends (and dividend equivalents) paid in 2012, 2011 and 2010 were $1.00 per share (or $19.6 million), $0.96 per share (or $18.9 million) and $0.96 per share (or $19.0 million), respectively.

On January 14, 2013, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of $0.30 per common share, or $5.9 million (including dividend equivalents), which was paid on February 15, 2013 to stockholders of record at the close of business on January 25, 2013.

The future declaration and payment of dividends, if any, will be at the discretion of our Board of Directors and will depend on a number of factors, including our financial and operating results, financial position and anticipated cash requirements and contractual restrictions under our revolving credit facility and the indenture for our 8.250% Senior Notes due 2020, or indebtedness we may incur in the future. We can give no assurance that dividends will be declared and paid in the future.

Stock Performance Graph

The following graph compares the cumulative total shareholder return on our common stock with: (i) the Russell 2000 and (ii) the S&P SmallCap 600. The graph assumes (i) an initial investment of $100 as of December 31, 2007 and (ii) reinvestment of all dividends. We are a component of both the Russell 2000 index and the S&P SmallCap 600 index. The performance graph is not necessarily indicative of future performance of our stock price.

Table of Contents

Issuer Repurchases of Equity Securities

We did not repurchase any of our own common stock during the fourth quarter of 2012.

Our Board of Directors approved a program for the repurchase of up to $75 million of our common shares in June 2008. During 2012, 2011 and 2010, we did not purchase any shares of our common stock under this program, and as of December 31, 2012, $46.9 million remained available for repurchases under the existing authorization. The program may be modified or terminated by our Board of Directors at any time. All shares repurchased under this stock repurchase program have been treated as treasury shares.

Item 6. Selected Financial Data

The following table represents our selected financial data. The table 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” of this Report.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(In millions of dollars, except shipments, average sales price and per share amounts)				
Net sales	$1,360.1	$1,301.3	$1,079.1	$987.0	$1,508.2
Net income (loss)	$85.8	$25.1	$12.0	$70.5	$(68.5)
Basic income (loss) per share:					
Net income (loss) per share	$4.49	$1.32	$0.61	$3.51	$(3.45)
Diluted income (loss) per share:					
Net income (loss) per share	$4.45	$1.32	$0.61	$3.51	$(3.45)
Shipments (mm lbs)	585.9	560.9	514.6	542.4	691.6
Average realized sales price (per lb)	$2.32	$2.32	$2.10	$1.82	$2.18
Cash dividends declared per common share	$1.00	$0.96	$0.96	$0.96	$0.66
Capital expenditures	$44.1	$32.5	$38.9	$59.2	$93.2
Depreciation and amortization expense	$26.5	$25.2	$19.8	$16.4	$14.7

	December 31,				
	2012	2011	2010	2009	2008
Total assets	$1,752.5	$1,320.6	$1,318.9	$1,054.6	$1,145.4
Cash and short term investment	358.4	49.8	135.6	30.3	0.2
Long-term borrowings (at face value), including amounts due within one year	400.0	179.7	188.0	7.0	43.0

In addition to the operational results discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," significant items that impacted the financial results included, but were not limited to, the following:

2012:

- We issued $225.0 million principal amount of 8.250% Senior Notes due 2020, resulting in proceeds of $218.4 million net of $6.6 million of initial transaction fees.
- We recorded $16.0 million of non-cash, pre-tax, unrealized mark-to-market gains on our derivative instruments.
- We recorded $11.9 million of net periodic pension benefit income relating to two voluntary employee's beneficiary associations that provide benefits for certain eligible retirees and their spouses and eligible dependents (the "VEBAs").
- Our Board of Directors released stock transfer restrictions on 2,202,495 shares of our common stock owned by the VEBA that provides benefits for certain eligible retirees represented by certain unions and their spouses and eligible dependents (the "Union VEBA"), at a weighted-average price of $49.31 per share, thereby increasing Union VEBA assets by $108.6 million and increasing Stockholders' equity by $67.3 million (net of tax).
- We recorded a variable contribution payable to the VEBAs of $20.0 million with respect to calendar year 2012, which will be paid in the first quarter of 2013.

2011:

- We completed the strategic acquisition from Alexco, LLC of the Chandler, Arizona (Extrusion) facility, which manufactures hard alloy extrusions for the aerospace industry. Cash consideration for the acquisition was approximately $83.2 million (which was net of $4.9 million cash received in the acquisition).
- We recorded $25.9 million of non-cash, pre-tax, unrealized mark-to-market losses on our derivative instruments.
- We recorded $6.0 million of net periodic pension benefit income relating to the VEBAs.
- The Union VEBA sold 1,321,485 shares of our common stock at a weighted-average price of $49.58 per share, thereby increasing Union VEBA assets by $65.5 million and increasing Stockholders' equity by $40.5 million (net of tax).

2010:

- We issued $175.0 million principal amount of 4.5% Cash Convertible Senior Notes due 2015 (“Convertible Notes”) and purchased call options indexed to our own stock to hedge the cash obligations upon potential conversion of the Convertible Notes.
- We increased our environmental reserve by $13.9 million, of which $13.4 million was in connection with our submission of a draft feasibility study to the Washington State Department of Ecology on September 8, 2010 to address the historical use of oils containing polychlorinated biphenyls, or PCBs, at our Trentwood facility in Spokane, Washington facility and to reflect plans for remediation for the next 30 years.
- We completed the strategic acquisition of the manufacturing facility in Florence, Alabama, and related assets, of Nichols. Consideration for the acquisition was $15.7 million, consisting of a $9.0 million cash payment and a promissory note of $6.7 million, as well as the assumption of certain liabilities totaling approximately $2.1 million.
- We recorded $5.6 million of non-cash, pre-tax, unrealized mark-to-market losses on our derivative instruments.
- We recorded $5.1 million of net periodic pension benefit cost relating to the VEBAs.
- The Union VEBA sold 1,321,485 shares of our common stock at a weighted-average price of $39.39 per share, thereby increasing Union VEBA assets by $52.1 million and increasing Stockholders’ equity by $32.5 million (net of tax).

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K (this "Report") contains statements which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this Report and can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “estimates,” “will,” “should,” “plans” or “anticipates” or the negative of the foregoing or other variations of comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary from those in the forward-looking statements as a result of various factors. These factors include: the effectiveness of management’s strategies and decisions; general economic and business conditions including cyclicality and other conditions in the aerospace, automobile and other end market applications we serve; developments in technology; new or modified statutory or regulatory requirements; and changing prices and market conditions. This Item and Item 1A. “Risk Factors” each identify other factors that could cause actual results to vary. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Management’s discussion and analysis of financial condition and results of operations (“MD&A”) is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Overview;
- Management Review of 2012 and Outlook for the Future;
- Results of Operations;
- Certain Information Related to Our Significant Tax Attributes;
- Liquidity and Capital Resources;
- Contractual Obligations, Commercial Commitments, and Off-Balance-Sheet and Other Arrangements;
- Critical Accounting Estimates and Policies;
- New Accounting Pronouncements; and
- Available Information.

Our MD&A should be read in conjunction with the consolidated financial statements and related notes included in Item 8. “Financial Statements and Supplementary Data” of this Report.

In the discussion of operating results below, certain items are referred to as non-run-rate items. For purposes of such discussion, non-run-rate items are items that, while they may recur from period-to-period, (i) are particularly material to results, (ii) affect costs primarily as a result of external market factors, and (iii) may not recur in future periods if the same level of underlying performance were to occur. Non-run-rate items are part of our business and operating environment but are worthy of

Table of Contents

being highlighted for the benefit of the users of the financial statements. Our intent is to allow users of the financial statements to consider our results both in light of and separately from items such as fluctuations in underlying metal prices, natural gas prices, and currency exchange rates. For a reconciliation of operating income excluding non-run-rate items to operating income, see "Results of Operations Segment and Business Unit Information" below.

In addition to non-run-rate items, we also provide information regarding value added revenue. Value added revenue represents net sales less the hedged cost of alloyed metal. As discussed further below, (i) a fundamental part of our business is to mitigate the impact of metal price volatility through pricing policies that pass metal costs through to our customers and a hedging program that addresses metal price exposure in circumstances in which we are unable to pass metal costs through to our customers and (ii) as a result of our pricing policies and hedging program, fluctuations in underlying metal price do not directly impact our profitability. Accordingly, value added revenue is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the metal cost component thereof. For a reconciliation of value added revenue to net sales, see "Results of Operations Segment and Business Unit Information" below.

Overview

We are a leading North American manufacturer of semi-fabricated specialty aluminum products for aerospace / high strength, general engineering, automotive, and other industrial applications.

At December 31, 2012, we operated 11 focused production facilities in the United States and one facility in Canada that produce rolled, extruded, and drawn aluminum products used principally for aerospace and defense, automotive, consumer durables, electronics, electrical, and machinery and equipment end market applications. Through these facilities, we produced and shipped approximately 585.9 million pounds of semi-fabricated aluminum products which comprised all of our total consolidated net sales of approximately $1,360.1 million during the year ended December 31, 2012.

We have long-standing relationships with our customers, which consist primarily of blue-chip companies including leading aerospace companies, automotive suppliers and metal distributors. In our served markets, we seek to be the supplier of choice by providing "Best in Class" customer satisfaction and offering a broad product portfolio. We have a culture of continuous improvement that is facilitated by the Kaiser Production System ("KPS"), an integrated application of continuous improvement tools such as, among others, Lean Manufacturing, Six Sigma and Total Productive Manufacturing. We believe KPS enables us to continuously reduce our own manufacturing costs, eliminate waste throughout the value chain, and deliver "Best in Class" customer service through consistent, on-time delivery of superior quality products on short lead times. We strive to tightly integrate the management of our operations across multiple production facilities, product lines and our served markets in order to maximize the efficiency of product flow to our customers.

A fundamental part of our business model is to mitigate the impact of aluminum price volatility on our cash flow. We manage the risk of fluctuations in the price of primary aluminum through either (i) pricing policies that allow us to pass the underlying cost of metal onto customers or (ii) hedging by purchasing financial derivatives to shield us from exposure related to firm-price sales contracts that specify the underlying metal price plus a conversion price. While we can generally pass metal price movement through to customers, for some of our higher value added products sold on a spot basis, the pass through of metal price movements can sometimes lag by as much as several months, with a favorable impact to us when metal prices decline and an adverse impact to us when metal prices increase. The average London Metal Exchange ("LME") transaction price per pound of primary aluminum for 2012, 2011 and 2010 were $0.92, $1.09 and $0.99, respectively. At February 13, 2013, the LME transaction price per pound was $0.95.

Our highly engineered products are manufactured to meet demanding requirements of aerospace and defense, general engineering, automotive and other industrial applications. We have focused our business on select end market applications where we believe we have sustainable competitive advantages and opportunities for long-term profitable growth. We believe that we differentiate ourselves with "Best in Class" customer satisfaction and a broad product offering, including superior products in our KaiserSelect® product line. Our KaiserSelect® products are manufactured to deliver enhanced product characteristics with improved consistency which results in better performance, lower waste, and, in many cases, lower cost for our customers.

In the commercial aerospace sector, we believe that global economic growth and development will continue to drive growth in airline passenger miles. In addition, trends such as longer routes and larger payloads and a focus on fuel efficiency have increased the demand for new and larger aircraft. We believe that the long-term demand drivers, including growing build rates, larger airframes and increased use of monolithic design (where aluminum plate is heavily machined to form the desired part from a single piece of metal as opposed to using aluminum sheet, extrusions or forgings that are affixed to one another using rivets, bolts or welds) throughout the industry will continue to increase demand for our high strength aerospace plate. We believe the strength of demand is demonstrated by the current eight-year backlog for the two primary manufacturers of commercial aircraft.

Table of Contents

Our products are also sold into defense end market applications. Ongoing requirements of active military engagements continue to drive demand for our products. Longer term, we expect the production of the F-35, or Joint Strike Fighter, to also drive demand for our high strength products.

Commercial aerospace and defense applications have demanding customer requirements for quality and consistency. As a result, there are a very limited number of suppliers worldwide who are qualified to serve these market segments. We believe barriers to entry include significant capital requirements, technological expertise and a rigorous qualification process for safety-critical applications.

We expect the 2013 North American automotive sector build rates to increase approximately 2% over 2012. Our automotive products typically have specific performance attributes in terms of machinability and/or mechanical properties for specific applications across a broad mix of North American original equipment manufacturers (“OEMs”) and automotive platforms. We believe that these attributes are not easily replicated by our competitors and are important to our customers, who are typically first tier automotive suppliers. Additionally, we believe that in North America, from 2001 to 2011, the aluminum extrusion content per vehicle grew at a compound annual growth rate of 3.2%, as automotive OEMs and their suppliers found opportunities to decrease weight without sacrificing structural integrity and safety performance. We also believe the United States’ Corporate Average Fuel Economy (“CAFE”) regulations, which increase fuel efficiency standards on an annual basis, will continue to drive growth in demand for aluminum extruded components in passenger vehicles as a replacement for the heavier weight of steel components.

Our general engineering products serve the North American industrial market segments, and demand for these products generally tracks the broader economic environment.

For purposes of segment reporting under United States generally accepted accounting principles (“GAAP”), we treat our Fabricated Products segment as its own reportable segment. We combine our two other business units, Secondary Aluminum and Corporate and Other into one category, which we refer to as All Other. All Other is not considered a reportable
segment (see Note 15 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report).

Management Review of 2012 and Outlook for the Future

Overall Fabricated Products shipment volumes in 2012 increased as compared to 2011, reflecting improved economic conditions and stronger demand for our aerospace and high strength and general engineering end market applications. Shipments of aerospace and high strength products increased in 2012 due primarily to higher demand for heat treat plate and sheet for commercial aerospace applications. Higher shipments of general engineering products reflected an improving overall North American economy and the resulting stronger demand for those products.

Our 2012 results reflected a 4% increase in Fabricated Products shipment volume. The Fabricated Products average realized prices remained flat reflecting higher value added revenue per pound offset by lower underlying hedged, alloyed metal prices passed through to customers. Value added revenue per pound increased due to a shift in mix toward higher margin products during the year and price improvements on some products.

In 2012, we (i) pursued a fourth phase of investment at our Trentwood facility in Spokane, Washington to increase aerospace plate capacity by approximately 5% as of the end of 2012, (ii) continued to ramp up production at our world class Kalamazoo, Michigan casting and extrusion facility, (iii) continued to improve manufacturing efficiencies to achieve further cost improvements over our 2011 performance, (iv) expanded our product offering of KaiserSelect® products to meet the needs and specifications of our customers, and (v) strengthened our financial position through the issuance of $225 million of 8.250% Senior Notes due 2020 ("Senior Notes").

The long-term prospects for aerospace and high strength products remain strong, and we continue to expect strong demand growth for our products driven by increasing build rates, larger airframes, and continued conversion to monolithic design. We are well positioned to meet this growing demand with the recent completion of our Phase 4 heat treat plate expansion at the Spokane, Washington facility and the ability to support future capital efficient expansions as needed to keep pace with demand. In 2012, we achieved record value added revenue for aerospace applications, and we expect continued demand strength in 2013, albeit at more modest levels of growth compared to 2012.

While automotive build rates are expected to show only modest improvements in North America in 2013 compared to 2012, we continue to be optimistic about long-term automotive growth opportunities attributable to increasing aluminum extrusion content and higher build rates. Demand for our general engineering and industrial applications reflects continued economic uncertainty and weak industrial manufacturing demand. However with extremely lean inventories in the supply chain, we could see accelerated improvement in demand for these applications if confidence levels improve and the U.S. economy demonstrates

Table of Contents

sustainable growth. At this time, our visibility remains limited and we do not see evidence of a significant change in demand in 2013.

Longer term, we are well positioned in attractive, growing markets, particularly aerospace and automotive. With improving demand and the benefit from our organic and acquisition investments, our long-term earnings potential remains strong. We have a strong platform for capital-efficient expansion to serve our growing markets as evidenced by the expansion of our aerospace plate capacity at the Trentwood facility in Spokane, Washington completed in 2012 as well as further plate capacity expansion opportunities that are ready to launch as we receive clear demand signals from the marketplace. In addition, we will continue to consider complementary acquisitions.

Our focus in 2013 will be:

- continuing to differentiate ourselves with additional KaiserSelect® products, “Best In Class” customer satisfaction, strong delivery performance, expanded product breadth, and broader geographic marketing presence;
- continuing to improve the manufacturing efficiencies of our facilities to generate additional cost improvements over our 2012 performance; and
- continuing to invest in our facilities to support growth and further enhance operating efficiencies.

Results of Operations

Fiscal 2012 Summary

- Net sales in 2012 increased to $1,360.1 million compared to $1,301.3 million for 2011. The increase included higher Fabricated Products segment shipment volume, reflecting improved economic conditions and stronger demand for products across most of our end markets.
- Our operating income for 2012 was $165.9 million compared to operating income of $55.0 million for 2011. Operating income for 2012 included items that we consider to be non-run-rate, which totaled to a benefit of $18.9 million, primarily related to non-cash mark-to-market gains on our derivative instruments of $15.2 million. Operating income for 2011 included significant non-run-rate items totaling to a charge of $31.2 million, primarily related to non-cash mark-to-market losses on our derivative instruments of $29.9 million. (See further discussion of our operating income before non-run-rate in “Segment and Business Unit Information” below.)
- Net income for 2012 was $85.8 million, compared to $25.1 million of net income for 2011. Net income for 2012 and 2011 included the non-run-rate items as discussed above.
- Our effective tax provision rate for 2012 was 38.5% (see discussion in “Consolidated Selected Operational and Financial Information - Income Tax Provision” below).
- In May 2012, we issued $225.0 million principal amount of Senior Notes resulting in proceeds of $218.4 million net of $6.6 million of initial transaction fees.
- We had combined cash balances, short-term investments, and net borrowing availability under our revolving credit facility of approximately $618.2 million, with no borrowings, as of December 31, 2012.
- We paid a total of approximately $19.6 million, or $1.00 per common share, in cash dividends to stockholders, including holders of restricted stock, and in dividend equivalents to the holders of certain restricted stock units and the holders of performance shares with respect to approximately one half of all outstanding performance shares.
- Our Board of Directors released the stock transfer restrictions on 2,202,495 shares of our common stock owned by a voluntary employee's beneficiary association (“VEBA”), that provides benefits for certain eligible retirees represented by certain unions and their spouses and eligible dependents (the “Union VEBA”), at a weighted-average price of $49.31 per share, thereby increasing VEBA assets by $108.6 million and increasing Stockholders' equity by $67.3 million (net of tax).

Consolidated Selected Operational and Financial Information

The table below provides selected operational and financial information on a consolidated basis (in millions of dollars, except shipments and prices) for 2012, 2011 and 2010.

The following data should be read in conjunction with our consolidated financial statements and the notes thereto included in Item 8. “Financial Statements and Supplementary Data” of this Report. See Note 15 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for further information regarding segments.

Table of Contents

	Year Ended December 31, 2012	2011	2010
	(In millions of dollars, except shipments and average sales price)		
Shipments (mm lbs):			
Fabricated Products	585.9	560.9	514.2
All Other[1]	—	—	0.4
	585.9	560.9	514.6
Average Realized Sales Price (per pound):			
Fabricated Products[2]	$2.32	$2.32	$2.10
All Other[1]	$—	$—	$0.92
Net Sales:			
Fabricated Products	$1,360.1	$1,301.3	$1,078.8
All Other[1]	—	—	0.3
Total Net Sales	$1,360.1	$1,301.3	$1,079.1
Operating Income (Loss):			
Fabricated Products[3 4]	$190.8	$83.6	$81.7
All Other[5]	(24.9)	(28.6)	(40.6)
Total Operating Income	$165.9	$55.0	$41.1
Income tax provision	$(53.8)	$(16.2)	$(13.1)
Net Income	$85.8	$25.1	$12.0
Capital Expenditures	$44.1	$32.5	$38.9

1 Shipments, averaged realized prices and net sales in All Other in 2010 represent activity involving primary aluminum purchased by us from Anglesey Aluminium Limited ("Anglesey"), in which we have a 49% equity investment while it continued its smelting operations (prior to September 30, 2009) and resold by us. (See further discussion in "Segment and Business Unit Information" below.)

2 Average realized prices for our Fabricated Products segment are subject to fluctuations due to changes in product mix and underlying primary aluminum prices, and are not necessarily indicative of changes in underlying profitability.

3 Operating results in the Fabricated Products segment for 2012, 2011 and 2010 included non-cash LIFO inventory (benefits) charge of $(4.9) million, $(7.1) million and $16.5 million, respectively. Also included in the Fabricated Products segment operating results for 2012, 2011 and 2010 were $1.1 million, $1.7 million and $13.6 million, respectively, of environmental expense. Fabricated Products segment operating results for 2012 and 2010 also included $4.4 million and $3.9 million of asset impairment charge relating to certain Property, plant and equipment.

4 Fabricated Products segment results for 2012, 2011 and 2010 include non-cash mark-to-market gains (losses) on primary aluminum, natural gas and electricity hedging activities totaling $15.2 million, $(29.9) million and $(0.7) million, respectively. For further discussion regarding mark-to-market matters, see Note 12 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report.

5 Operating results in All Other represent operating expenses in the Corporate and Other business unit. Operating results of All Other include VEBA net periodic benefit (income) expense of $(11.9) million, $(6.0) million and $5.1 million for 2012, 2011 and 2010, respectively.

Summary. We reported net income of $85.8 million for 2012 compared to $25.1 million for 2011 and $12.0 million for 2010. All periods include a number of non-run-rate items that are more fully explained below. See "Segment and Business Unit Information" below for a detailed discussion.

Net Sales. We reported Net sales for 2012 of $1,360.1 million, compared to $1,301.3 million for 2011 and $1,079.1 million for 2010. As more fully discussed below, the increase in Net sales during 2012 was primarily due to an increase in Fabricated Products segment shipments. The average realized sales price per pound compared to the prior year was flat reflecting higher value added revenue offset by lower underlying metal prices. Fluctuations in the price of primary aluminum do not necessarily directly impact profitability because (i) a substantial portion of the business conducted by the Fabricated Products segment

29

Table of Contents

passes primary aluminum price changes directly through to customers and (ii) our hedging activities in support of Fabricated Products segment firm-price sales agreements limit our losses and gains from primary metal price changes. The increase in Net sales during 2011 compared to 2010 was primarily due to an increase in Fabricated Products segment shipments and an increase in average realized sales price per pound compared to the prior year. The increase in average realized sales price per pound was a result of higher value added revenue and higher underlying metal prices.

Cost of Products Sold, Excluding Depreciation and Amortization and Other Items. Cost of products sold, excluding depreciation and amortization and other items for 2012 totaled $1,116.2 million, or 82% of Net sales, compared to $1,129.0 million, or 87% of Net sales, in 2011 and $946.1 million, or 88% of Net sales, in 2010. See "Segment and Business Unit Information" below for a detailed discussion of the comparative results of operations for 2012, 2011 and 2010.

Unrealized (gains) losses on derivative instruments. Unrealized (gains) losses on derivative instruments were $(15.2) million, $29.9 million and $0.7 million for 2012, 2011 and 2010, respectively. Such (gains) losses are related to our operational hedges to mitigate the our exposure to changes in prices for certain products sold and consumed by us and, to a lesser extent, to mitigate our exposure to changes in foreign currency exchange rates.

Restructuring Benefits. Restructuring benefits were $0.3 million in 2010, primarily relating to $1.0 million of revisions of estimated employee termination costs, offset by an additional restructuring charge of $0.7 million in regards to the impairment of certain Construction in Progress assets. Restructuring benefits in 2011 were $0.3 million reflecting revisions of estimated employee termination costs. There were no restructuring benefits in 2012.

Depreciation and Amortization. Depreciation and amortization for 2012 was $26.5 million compared to $25.2 million for 2011 and $19.8 million for 2010. Depreciation and amortization expense increased in 2012 compared to 2011 primarily due to additional Construction in progress being placed into service during 2012 in connection with expansion projects at various facilities. Depreciation and amortization increased in 2011 compared to 2010 primarily due to (i) bringing on-line certain production equipment relating to our investment in the Kalamazoo, Michigan facility, (ii) additional depreciation expense relating to property, plant and equipment acquired in connection with the acquisitions of the Florence, Alabama facility and the Chandler, Arizona (Extrusion) facility, and (iii) amortization of intangible assets acquired in connection with these acquisitions.

Selling, Administrative, Research and Development, and General. Selling, administrative, research and development, and general expense totaled $62.2 million in 2012 compared to $62.7 million in 2011. The slight decrease during 2012 was primarily due to (i) a $5.9 million increase in periodic pension benefit income with respect to the Union VEBA and a VEBA that provide benefits for certain other eligible retirees, their surviving spouses and eligible dependents (the “Salaried VEBA,” and together with the Union VEBA, the “VEBAs”) and (ii) a $2.1 million decrease in environmental expense, offset by (iii) a $5.5 million increase in employee compensation expense related primarily to our incentive programs as a result of improved operating results, (iv) a $1.2 million increase in workers' compensation expense due to increases in case reserves in 2012, and (v) a $0.7 million increase in expense relating to our deferred compensation plan as a result of mark-to-market gains on deferred compensation assets in 2012.

Selling, administrative, research and development, and general expense totaled $62.7 million in 2011 compared to $67.7 million in 2010. The decrease during 2011 was primarily due (i) a $11.1 million decrease in net periodic pension benefit cost with respect to the VEBAs due to changes in the actuarial estimates, and (ii) a $2.2 million decrease in workers' compensation expense at our non-operating locations due to (a) lower estimated case reserve in 2011, and (b) higher estimated incurred but not reported expenses in 2010 relating to historical workers' compensation cases, partially offset by (c) higher incurred but not reported expenses in 2011 due to a decrease in the discount rate, partially offset by (iii) an increase of $1.9 million relating to our long-term and short-term incentive plans, (iv) a $1.9 million increase in environmental expense at our non-operating locations, (v) an increase in selling expense of $1.7 million primarily as a result of the acquisition of our Chandler, Arizona (Extrusion) facility effective January 1, 2011 and the acquisition of our Florence, Alabama facility on August 9, 2010, and (vi) an increase in research and development expense of approximately $1.2 million.

Other Operating Charges (Benefits). Other operating charges (benefits) were $4.5 million, $(0.2) million and $4.0 million for 2012, 2011 and 2010, respectively. Other operating charges for 2012 primarily consisted of $4.4 million of impairment charge on two presses that were a part of idled assets. Other operating charges for 2010 consisted of $1.9 million of impairment charge in connection with the sale of our Greenwood, South Carolina facility, and $2.0 million of impairment charge in regard to certain assets relating to Construction in progress.

Interest Expense. Interest expense represents cash and non-cash interest expense incurred on our debt instruments and our revolving credit facility, net of capitalized interest. Interest expense was $29.1 million, $18.0 million and $11.8 million for 2012, 2011 and 2010, respectively, net of $1.7 million, $1.3 million and $2.8 million of interest capitalization to Construction in progress. Interest expense in 2012 was primarily related to interest expense incurred on our 4.5% Cash Convertible Senior Notes due 2015 (“Convertible Notes”) and on our Senior Notes, which were issued on May 23, 2012. Interest expense in 2011 and 2010 were primarily related to interest incurred on the Convertible Notes.

Table of Contents

Other Income (Expense), Net. Other income (expense), net was $2.8 million for 2012, compared to $4.3 million for 2011 and $(4.2) million for 2010. Other income (expense), net for 2012 primarily consisted of $0.8 million of unrealized mark-to-market gains on the derivative instruments relating to our Convertible Notes, $0.4 million of insurance settlement relating to asbestos claims, $0.5 million realized gains on investments and $0.4 million of interest income. Other income (expense), net for 2011 and 2010 was primarily related to net unrealized mark-to-market changes on the derivative instruments relating to our Convertible Notes.

Income Tax Provision. The income tax provision for 2012 was $53.8 million, or an effective tax rate of 38.5%. The difference between the effective tax rate and the projected blended statutory tax rate for 2012 was primarily due to (i) an increase in unrecognized tax benefits, including interest and penalties, of $1.2 million, resulting in a 0.9% increase to the blended statutory tax provision rate, and (ii) the impact of a non-deductible compensation expense, which resulted in an increase to the income tax provision of $0.3 million and the blended statutory tax provision rate of 0.2%, offset by (iii) a foreign tax benefit of $0.6 million, which decreased the blended statutory tax provision rate by 0.4%, and (iv) a decrease in the valuation allowance for certain federal and state net operating losses, which resulted in a decrease to the income tax provision of $0.1 million and the blended statutory tax provision rate of 0.1%.

The income tax provision for 2011 was $16.2 million, or an effective tax rate of 39.2%. The difference between the effective tax rate and the projected blended statutory tax rate for 2011 was primarily due to (i) the impact of a non-deductible compensation expense, which resulted in an increase to the income tax provision of $1.1 million and increased the blended statutory tax provision rate by approximately 2.7%, and (ii) a foreign tax benefit, resulting primarily from the reduction of unrecognized tax benefits, including interest and penalties, which decreased the income tax provision by $0.6 million and the blended statutory tax provision by 1.5%.

The income tax provision for 2010 was $13.1 million, or an effective tax rate of 52.2%. The difference between the effective tax rate and the projected blended statutory tax rate for 2010 was primarily due to (i) an increase in the valuation allowance for certain federal and state net operating losses, which resulted in an increase to the income tax provision of $2.1 million and an increase to the blended statutory tax provision rate of 8.4%, (ii) a decrease in state net operating losses related to lower state apportionment in various states of $2.3 million, which increased the blended statutory rate by 9.2%, (iii) reduction of unrecognized tax benefits, including interest and penalties, which decreased the income tax provision by $1.1 million and the blended statutory tax provision rate by approximately 4.4%, and (iv) the impact of a non-deductible compensation expense, which resulted in an increase to the income tax provision of $0.6 million and increased the blended statutory tax provision rate by approximately 2.4%.

Derivatives

From time to time, we enter into derivative transactions, including forward contracts and options, to limit our economic (i.e., cash) exposure resulting from (i) metal price risk related to our sale of fabricated aluminum products and the purchase of metal used as raw material for our fabricated products operations, (ii) energy price risk relating to fluctuating prices of natural gas and electricity used in our production processes, and (iii) foreign currency requirements with respect to our foreign subsidiaries, investment, and cash commitments for equipment purchases. In March 2010, in connection with the issuance of the Convertible Notes, we purchased cash-settled call options (the “Call Options”) relating to our common stock to limit our exposure to the cash conversion feature of the Convertible Notes (see Note 3 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report).

We may modify the terms of our derivative contracts based on operational needs or financing objectives. As our hedging activities are generally designed to lock-in a specified price or range of prices, realized gains or losses on the derivative contracts utilized in the hedging activities generally offset at least a portion of any losses or gains, respectively, on the transactions being hedged at the time the transactions occur. However, due to mark-to-market accounting, during the term of the derivative contracts, significant unrealized, non-cash gains and losses may be recorded in the income statement (see Note 12 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report). We may also be exposed to margin calls placed on derivative contracts, which we try to minimize or offset through the management of counterparty credit lines, the utilization of options as part of our hedging activities, or both. We regularly review the creditworthiness of our derivative counterparties and do not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The fair value of our derivatives recorded on the Consolidated Balance Sheets at December 31, 2012 and December 31, 2011 was $(8.2) million and $(23.8) million, respectively. The change in the aggregate fair value during 2012 was primarily due to (i) settlement of derivative positions, (ii) changes in underlying primary aluminum, gas and electricity prices and (iii) a net increase in the fair value of derivatives related to the Convertible Notes primarily as a result of an increase in our stock price at December 31, 2012. The changes in market value of derivative contracts resulted in the recognition of a $16.0 million unrealized mark-to-market gain on derivatives, which we consider to be a non-run-rate item (see Note 12 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report).

Table of Contents

Fair Value Measurement

We apply the fair value hierarchy for the recognition and measurement of assets and liabilities. An asset or liability's fair value classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider counterparty risk in our assessment of fair value.

The fair values of financial assets and liabilities are measured on a recurring basis. We have elected not to carry all financial assets and liabilities at fair value, other than as required by GAAP. Financial assets and liabilities that we carry at fair value, as required by GAAP, include (i) our derivative instruments, (ii) the plan assets of the VEBAs and our Canadian defined benefit pension plan, and (iii) available for sale securities, consisting of commercial paper and the investments related to our deferred compensation plan.

The majority of our non-financial assets and liabilities, which include goodwill, intangible assets, inventories and property, plant, and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur (or at least annually for goodwill), an evaluation of a non-financial asset or liability is required, potentially resulting in an adjustment to the carrying amount of such asset or liability.

Below is a discussion of the fair value inputs to our material financial assets and liabilities measured and carried at fair value:

Commodity, Energy, Electricity and Foreign Currency Hedges — The fair values of a majority of these derivative contracts are based upon trades in liquid markets. Valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. We, however, have some derivative contracts that do not have observable market quotes. For these financial instruments, we use significant other observable inputs (e.g., information concerning regional premiums for swaps). Where appropriate, valuations are adjusted for various factors, such as bid/offer spreads. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy (see Note 13 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report).

Cash Conversion Feature of the Convertible Notes and Call Options — The value of the cash conversion feature of the Convertible Notes is measured as the difference between the estimated fair value of the Convertible Notes and the estimated fair value of the Convertible Notes without the cash conversion feature. The Call Options are valued using a binomial lattice valuation model. See Note 13 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional disclosure regarding these valuations; such disclosure is incorporated herein by reference.

Employee Benefit Plan and VEBA Assets — In determining the fair value of employee benefit plan and VEBA assets, we utilize primarily the results of valuations supplied by the investment advisors responsible for managing the assets of each plan. We have no management control over, or administration role with respect to, either the Union VEBA or the Salaried VEBA. Both of the VEBAs are managed and administered by separate trustees and organizations, and we have no control over the plan assets. We depend upon the VEBA administrators to provide asset information to us in a timely, complete and accurate manner. The VEBA administrators have no obligation to provide such information to us.

Certain plan assets are valued based upon unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets (e.g., liquid securities listed on an exchange). Such assets are classified within Level 1 of the fair value hierarchy. Valuation of other invested plan assets is based on significant observable inputs (e.g., net asset values of registered investment companies not listed on an exchange, valuations derived from actual market transactions, broker-dealer supplied valuations, or correlations between a given U.S. market and a non-U.S. security). Valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are classified within Level 2 of the fair value hierarchy. Our Canadian pension plan assets and the plan assets of the VEBAs are measured annually on December 31.

Deferred tax asset

At December 31, 2012, we had $786.8 million of net operating loss (“NOL”) carryforwards available to reduce future cash payments for income taxes in the United States. Of the $786.8 million of NOL carryforwards at December 31, 2012, $1.7 million represents excess tax benefits related to the vesting of employee restricted stock which will result in an increase in equity if and when such excess tax benefits are ultimately realized. The NOL carryforwards expire periodically through 2030. We also had $29.8 million of alternative minimum tax credit carryforwards with an indefinite life, available to offset regular federal income tax requirements.

Table of Contents

During 2012, there was a $124.9 million decrease to the net long-term deferred tax assets, which was primarily due to (i) a $89.3 million increase in the deferred tax liability related to the Union VEBA asset which has no tax basis and (ii) the utilization of Federal net operating losses and credit carryforwards which reduced the net deferred tax asset by $33.4 million.

To preserve the NOL carryforwards available to us, our certificate of incorporation includes certain restrictions on the transfer of our common stock. See "Certain Information Related to Our Significant Tax Attributes" below for additional information regarding these restrictions.

In assessing the realizability of deferred tax assets, we consider whether it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. Due to uncertainties surrounding the realization of some of our deferred tax assets, primarily including state NOLs sustained during the prior years and expiring tax benefits, we have a valuation allowance against our deferred tax assets. When recognized, the tax benefits relating to any reversal of this valuation allowance will be recorded as a reduction of income tax expense. The (decrease) increase in the valuation allowance was $(0.1) million, $(1.3) million and $2.1 million in 2012, 2011 and 2010, respectively. The decrease in the valuation allowance for 2012 and 2011 was primarily due to the projected utilization of state NOLs. The increase in the valuation allowance in 2010 was primarily due to the expiration of projected state NOLs as a result of lower state apportionment in various state jurisdictions, of which $0.8 million reversed in the first quarter of 2011 due to a change in tax law in the State of Illinois.

Segment and Business Unit Information

Consistent with the manner in which our chief operating decision maker reviews and evaluates our business, we have one operating segment, which we refer to as Fabricated Products, that produces semi-fabricated specialty aluminum products, such as aluminum sheet and plate and extruded and drawn products, primarily used in aerospace/high strength, general engineering, automotive and other industrial end market applications. We categorize our products by these end market applications as follows: aerospace/high strength products (which we refer to as Aero/HS products), general engineering products (which we refer to as GE products), extrusions for automotive applications (which we refer to as Automotive Extrusions), and other industrial products (which we refer to as Other products).

We also have two other business units, Secondary Aluminum and Corporate and Other. The Secondary Aluminum business unit sells value added products, such as ingot and billet, produced by Anglesey. The Corporate and Other business unit provides general and administrative support for our operations.

For purposes of segment reporting under GAAP, we treat the Fabricated Products segment as a reportable segment and combine the two other business units, Secondary Aluminum and Corporate and Other, into one category, which we refer to as All Other. All Other is not considered a reportable segment.

On January 1, 2012, we began reviewing the results of our primary aluminum hedging activities, which prior to January 1, 2012 had been reported in All Other, with the results of the Fabricated Products segment because we had begun to conduct such hedging activities with respect to primary aluminum solely for the Fabricated Products segment. Accordingly, the results of primary aluminum hedging activities have been included in the Fabricated Products segment for 2012. Prior period results have been conformed to current period presentation.

The accounting policies of the segment and business units are the same as those described in Note 1 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report. Segment results are evaluated internally before interest expense, other expense (income) and income taxes.

Fabricated Products

The table below provides selected operational and financial information (in millions of dollars except shipments and average realized sales price) for our Fabricated Products segment for 2012, 2011 and 2010:

Table of Contents

	Year Ended December 31,		
	2012	2011	2010
Shipments (mm lbs)	585.9	560.9	514.2
Composition of average realized sales price (per pound):			
Average realized sales price	$2.32	$2.32	$2.10
Less: hedged cost of alloyed metal	(1.06)	(1.17)	(1.02)
Average realized value added revenue	$1.26	$1.15	$1.08
Composition of net sales:			
Net sales	$1,360.1	$1,301.3	$1,078.8
Less: hedged cost of alloyed metal	(623.9)	(657.1)	(522.9)
Value added revenue	$736.2	$644.2	$555.9
Segment Operating Income	$190.8	$83.6	$81.7

The table below provides our Fabricated Products segment's shipment, hedged cost of alloyed metal, value added revenue, sales and per pound information (in millions of dollars except shipments and per pound data) by end market applications for 2012, 2011 and 2010:

Table of Contents

	Year Ended December 31,		
	2012	2011	2010
Aero/HS Products:			