

KAISER ALUMINUM CORP  
Form 10-K  
February 29, 2012  
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2011

Commission file number 0-52105

KAISER ALUMINUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

94-3030279

(I.R.S. Employer  
Identification No.)

27422 PORTOLA PARKWAY, SUITE 200,

FOOTHILL RANCH, CALIFORNIA

(Address of principal executive offices)

Registrant's telephone number, including area code:

(949) 614-1740

92610-2831

(Zip Code)

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

Title of Class

Common Stock, par value \$0.01 per share

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

NONE

Name of Exchange on Which Registered

Nasdaq Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

Non-accelerated Filer

Large Accelerated Filer  Accelerated Filer  (Do not check if a smaller reporting company) Smaller reporting company

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

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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, 2011) was approximately \$0.9 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of February 23, 2012, there were 19,253,185 shares of common stock of the registrant outstanding.

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Table of Contents

Documents Incorporated by Reference. Certain portions of the registrant's definitive proxy statement related to the registrant's 2012 annual meeting of stockholders are incorporated by reference into Part III of this Report on Form 10-K.

## TABLE OF CONTENTS

PART I

<u>Item 1.</u>	Business	<u>1</u>
<u>Item 1A.</u>	Risk Factors	<u>9</u>
<u>Item 1B.</u>	Unresolved Staff Comments	<u>19</u>
<u>Item 2.</u>	Properties	<u>20</u>
<u>Item 3.</u>	Legal Proceedings	<u>20</u>
<u>Item 4.</u>	Mine Safety Disclosures	<u>20</u>

PART II

<u>Item 5.</u>	Market for Registrant's Common Equity and Related Stockholder Matters	<u>21</u>
<u>Item 6.</u>	Selected Financial Data	<u>23</u>
<u>Item 7.</u>	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>25</u>
<u>Item 7A.</u>	Quantitative and Qualitative Disclosures About Market Risk	<u>55</u>
<u>Item 8.</u>	Financial Statements and Supplementary Data	<u>56</u>
<u>Item 9.</u>	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>113</u>
<u>Item 9A.</u>	Controls and Procedures	<u>113</u>
<u>Item 9B.</u>	Other Information	<u>114</u>

PART III

<u>Item 10.</u>	Directors and Executive Officers of the Registrant	<u>115</u>
<u>Item 11.</u>	Executive Compensation	<u>115</u>
<u>Item 12.</u>	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matter	<u>115</u>
<u>Item 13.</u>	Certain Relationships and Related Transactions	<u>115</u>
<u>Item 14.</u>	Principal Accountant Fees and Services	<u>115</u>

PART IV

<u>Item 15.</u>	Exhibits and Financial Statement Schedules	<u>116</u>
-----------------	--	------------

<u>SIGNATURES</u>	<u>117</u>
-------------------	------------

<u>INDEX OF EXHIBITS</u>	<u>118</u>
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EXHIBITS	121
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Table of Contents

PART I

Item 1. Business

Forward-Looking Statements

This Annual Report on Form 10-K (“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 cyclicalities and other conditions in the aerospace and other end market segments 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. 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.

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. We also own a 49% interest in Anglesey Aluminium Limited (“Anglesey”), which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales.

Our operations consist of one reportable segment in the aluminum industry, Fabricated Products. In addition to the Fabricated Products segment, we also have three other business units, which consist of Secondary Aluminum, Hedging, and Corporate and Other. The Secondary Aluminum business unit sells value added products such as ingot and billet, produced from Anglesey, for which we receive a portion of a premium over normal commodity market prices. Our Hedging business unit conducts hedging activities primarily in respect of our exposure to metal price risks related to our firm-price customer sales contracts. 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. We combine the three other business units, Secondary Aluminum, Hedging and the Corporate and Other, into one category, which we refer to as All Other. All Other is not considered a reportable segment (see “Business Operations” below).

At December 31, 2011, our Fabricated Products segment operated 11 focused production facilities in the United States and one in Canada. Through these facilities we manufacture rolled, extruded, and drawn aluminum products to strategically serve four end market segments: 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 2011, we produced and shipped approximately 560.9 million pounds of

1

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## Table of Contents

semi-fabricated aluminum products from these facilities, which comprised effectively all of our consolidated net sales of approximately \$1.3 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 five years, we have pursued significant capital spending initiatives to increase capacity and improve product capabilities, product quality, and efficiency. These initiatives include (i) a significant investment to expand our capacity and increase thickness capability to produce aluminum heat treat plate for Aero/HS applications at our Spokane, Washington facility 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.

Additionally, we recently 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”), which manufactures bare mechanical alloy wire products, nails and aluminum rod and expands our offerings of small diameter rod, bar and wire products to our core end market segments 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, L.L.C. (“Alexco”), which manufactures hard alloy extrusions for the aerospace industry. During 2011, we commenced an expansion of the Chandler, Arizona (Extrusion) facility to provide further capacity to manufacture hard alloy extrusions for the aerospace industry and further strengthen our broad product offerings for aerospace 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 end market segment applications. As indicated above, the Fabricated Products segment focuses on products that strategically serve four end market segments, more particularly Aero/HS products, GE products, Automotive Extrusions and Other products. During 2011, 2010 and 2009, our North American fabricated products manufacturing facilities produced and shipped approximately 560.9 million, 514.2 million, and 428.5 million pounds of fabricated aluminum products, respectively, which accounted for approximately 100%, 100%, and 91% of our total net sales for 2011, 2010 and 2009, respectively.

##### Types of Products Produced

We have strategically chosen end market segments 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, sales and value added revenue information (in millions of dollars except for shipment information) for our end market applications:



Table of Contents

	Years Ended December 31,								
	2011			2010			2009		
Shipments (mm lbs):									
Aero/HS Products	192.0	34	%	158.9	31	%	144.8	34	%
GE Products	220.2	39	%	217.4	42	%	189.0	44	%
Automotive Extrusions	62.8	11	%	54.2	11	%	36.2	8	%
Other Products	85.9	16	%	83.7	16	%	58.5	14	%
	560.9	100	%	514.2	100	%	428.5	100	%
Sales:									
Aero/HS Products	\$596.3	46	%	\$467.6	43	%	\$415.5	46	%
GE Products	447.0	34	%	394.8	37	%	327.1	36	%
Automotive Extrusions	126.9	10	%	98.7	9	%	65.8	7	%
Other Products	131.1	10	%	117.7	11	%	88.7	11	%
	\$1,301.3	100	%	\$1,078.8	100	%	\$897.1	100	%
Value added revenue <sup>1</sup> :									
Aero/HS Products	\$376.5	58	%	\$295.4	53	%	\$278.0	54	%
GE Products	175.2	27	%	174.0	31	%	164.7	32	%
Automotive Extrusions	51.6	8	%	45.6	8	%	31.3	6	%
Other Products	40.9	7	%	40.9	8	%	39.4	8	%
	\$644.2	100	%	\$555.9	100	%	\$513.4	100	%

<sup>1</sup> Value added revenue represents net sales less hedged cost of alloyed metal.

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 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. GE products consist primarily of 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 segment applications where machining of plate, rod and bar is intensive. For example, our products are used in the enhancement of military vehicles such as plating to protect ground vehicles from explosive devices, in the specialized manufacturing process for liquid crystal display screens, and in the vacuum chambers in which semiconductors are made. Our rod and bar products are manufactured into rivets, nails, screws, bolts and parts of machinery and equipment. Demand growth and cyclicity 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. Auto 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 bumpers and anti-lock braking systems and drawn tube for drive shafts. For some Automotive Extrusions, we perform limited fabrication, including sawing and cutting to length. Demand growth and cyclical growth for Automotive Extrusions tend to mirror automotive build rates in North America. Additional growth for Automotive Extrusions is driven by efforts by

3

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Table of Contents

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 and drawn aluminum products for many 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:

**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 segments 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 segments for extruded products are in the construction, general engineering and custom products. Building and construction products represent the single largest end market segment for extrusions by a significant amount. However, we have strategically chosen to focus on extruded products for general engineering and automotive end market segments, 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, 2011 is shown below:

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

Sherman, Texas  
Spokane, Washington

Extrusion  
Flat Rolling

GE, Other  
Aero/HS, GE

As reflected by the table above, many of our facilities employ the same basic manufacturing process and produce the same

4

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## Table of Contents

type of products. We make a significant effort to tightly integrate the management of our Fabricated Products business unit across multiple manufacturing locations, product lines, and end market segments to maximize the efficiency of product flow to customers. Purchasing is centralized for the Fabricated Products business unit'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 segments.

### 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 aluminum purchased for the Fabricated Products business unit is typically based on the Average Midwest Transaction Price (or "Midwest Price"), which from 2009 to 2011, has ranged between approximately \$0.05 to \$0.08 per pound above the price traded on the London Metal Exchange (or "LME") depending on primary aluminum supply/demand dynamics in North America. 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 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 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 a combination of pricing policies, internal hedging and 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 to the customer.

**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 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 56% of our Aero/HS product shipments are sold to metal distributors with the remainder sold directly to end market segment 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.

## Table of Contents

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 2011, our Fabricated Products business unit had approximately 1,000 customers. The largest, Reliance Steel & Aluminum (“Reliance”), and the five largest customers for fabricated products accounted for approximately 21% and 42%, respectively, of our net sales in 2011. The loss of Reliance, as a customer, would have a material adverse effect on us. However, we believe that our relationship with Reliance is good and that the risk of loss of Reliance as a customer is remote.

### 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.

### All Other

All Other consists of our Secondary Aluminum, Hedging and Corporate and Other business units.

**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 2011.

Anglesey operated as a primary aluminum smelter until September 30, 2009, when it fully curtailed its smelting operations due to the inability to find affordable power upon the expiration of its long-term power contract. While operating as a smelter during the first nine months of 2009, we purchased 49% of Anglesey's primary aluminum production which we resold at market prices. Net sales of primarily aluminum represented approximately 9% of our total net sales for 2009.

We suspended the use of the equity method of accounting with respect to our ownership in Anglesey commencing in the quarter ended September 30, 2009. 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 or 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. We do not anticipate the occurrence of such events during the next 12 months.

Although Anglesey is decommissioning a portion of the site and pursuing the disposition of some of its assets, Anglesey currently expects to continue to conduct secondary aluminum remelt and casting operations. We do not expect those efforts to impact our results or result in any distribution by Anglesey to its owners.

**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 on 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. At the time our Fabricated Products segment enters into a firm-price contract, our Hedging business unit and Fabricated Products segment enter into an “internal hedge” so that metal price risk resides in the Hedging business unit. Results from internal hedging activities between Fabricated Products and Hedging eliminate in consolidation. The Hedging business unit uses 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 157.0, 97.0, and 162.7 (in millions of pounds) during 2011, 2010 and 2009, respectively.

## Table of Contents

Through September 30, 2009, the Hedging business unit also conducted hedging activities in respect of our exposure to British Pound Sterling exchange rates relating to Anglesey's smelting operations.

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 hedging transactions are only entered into after appropriate approvals are obtained from our hedging committee (members of which include our chief executive officer and key financial officers).

**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 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, delivery performance, and having a broad product offering, including the superior product attributes of our Kaiser Select® product line. Our Kaiser Select® 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.

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 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. We may not be able to adequately reduce costs to compete with these products. Increased competition could cause a reduction in our shipment volume and profitability or increase our expenditures, any one of which could have a material adverse effect on our results of operations.

In addition, our fabricated aluminum products compete with products made from other materials, such as steel 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, 2011, we employed approximately 2,600 persons, 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 Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL — CIO, CLC (“USW”),

7

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Table of Contents

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.

Location	Union	Contract Expiration Date
Chandler, AZ (Tube)	USW	Mar 2012 <sup>1</sup>
Chandler, AZ (Extrusion)	Non-union	—
Florence, AL	USW	Mar 2014
Jackson, TN	Non-union	—
Kalamazoo, MI	USW	Feb 2016
London, Ontario	USW Canada	Feb 2012 <sup>1</sup>
Los Angeles, CA	Teamsters	May 2012 <sup>1</sup>
Newark, OH	USW	Sept 2015
Richland, WA	Non-union	—
Richmond (Bellwood), VA	USW/IAM	Nov 2014
Sherman, TX	IAM	Dec 2013
Spokane, WA	USW	Sept 2015
Plainfield, IL	Teamsters	Apr 2012 <sup>2</sup>

<sup>1</sup> These labor contracts are currently under negotiation for renewal.

<sup>2</sup> We have effectuated a complete withdrawal from the Teamster pension fund effective October 28, 2011 pursuant to the termination of the Plainfield operation.

#### Environmental Matters

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

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 current laws and regulations, existing requirements, currently available facts, existing technology, and our assessment of the likely remediation actions to be taken.

During the third quarter of 2010, we increased our environmental accruals in connection with the submission of a draft feasibility study to the Washington State Department of Ecology (“Washington State Ecology”) on September 8, 2010 (the “Feasibility Study”). The draft Feasibility Study included recommendations for a range of alternative remediations to primarily address the historical use of oils containing polychlorinated biphenyls, or PCBs, at our Trentwood facility in Spokane, Washington which may be implemented over the next 30 years. The draft Feasibility Study indicates a range of viable remedial approaches, but agreement has not yet been reached with the Washington State Ecology on the final remediation approach. The draft Feasibility Study is still subject to further reviews, public comment and regulatory approvals before the final decree is issued. We expect the consent decree to be issued in late 2012.

At December 31, 2011, environmental accrual of \$22.0 million represented our best estimate of the incremental cost based on proposed alternatives in the draft Feasibility Study related to our Trentwood facility in Spokane, Washington 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 and estimate that the incremental direct costs attributable to the remediation activities to be charged to these environmental accruals will be approximately \$1.2 million in 2012, \$3.6 million in 2013, \$1.8 million in 2014, \$0.8 million in 2015, \$0.6 million in 2016 and \$14.0 million for years thereafter through the balance of the 30-year period.

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 \$21.7 million over the next 30 years. It is reasonably possible that our recorded estimate may change in the next 12 months.

8

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## Table of Contents

### 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:

- Kaiser Aluminum Fabricated Products, LLC, a Delaware limited liability company (“KAFP”), which directly holds the assets and liabilities associated with our Fabricated Products business unit (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 business unit’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 business unit’s operations in the State of Washington; and

• Kaiser Aluminum Alexco, LLC, a Delaware limited liability company (formerly known as Desert Fabco Acquisition, LLC), 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;

- 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;

• 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; and

• 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.

### 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 have recently experienced and 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, increase near-



Table of Contents

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 reductions in consumer spending that have 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, raw materials and freight costs, which we are unable to pass through to our customers;

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 effectiveness and long-term impact of economic stimulus plans.

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 and service, including 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 2011, our largest fabricated products customer, Reliance Steel & Aluminum Company, accounted for approximately 21% of our fabricated products net sales, and our five largest customers accounted for approximately 42% 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

10

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Table of Contents

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 airline industry profitability, trends in airline passenger traffic, the state of the U.S. and global economies and numerous other factors, including the effects of terrorism. The aerospace industry also suffered significantly in the wake of the events of September 11, 2001, resulting 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 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. Similarly, there is significant pressure to reduce defense spending as the U.S. and foreign governments are faced with competing national priorities. Reductions in defense spending would 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 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 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, the continuation of relatively 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 have resulted in shifts in consumer demand away from motor vehicles that typically have a higher content of the products we have supplied, such as light trucks and SUVs. 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 increased 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, particularly in North America, 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

Table of Contents

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 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 contains negative and financial covenants and events of default that may limit our financial flexibility and ability to undertake certain types of transactions. For instance, we are subject to negative covenants that restrict our activities, including restrictions on our ability to grant liens, engage in mergers, sell assets, incur debt, engage in different businesses, make investments, pay dividends, and repurchase shares. With respect to the revolving credit facility, if we fail to satisfy the covenants set forth therein or an event of default thereunder occurs and continues, we could be prohibited from borrowing under it, or it could be terminated. If we cannot borrow under the revolving credit facility, we could be required to seek additional financing, which may not be available, or may not be available on commercially acceptable terms, or may have to curtail our operations. If the revolving credit facility is terminated and we do not have sufficient cash on hand to pay any amounts outstanding under the facility or access to additional financing, we could be required to sell assets. In addition, a payment default, including an acceleration following an event of default, under our revolving credit facility or under our indenture for our cash convertible 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 to refinance our debt, including our cash convertible senior notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our debt will depend on the capital markets and our financial position at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

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

In the event the conditional conversion features of our cash convertible senior 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 cash convertible senior 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 cash convertible senior notes may affect the market price of our common stock.

Table of Contents

In connection with the issuance of our cash convertible senior 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 cash convertible senior 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 cash convertible senior notes (and are likely to do so during any settlement averaging period related to a conversion of our cash convertible senior notes). The effect, if any, of these transactions and activities on the market price of our common 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. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions, including bankruptcies of several major financial institutions. 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 cash convertible senior notes. We can provide no assurances as to the financial stability or viability of any of the option counterparties.

We depend on our subsidiaries for cash to meet our obligations and pay any dividends.

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or pay dividends to our stockholders depend upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, tax sharing payments or otherwise. Our subsidiaries' ability to provide funding will depend on their earnings, the terms of indebtedness from time to time, tax considerations and legal restrictions.

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 production system, the 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 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 prices for raw materials 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 raw material prices, including aluminum, since, during the time lag, we may have to bear the additional cost of the price 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 prices may cause some of our customers to substitute other materials for

Table of Contents

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.

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 bankruptcies of Lehman Brothers and, more recently, MF Global. 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.

Economic factors, including inflation and fluctuations in foreign currency exchange rates and interest rates in the countries in which we operate, 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 or 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 the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL - CIO, CLC, or "USW", covering seven of our manufacturing locations. Employees represented by labor unions under labor contracts represented approximately 68% of our employees at December 31, 2011. Contracts at our manufacturing locations expire in 2012 through 2016, and a majority of the contracts that expire in 2012 are currently under negotiation for renewal. 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 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

Table of Contents

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, 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. 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. There are bills pending in Congress that would 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, 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. While future emission regulation appears likely, it is too early to predict how this 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,

## Table of Contents

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 the 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 current 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.

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 carry forwards 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

16

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Table of Contents

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. As discussed in Management's Annual Report on Internal Control Over Financial Reporting under Item 9A. "Controls and Procedures" of this Report, during the assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2011 because of the identification of a material weakness relating to our review of the completeness and accuracy of the information used to value the postretirement benefit obligations of the voluntary employee's beneficiary association that provides benefits for certain eligible retirees represented by certain unions and their spouses and eligible dependents (the "Union VEBA"). 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. Although (1) the postretirement benefit obligations of the Union VEBA has no impact on our liquidity or cash flow and (2) our financial obligation to the Union VEBA does not depend on its funding status, 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 carry-forwards.

We have net operating loss carry-forwards and other significant U.S. tax attributes that we believe could offset otherwise taxable income in the United States. The net operating loss carry-forwards 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"). We entered into a stock transfer restriction agreement with one of our largest stockholders, and our certificate of incorporation was amended to prohibit and void certain transfers of our common stock. Both reduce the risk that an

ownership change will jeopardize our net operating loss carry-forwards. Because U.S. tax law limits the time during which carry-forwards may be applied against future taxes, we may not be able to take full advantage of the carry-forwards for federal income tax purposes. In addition, federal and state tax laws pertaining to net operating loss carry-forwards may be changed from time to time such that the net operating loss carry-forwards may be reduced or eliminated. If the net operating loss carry-forwards 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.

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 carry-forwards, for purposes of Sections 382 and 383 of the Code, we entered into a

## Table of Contents

stock transfer restriction agreement with one of our largest stockholders, and amended and restated our certificate of incorporation to include 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 carry-forwards, 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 impair 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 investments;
- unanticipated interruptions of our operations including variations in the maintenance needs for our facilities;
- unanticipated changes in our labor relations and recent changes in employee benefits and healthcare regulations; 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 VEBAs calculated based 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 payment obligations, our earnings and cash flows may be reduced. In connection with the renegotiation and entry of a labor agreement with the

USW, we agreed to extend our obligation to make annual payments to the Union VEBA to September 30, 2017. Although our obligation to make annual payments to the Union VEBA terminates for periods beginning after September 30, 2017, the Union VEBA or other groups representing our current and future retired hourly employees may seek to extend our obligation beyond the termination date. Any such extension could have a material adverse effect on our financial position, results of operations and cash flows.

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

Table of Contents

Certain investment funds, advisers and organizations own greater than 5% of our outstanding common stock as of December 31, 2011. 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.

In June 2007, our Board of Directors initiated the payment of a regular quarterly cash dividend. A quarterly cash dividend has been paid in each subsequent quarter. 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 in the future. Additionally, our revolving credit facility, as amended and restated on September 30, 2011, restricts our ability to pay dividends and repurchase our common shares if we do not maintain certain borrowing availability or if we are in default.

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, our governing documents and a stock transfer restriction agreement with the Union VEBA may impede or discourage a takeover, which could adversely affect the value of our common stock.

Provisions of Delaware law, our certificate of incorporation and bylaws and a stock transfer restriction agreement with the Union VEBA 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. In



addition, we are party to a stock transfer restriction agreement with the Union VEBA which limits its ability to transfer our common stock. 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

19

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Table of Contents

None.

## Item 2. Properties

As of December 31, 2011, the locations of the principal plants and other materially important physical properties relating to our Fabricated Products segment are below:

Location	Square footage	Owned or Leased
Chandler, Arizona (Extrusion)	89,000	Owned/Leased <sup>1</sup>
Chandler, Arizona (Tube)	93,000	Owned/Leased <sup>2</sup>
Florence, Alabama	252,000	Owned
Jackson, Tennessee	310,000	Owned
Kalamazoo, Michigan	465,000	Leased <sup>3</sup>
London, Ontario (Canada)	265,000	Owned
Los Angeles, California	183,000	Owned
Newark, Ohio	1,293,000	Owned
Richland, Washington	45,000	Leased <sup>4</sup>
Richmond (Bellwood), Virginia	430,000	Owned
Sherman, Texas	313,000	Owned
Spokane, Washington	2,866,000	Owned/Leased <sup>5</sup>
Total	6,604,000	

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

<sup>2</sup> 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 manufacturing facility is owned by us and is not subject to any leases.

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

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

<sup>5</sup> 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, 2011, 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 sale prices of our common stock for each quarterly period for fiscal years 2011 and 2010:

	High	Low
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
Fiscal 2010		
First quarter	\$44.40	\$32.83
Second quarter	\$41.63	\$32.91
Third quarter	\$43.23	\$33.90
Fourth quarter	\$52.00	\$42.07

## Holders

As of February 23, 2012, there were approximately 633 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 one half of the performance shares issued under our equity and performance incentive plan. Total cash dividends (and dividend equivalents) paid in 2011, 2010 and 2009 were \$0.96 per share (or \$18.9 million), \$0.96 per share (or \$19.0 million) and \$0.96 per share (or \$19.6 million), respectively.

On January 13, 2012, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of \$0.25 per common share, or \$4.9 million (including dividend equivalents), which was paid on February 15, 2012 to stockholders of record at the close of business on January 24, 2012.

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. 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 July 7, 2006, the first day on which our common stock began trading on the Nasdaq Stock Market 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

The following table provides information regarding our repurchases of our common shares during the quarter ended December 31, 2011:

	Total Number of Shares Purchased <sup>1</sup>	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>2</sup>	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (millions) <sup>2</sup>
October 1, 2011 - October 31, 2011	38,459	\$49.35	—	\$—
November 1, 2011 - November 30, 2011	—	—	—	—
December 1, 2011 - December 31, 2011	733	49.00	—	46.9
Total	39,192	\$49.34	—	\$46.9

Under our Amended and Restated 2006 Equity and Performance Incentive Plan, we allow participants to elect to have us withhold common shares to satisfy minimum statutory tax withholding obligations arising from the recognition of income and the vesting of restricted stock, restricted stock units and performance shares. When we<sup>1</sup> withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which is deemed a purchase of the common shares by us on the date of withholding. During the quarter ended December 31, 2011, we withheld 39,192 shares of common stock to satisfy employees' minimum statutory tax withholding obligations. All such shares were withheld and cancelled by us on the applicable vesting dates or dates on which income to the employees was recognized,

Table of Contents

and the number of shares withheld was determined based on the closing price per common share as reported on the Nasdaq Global Select Market on such dates.

In June 2008, our Board of Directors authorized the repurchase of up to \$75 million of our common shares, with repurchase transactions to occur in open-market or privately negotiated transactions at such times and prices as management deemed appropriate and to be funded with our excess liquidity after giving consideration to internal<sup>2</sup> and external growth opportunities and future cash flows. The program may be modified, extended or terminated by our Board of Directors at any time. All shares repurchased under this stock repurchase program were treated as treasury shares. As of December 31, 2011, \$46.9 million remained available for repurchases under the existing authorization.

## 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. The table below reflects the effects of the restatement discussed in Note 20 in Item 8. “Financial Statements and Supplementary Data.”

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(In millions of dollars, except shipments, average sales price and per share amounts)				
Net sales	\$1,301.3	\$1,079.1	\$987.0	\$1,508.2	\$1,504.5
Net income (loss)	\$25.1	\$12.0	\$70.5	\$(68.5)	\$101.0
Basic income (loss) per share:					
Net income (loss) per share	\$1.32	\$0.61	\$3.51	\$(3.45)	\$4.91
Diluted income (loss) per share:					
Net income (loss) per share	\$1.32	\$0.61	\$3.51	\$(3.45)	\$4.91
Shipments (mm lbs)	560.9	514.6	542.4	691.6	705.0
Average realized sales price (per lb)	\$2.32	\$2.10	\$1.82	\$2.18	\$2.13
Cash dividends declared per common share	\$0.96	\$0.96	\$0.96	\$0.66	\$0.54
Capital expenditures	\$32.5	\$38.9	\$59.2	\$93.2	\$61.8
Depreciation and amortization expense	\$25.2	\$19.8	\$16.4	\$14.7	\$11.9

	December 31,				
	2011	2010	2009	2008	2007
Total assets	\$1,320.6	\$1,318.9	\$1,054.6	\$1,145.4	\$1,165.2
Long-term borrowings, including amounts due within one year	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:

2011:

We completed the strategic acquisition from Alexco 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). During 2011, we commenced an expansion of the Chandler, Arizona (Extrusion) facility to provide further capacity to manufacture hard alloy extrusions for the aerospace industry and further strengthen our broad product offerings for aerospace applications.

- We amended our revolving credit facility to increase the commitment by \$100 million to \$300 million, extend the maturity to September 2016, improve pricing, and provide more financial flexibility.
- We fully repaid the \$7.0 million outstanding principal balance of a promissory note issued in connection with our December 2008 purchase of the land and buildings of our Los Angeles, California facility.
- We recorded \$25.9 million of non-cash, pre-tax, unrealized mark-to-market losses on our derivative positions.

Table of Contents

We recorded \$16.2 million of interest expense relating to amortization of non-cash debt discount and debt issuance cost as well as cash interest expense in connection with the Notes.

We generated \$62.8 million of cash from operations.

We paid dividends and dividend equivalents totaling \$18.9 million during the year.

The Union VEBA sold 1,321,485 shares of our common stock at a weighted-average price of \$49.58 per share thereby increasing VEBA assets by \$65.5 million and increasing Stockholders' equity by \$40.5 million (net of tax).

2010:

To enhance our liquidity and financial strength and flexibility, in March 2010 we implemented a new financing structure, comprised of:

A \$200 million revolving credit facility maturing in March 2014, secured by substantially all of the accounts receivable and inventory of our domestic operating subsidiaries and certain other assets and proceeds relating thereto;

The issuance of the Notes in the aggregate principal amount of \$175 million;

The purchase of call options indexed to our own stock to hedge the cash obligations upon potential conversion of the Notes;

The issuance of warrants at an initial exercise price of \$61.36 per share; and

The repurchase of approximately 1.2 million shares of our common stock, using \$44.2 million of the net proceeds from the Notes offering.

We recorded \$11.3 million of interest expense relating to amortization of non-cash debt discount and debt issuance cost as well as cash interest expense in connection with the Notes.

We recorded \$5.6 million of non-cash, pre-tax, unrealized mark-to-market losses on our derivative positions.

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 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 received \$4.8 million of cash and recorded a \$1.9 million asset impairment charge in connection with the sale of our Greenwood, South Carolina facility.

We recorded a \$2.7 million asset impairment charge in regard to certain property, plant and equipment.

We generated \$66.3 million of cash from operations.

We paid dividends and dividend equivalents totaling \$19.0 million during the year.

The Union VEBA sold 1,321,485 shares of our common stock at a weighted-average price of \$39.39 per share thereby increasing VEBA assets by \$52.1 million and increasing Stockholders' equity by \$32.5 million (net of tax).

2009:

We recorded \$80.5 million of non-cash, pre-tax, unrealized mark-to-market gains on our derivative positions.

We generated \$127.7 million of cash from operations, repaid \$36 million borrowed in the previous year under our revolving credit facility.

We paid dividends and dividend equivalents totaling \$19.6 million during the year.

We recorded a \$9.3 million lower of cost or market inventory adjustment in the first quarter of 2009 due to a decline in metal prices following December 31, 2008.

We continued to fully impair our investment in Anglesey during the first half of 2009, resulting in impairment charges of \$1.8 million. Anglesey fully curtailed its smelting operations at the end of September 30, 2009 and commenced remelt and casting operations in the fourth quarter of 2009. Due principally to a significant loss incurred by Anglesey

Table of Contents

during the third quarter of 2009, relating primarily to charges recorded for employee redundancy costs in connection with the cessation of its smelting operations, we suspended the use of the equity method of accounting commencing in the third quarter of 2009.

We recorded restructuring costs and other charges of \$5.4 million, principally related to involuntary employee termination and other personnel costs in connection with (i) the closure of our Tulsa, Oklahoma facility, (ii) the curtailment of operations at our Bellwood, Virginia facility to focus solely on drive shaft and seamless tube products, and (iii) the reduction of personnel at certain other locations to streamline costs.

2008:

We recorded \$87.1 million of non-cash, pre-tax, unrealized mark to market losses on our derivative positions primarily as a result of the decline in metal price.

We recorded a \$65.5 million lower of cost or market inventory adjustment due to the decline in metal prices. This inventory write-down lowered the LIFO inventory values that had been established at relatively high prices during the implementation of fresh start accounting in July 2006.

In December 2008, we announced plans to close operations at our Tulsa, Oklahoma facility and curtail operations at our Bellwood, Virginia facility due to deteriorating economic and market conditions. These actions resulted in a restructuring charge of \$8.8 million in the fourth quarter of 2008 related to employee termination benefits and asset impairment.

We recorded an impairment charge of \$37.8 million and a corresponding decrease to Investment in and advances to unconsolidated affiliate in the fourth quarter of 2008 based on the expectation that Anglesey would fully curtail its smelting operations upon the expiration of its power contract at the end of September 2009 and that we would not be able to recover our investment in Anglesey.

In June 2008, Anglesey suffered a localized fire and power failure that resulted in Anglesey operating below its maximum capacity during the second half of 2008. Anglesey returned to its normal production level in the fourth quarter of 2008 and received \$20 million in a partial insurance settlement in December 2008.

We announced a \$75 million stock repurchase plan and repurchased 572,706 shares of common stock at a weighted-average price of \$49.05 per share, or total cost of \$28.1 million, under the repurchase plan.

We began drawing down on our revolving credit facility during the last two quarters of 2008 and had \$36.0 million of outstanding borrowings at the end of the year.

We paid dividends and dividend equivalents totaling \$17.2 million during the year.

2007:

During the fourth quarter, we repaid our \$50 million term loan.

In June 2007, our Board of Directors initiated a regular quarterly dividend of \$0.18 per share. We paid total dividends of \$7.4 million during the year.

In addition, we determined that we met the “more likely than not” criteria for recognition of our deferred tax assets, and we released the vast majority of the valuations allowance.

The Union VEBA sold 1,446,480 shares of our common stock at a weighted-average price of \$64.19 per share, thereby increasing VEBA assets by \$92.8 million and increasing Stockholders’ equity by \$82.9 million (net of tax).

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

The consolidated financial information for 2010 and 2009 has been updated within the Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect the effects of the restatement as more fully described in Note 20, "Restatement of Previously Issued Consolidated Financial Statements" included in Item 8.

“Financial Statements and Supplementary Data” of this Report.

This Annual Report on Form 10-K 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





## Table of Contents

various factors. These factors include: the effectiveness of management's strategies and decisions; general economic and business conditions including cyclical and other conditions in the aerospace, automobile and other end market segments 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 2011 and Outlook for the Future;

Results of Operations;

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. This discussion reflects the effects of the restatement in Note 20, Item 8. "Financial Statements and Supplementary Data."

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 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.

### 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. We also own a 49% interest in Anglesey Aluminium Limited ("Anglesey"), which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales.

At December 31, 2011, 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 segment applications. Through these facilities, we produced and shipped approximately 560.9 million pounds of semi-fabricated aluminum products which comprised effectively all of our total consolidated net sales of approximately \$1,301.3 million during the year ended December 31, 2011.

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 believe we are the supplier of choice to many of our customers, 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 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 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

Table of Contents

to firm-price sales contracts that specify the underlying metal price plus a conversion price. While we can generally pass metal price movement onto customers, for some of our higher value-added products sold on a spot basis, our ability to change prices can lag, sometimes 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 2011, 2010 and 2009 were \$1.09, \$0.99 and \$0.76, respectively. At February 23, 2012, the LME transaction price per pound was \$1.01.

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 segment 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 Kaiser Select® product line. Our Kaiser Select® 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 throughout the industry will continue to increase demand for our high strength aerospace plate. Monolithic design and construction utilizes aluminum plate that 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.

Our products are also sold into defense end market segments. 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.

Our general engineering products serve the North American industrial market segments, and demand for these products generally tracks the broader economic environment. We expect a gradual recovery in demand throughout the supply chain as the economy continues to improve.

We expect the 2012 North American automotive sector build rates to increase approximately 10% over 2011. Our automotive products typically have specific performance attributes in terms of machinability and 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 2010, the aluminum extrusion content per vehicle grew at a compound annual growth rate of 3.5%, 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. 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 three other business units, Secondary Aluminum, Hedging 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 2011 and Outlook for the Future

Overall Fabricated Products shipment volumes in 2011 increased as compared to 2010, reflecting improved economic conditions and stronger demand across all our end market applications. Shipments of aerospace and high strength

products increased in 2011 due primarily to higher demand for heat treat plate and sheet for commercial aerospace applications. In addition, shipments from recently acquired facilities (Chandler, Arizona (Extrusion) and Florence, Alabama) contributed to the increase from 2010. Shipments of automotive extrusion products increased due to higher North American automotive build rates and the ramp up of our new aluminum extrusion programs. Our 2011 results reflected a 9% increase in Fabricated Products shipment volume and a 10% increase in Fabricated

## Table of Contents

Products realized prices. The increase in prices in our Fabricated Products segment reflects both higher value-added revenue per pound and higher 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.

In 2011, we (i) integrated fully the manufacturing facility in Chandler, Arizona, and other assets, of Alexco into the operations of our Fabricated Products segment, (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 2010 performance, (iv) expanded our product offering of KaiserSelect® products to meet the needs and specifications of our customers, (v) continued to strengthen our platform for growth through the strategic acquisitions and continued investment in our business, and (vi) strengthened our financial position through the refinancing of our revolving credit facility.

The long-term prospects for aerospace and high strength applications 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. Our value added revenue for aerospace applications achieved record levels in 2011, and we expect robust demand to continue in 2012.

We also continue to be optimistic about automotive growth opportunities attributable to increasing aluminum extrusion content and higher build rates, which we anticipate will continue for the next several years. Demand for our general engineering applications continues to reflect an ongoing, slow but steady economic recovery. We expect to see improving demand and normal seasonal strength for our automotive and general engineering applications in the first half of 2012.

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 yet to be realized, our long-term earnings potential remains strong. As evidenced by the expansion of our aerospace extrusion capacity at the Chandler, Arizona (Extrusion) facility and plans for further expansion of our aerospace plate capacity at the Spokane, Washington facility, announced in 2011, we continue to have additional opportunities for growth. In addition, we will continue to consider complementary acquisitions.

Our focus in 2012 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 2011 performance; and
- continuing to invest in our facilities to support growth and further enhance operating efficiencies.

### Results of Operations

#### Fiscal 2011 Summary

Net sales in 2011 increased to \$1,301.3 million compared to \$1,079.1 million for 2010. The increase included higher Fabricated Products segment shipment volume, reflecting improved economic conditions and stronger demand for products across our end market segments.

Our operating income for 2011 was \$55.0 million compared to operating income of \$41.1 million for 2010. Operating income for 2011 included items that we consider to be non-run-rate, which totaled to a charge of \$31.2 million, primarily related to non-cash mark-to-market losses on our derivative positions. Operating income for 2010 included significant non-run-rate items totaling to a charge of \$24.0 million, primarily related to environmental expenses of \$13.9 million and a non-cash impairment charge of \$4.6 million in regard to certain assets relating to Property, plant and equipment (see further discussion of our operating income before non-run-rate in “Segment and Business Unit Information” below).

Net income for 2011 was \$25.1 million, compared to \$12.0 million of net income for 2010. Net income for 2011 and 2010 included the non-run-rate items as discussed above.

Our effective tax provision rate for 2011 was 39.2% (see discussion in “Consolidated Selected Operational and Financial Information - Income Tax Provision” below).

Effective January 1, 2011, we purchased the Chandler, Arizona (Extrusion) facility and related assets of Alexco, which manufactures hard alloy extrusions for the aerospace industry, for cash consideration of \$83.2 million (net of \$4.9 million of cash received in the acquisition).

In September 2011, we amended our revolving credit facility to increase the commitment by \$100 million to \$300 million, extend the maturity to September 2016, improve pricing and provide more financial flexibility.

Table of Contents

We had no borrowings and \$260.5 million of borrowing availability (net of \$8.9 million letters of credit) under the revolving credit facility as of December 31, 2011.

We paid a total of approximately \$18.9 million, or \$0.96 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 one half of all outstanding performance shares.

One of our largest stockholders, a voluntary employee's beneficiary association, or VEBA, that provides benefits for certain eligible retirees represented by certain unions and their spouses and eligible dependents (the "Union VEBA"), sold 1,321,485 shares of our common stock at a weighted average price of \$49.58 per share thereby increasing VEBA assets by \$65.5 million and increasing Stockholders' equity by \$40.5 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 2011, 2010 and 2009.

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.

	Years Ended December 31,		
	2011	2010	2009
	(In millions of dollars, except shipments and average sales price)		
Shipments (mm lbs):			
Fabricated Products	560.9	514.2	428.5
All Other <sup>1</sup>	—	0.4	113.9
	560.9	514.6	542.4
Average Realized Sales Price (per pound):			
Fabricated Products <sup>2</sup>	\$2.32	\$2.10	\$2.09
All Other <sup>1</sup>	\$—	\$0.92	\$0.79
Net Sales:			
Fabricated Products	\$1,301.3	\$1,078.8	\$897.1
All Other <sup>1</sup>	—	0.3	89.9
Total Net Sales	\$1,301.3	\$1,079.1	\$987.0
Segment Operating Income (Loss):			
Fabricated Products <sup>3 4 5</sup>	\$108.6	\$78.6	\$73.6
All Other <sup>5 6</sup>	(53.6	) (37.5	) 45.1
Total Operating Income	\$55.0	\$41.1	\$118.7
Income tax provision	\$(16.2	) \$(13.1	) \$(48.1
Net Income	\$25.1	\$12.0	\$70.5
Capital Expenditures	\$32.5	\$38.9	\$59.2

<sup>1</sup> Shipments, averaged realized prices and net sales in All Other in 2010 and 2009 represent activity involving primary aluminum purchased by us from Anglesey 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.)

<sup>2</sup> 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. See Item 1. "Business" of this Report.

<sup>3</sup>



Operating results in the Fabricated Products segment for 2011, 2010 and 2009 included non-cash LIFO inventory (benefits) charge of \$(7.1) million, \$16.5 million and \$8.7 million, respectively. Also included in the Fabricated Products segment operating results for 2009 were \$9.3 million of lower of cost or market inventory write-down and \$5.4 million of

Table of Contents

restructuring charges relating to the restructuring plans involving our Tulsa, Oklahoma and Bellwood, Virginia facilities. Restructuring charges in 2011 and 2010 were not material. Also included in the Fabricated Products segment operating results for 2011, 2010 and 2009 were \$1.7 million, \$13.6 million and \$0.7 million, respectively, of environmental expense. Fabricated Products segment operating results for 2010 also included \$3.9 million of asset impairment charge relating to certain Property, plant and equipment.

Fabricated Products segment results for 2011, 2010 and 2009 include non-cash mark-to-market (losses) gains on natural gas, electricity and foreign currency hedging activities totaling \$(3.4) million, \$(4.3) million and \$4.9 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.

Operating results of the Fabricated Products segment and All Other include gains and losses on intercompany hedging activities related to metal. At the time the Fabricated Products segment enters into a firm-price customer contract, the Hedging business unit and Fabricated Products segment enter into an "internal hedge" so that metal price risk resides in the Hedging business unit under All Other. The Hedging business unit uses third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts. Results from internal hedging activities between the Fabricated Products segment and Hedging business unit eliminate in consolidation. Internal hedging gains (losses) in the Fabricated Products segment were \$8.1 million, \$(0.1) million and \$(42.8) million for 2011, 2010 and 2009. All Other included the same amounts as (losses) gains for 2011, 2010 and 2009, respectively.

The changes in operating income in All Other were primarily driven by the Hedging business unit operating results. For 2011, 2010 and 2009, non-cash mark-to-market (losses) gains on primary aluminum hedging activities were \$(26.5) million, \$3.6 million and \$61.2 million respectively. The non-cash mark-to-market gain on foreign currency derivatives for 2009 was \$14.4 million. Non-cash mark-to-market gains (losses) on foreign currency derivatives for 2011 and 2010 were immaterial. 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. Also included in the operating income of All Other were \$1.8 million of impairment charges in 2009 relating to our investment in Anglesey.

Summary. We reported net income of \$25.1 million for 2011 compared to \$12.0 million for 2010 and \$70.5 million for 2009. All periods include a number of non-run-rate items that are more fully explained below.

Net Sales. We reported Net sales for 2011 of \$1,301.3 million, compared to \$1,079.1 million for 2010 and \$987.0 million for 2009. As more fully discussed below, the increase in Net sales during 2011 was primarily due to an increase in Fabricated Products segment shipments and an increase in average realized prices per pound compared to the prior year. The realized prices per pound was a result of higher value added revenue and higher underlying metal prices. Fluctuation in underlying primary aluminum market prices does not necessarily directly impact profitability because (i) a substantial portion of the business conducted by the Fabricated Products segment passes primary aluminum price changes directly onto 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 2010 compared to 2009 was primarily due to an increase in Fabricated Products segment shipments, partially offset by lower sales in All Other related to Anglesey's remelt operations reported on a net revenue recognition basis commencing in the fourth quarter of 2009. Realized prices per pound for the Fabricated Products segment declined slightly in 2010 compared to the prior year, with little impact to Net sales, as higher underlying metal prices largely offset lower value added revenue.

Cost of Products Sold Excluding Depreciation, Amortization and Other Items. Cost of products sold, excluding depreciation, amortization and other items for 2011 totaled \$1,158.9 million, or 89% of Net Sales, compared to \$946.8 million, or 88% of Net sales, in 2010 and \$766.4 million, or 78% of Net sales, in 2009. Included in Cost of products sold, excluding depreciation, amortization and other items were \$(29.9) million, \$(0.8) million and \$80.5 million unrealized mark-to-market (losses) gains on our derivative positions for the 2011, 2010 and 2009, respectively. See "Segment and Business Unit Information" below for a detailed discussion of the comparative results of operations for 2011, 2010 and 2009.

Lower of Cost or Market Inventory Write-down. There were no lower of cost or market inventory write-downs in 2011 or 2010. We recorded lower of cost or market inventory write-downs of \$9.3 million in 2009 as a result of declining metal prices.

Impairment of Investment in Anglesey. In 2009, we recorded a \$1.8 million charge to further impair our investment in Anglesey to zero. Based on our assessment of the facts and circumstances, we suspended the equity method of accounting for our investment in Anglesey commencing in the third quarter of 2009 and continuing through December 31, 2011.

Restructuring Costs and Other Charges. During 2008 and 2009, we closed our Tulsa, Oklahoma facility and curtailed operations at our Bellwood, Virginia facility to focus solely on drive shaft and seamless tube products. These restructuring efforts were substantially completed by the end of 2009. Restructuring costs and other charges were \$5.4 million in 2009 primarily related to employee termination costs. We recorded an immaterial amount of restructuring benefits in 2010 primarily

Table of Contents

related to \$1.0 million of revisions of estimated employee termination costs, offset by an additional restructuring charge of \$0.7 million in regard to the impairment of certain Construction in Progress assets. Restructuring benefit in 2011 was \$0.3 million reflecting revisions of estimated employee termination costs.

**Depreciation and Amortization.** Depreciation and amortization for 2011 was \$25.2 million compared to \$19.8 million for 2010 and \$16.4 million for 2009. Depreciation and amortization expense 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. Depreciation and amortization expense increased in 2010 compared to 2009 primarily due to (i) bringing on-line certain production equipment relating to our investment in the Kalamazoo, Michigan facility and (ii) amortization of intangible assets acquired in connection with the acquisitions of the Florence, Alabama facility.

**Selling, Administrative, Research and Development, and General.** 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 to (i) a \$11.1 million decrease in net periodic pension benefit cost with respect to VEBAs due to changes in the actuarial estimates, (ii) a \$2.2 million decrease in workers' compensation expense at our non-operating locations due to (a) lower estimated case reserve in 2011, (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 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. Selling, administrative, research and development, and general expense totaled \$67.7 million in 2010 compared to \$69.9 million in 2009. The decrease during 2010 was primarily due to lower non-cash stock compensation expense relating to our long-term incentive programs.

**Other Operating (Benefits) Charges.** Other operating (benefits) charges were \$(0.2) million, \$4.0 million and \$(0.9) million for 2011, 2010 and 2009, respectively. Other operating benefits for 2011 primarily relates to cash received from pre-emergence activities. Other operating charges for 2010 primarily 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. Other operating benefits for 2009 primarily reflected recovery of a pre-emergence obligation owed to us, for which we had previously established a full reserve.

**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 \$18.0 million, \$11.8 million and zero for 2011, 2010 and 2009, respectively, net of \$1.3 million, \$2.8 million and \$2.7 million of interest capitalization to Construction in progress. Interest expense in 2011 and 2010 were primarily related to interest incurred on our \$175 million principal amount of 4.5% Cash Convertible Senior Notes due April 2015 (the "Notes"). Interest expense in 2009 was primarily related to interest incurred on our revolving credit facility.

**Other Income (Expense), Net.** Other income (expense), net was \$4.3 million for 2011, compared to \$(4.2) million for 2010 and \$(0.1) million for 2009. 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 Notes. Other income (expense), net for 2009 was primarily related to lower interest income as the result of lower market interest rates.

**Income Tax Provision.** 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) 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%; (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

Table of Contents

by approximately 2.4% and (v) the foreign currency impact on unrecognized tax benefits, interest and penalties, which resulted in a \$0.6 million currency translation adjustment that was recorded in Accumulated other comprehensive income.

The income tax provision for 2009 was \$48.1 million, or an effective tax rate of 40.5%. The difference between the effective tax rate and the projected blended statutory tax rate for 2009 was primarily due to (i) the impact of a non-deductible compensation expense, which resulted in an increase to the income tax provision of \$4.7 million, and increased the blended statutory tax provision rate by approximately 3.9%; (ii) a decrease in the valuation allowance for certain federal and state net operating losses, state tax rate adjustments and federal general business tax credits, which resulted in a decrease to the income tax provision of \$2.9 million and a decrease to the blended statutory tax provision rate of 2.4%; (iii) unrecognized tax benefits, including interest and penalties, which increased the income tax provision by \$1.3 million and the blended statutory tax provision rate by approximately 1.1%; and (iv) the foreign currency impact on unrecognized tax benefits, interest and penalties, which resulted in a \$2.7 million currency translation adjustment that was recorded in Accumulated other comprehensive income.

**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 fabrication 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 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 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, 2011 and December 31, 2010 was \$(23.8) million and \$0.7 million, respectively. The decrease in the aggregate fair value during 2011 was primarily due to (i) decreases in underlying primary aluminum, gas and electricity prices, partially offset by (ii) a net increase in the fair value of derivatives related to the Notes primarily as a result of decrease in our stock price at December 31, 2011. The changes in market value of derivative contracts resulted in the recognition of a \$25.9 million unrealized mark-to-market loss 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).

**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 VEBA's and our Canadian defined benefit pension plan, and (iii) available for sale securities, consisting of 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

Table of Contents

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. 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). 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.

Cash Conversion Feature of the Notes and Call Options — The value of the cash conversion feature of the Notes is measured as the difference between the estimated fair value of the Notes and the estimated fair value of the 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 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, 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.

#### Restructuring Activities

During 2008 and 2009, we closed our Tulsa, Oklahoma facility and curtailed operations at our Bellwood, Virginia facility to focus solely on drive shaft and seamless tube products. These restructuring activities reduced excess capacity in our manufacturing system and costs related to maintaining such excess capacity. These restructuring efforts were substantially completed by the end of 2009. There was no cash restructuring obligation at December 31, 2011. See Note 16 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for additional detail on our restructuring liability.

#### Segment and Business Unit Information

For the purposes of segment reporting under GAAP, we have one reportable segment, Fabricated Products. We also have three other business units, which we combine into All Other. The Fabricated Products segment sells value added products such as heat treat sheet and plate and extruded rod, bar, wire, and tube products, which are primarily used in four end market segments: 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). All Other consists of Secondary Aluminum, Hedging and Corporate and Other business units. The Secondary Aluminum business unit sells value added products such as ingot and billet produced by Anglesey, and receives a portion of a premium over normal commodity market prices. Our Hedging business unit conducts hedging activities in respect of our exposure to primary aluminum prices and through September 30, 2009, conducted hedging activities in respect of British Pound Sterling exchange rate risk relating to Anglesey’s smelting operations. Our Corporate and Other business unit provides general and administrative support for our operations. All Other is not considered a reportable segment. 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 2011, 2010 and 2009:

Table of Contents

	Years Ended December 31,		
	2011	2010	2009
Shipments (mm lbs)	560.9	514.2	428.5
Composition of average realized sales price (per pound):			
Hedged cost of alloyed metal	\$1.17	\$1.02	\$0.89
Average realized value added revenue	\$1.15	\$1.08	\$1.20
Average realized sales price	\$2.32	\$2.10	\$2.09
Net sales	\$1,301.3	\$1,078.8	\$897.1
Segment Operating Income	\$108.6	\$78.6	\$73.6

The table below provides shipment and value added revenue information (in millions of dollars except shipments and value added revenue per pound) for our end market segment applications for 2011, 2010 and 2009 for our Fabricated Products segment:

	Years Ended December 31,		
	2011	2010	2009
Shipments (mm lbs):			
Aero/HS Products	192.0	158.9	144.8
GE Products	220.2	217.4	189.0
Automotive Extrusions	62.8	54.2	36.2
Other Products	85.9	83.7	58.5
	560.9	514.2	428.5
Value added revenue: <sup>1</sup>			
Aero/HS Products	\$376.5	\$295.4	\$278.0
GE Products	175.2	174.0	164.7
Automotive Extrusions	51.6	45.6	31.3
Other Products	40.9	40.9	39.4
	\$644.2	\$555.9	\$513.4
Value added revenue per pound:			
Aero/HS Products	\$1.96	\$1.86	\$1.92
GE Products	0.80	0.80	0.87
Automotive Extrusions	0.82	0.84	0.86
Other Products	0.48	0.49	0.67
	\$1.15	\$1.08	\$1.20

<sup>1</sup> Value added revenue represents net sales less hedged cost of alloyed metal.

Effective January 1, 2011, we purchased the Chandler, Arizona (Extrusion) facility, and related assets, of Alexco, which manufactures hard alloy extrusions for the aerospace industry. The Chandler, Arizona (Extrusion) facility is a well-established supplier of aerospace extrusions, and the acquisition positions us in a significant market segment that provides a natural complement to our offerings of sheet, plate, cold finish rod and bar and drawn tube products for aerospace applications. We paid net cash consideration of \$83.2 million with existing cash on hand of \$4.9 million and assumed certain liabilities totaling approximately \$1.0 million. Total acquisition related expenses were \$0.1 million and \$0.4 million for the years ended December 31, 2011 and December 31, 2010, respectively. Such expenses are included within Selling, administrative, research and development, and general expenses. See Note 5 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report for

additional pro forma information relating to the acquisition.

The transaction generated approximately \$34.1 million of goodwill and \$35.4 million of intangible assets relating primarily

34

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Table of Contents

to customer relationships. The intangible assets are expected to be amortized over an estimated weighted-average useful life of approximately 25 years. See Note 6 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information relating to goodwill and intangible assets arising from this acquisition.

For 2011, Net sales of fabricated products increased by 21% to \$1,301.3 million, as compared to 2010, due primarily to a 10% increase in average realized sales price and a 9% increase in shipments. The increase in shipments was comprised of (i) a 21% increase in Aero/HS products shipments primarily due to higher commercial aerospace demand for plate and sheet products as well as the inclusion of shipments out of the acquired Chandler, Arizona (Extrusion) and the Florence, Alabama facilities, (ii) a 16% increase in Automotive Extrusion shipments as we saw new aluminum automotive extrusion programs using our products ramp up as well as an increase in existing programs due to the increase in North American automotive build rates, and (iii) moderate increases in shipments and mix shifts among our GE and Other products. Average realized sales price increased, reflecting both higher underlying hedged, alloyed metal prices passed through to customers as well as higher value-added revenue per pound as compared to 2010.

For 2010, Net sales of fabricated products increased by 20% to \$1,078.8 million, as compared to 2009, due primarily to a 20% increase in shipments reflecting improved economic conditions and significantly stronger demand for GE products and Automotive Extrusions, as destocking by our distributor customers that was prevalent in 2009 abated in 2010 and automotive build rates improved over the prior year. Shipments of Aero/HS products were moderately higher in 2010, reflecting improved demand mitigated by continued destocking of aerospace plate products. Average realized sales price increased slightly reflecting higher underlying hedged, alloyed metal prices passed through to customers, largely offset by lower value-added revenue per pound as compared to 2009. The decline in value-added revenue per pound was due to a shift in mix toward lower margin products and slightly lower pricing during the year. Operating income in the Fabricated Products segment for 2011, 2010 and 2009 included several large non-run-rate items. These items are listed below (in millions of dollars):

	Years Ended December 31,		
	2011	2010	2009
Operating income	\$108.6	\$78.6	\$73.6
Impact to operating income of non-run-rate items:			
Adjustments to plant-level LIFO <sup>1</sup>	(0.2	) (0.6	) (3.2
Non-cash lower of cost or market inventory write-down	—	—	(9.3
Mark-to-market (losses) gains on derivative instruments	(3.4	) (4.3	) 4.9
Workers' compensation expense due to a change in discount rate <sup>2</sup>	(3.1	) —	—
Restructuring benefits (charges)	0.3	0.3	(5.4
Asset impairment charges	—	(3.9	) —
Environmental expenses	(1.7	) (13.6	) (0.7
Total non-run-rate items	(8.1	) (22.1	) (13.7
Operating income excluding non-run-rate items	\$116.7	\$100.7	\$87.3

<sup>1</sup> We manage our Fabricated Products segment business on a monthly LIFO basis at each plant, but report inventory externally on an annual LIFO basis in accordance with GAAP on a consolidated basis. This amount represents the conversion from GAAP LIFO applied on a consolidated basis for the Fabricated Products segment to monthly LIFO applied on a plant-by-plant basis. This amount was presented on a gross basis separately as LIFO gain (loss) and Metal loss (gain) in our Annual and Quarter Reports on Forms 10-K and 10-Q for each of the prior annual and interim periods.

<sup>2</sup> Amount represents a portion of the workers' compensation expense in 2011 resulting from the change in the discount rates applied in estimating workers compensation liabilities. We consider such expense to be non-run-rate because such amounts are not related to the incurrence and resolution of workers compensation claims. Non run-rate

workers' compensation expense in 2010 and 2009 were not material because discount rates did not fluctuate significantly.

As noted above, operating income excluding identified non-run-rate items for 2011 was \$16.0 million higher than for 2010. Operating income excluding identified non-run-rate items for 2010 was \$13.4 million higher than for 2009. Operating income excluding non-run-rate items for 2011 as compared to 2010 and for 2010 as compared to 2009 reflects the following impact:

35

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Table of Contents

	2011 vs. 2010		2010 vs. 2009	
	Favorable/(Unfavorable)		Favorable/(Unfavorable)	
Sales impact	\$ 42.2		\$ 10.0	
Manufacturing efficiency (decreases) increases	(8.7	)	9.0	
Energy & freight related costs	(6.1	)	4.4	
Depreciation and amortization	(5.4	)	(3.2	)
Selling, general, administrative and research and development expense	(4.4	)	(1.1	)
Currency exchange related	(1.3	)	(2.8	)
Planned major maintenance	(0.2	)	(2.7	)
Other	(0.1	)	(0.2	)
Total	\$ 16.0		\$ 13.4	

The favorable sales impact in 2011 compared to 2010 was due to higher overall shipments of virtually all products, including additional shipments from the Chandler, Arizona (Extrusion) and Florence, Alabama facilities, which were acquired in January 2011 and August 2010, respectively.

Segment operating results for 2011, 2010 and 2009 include gains (losses) on intercompany hedging activities with the Hedging business unit totaling \$8.1 million, \$(0.1) million and \$(42.8) million, respectively. These intercompany amounts eliminate in consolidation.

**Outlook**

The long-term prospects for aerospace and high strength applications 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. Our value added revenue for aerospace applications achieved record levels in 2011, and we expect robust demand to continue in 2012.

We also continue to be optimistic about automotive growth opportunities attributable to increasing aluminum extrusion content and higher build rates, which we anticipate will continue for the next several years. Demand for our general engineering applications continues to reflect an ongoing, slow but steady economic recovery. We expect to see improving demand and normal seasonal strength for our automotive and general engineering applications in the first half of 2012.

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 yet to be realized, our long-term earnings potential remains strong. As evidenced by the expansion of our aerospace extrusion capacity at the Chandler, Arizona (Extrusion) facility and plans for further expansion of our aerospace plate capacity at the Spokane, Washington facility, announced in 2011, we continue to have additional opportunities for growth. In addition, we will continue to consider complementary acquisitions.

**All Other**

All Other consists of Secondary Aluminum, Hedging and Corporate and Other business units. The Secondary Aluminum business unit sells value added products such as ingot and billet produced by Anglesey, for which we receive a portion of a premium over normal commodity market prices. Our Hedging business unit conducts hedging activities in respect of our exposure to primary aluminum prices and conducted British Pound Sterling exchange rate risk relating to Anglesey's smelting operations through September 30, 2009. Our Corporate and Other business unit provides general and administrative support for our operations. 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 produces value-added secondary aluminum ingot and billet and sells 49% of its output to us. We in turn sell the secondary aluminum products 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 sales of such secondary aluminum are presented net of the cost of sales. Accordingly, net sales and operating income in 2011 were zero. Anglesey operated as a primary aluminum smelter until September 30, 2009, when it fully curtailed its smelting operations

Table of Contents

due to the inability to find affordable power upon the expiration of its long-term power contract.

Although Anglesey is decommissioning a portion of the site and pursuing the disposition of some of its assets, Anglesey currently expects to continue to conduct secondary aluminum remelt and casting operations. We do not expect those efforts to impact our results or result in any distribution by Anglesey to its owners.

See Note 3 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010 for additional details on our investment in Anglesey and the suspension of equity method of accounting with respect to our ownership in Anglesey.

The table below provides selected operational and financial information (in millions of dollars except shipments and prices) for Anglesey-related primary and secondary aluminum activities:

	Years Ended December 31,		
	2011	2010 <sup>1</sup>	2009
Shipments (mm lbs)	—	0.4	113.9
Average realized sales price (per pound)	\$—	\$0.92	\$0.79
Net sales	\$—	\$0.3	\$89.9
Operating Income	\$—	\$0.1	\$8.4

<sup>1</sup> Shipments, net sales and operating income in 2010 represents residual activity of primary aluminum purchased from Anglesey while it operated as a smelter (prior to September 30, 2009) and resold by us in the first quarter of 2010. The following table recaps the major components of the operating results from Anglesey-related primary and secondary aluminum activities for 2011, 2010 and 2009 (in millions of dollars):

	Years Ended December 31,		
	2011	2010	2009
Profit on metal sales from smelting operations (net of alumina sales) <sup>1</sup>	\$—	\$0.1	\$10.2
Impairment of investment in Anglesey	—	—	(1.8)
	\$—	\$0.1	\$8.4

Operating income represents earnings on metal purchases from Anglesey and resold by us and on alumina purchases<sup>1</sup> from third parties by us and sold to Anglesey while it operated as a smelter. Such earnings were impacted by the market price for primary aluminum and alumina pricing, offset by the impact of foreign currency translation.

**Hedging Activities.** Our pricing of fabricated aluminum products is generally intended to lock in a conversion margin (representing the value added from the fabrication process(es)) and to pass metal price risk to our customers. However, in certain instances we enter into firm-price arrangements with our customers and incur price risk on our anticipated primary aluminum purchases in respect of such customer orders. At the time our Fabricated Products segment enters into a firm-price customer contract, our Hedging business unit and Fabricated Products segment enter into an “internal hedge” so that metal price risk resides in our Hedging business unit under All Other. Results from internal hedging activities between our Fabricated Products segment and Hedging business unit eliminate in consolidation. The Hedging business unit uses third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts. These transactions are reflected on our balance sheet and recorded at fair value.

Additionally, through September 30, 2009, the Hedging business unit used third-party hedging instruments to limit our exposure to the British Pound Sterling exchange rate relating to Anglesey’s smelting operations.

All hedging activities are managed centrally to minimize transaction costs, monitor consolidated net exposures and allow for increased responsiveness to changes in market factors.



The table below provides a detail of operating income (loss) (in millions of dollars) from our Hedging business unit for 2011, 2010 and 2009:

37

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Table of Contents

	Years Ended		
	December 31,		
	2011	2010	2009
Internal hedging with Fabricated Products <sup>1</sup>	\$(8.1	) \$0.1	\$42.8
Derivative settlements — Pound Sterling	—	—	(12.2
Derivative settlements — External metal hedging	9.6	(0.6	) (29.2
Market-to-market on derivative instruments	(26.5	) 3.6	75.6
Operating (loss) income	\$(25.0	) \$3.1	\$77.0

<sup>1</sup> Eliminates in consolidation.

Corporate and Other Activities. Operating expenses within the Corporate and Other business unit represent general and administrative expenses that are not allocated to other business units or segments. The table below presents non-run-rate items within the Corporate and Other business unit, operating expense and operating expense excluding non-run-rate items (in millions of dollars) for 2011, 2010 and 2009:

	Years Ended		
	December 31,		
	2011	2010	2009
Operating expense	\$(28.6	) \$(40.7	) \$(40.3
Impact to operating expense of non-run-rate items:			
VEBA net periodic benefit income (cost) <sup>1</sup>	6.0	(5.1	) (5.3
Environmental expense	(2.2	) (0.3	) (1.7
Workers' compensation expense due to a change in discount rate <sup>2</sup>	(0.7	) —	—
Other operating benefits (charges)	0.3	(0.1	) 0.9
Total non-run-rate items	3.4	(5.5	) (6.1
Operating expense excluding non-run-rate items	\$(32.0	) \$(35.2	) \$(34.2

We have no claim over the VEBAs' plan assets nor any responsibility for the VEBAs' accumulated postretirement obligations. Our only financial obligations to the VEBAs are to pay the annual variable contributions and certain administrative fees. Nevertheless, based on discussions with the staff of the SEC, for accounting purposes we treat the postretirement medical benefits to be paid by the VEBAs and our related annual variable contribution obligations as defined benefit postretirement plans with the current VEBA assets and future variable contributions, and earnings thereon, operating as a cap on the benefits to be paid. Accordingly, we record net periodic postretirement benefit income (costs), which we consider to be non-run-rate, and record any difference between the assets of each VEBA and its accumulated postretirement benefit obligation in our consolidated financial statements. See Note 8 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information relating to the VEBAs.

Amount represents a portion of the workers' compensation expense in 2011 resulting from the change in the discount rates applied in estimating workers compensation liabilities. We consider such expense to be non-run-rate because such amounts are not related to the incurrence and resolution of workers compensation claims. Non-run-rate workers' compensation expense in 2010 and 2009 were not material because discount rates did not fluctuate significantly.

Corporate operating expenses excluding non-run-rate items for 2011 were \$3.2 million lower than such expenses for the comparable period in 2010. The decrease primarily reflects (i) lower workers' compensation expense (excluding the impact of discount rate applied in estimating workers' compensation liabilities) related to our non-operating

locations of \$2.9 million due to higher estimated incurred but not reported expenses in 2010 relating to historical workers' compensation cases and lower estimated case reserve in 2011, (ii) lower medical expense of \$1.6 million due to a reduction in medical claims and incurred but not reported expense relating to our retired employees, partially offset by (i) a \$0.6 million increase in employee compensation expense relating to salaries and wages and our incentive programs and (ii) a \$0.4 million increase in professional fees and general and administrative expenses.

## Table of Contents

Corporate operating expenses excluding non-run-rate items for 2010 were \$1.0 million higher than such expenses for the comparable period in 2009. The increase primarily reflects (i) a \$1.6 million increase in employee compensation expense relating to our short-term incentive program and other benefit programs and (ii) a \$2.0 million increase in workers' compensation expense relating to historical workers' compensation cases due to changes in estimated incurred but not reported expenses, partially offset by a \$2.3 million decrease in non-cash stock compensation expense due to timing of vesting and changes in vesting assumptions relating to performance shares in connection with our long-term incentive programs.

### Other Information

We have significant federal income tax attributes, including sizable net operating loss carry-forwards. Under Section 382(l)(5) of the Code ("Section 382"), our ability to use our federal income tax attributes following a more than 50% change in ownership during any period of 36 consecutive months, all as determined under the Code (an "ownership change") would be limited annually to an amount equal to the product of (i) the aggregate value of our outstanding common shares immediately prior to the ownership change and (ii) the applicable federal long-term tax exempt rate in effect on the date of the ownership change.

To reduce the risk that an ownership change under Section 382 would jeopardize our ability to fully use our federal income tax attributes, our certificate of incorporation prohibits certain transfers of our equity securities without the prior approval of our Board of Directors if either (a) the transferor holds 5% or more of the total fair market value of all of our issued and outstanding equity securities (such person, a "5% shareholder") or (b) as a result of such transfer, either (i) any person or group of persons would become a 5% shareholder or (ii) the percentage stock ownership of any 5% shareholder would be increased (any such transfer, a "5% transaction"). Additionally, to reduce the risk of an ownership change under Section 382, the ability of the Union VEBA, one of our largest shareholders, to sell common shares without the approval of our Board of Directors is limited by a stock transfer restriction agreement. In January 2012, in accordance with the stock transfer restriction agreement and our certificate of incorporation, our Board of Directors granted its written approval permitting the Union VEBA to sell any and all of the 1,321,485 shares that the Union VEBA would be entitled to sell during 12-month period beginning March 24, 2012 at any time during such 12-month period.

Issuances of new common shares also must be considered in determining whether an ownership change has occurred under Section 382. We estimate that we can currently issue approximately 48.9 million common shares without triggering an ownership change. However, 5% transactions would decrease the number of common shares we can issue during any 36 month period without triggering an ownership change and impairing our ability to use our federal income tax attributes. Similarly, any issuance of common shares by us would limit the number of shares that could be transferred in 5% transactions. If at any time we were to issue the maximum number of common shares without triggering an ownership change under Section 382, there could be no 5% transactions during the 36-month period thereafter without potentially impairing our ability to use of our federal income tax attributes.

### Liquidity and Capital Resources

#### Summary

Cash and cash equivalents were \$49.8 million at December 31, 2011, compared to \$135.6 million at December 31, 2010. The decrease in cash and cash equivalents is primarily related to \$83.2 million of net cash consideration paid to purchase the Chandler, Arizona (Extrusion) facility effective January 1, 2011. See "Cash Flows" below for additional information.

Cash equivalents consist primarily of money market accounts, investments with an original maturity of three months or less when purchased, and other highly liquid investments. We place our cash in bank deposits and money market funds with high credit quality financial institutions which invest primarily in commercial paper and time deposits of prime quality, short-term repurchase agreements, and U.S. government agency notes. We have not experienced losses on our temporary cash investments.

In addition to our unrestricted cash and cash equivalents described above, we have restricted cash that is pledged or held as collateral in connection with workers' compensation requirements and certain other agreements. Short-term restricted cash, which is included in Prepaid expenses and other current assets, totaled \$7.8 million at December 31, 2011 and \$0.9 million at December 31, 2010. Long-term restricted cash, which is included in Other Assets, was \$10.4

million at December 31, 2011 and \$16.3 million at December 31, 2010. The \$6.9 million increase in short-term restricted cash and the corresponding decrease in long-term restricted cash during 2011 resulted from the anticipation of a release of funds held in a trust account within 12 months. Such funds were released to us in February 2012, and were reclassified from short-term restricted cash to cash and cash equivalents.

On September 30, 2011, we and certain of our subsidiaries amended and extended our credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions party thereto (see Note 4 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report). There were no

Table of Contents

borrowings under our revolving credit facility as of December 31, 2011, nor were there borrowings on the prior revolving credit facility during the nine month ended September 30, 2011, or as of December 31, 2010.

## Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for 2011, 2010 and 2009 (in millions of dollars):

	Years Ended December 31,		
	2011	2010	2009
Total cash provided by (used in):			
Operating activities:			
Fabricated Products	\$107.1	\$100.1	\$149.5
All Other	(44.3)	(33.8)	(21.8)
	\$62.8	\$66.3	\$127.7
Investing activities:			
Fabricated Products	\$(115.3)	\$(42.2)	\$(59.2)
All Other	(1.0)	(4.2)	18.5
	\$(116.3)	\$(46.4)	\$(40.7)
Financing activities:			
Fabricated Products	\$(8.4)	\$—	\$—
All Other	(23.9)	85.4	(56.9)
	\$(32.3)	\$85.4	\$(56.9)

## Operating Activities

Fabricated Products — In 2011, Fabricated Products segment operating activities provided \$107.1 million of cash. Cash provided in 2011 was primarily related to operating income excluding non-run-rate items, depreciation and amortization of \$141.5 million and an increase in accounts payables of \$10.2 million, partially offset by an increase in inventory of \$31.8 million and increase in accounts receivable of \$10.6 million.

In 2010, Fabricated Products segment operating activities provided \$100.1 million of cash. Cash provided in 2010 was primarily related to operating income excluding non-run-rate items, depreciation and amortization of \$120.1 million, an increase in accounts payables and other accrued liabilities of \$11.4 million and an increase of \$8.5 million in deferred revenue related primarily to cash received during the period from customers in advance of periods for which (i) production capacity is reserved, (ii) customer commitments have been deferred or reduced or (iii) performance is completed. The foregoing cash inflows were partially offset by an increase in inventory of \$40.4 million.

In 2009, Fabricated Products' operating activities provided \$149.5 million of cash. Cash provided in 2009 was primarily related to operating income excluding non-run-rate items, depreciation and amortization of \$103.5 million and significant cash flows from changes in current assets and liabilities, including a decrease in accounts receivables of \$16.3 million, a decrease in inventory of \$34.6 million, and an increase of \$11.3 million in deferred revenues related primarily to cash received during the year from customers in advance of periods for which (i) production capacity is reserved, (ii) customer commitments have been deferred or reduced or (iii) performance is completed. The foregoing cash inflows were partially offset by a decrease in accrued liability of \$10.9 million.

All Other — Cash used in operations in All Other is comprised of (i) cash used in corporate and other activities, (ii) cash provided by (used in) hedging activities and (iii) cash provided (used) from Anglesey-related operating activities.

Corporate and other operating activities used \$41.5 million, \$46.0 million and \$34.6 million of cash during 2011, 2010 and 2009, respectively. Cash outflow from Corporate and other operating activities in 2011 consisted primarily of payments in respect of cash general and administrative costs of \$27.8 million, \$9.7 million of interest payment relating to the Notes and the revolving credit facility and \$2.2 million of variable VEBA contribution. Cash outflow from Corporate and Other operating activities in 2010 consisted primarily of payments in respect of cash general and

administrative costs of \$27.4 million, \$5.5 million of interest payment relating to the Notes and the revolving credit facility, \$2.8 million of variable VEBA contribution and \$2.1 million of environmental costs. Cash outflow from Corporate and Other operating activities in 2009 consisted

40

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Table of Contents

primarily of payments in respect of cash general and administrative costs of \$26.1 million, variable VEBA contribution of \$4.9 million and \$1.6 million of interest payment relating to the revolving credit facility. Hedging-related activities (used) provided \$(1.2) million, \$3.7 million and \$18.8 million of cash during 2011, 2010 and 2009, respectively. Cash flows in our Hedging business unit are related to realized hedging gains and losses on our derivative positions and are affected by the timing of settlement of such positions. Anglesey-related activities (used) provided \$(1.6) million, \$8.5 million and \$(6.0) million of cash in 2011, 2010 and 2009, respectively. Operating cash flows for 2011 and 2010 were related to changes in working capital. Operating cash flows 2009 was comprised of operating income from Anglesey-related activities and changes in working capital.

Investing Activities

**Fabricated Products** — Cash used in investing activities for Fabricated Products was \$115.3 million in 2011, compared to \$42.2 million of cash used in 2010 and \$59.2 million of cash used in 2009. Cash used in 2011 reflected \$83.2 million used for the acquisition of our Chandler, Arizona (Extrusion) facility and \$32.1 million used for capital expenditures. Cash used in investing activities in 2010 and 2009 was primarily related to our capital expenditures. See “Capital Expenditures” below for additional information.

**All Other** — Investing activities in All Other is generally related to activities in restricted cash and capital expenditures within the Corporate and Other business unit. We have restricted cash on deposit as financial assurance for certain environmental obligations and workers’ compensation claims from the State of Washington. Cash used in investing activities in 2011 is comprised of deposit of \$1.0 million of restricted cash relating to workers’ compensation, \$0.4 million of capital expenditures and \$0.3 million payment to purchase available for sale securities in connection with our deferred compensation plan, partially offset by \$0.7 million cash proceeds from the sale of property. Cash used in investing activities in 2010 is comprised primarily of the purchase of \$4.4 million of available for sale securities in connection with our deferred compensation plan, a return of \$1.1 million of restricted cash to us relating to workers’ compensation deposit, partially offset by \$0.9 million of capital expenditures. Cash generated from investing activities in All Other in 2009 represented the return of a portion the 2008 deposits relating to workers’ compensation with the State of Washington and margin call deposits to our counterparties relating to our derivative positions at December 31, 2008.

Financing Activities

**Fabricated Products** — Cash used in financing activities for Fabricated Products in 2011 was \$8.4 million, relating primarily to a \$7.0 million full repayment of the outstanding principal balance of the promissory note in connection with the purchase of the land and building of our Los Angeles, California facility and principal payments in respect of the note issued by us in connection with the acquisition of our Florence, Alabama facility.

**All Other** — Cash used by financing activities in 2011 was \$23.9 million, primarily representing (i) \$18.9 million of cash dividends paid to our stockholders, including holders of restricted stock, and dividend equivalents paid to holders of restricted stock units and to holders of performance shares with respect to one half of performance shares, (ii) \$2.1 million of financing costs paid in connection with the amendment of our revolving credit facility and (iii) \$3.1 million of cash used to repurchase our common stock to satisfy employees’ minimum statutory withholding taxes resulting from the vesting of employee restricted stock, restricted stock units and performance shares.

Cash provided by financing activities in 2010 was \$85.4 million. The cash inflow was primarily related to the issuance of the Notes and related transactions. We received \$169.2 million of net proceeds from the Notes offering after deducting the initial purchasers’ discounts and transaction fees and fees and expenses of \$5.8 million. In connection with the issuance of the Notes, we paid \$31.4 million to purchase the Call Options and received \$14.3 million for issuing net-share-settled warrants (the “Warrants”). In addition, we used \$44.2 million of the net proceeds from the Notes transaction to repurchase approximately 1.2 million shares of our common stock. In addition to the financing transactions relating to the Notes, we also paid \$19.0 million in cash dividends to our stockholders, including holders of restricted stock, and dividend equivalents to holders of restricted stock units and to holders of performance shares with respect to one half of performance shares in 2010.

Cash used in financing activities in the 2009 was \$56.9 million. The cash outflow was primarily related to the repayment of net borrowings under our revolving credit facility of \$36.0 million and \$19.6 million in cash dividends and dividend equivalents.



Sources of Liquidity

We believe our most significant sources of liquidity are funds generated from the expected results of operations, available cash and cash equivalents, and borrowing availability under our revolving credit facility. We believe these sources will be sufficient to finance our cash requirements, including those associated with our strategic investments and existing expansion

41

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Table of Contents

plans, for at least the next 12 months. Nevertheless, our ability to satisfy our working capital requirements and debt service obligations and to fund planned capital expenditures will substantially depend upon our future operating performance (which will be affected by prevailing economic conditions) and financial, business and other factors, some of which are beyond our control.

Our revolving credit facility matures in September 2016 and provides for borrowings up to \$300.0 million (subject to borrowing base limitations), of which up to a maximum of \$60.0 million may be utilized for letters of credit. Our revolving credit facility may, subject to certain conditions and the agreement of lenders thereunder, be increased up to \$350.0 million.

The table below summarizes recent availability and usage of our revolving credit facility (in millions of dollars except for borrowing rate):

	December 31, 2011	February 23, 2012		
Borrowing commitment	\$300.0	\$300.0		
Borrowing base availability	\$260.5	\$284.5		
Outstanding borrowings	\$—	\$—		
Outstanding letters of credit	\$8.9	\$8.9		
Net remaining borrowing availability	\$251.6	\$275.6		
Borrowing rate (if applicable) <sup>1</sup>	4.0	% 4.0	%	%

<sup>1</sup> Such borrowing rate, if applicable, represents the interest rate to any overnight borrowings under the revolving credit facility.

At December 31, 2011, we were in compliance with all covenants contained in our revolving credit facility. We do not believe that covenants contained in our revolving credit facility are reasonably likely to limit our ability to raise additional debt or equity, should we choose to do so during the next 12 months, nor do we believe it is likely that during the next 12 months we will trigger the availability threshold that would require measuring and maintaining a fixed charge coverage ratio.

See Note 4 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for a description regarding our revolving credit facility; such description is incorporated herein by reference.

## Debt

Mandatory principal payment on the outstanding Notes will be \$175.0 million in April 2015, assuming no early conversions of the Notes. The Notes were not convertible as of December 31, 2011, and we do not expect the Notes to be converted by investors prior to the first quarter of 2015 (if at all). See Note 3 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for information on the circumstances in which the Notes will become convertible prior to January 1, 2015.

Mandatory principal payments on the promissory note issued in connection with our acquisition of the Florence, Alabama facility (the "Nichols Promissory Note") are \$1.3 million in each of the years of 2012, 2013 and 2014, and \$0.8 million in 2015. See Note 4 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information relating to the Nichols Promissory Note.

## Investments and Capital Expenditures

Effective January 1, 2011, we acquired the Chandler, Arizona (Extrusion) facility, which manufactures hard alloy extrusions for the aerospace industry. We paid cash consideration of \$83.2 million (net of \$4.9 million cash received in the acquisition) with existing cash on hand, and assumed certain liabilities totaling approximately \$1.0 million. See Note 5 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for information about the assets acquired and liabilities assumed in connection with this transaction.

A component of our long-term strategy is our capital expenditure program including our organic growth initiatives. Total capital expenditures were \$32.5 million, \$38.9 million and \$59.2 million for 2011, 2010 and 2009, respectively. During 2011 we commenced projects to increase capacity at our Chandler, Arizona (Extrusion) facility and at our Spokane, Washington facility to meet growing demand for aerospace extrusions and heat treat plate applications. Spending at these two locations comprised over half of our capital expenditures in 2011.

## Table of Contents

Our Kalamazoo, Michigan extrusion and remelt facility comprised a small portion of expenditures in 2011 and the majority of our capital expenditures in 2010 and 2009. The facility improves the capabilities, product quality and efficiency of our soft alloy rod and bar operations and provides a platform for future growth for extrusion applications. The rest of our capital spending was spread among our manufacturing locations on projects expected to reduce operating costs, improve quality, increase capacity or enhance operational security.

We expect total capital expenditures and investments for Fabricated Products will be in the \$40.0 million to \$50.0 million range for all of 2012 and will be funded using cash generated from operations, available cash and cash equivalents, borrowings under the revolving credit facility and/or other third-party financing arrangements. We expect to have additional opportunities for growth that will support capital spending over the next few years at a pace equaling or exceeding the pace of 2011.

The level of anticipated capital expenditures may be adjusted from time to time depending on our business plans, our price outlook for fabricated aluminum products, our ability to maintain adequate liquidity and other factors. No assurance can be provided as to the timing of any such expenditures or the operational benefits expected therefrom.

### Dividends

During 2011, 2010 and 2009, we paid a total of \$18.9 million, \$19.0 million and \$19.6 million, or \$0.96, \$0.96 and \$0.96 per common share, respectively, in cash dividends to our stockholders, including the holders of restricted stock, and in dividend equivalents to the holders of restricted stock units and the holders of performance shares with respect to one half of the performance shares issued under our equity and performance incentive plan.

On January 13, 2012, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of \$0.25 per common share, or \$4.9 million (including dividend equivalents), which was paid on or about February 15, 2012 to stockholders of record at the close of business on January 24, 2012.

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 in the future.

### Stock Repurchase Plan

In June 2008, our Board of Directors approved a program for the repurchase of up to \$75.0 million of our common shares to occur in open-market or privately negotiated transactions, at such times and prices as management deems appropriate, to be funded with our excess liquidity after giving consideration to internal and external growth opportunities and future cash flows. The program may be modified, extended or terminated by our Board of Directors at any time. All shares repurchased under this stock repurchase program were treated as treasury shares. As of December 31, 2011, \$46.9 million remained available under this repurchase authorization.

During the first quarter of 2010, in connection with the issuance of the Notes, and pursuant to a separate authorization from our Board of Directors, we repurchased approximately 1.2 million shares of our outstanding common stock for \$44.2 million, in privately negotiated, off-market transactions.

Under our Amended and Restated 2006 Equity and Performance Incentive Plan, participants may elect to have us withhold common shares to satisfy minimum statutory tax withholding obligations arising in connection with the vesting of non-vested shares, restricted stock units and performance shares. Any such shares withheld are canceled by us on the applicable vesting dates, which correspond to the times at which income to the employee is recognized. When we withhold these common shares, we are required to remit to the appropriate taxing authorities the fair value of the shares withheld as of the vesting date. The number of shares withheld is determined based on the closing price per common share as reported on the Nasdaq Global Select Market on such dates. During 2011, we withheld 62,637 shares of common stock to satisfy employees' minimum statutory tax withholding obligations. The withholding of common shares by us on the vesting date is deemed a purchase of the common shares.

### Restrictions Related to Equity Capital

As discussed in Note 8 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" and elsewhere in this Report, there are restrictions on the transfer of our common shares.

### Environmental Commitments and Contingencies

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

43

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Table of Contents

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.

During the third quarter of 2010, we increased our environmental accruals in connection with our submission of a draft feasibility study to the Washington State Department of Ecology on September 8, 2010. The draft feasibility study included recommendations for a range of alternative remediations to primarily address the historical use of oils containing polychlorinated biphenyls, or PCBs, at our Trentwood facility in Spokane, Washington which may be implemented over the next 30 years. During 2011, we continued to work with the Washington State Department of Ecology to revise the draft feasibility study and to determine viable remedial approaches. As of December 31, 2011, no agreement with the Washington State Department of Ecology had been reached on the final remediation approach. The draft feasibility study is still subject to further reviews, public comment and regulatory approvals before the final consent decree is issued. We expect the consent decree to be issued in late 2012.

At December 31, 2011, environmental accrual of \$22.0 million represented our best estimate of the incremental cost based on proposed alternatives in the draft feasibility study related to our Trentwood facility in Spokane, Washington 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 and estimate that the incremental direct costs attributable to the remediation activities to be charged to these environmental accruals will be approximately \$1.2 million in 2012, \$3.6 million in 2013, \$1.8 million in 2014, \$0.8 million in 2015, \$0.6 million in 2016 and \$14.0 million for years thereafter through the balance of the 30-year period.

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 \$21.7 million over the next 30 years. It is reasonably possible that our recorded estimate change in the next 12 months.

Contractual Obligations, Commercial Commitments, and Off-Balance Sheet and Other Arrangements

Contractual Obligations and Commercial Commitments

We are obligated to make future payments under various contracts such as long-term purchase obligations and lease agreements. We have grouped these contractual obligations into operating activities, investing activities and financing activities in the same manner as they are classified in our Statements of Consolidated Cash Flows included in Item 8. "Financial Statements and Supplemental Data" in order to provide a better understanding of the nature of the obligations and to provide a basis for comparison to historical information.

The following table provides a summary of our significant contractual obligations at December 31, 2011 (dollars in millions):

Table of Contents

	Payments Due by Period						
	Total	2012	2013	2014	2015	2016	2017 and Thereafter
Operating activities: <sup>1</sup>							
Purchase obligations	\$288.3	\$279.0	\$1.4	\$1.4	\$1.4	\$1.4	\$3.7
Operating leases	55.8	7.5	6.4	3.6	3.0	2.3	33.0
Environmental liability	22.0	1.2	3.6	1.8	0.8	0.6	14.0
Deferred revenue arrangement	16.8	13.5	3.3	—	—	—	—
Investing activities: <sup>2</sup>							
Capital equipment	1.6	1.6	—	—	—	—	—
Financing activities: <sup>3</sup>							
Principal on the Notes <sup>4</sup>	175.0	—	—	—	175.0	—	—
Interest on the Notes <sup>4</sup>	27.6	7.9	7.9	7.9	3.9	—	—
Commitment fees on revolving credit facility <sup>5</sup>	6.9	1.5	1.5	1.5	1.5	0.9	—
Principal on Nichols Promissory Note	4.7	1.3	1.3	1.3	0.8	—	—
Other:							
Standby letters of credit <sup>6</sup>	9.9	—	—	—	—	8.9	—
Uncertain tax liabilities <sup>7</sup>	13.4	—	—	—	—	—	—
Deferred compensation plan liability <sup>8</sup>	5.1	—	—	—	—	—	—
Total contractual obligations <sup>9</sup>	\$627.1	\$313.5	\$25.4	\$17.5	\$186.4	\$14.1	\$50.7

<sup>1</sup> See “Obligations for Operating Activities” below.

<sup>2</sup> See “Obligations for Investing Activities” below.

<sup>3</sup> See “Obligations for Financing Activities” below.

<sup>4</sup> The timing of the principal payment with respect to the Notes is based on the assumption no early conversion occurs. Interest obligations on the Notes are based on scheduled interest payments.

Future commitment fees are estimated based on the amount of unused credit under our revolving credit facility at December 31, 2011 and assuming no extension of terms beyond the current maturity date of our revolving credit facility which is September of 2016.

<sup>5</sup> Of the \$9.9 million of standby letters of credit, \$8.9 million represents letters of credit issued under our revolving credit facility. The letters of credit provide financial assurance of our payment of obligations, primarily related to workers' compensation and environmental compliance, for which specific timing of such payments is uncertain. The letters of credit generally automatically renew every 12 months and terminate when the underlying obligations no longer require assurance or upon the maturity of our revolving credit facility in September of 2016 (for those letters of credit issued under the facility).

<sup>6</sup> At December 31, 2011, we had uncertain tax positions which ultimately could result in tax payments. As the amount of ultimate tax payments beyond 2012 is contingent on the tax authorities' assessment, it is not practical to present annual payment information.

<sup>7</sup> The amount represents liability relating to our deferred compensation plan for certain key employees. As the distribution amount is contingent upon vesting and other eligibility requirements, it is not practical to present annual payment information.

<sup>8</sup> Total contractual obligations exclude future annual variable cash contributions to the VEBAs, which cannot be determined at this time. At December 31, 2011, we determined the variable cash contribution to the VEBAs in 2012 to be zero. See “Off-Balance Sheet and Other Arrangements” below for a description of our annual variable cash obligations to the VEBAs.

<sup>9</sup> Obligations for Operating Activities





Table of Contents

Cash outlays for operating activities primarily consist of purchase obligations with respect to primary aluminum, other raw materials and electricity, and payment obligations under operating leases.

We have various contracts with suppliers of aluminum that require us to purchase minimum quantities of aluminum in future years at a price to be determined at the time of purchase based primarily on the underlying metal price at that time. Amounts included in the table are based on minimum quantities at the metal price at December 31, 2011. We believe the minimum quantities are lower than our current requirements for aluminum. Actual quantities and actual metal prices at the time of purchase could be different.

Operating leases represent multi-year obligations for certain manufacturing facilities, warehousing, office space and equipment.

Environmental liability represents the environmental accrual at December 31, 2011.

Deferred revenue arrangements relate to fees received from customers for future delivery of products over the specified contract period. While these obligations are not expected to result in cash payments, they represent contractual obligations for which we would be obligated if the specified product deliveries could not be made.

Obligations for Investing Activities

Capital project spending included in the preceding table represents non-cancelable capital commitments as of December 31, 2011. We expect capital projects to be funded through cash from our operations, borrowing under our revolving credit facility or other financing sources.

Obligations for Financing Activities

Cash outlays for financing activities consist of our principal obligations under long-term debt, scheduled interest payment on the Notes and commitment fees under our revolving credit facility. Interest relating to the Nichols note payable was immaterial and was not presented. We had zero borrowings outstanding under our revolving credit facility.

Off-Balance Sheet and Other Arrangements

See Note 8 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for our employee benefit plans including defined contribution plans and defined benefit plans.

See Note 9 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for our participation in multi-employer pension plans.

See Note 10 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for our employee incentive plans. Additional equity awards are expected to be made to employees and directors in 2012 and future years.

Our financial obligations to the VEBAs are (i) a variable cash contribution payable to the Union VEBA and the Salaried VEBA and (ii) an obligation to pay the administrative expenses of the VEBAs, up to \$0.3 million per year. The obligation to the Union VEBA with respect to the variable cash contribution extends through September 30, 2017, while the obligation to the Salaried VEBA has no termination date. The amount to be contributed to the VEBAs through September 2017 pursuant to our obligation is 10% of the first \$20.0 million of annual cash flow (as defined; in general terms, the principal elements of cash flow are earnings before interest expense, provision for income taxes, and depreciation and amortization less cash payments for, among other things, interest, income taxes, and capital expenditures), plus 20% of annual cash flow, as defined, in excess of \$20.0 million. Such annual payments may not exceed \$20.0 million and are also limited (with no carryover to future years) to the extent that the payments would cause our liquidity to be less than \$50.0 million. As of December 31, 2011, we determined that the variable contribution for 2011 was zero as investments, capital spending, and interest exceeded earnings before interest expense, provision for income taxes, and depreciation and amortization. See Note 8 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information regarding the effect that the VEBA plans had on the consolidated financial statements.

In March 2010, we issued the Notes and the Warrants, and purchased the Call Options (see Note 3 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report). As of December 31, 2011, the Notes were not convertible. We do not expect the Notes to be converted by investors until close to their maturity date, if at all. It is possible to have the Notes converted prior to their maturity date if, for

example, a holder perceives (and market data validates the perception) the market for the Notes to be weaker than the market for our common stock. Upon an investor's election to convert, we are required to pay the

Table of Contents

conversion value in cash. We expect that any payment above the principal amount would be effectively offset by payments we would be entitled to receive from exercise of the Call Options.

**Critical Accounting Estimates and Policies**

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Our significant accounting policies are discussed in Note 1 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effects of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Our judgments and estimates with respect to commitments and contingencies.		
Valuation of legal and other contingent claims is subject to a great deal of judgment and substantial uncertainty. Under GAAP, companies are required to accrue for loss contingencies in their financial statements only if both (i) the potential loss is "probable" and (ii) the amount (or a range) of probable loss is "estimatable." In reaching a determination of the probability of an adverse ruling in respect of a matter, we typically consult outside experts. However, any such judgments reached regarding probability are subject to significant uncertainty. We may, in fact, obtain an adverse ruling in a matter that we did not consider a "probable" loss or "estimatable" and which, therefore, was not accrued for in our financial statements. Additionally, facts and circumstances in respect of a matter can change causing key assumptions that were used in previous assessments of a matter to change. It is possible that amounts at risk in respect of one matter may be "traded off" against amounts under negotiations in a separate matter.	In estimating the amount of any loss, in many instances a single estimation of the loss may not be possible. Rather, we may only be able to estimate a range for possible losses. In such event, GAAP requires that a liability be established for at least the minimum end of the range assuming that there is no other amount which is more likely to occur.	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals. To the extent we prevail in matters for which reserves have been established or are required to pay amounts in excess of our reserves, our future results from operations could be materially affected.



Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
<p>Our judgments and estimates in respect of defined benefit plans.</p>	<p>Since recorded obligations represent the present value of expected pension and postretirement benefit payments over the life of the plans, decreases in the discount rate (used to compute the present value of the payments) would cause the estimated obligations to increase. Conversely, an increase in the discount rate would cause the estimated present value of the obligations to decline.</p>	<p>The rate used to discount future estimated liabilities is determined considering the rates available at year end on debt instruments that could be used to settle the obligations of the plan. An increase/decrease in the discount rate of 1/4 of 1% would impact the projected benefit obligation by approximately \$5.3 million to \$5.7 million in relation to the Canadian pension plan, and impact 2012 expense by \$0.3 million. An increase/decrease in the discount rate of 1/4 of 1% would impact the accumulated pension benefit obligation by approximately \$13.7 million to \$14.4 million in relation to the Salaried and Union VEBAs, impact service and interest costs by \$0.2 million and impact 2012 expense by approximately \$0.6 million to \$1.0 million.</p>
<p>At December 31, 2011, our financial statements include two defined benefit postretirement medical plans (i.e. the postretirement medical plans maintained by the VEBAs which we are required to reflect on our financial statements despite our limited legal obligations to the VEBAs in regard to those plans) and a pension plan for our Canadian plant. Liabilities and expenses for pension and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions relating to the employee workforce (i.e., salary increases, medical costs, retirement age, and mortality). The most significant assumptions used in determining the estimated year-end obligations were the assumed discount rate, long-term rate of return (“LTRR”) and the assumptions regarding future medical cost increases.</p>	<p>The LTRR on plan assets reflects an assumption regarding what the amount of earnings would be on existing plan assets (before considering any future contributions to the plans). Increases in the assumed LTRR would cause the projected value of plan assets available to satisfy pension and postretirement obligations to increase, yielding a reduced net expense in respect of these obligations. A reduction in the LTRR would reduce the amount of projected net assets available to satisfy pension and postretirement obligations and, thus, cause the net expense in respect of these obligations to increase.</p>	<p>The LTRR on plan assets is estimated by considering historical returns and expected returns on current and projected asset allocations. A change in the assumption for LTRR on plan assets of 1/4 of 1% would impact expense by approximately \$1.4 million in 2012 in relation to the</p>
<p>In addition to the above assumptions used in the actuarial valuation, changes in plan provisions could also have a material impact on the net funded status of the VEBAs. Our only obligation to the VEBAs is to pay the annual variable contribution amount based on the level of our cash flow. We have no control over any aspect of the plans. We rely entirely on information provided to us by the VEBA administrators with respect to specific plan provisions such as annual benefits paid.</p>	<p>As the assumed rate of increase in medical costs goes up, so does the net projected obligation. Conversely, if the</p>	
<p>See Note 8 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information in respect of the benefit plans.</p>		

rate of increase was assumed to be lower, the projected obligation would decline.

Salaried VEBA and the Union VEBA, respectively.

A change in plan provisions could cause the estimate obligations to change. An increase in annual paid benefits would increase the estimated present value of the obligations and conversely, a decrease in annual paid benefits would decrease the present value of the obligations.

Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
<p>Our judgments and estimates in respect to environmental commitments and contingencies.</p> <p>We are subject to a number of environmental laws and regulations, to fines or penalties assessed for alleged breaches of such laws and regulations and to claims and litigation based upon such laws and regulations. Based on our evaluation of environmental matters, we have established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. These environmental accruals represent our estimate of costs reasonably expected to be incurred on a going concern basis in the ordinary course of business based on presently enacted laws and regulations, currently available facts, existing technology and our assessment of the likely remediation action to be taken.</p> <p>See Note 11 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information in respect of environmental contingencies.</p> <p>Our judgments and estimates in respect of conditional asset retirement obligations.</p> <p>We recognize conditional asset retirement obligations (“CAROs”) related to legal obligations associated with the normal operations of certain of our facilities. These CAROs consist primarily of incremental costs that would be associated with the removal and disposal of asbestos (all of which is believed to be fully contained and encapsulated within walls, floors, ceilings or piping) of certain of our older facilities if such facilities were to undergo major renovation or be demolished. There are currently plans for such renovation or demolition at one facility and management’s current assessment is that certain immaterial CAROs may be triggered during the next four years. For locations where there are no current plans for renovations or demolitions, the most probable scenario is such CAROs would not be</p>	<p>Making estimates of possible incremental environmental remediation costs is subject to inherent uncertainties. As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals.</p> <p>The estimation of CAROs is subject to a number of inherent uncertainties including: (1) the timing of when any such CARO may be incurred, (2) the ability to accurately identify all materials that may require special handling or treatment, (3) the ability to reasonably estimate the total incremental special handling and other costs, (4) the ability to assess the relative probability of different scenarios which could give rise to a CARO, and (5) other factors outside a</p>	<p>Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals.</p> <p>To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our future results from operations could be materially affected.</p> <p>Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals.</p>

triggered for 20 or more years, if at all. Under current accounting guidelines, liabilities and costs for CAROs must be recognized in a company's financial statements even if it is unclear when or if the CARO will be triggered. If it is unclear when or if a CARO will be triggered, companies are required to use probability-weighting for possible timing scenarios to determine the probability weighted amounts that should be recognized in the company's financial statements.

See Note 13 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information in respect of renovation and demolition contingencies.

company's control including changes in regulations, costs and interest rates. As such, actual costs and the timing of such costs may vary significantly from the estimates, judgments and probable scenarios we considered, which could, in turn, have a material impact on our future financial statements.



Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
<p>Our judgments and estimates in respect of self insurance of employee health and workers' compensation liabilities.</p>	<p>The accounting for our self-insured workers' compensation plan involves estimates and judgments to determine our ultimate liability related to reported claims and claims incurred but not reported. We consider our historical experience, severity factors, actuarial analysis and existing stop loss insurance in estimating our ultimate insurance liability. In addition, since recorded obligations represent the present value of expected payments over the life of the claims, decreases in the discount rate (used to compute the present value of the payments) would cause the estimated obligations to increase. Conversely, an increase in the discount rate would cause the estimated present value of expected payments to decrease. If our insurance claim trends were to differ significantly from our historic claim experience and as the discount rate changes, we would make a corresponding adjustment to our insurance reserves.</p>	<p>The rate used to discount future estimated workers' compensation liabilities is determined based on the U.S. Treasury bond rate with a five-year maturity date which resembles the remaining estimated life of the workers' compensation claims. A change in the discount rate of 1/4 of 1% would impact the workers' compensation liability and operating income by approximately \$0.3 million.</p>
<p>We are primarily self-insured for group health insurance and workers compensation benefits provided to employees. We purchase stop-loss insurance to protect against annual health insurance claims per individual and at an aggregate level.</p>		

Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
<p data-bbox="87 331 327 365">Long Lived Assets.</p> <p data-bbox="87 401 694 1234">Long-lived assets other than goodwill and indefinite-lived intangible assets, which are separately tested for impairment, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the fair value, which may be based on estimated future cash flows (discounted and with interest charges) to the asset's carrying value. We recognize an impairment loss if the amount of the asset's carrying value exceeds the assets estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining useful life of that asset.</p>	<p data-bbox="751 611 1114 1024">Our impairment loss calculations contain uncertainties because they require management to make assumptions and apply judgment to estimate future cash flows and asset fair values, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.</p>	<p data-bbox="1171 436 1503 569">We have not made any material changes in our impairment loss assessment methodology.</p> <p data-bbox="1171 611 1503 1199">We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate long-lived asset impairment losses. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to further losses from impairment charges that could be material.</p>

Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Income Tax.	<p>Inherent within the completion of our assessment of the need for a valuation allowance, we made significant judgments and estimates with respect to future operating results, timing of the reversal of deferred tax assets and our assessment of current market and industry factors. In order to determine the effective tax rate to apply to interim periods, estimates and judgments are made (by taxable jurisdiction) as to the amount of taxable income that may be generated, the availability of deductions and credits expected and the availability of net operating loss carry forwards or other tax attributes to offset taxable income.</p>	<p>Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material.</p> <p>A change in our effective tax rate by 1% would have had an impact of approximately \$0.4 million to net income for the year ended December 31, 2011.</p>
<p>We have substantial tax attributes available to offset the impact of future income taxes. We have a process for determining the need for a valuation allowance with respect to these attributes. The process includes an extensive review of both positive and negative evidence including our earnings history, future earnings, adverse recent occurrences, carry forward periods, an assessment of the industry and the impact of the timing differences.</p>	<p>Making such estimates and judgments is subject to inherent uncertainties given the difficulty predicting such factors as future market conditions, customer requirements, the cost for key inputs such as energy and primary aluminum, overall operating efficiency and many other items. However, if among other things, (1) actual results vary from our forecasts due to one or more of the factors cited above or elsewhere in this Report, (2) income is distributed differently than expected among tax jurisdictions, (3) one or more material events or</p>	
<p>We expect to record a full statutory tax provision in future periods and, therefore, the benefit of any tax attributes realized will only affect future balances sheets and statements of cash flows.</p>		
<p>In accordance with GAAP, financial statements for interim periods include an income tax provision based on the effective tax rate expected to be incurred in the current year.</p>		

transactions occur which were not contemplated, or (4) certain expected deductions, credits or carry forwards are not available, it is possible that the effective tax rate for a year could vary materially from the assessments used to prepare the interim consolidated financial statements. See Note 7 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional discussion of these matters.

Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
<p>Tax Contingencies.</p> <p>We use a “more likely than not” threshold for recognition of tax attributes that are subject to uncertainties and measure reserves in respect of such expected benefits based on their probability. A number of years may elapse before a particular matter, for which we have established a reserve, is audited and fully resolved or clarified. We adjust our tax reserve and income tax provision in the period in which actual results of a settlement with tax authorities differs from our established reserve, the statute of limitations expires for the relevant tax authority to examine the tax position or when more information becomes available. See Note 7 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information in respect of the recognition of tax attributes.</p>	<p>Our reserve for contingent tax liabilities reflects uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions.</p> <p>Our effective income tax rate is also affected by changes in tax law, the tax jurisdiction of new plants or business ventures, the level of earnings and the results of tax audits.</p>	<p>Although management believes that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material.</p> <p>To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement could require use of our cash and would result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective income tax rate in the period of resolution.</p> <p>Our liability related to uncertain tax positions at December 31, 2011 was \$13.4 million.</p>
<p>Inventory Valuation.</p> <p>We value our inventories at the lower of cost or market value. For the Fabricated Products segment, finished products, work-in-process and raw material inventories are stated on LIFO basis, and other inventories, principally operating supplies and repair and maintenance parts, are</p>	<p>Our estimate of market value of our inventories contains uncertainties because management is required to make assumptions and to apply judgment to estimate the</p>	<p>Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses</p>

stated at average cost.

Inventory costs consist of material, labor and manufacturing overhead, including depreciation. Abnormal costs, such as idle facility expenses, freight, handling costs and spoilage, are accounted for as current period charges. We determine the market value of our inventories based on the current replacement cost, by purchase or by reproduction, except that it does not exceed the net realizable value and it is not less than net realizable value reduced by an approximate normal profit margin.

selling price of our inventories, costs to complete our inventories and normal profit margin.

Making such estimates and judgments is subject to inherent uncertainties given the difficulty predicting such factors as future commodity prices and market conditions.

or gains that could be material.

Table of Contents

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Notes and Call Options.	<p>Significant inputs to the model include our stock price, risk-free rate, credit spread, dividend yield, expected volatility of our stock price, and probability of certain corporate events, all of which are observable inputs by market participants. Our estimates of fair value of the cash conversion feature of the Notes and the Call Options contain uncertainties given the difficulty in predicting factors such as the expected volatility of our stock price and the probability of certain corporate events. The primary driver of fair values of both the Call Option and the cash conversion feature of the Notes is our stock price.</p>	<p>An increase of \$10 in our stock price would cause the net estimated fair values of the cash conversion feature and the Call Options to decrease by approximately \$2 million. A decrease of \$10 in our stock price would cause the net estimated fair values of the cash conversion feature and the Call Options to increase by approximately \$3 million. We do not expect the net change in the fair value of these derivatives to have a material impact to our financial statements, over time.</p>
Acquisition, Goodwill and Intangible Assets.	<p>The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can significantly impact our results of operations. Fair values and useful lives are determined based on, among other factors, the expected future period of benefit of the asset, the various characteristics of the asset and projected cash flows. As the determination of an asset's fair value and useful life involves management making certain estimates and because these estimates form the basis for</p>	<p>We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate goodwill and intangible assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values assigned to each class of assets acquired and liabilities assumed, we may be exposed to losses from impairment charges that could be material.</p>
<p>We accounted for acquisitions using the purchase method of accounting, which requires that the assets acquired and liabilities assumed to be recorded at the date of acquisition at their respective estimated fair values.</p>		
<p>We recognize goodwill as of the acquisition date, as a residual over the fair values of the identifiable net assets acquired. Goodwill is tested for impairment at least on an annual basis, as well as on an interim basis as warranted, at the time of events and changes in circumstances.</p>		
<p>Definite-lived intangible assets acquired will be amortized over the estimated useful lives of the respective assets, to reflect the pattern in which the economic benefits of the intangible assets are consumed. In the event the pattern cannot be reliably determined, we use a straight-line</p>		

amortization method. Whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable, the intangible assets will be reviewed for impairment.

the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates.

#### New Accounting Pronouncements

For a discussion of all recently adopted and recently issued but not yet adopted accounting pronouncements, see the section "New Accounting Pronouncements" from Note 1 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report.

#### Available 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 SEC. You may inspect and, for a fee, copy any document that we file with the SEC at the SEC's



Table of Contents

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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our operating results are sensitive to changes in the prices of primary aluminum and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. As discussed more fully in Note 12 of Notes to Interim Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report, we have historically utilized hedging transactions to lock in a specified price or range of prices for certain products which we sell or consume in our production process and to mitigate our exposure to changes in energy prices and foreign currency exchange rates.

Sensitivity

Primary/Secondary Aluminum. Our pricing of fabricated aluminum products is generally intended to lock in a conversion margin (representing the value added from the fabrication process(es)) and to pass metal price risk to our customers. However, in certain instances we enter into firm-price arrangements with our customers and incur price risk on our anticipated primary aluminum purchases in respect of such customer orders. At the time our Fabricated Products segment enters into a firm-price customer contract, our Hedging business unit and Fabricated Products segment enter into an "internal hedge" so that metal price risk resides in our Hedging business unit under All Other. Results from internal hedging activities between our Fabricated Products segment and Hedging business unit eliminate in consolidation. The Hedging business unit uses third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts and such transactions may have an adverse effect on our financial position, results of operations and cash flows.

Total fabricated products shipments during 2011, 2010 and 2009 that contained fixed price terms were (in millions of pounds) 157.0, 97.0 and 162.7, respectively. At December 31, 2011, we had sales contracts for the delivery of fabricated aluminum products that have the effect of creating price risk on anticipated purchases of aluminum for 2012 and 2013, totaling approximately (in millions of pounds) 103.1 and 0.4, respectively.

Foreign Currency. We, from time to time, enter into forward exchange contracts to hedge material exposures for foreign currencies. Our primary foreign exchange exposure is our operating costs of our London, Ontario facility and for cash commitments for equipment purchases.

We do not anticipate recognition of equity income or losses relating to our investment in Anglesey for at least the next 12 months. Further, we expect to purchase and sell our share of Anglesey secondary aluminum production under pricing mechanisms that are intended to eliminate metal price risk and currency exchange risk. As a result, the British Pound Sterling exchange exposure related to our income and cash flow relating to Anglesey is effectively eliminated in the near-term.

Energy. We are exposed to energy price risk from fluctuating prices for natural gas and electricity. We estimate that, before consideration of any hedging activities and the potential to pass through higher natural gas prices to customers, each \$1.00 change in natural gas prices (per mmBtu) impacts our annual operating costs by approximately \$4.0 million. We estimate that the energy price risk from fluctuations in electricity prices, net of the impact of our electricity-related hedging agreements, would not likely have a material effect on our annual operating costs. We, from time-to-time, in the ordinary course of business, enter into hedging transactions with major suppliers of energy and energy-related financial investments. As of December 31, 2011, our exposure to fluctuations in natural gas prices had been substantially reduced for approximately 85%, 53% and 5% of the expected natural gas purchases for 2012, 2013 and 2014, respectively.

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Item 8. Financial Statements and Supplementary Data  
Reports of Independent Registered Public Accounting Firm  
Consolidated Balance Sheets  
Statements of Consolidated Income  
Statements of Consolidated Comprehensive (Loss) Income  
Statements of Consolidated Stockholders' Equity  
Statements of Consolidated Cash Flows  
Notes to Consolidated Financial Statements  
Quarterly Financial Data (Unaudited)

56

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Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Kaiser Aluminum Corporation  
Foothill Ranch, California

We have audited the accompanying consolidated balance sheets of Kaiser Aluminum Corporation and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kaiser Aluminum Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California  
February 29, 2012

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Kaiser Aluminum Corporation  
Foothill Ranch, California

We have audited Kaiser Aluminum Corporation's and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: the review of the completeness and accuracy of information used to value the postretirement benefit obligations of the union voluntary employee's beneficiary association.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2011, of the Company and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011, of the Company and our report dated February 29, 2012 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California  
February 29, 2012

Table of ContentsKAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
	(In millions of dollars, except share and per share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$49.8	\$135.6
Receivables:		
Trade, less allowance for doubtful receivables of \$0.9 at December 31, 2011 and \$0.6 at December 31, 2010, respectively	98.9	83.0
Other	1.2	5.2
Inventories	205.7	167.5
Prepaid expenses and other current assets	78.9	80.1
Total current assets	434.5	471.4
Property, plant, and equipment — net	367.8	354.1
Net asset in respect of VEBA(s)	144.7	158.0
Deferred tax assets — net	226.9	245.3
Intangible assets — net	37.2	4.0
Goodwill	37.2	3.1
Other assets	72.3	83.0
Total	\$1,320.6	\$1,318.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$62.2	\$50.8
Accrued salaries, wages, and related expenses	30.9	31.1
Other accrued liabilities	41.0	42.0
Payable to affiliate	14.4	17.1
Long-term debt-current portion	1.3	1.3
Total current liabilities	149.8	142.3
Net liability in respect of VEBA	20.6	—
Long-term liabilities	126.0	134.7
Cash convertible senior notes	148.0	141.4
Other long-term debt	3.4	11.8
Total liabilities	447.8	430.2
Commitments and contingencies — Note 11		
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized at both December 31, 2011 and December 31, 2010; no shares were issued and outstanding at December 31, 2011 and December 31, 2010	—	—
Common stock, par value \$0.01, 90,000,000 shares authorized at both December 31, 2011 and at December 31, 2010; 19,253,185 shares issued and outstanding at December 31, 2011 and 19,214,451 shares issued and outstanding at December 31, 2010	0.2	0.2
Additional capital	998.4	987.1
Retained earnings	84.4	78.0
Common stock owned by Union VEBA subject to transfer restrictions, at reorganization value, 2,202,495 shares at December 31, 2011 and 3,523,980 shares	(52.9	) (84.6

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at December 31, 2010

Treasury stock, at cost, 1,724,606 shares at December 31, 2011 and December 31, 2010	(72.3	)	(72.3	)
Accumulated other comprehensive loss	(85.0	)	(19.7	)
Total stockholders' equity	872.8		888.7	
Total	\$1,320.6		\$1,318.9	

The accompanying notes to consolidated financial statements are an integral part of these statements.

59

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Table of ContentsKAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,			
	2011	2010	2009	
	(In millions of dollars, except share and per share amounts)			
Net sales	\$1,301.3	\$1,079.1	\$987.0	
Costs and expenses:				
Cost of products sold:				
Cost of products sold, excluding depreciation, amortization and other items	1,158.9	946.8	766.4	
Lower of cost or market inventory write-down	—	—	9.3	
Impairment of investment in Anglesey	—	—	1.8	
Restructuring costs and other (benefits) charges	(0.3	) (0.3	) 5.4	
Depreciation and amortization	25.2	19.8	16.4	
Selling, administrative, research and development, and general	62.7	67.7	69.9	
Other operating (benefits) charges, net	(0.2	) 4.0	(0.9	)
Total costs and expenses	1,246.3	1,038.0	868.3	
Operating income	55.0	41.1	118.7	
Other (expense) income:				
Interest expense	(18.0	) (11.8	) —	
Other income (expense), net	4.3	(4.2	) (0.1	)
Income before income taxes	41.3	25.1	118.6	
Income tax provision	(16.2	) (13.1	) (48.1	)
Net income	\$25.1	\$12.0	\$70.5	
Earnings per common share, Basic:				
Net income per share	\$1.32	\$0.61	\$3.51	
Earnings per common share, Diluted:				
Net income per share	\$1.32	\$0.61	\$3.51	
Weighted-average number of common shares outstanding (000):				
Basic	18,979	19,377	19,639	
Diluted	18,979	19,377	19,639	

The accompanying notes to consolidated financial statements are an integral part of these statements.



Table of ContentsKAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED COMPREHENSIVE (LOSS) INCOME

	Year Ended December 31,		
	2011	2010	2009
	(In millions of dollars, except share and per share amounts)		
Net income	\$25.1	\$12.0	\$70.5
Other comprehensive (loss) income:			
Defined benefit pension plan and VEBAs			
Net actuarial (loss) gain arising during the period	(110.6	) 25.5	66.3
Prior service cost arising during the period	—	—	(33.8
Reclassification adjustments:			)
Less: amortization of net actuarial loss	0.6	0.7	3.8
Less: amortization of prior service cost	4.2	4.2	1.6
Other comprehensive (loss) income relating to defined benefit pension plan and VEBAs	(105.8	) 30.4	37.9
Unrealized (loss) gain on available for sale securities	(0.1	) 0.1	—
Foreign currency translation adjustment	0.2	(0.5	) (1.5
Other comprehensive (loss) income, before tax	(105.7	) 30.0	36.4
Income tax benefit (expense) related to items of other comprehensive (loss) income	40.4	(11.5	) (14.3
Other comprehensive (loss) income, net of tax	(65.3	) 18.5	22.1
Comprehensive (loss) income	\$(40.2	) \$30.5	\$92.6

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of ContentsKAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Common Shares Outstanding	Common Stock	Additional Capital	Retained Earnings	Common Stock Owned by Union VEBA Subject to Transfer Restriction	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
(In millions of dollars, except for shares)								
BALANCE, December 31, 2008	20,044,913	\$0.2	\$958.6	\$34.1	\$(116.4 )	\$(28.1 )	\$ (60.3 )	\$788.1
Net income	—	—	—	70.5	—	—	—	70.5
Other comprehensive income, net of tax	—	—	—	—	—	—	22.1	22.1
Capital distribution by unconsolidated affiliate to its parent company	—	—	(0.1 )	—	—	—	—	(0.1 )
Issuance of non-vested shares to employees	196,829	—	—	—	—	—	—	—
Issuance of common shares to employees in lieu of cash bonus	15,674	—	0.3	—	—	—	—	0.3
Issuance of common shares to directors	3,734	—	0.1	—	—	—	—	0.1
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	21,089	—	—	—	—	—	—	—
Cancellation of employee non-vested shares	(5,668 )	—	—	—	—	—	—	—
Cash dividends on common stock (\$0.96 per share)	—	—	—	(19.6 )	—	—	—	(19.6 )
Tax deficiency upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	—	—	(0.1 )	—	—	—	—	(0.1 )
Amortization of unearned equity compensation	—	—	9.0	—	—	—	—	9.0
BALANCE, December 31, 2009	20,276,571	\$0.2	\$967.8	\$85.0	\$(116.4 )	\$(28.1 )	\$ (38.2 )	\$870.3

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Net income	—	—	12.0	—	—	—	12.0	
Other comprehensive income, net of tax						18.5	18.5	
Sale of Union VEBA shares by the Union VEBA, net of tax of \$19.6	—	—	0.7	—	31.8	—	32.5	
Issuance of warrants	—	—	14.3	—	—	—	14.3	
Issuance of non-vested shares to employees	97,931	—	—	—	—	—	—	
Issuance of common shares to directors	4,612	—	0.2	—	—	—	0.2	
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	4,934	—	—	—	—	—	—	
Cancellation of employee non-vested shares	(5,968 )	—	—	—	—	—	—	
Cancellation of shares to cover employees' tax withholdings upon vesting of non-vested shares	(11,729 )	—	(0.4 )	—	—	—	(0.4 )	
Repurchase of common stock	(1,151,900 )	—	—	—	—	(44.2 )	(44.2 )	
Cash dividends on common stock (\$0.96 per share)	—	—	—	(19.0 )	—	—	(19.0 )	
Amortization of unearned equity compensation	—	—	4.5	—	—	—	4.5	
BALANCE, December 31, 2010	19,214,451	\$0.2	\$987.1	\$78.0	\$(84.6 )	\$(72.3 )	\$(19.7 )	\$888.7
Net income	—	\$—	\$—	\$25.1	\$—	\$—	\$—	\$25.1
Other comprehensive loss, net of tax	—	—	—	—	—	—	(65.3 )	(65.3 )
Sale of Union VEBA shares by the Union VEBA, net of tax of \$25.0	—	—	8.8	—	31.7	—	—	40.5
Issuance of non-vested shares to employees	83,066	—	—	—	—	—	—	—
Issuance of common shares to directors	3,750	—	0.2	—	—	—	—	0.2
Issuance of common shares to employees upon vesting of restricted stock units	17,444	—	—	—	—	—	—	—

and performance shares									
Cancellation of employee non-vested shares	(2,889	)	—	—	—	—	—	—	—
Cancellation of shares to cover employees' tax withholdings upon vesting of non-vested shares	(62,637	)	—	(3.1	)	—	—	—	(3.1
Cash dividends on common stock (\$0.96 per share)	—	—	—	(18.9	)	—	—	—	(18.9
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest				0.2					0.2
Amortization of unearned equity compensation	—	—	5.2	—	—	—	—	—	5.2
Reclassification relating to dividends on unvested equity awards	—	—	—	0.2	—	—	—	—	0.2
BALANCE, December 31, 2011	19,253,185	\$0.2	\$998.4	\$84.4	\$(52.9	)	\$(72.3	)	\$(85.0
									\$872.8

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of ContentsKAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
	(In millions of dollars)		
Cash flows from operating activities:			
Net income	\$25.1	\$12.0	\$70.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	23.0	19.5	16.4
Amortization of definite-lived intangible assets	2.2	0.3	—
Amortization of debt discount and debt issuance costs	8.6	4.5	—
Deferred income taxes	17.6	13.3	47.3
Excess tax (benefit) deficiency upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	(0.2)	)	0.1
Non-cash equity compensation	5.4	4.7	9.1
Net non-cash LIFO (benefit) charges and lower of cost or market inventory write-down	(7.1)	) 16.5	18.0
Non-cash unrealized losses (gains) on derivative positions	25.9	5.5	(80.5)
Amortization of option premiums (received) paid, net	(1.2)	) 1.8	5.5
Non-cash impairment charges	—	4.6	2.3
Equity in income of unconsolidated affiliate, net of distributions	—	—	(1.9)
Losses on disposition of property, plant and equipment	0.2	0.1	0.1
Non-cash net periodic benefit (income) costs	(5.7)	) 5.1	5.3
Other non-cash changes in assets and liabilities	0.4	(0.7)	) 0.2
Changes in operating assets and liabilities, net of effect of acquisition:			
Trade and other receivables	(8.3)	) (1.2)	) 30.1
Receivable from affiliate	—	0.2	11.6
Inventories (excluding LIFO adjustments and lower of cost or market write-down)	(24.5)	) (56.3)	) 29.1
Prepaid expenses and other current assets	(2.9)	) (0.9)	) (2.0)
Accounts payable	10.9	4.2	(2.5)
Accrued liabilities	(1.5)	) 0.4	(19.8)
Payable to affiliate	(2.7)	) 8.1	(18.5)
Long-term assets and liabilities, net	(2.4)	) 24.6	7.3
Net cash provided by operating activities	62.8	66.3	127.7
Cash flows from investing activities:			
Capital expenditures	(32.5)	) (38.9)	) (59.2)
Purchase of available for sale securities	(0.3)	) (4.4)	) —
Proceeds from disposal of property, plant and equipment	0.7	4.8	—
Cash payment for acquisition of manufacturing facility and related assets (net of \$4.9 of cash received in connection with the acquisition in 2011)	(83.2)	) (9.0)	) —
Change in restricted cash	(1.0)	) 1.1	18.5
Net cash used in investing activities	(116.3)	) (46.4)	) (40.7)
Cash flows from financing activities:			
Proceeds from issuance of cash convertible senior notes	—	175.0	—
	—	(5.9)	) —

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Cash paid for financing costs in connection with issuance of cash convertible senior notes				
Purchase of call option in connection with issuance of cash convertible senior notes	—	(31.4	)	—
Proceeds from issuance of warrants	—	14.3		—
Repayment of capital lease	(0.1	)	—	—
Repayment of promissory notes	(8.3	)	(0.7	)
Borrowings under the revolving credit facility	—	—		111.6
Repayment of borrowings under the revolving credit facility	—	—		(147.6
Cash paid for financing costs in connection with the revolving credit facility	(2.1	)	(2.7	)
Excess tax benefit (deficiency) upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	0.2	—		(0.1
Repurchase of common stock to cover employees' tax withholdings upon vesting of non-vested shares	(3.1	)	—	—
Repurchase of common stock	—	(44.2	)	—
Cash dividend paid to stockholders	(18.9	)	(19.0	)
Net cash (used in) provided by financing activities	(32.3	)	85.4	(56.9
Net (decrease) increase in cash and cash equivalents during the period	(85.8	)	105.3	30.1
Cash and cash equivalents at beginning of period	135.6		30.3	0.2
Cash and cash equivalents at end of period	\$49.8		\$135.6	\$30.3

The accompanying notes to consolidated financial statements are an integral part of these statements.

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

1. Summary of Significant Accounting Policies

**Organization and Nature of Operations.** Kaiser Aluminum Corporation (together with its subsidiaries, unless the context otherwise requires, the “Company”) specializes in the production of semi-fabricated specialty aluminum products, with its operations consisting of one reportable segment in the aluminum industry, Fabricated Products. The Company also owns a 49% non-controlling interest in Anglesey Aluminium Limited (“Anglesey”), which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales. See Note 15 for additional information regarding the Company's reportable segment and its other business units.

**Recent Acquisitions.** In January 2011, the Company acquired the manufacturing facility and related assets of Alexco, L.L.C. (“Alexco”) in Chandler, Arizona (the “Chandler, Arizona (Extrusion) facility”). The Chandler, Arizona (Extrusion) facility manufactures hard alloy extrusions for the aerospace industry and is a well established supplier of aerospace extrusions. The acquisition positions the Company in a significant market segment that provides a natural complement to its product offerings for aerospace applications (see Note 5).

In August 2010, the Company acquired the manufacturing facility and related assets of Nichols Wire, Incorporated (“Nichols”) in Florence, Alabama (the “Florence, Alabama facility”). The Florence, Alabama facility manufactures bare mechanical alloy wire products, nails and aluminum rod and expands the Company's offerings of small diameter rod, bar and wire products to the Company's core end market segments for aerospace and high strength products, general engineering products and extrusions for automotive applications (see Note 5).

**Principles of Consolidation and Basis of Presentation.** The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and are prepared in accordance with United States generally accepted accounting principles (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Intercompany balances and transactions are eliminated. The consolidated financial statements include the results of manufacturing facilities acquired by the Company from the effective date of each acquisition.

The Company suspended the use of the equity method of accounting with respect to its ownership in Anglesey commencing in the quarter ended September 30, 2009. As a result, the Company did not record equity in income from Anglesey for any of the periods presented herein. The carrying amount of the Company's investment in Anglesey was zero at both December 31, 2011 and December 31, 2010. The Company does not anticipate resuming the use of the equity method of accounting with respect to its investment in Anglesey during the next 12 months.

**Use of Estimates in the Preparation of Financial Statements.** The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's consolidated financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's consolidated financial position and results of operations.

**Recognition of Sales.** Sales are generally recognized on a gross basis when title, ownership and risk of loss pass to the buyer and collectability is reasonably assured. A provision for estimated sales returns from, and allowances to, customers is made in the same period as the related revenues are recognized, based on historical experience or the specific identification of an event necessitating a reserve.

From time to time, in the ordinary course of business, the Company may enter into agreements with customers in which the Company, in return for a fee, agrees to reserve certain amounts of its existing production capacity for the customer, defer an existing customer purchase commitment into future periods and reserve certain amounts of its expected production capacity in those periods for the customer, or cancel or reduce existing commitments under existing contracts. These agreements may have terms or impact periods exceeding one year.

Certain of the capacity reservation and commitment deferral agreements provide for periodic, such as quarterly or annual, billing for the duration of the contract. For capacity reservation agreements, the Company recognizes revenue ratably over the period of the capacity reservation. Accordingly, the Company may recognize revenue prior to billing

reservation fees. Unbilled receivables are included within Trade receivables on the Company's Consolidated Balance Sheets (see Note 2). For commitment deferral agreements, the Company recognizes revenue upon the earlier occurrence of the related sale of product or the end of the commitment period. In connection with other agreements, the Company may collect funds from customers in advance of the periods for which (i) the production capacity is reserved, (ii) commitments are deferred, (iii) commitments are



Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

reduced or (iv) performance is completed, in which event the recognition of revenue is deferred until the fee is earned. Any unearned fees are included within Other accrued liabilities or Long-term liabilities, as appropriate, on the Company's Consolidated Balance Sheets (see Note 2).

**Stock-Based Compensation.** Stock-based compensation in the form of service-based awards is provided to executive officers, certain employees and directors, and is accounted for at fair value. The Company measures the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award and the number of awards expected to ultimately vest. The cost of an award is recognized as an expense over the requisite service period of the award on a straight-line basis. The Company has elected to amortize compensation expense for equity awards with graded vesting using the straight-line method (see Note 10).

The Company also grants performance-based awards to executive officers and other key employees. These awards are subject to performance requirements pertaining to the Company's economic value added ("EVA") performance, measured over specified three-year performance periods. The EVA is a measure of the excess of the Company's adjusted pre-tax operating income for a particular year over a pre-determined percentage of the adjusted net assets of the immediately preceding year, as defined in the Company's annual long-term incentive ("LTI") programs. The number of performance shares, if any, that will ultimately vest and result in the issuance of common shares depends on the average annual EVA achieved for the specified three-year performance periods. The fair value of performance-based awards is measured based on the most probable outcome of the performance condition, which is estimated quarterly using the Company's forecast and actual results. The Company expenses the fair value, after assuming an estimated forfeiture rate, over the specified three-year performance periods on a ratable basis (see Note 10).

**Shipping and Handling Costs.** Shipping and handling costs are recorded as a component of Cost of products sold excluding depreciation, amortization and other items.

**Advertising Costs.** Advertising costs, which are included in Selling, administrative, research and development, and general, are expensed as incurred. Advertising costs for 2011, 2010 and 2009 were \$0.4, \$0.3, and \$0.4, respectively.

**Research and Development Costs.** Research and development costs, which are included in Selling, research and development, and general, are expensed as incurred. Research and development costs for 2011, 2010 and 2009 were \$6.1, \$4.9, and \$4.4, respectively.

**Major Maintenance Activities.** All of the major maintenance costs are accounted for using the direct expensing method.

**Cash and Cash Equivalents.** The Company considers only those short-term, highly liquid investments with original maturities of 90 days or less when purchased to be cash equivalents. The Company's cash equivalents consist primarily of funds in savings accounts, demand notes, money market accounts and other highly liquid investments, which are classified within Level 1 of the fair value hierarchy.

**Restricted Cash.** The Company is required to keep certain amounts on deposit relating to workers' compensation and other agreements. The Company accounts for such deposits as restricted cash (see Note 2).

**Trade Receivables and Allowance for Doubtful Accounts.** Trade receivables primarily consist of amounts billed to customers for products sold. Accounts receivable are generally due within 30 days. For the majority of its receivables, the Company establishes an allowance for doubtful accounts based upon collection experience and other factors. On certain other receivables where the Company is aware of a specific customer's inability or reluctance to pay, an allowance for doubtful accounts is established against amounts due, to reduce the net receivable balance to the amount the Company reasonably expects to collect. However, if circumstances change, the Company's estimate of the recoverability of accounts receivable could be different. Circumstances that could affect the Company's estimates include, but are not limited to, customer credit issues and general economic conditions. Accounts are written off once deemed to be uncollectible. Any subsequent cash collections relating to accounts that have been previously written off are typically recorded as a reduction to total bad debt expense in the period of payment.

Inventories. Inventories are stated at the lower of cost or market value. Finished products, work-in-process and raw material inventories are stated on the last-in, first-out (“LIFO”) basis. The Company recorded net non-cash LIFO inventory (benefits) charges of approximately \$(7.1), \$16.5 and \$8.7 during 2011, 2010 and 2009, respectively. These amounts are primarily a result of changes in metal prices and changes in inventory volumes. The excesses of current cost over the stated LIFO value of inventory at December 31, 2011 and December 31, 2010 were \$29.4 and \$36.4, respectively. Other inventories, principally operating supplies and repair and maintenance parts, are stated at average cost. Inventory costs consist of material, labor and manufacturing overhead, including depreciation. Abnormal costs, such as idle facility expenses, freight, handling costs and spoilage, are accounted for as current period charges. All of the Company's inventories at December 31, 2011 and December 31, 2010 were included in the Fabricated Products segment (see Note 2 for the components of inventories).

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Property, Plant, and Equipment - Net. Property, plant and equipment is recorded at cost (see Note 2). Construction in progress is included within Property, plant, and equipment - net in the Consolidated Balance Sheets. Interest related to the construction of qualifying assets is capitalized as part of the construction costs. The aggregate amount of interest capitalized is limited to the interest expense incurred in the period. The amount of interest expense capitalized as construction in progress was \$1.3, \$2.8 and \$2.7 during 2011, 2010 and 2009, respectively.

Depreciation is computed using the straight-line method at rates based on the estimated useful lives of the various classes of assets. Capital lease assets and leasehold improvements are depreciated on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The principal estimated useful lives, are as follows:

	Range (in years)
Land improvements	3 - 25
Buildings and leasehold improvements	15 - 45
Machinery and equipment	1 - 24
Capital lease assets	3

Depreciation expense is not included in Cost of products sold, excluding depreciation, amortization and other items, but is included in Depreciation and amortization on the Statements of Consolidated Income. For 2011, 2010 and 2009, the Company recorded depreciation expense of \$22.7, \$19.4 and \$16.2, respectively, relating to the Company's operating facilities in its Fabricated Products segment. An immaterial amount of depreciation expense was also recorded in the Company's Corporate and Other for all periods presented herein.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or group of assets may not be recoverable. The Company regularly assesses whether events and circumstances with the potential to trigger impairment have occurred and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flow, to make such assessments. The Company uses an estimate of the future undiscounted cash flows of the related asset or asset group over the estimated remaining life of such asset(s) in measuring whether the asset(s) are recoverable. Measurement of the amount of impairment, if any, is based on the difference between the carrying value of the asset(s) and the estimated fair value of such asset(s). Fair value is determined through a series of standard valuation techniques.

During 2010, the Company recorded a \$2.0 impairment charge to write down the carrying amount of idled equipment to represent its estimated fair value and a \$1.9 impairment charge in connection with the sale of its Greenwood, South Carolina facility. Such asset impairment charges are included in Other operating charges (benefits), net in the Statements of Consolidated Income and are included in the Fabricated Products segment. Further, the Company also recorded additional impairment charges relating to property, plant and equipment in connection with its restructuring plans (see Note 16).

Property, plant and equipment held for future development are presented as idled assets. Such assets are evaluated for impairment on a held-and-used basis. Depreciation expense is not adjusted when assets are temporarily idled. See "Fair Values of Non-financial Assets and Liabilities" in Note 13 for additional information regarding idled assets included in property, plant and equipment.

Available for Sale Securities. Included in Other assets are certain marketable debt and equity securities, classified as available for sale securities (see Note 2). Such securities are invested in various investment funds and managed by a third-party trust in connection with the Company's deferred compensation program (see Note 8). Such securities are recorded at fair value (see "Available for Sale Securities" in Note 13), with net unrealized gains and losses, net of income taxes, reflected in other comprehensive earnings as a component of Stockholders' equity.

Deferred Financing Costs. Costs incurred in connection with debt financing are deferred and amortized over the estimated term of the related borrowing. Such amortization is included in Interest expense and may be capitalized as part of construction in progress (see Note 2).

Goodwill and Intangible Assets. Goodwill is tested for impairment on an annual basis, as well as on an interim basis, as warranted, at the time of relevant events and changes in circumstances. Intangible assets with definite lives are initially recognized at fair value and subsequently amortized over the estimated useful lives to reflect the pattern in which the economic benefits of the intangible assets are consumed. In the event the pattern cannot be reliably determined, the Company uses a straight-line amortization method. Whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable, the intangible assets are reviewed for impairment.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

The Company's accounting policy was to perform its annual goodwill impairment test during the third quarter, with the most recent annual goodwill impairment test completed as of September 1, 2011. During the fourth quarter of 2011, the Company elected to change its accounting policy to begin performing the annual goodwill impairment test on December 1 in order to better align its impairment testing procedures with the completion of the Company's annual financial and strategic planning process, which includes the preparation of long-term cash flow projections. The Company believes this change in accounting principle is preferable because these long-term cash flow projections are a key component in its annual goodwill impairment test and the change allows for the use of more recent financial information. This change did not accelerate, delay, avoid or cause a goodwill impairment charge and does not result in adjustments to our consolidated financial statements when applied retrospectively. During 2011, the Company tested its goodwill for impairment as of September 1, 2011 and December 1, 2011, and concluded there was no impairment of the carrying value of goodwill. During 2010, the Company concluded there was no impairment of the carrying value of goodwill.

**Conditional Asset Retirement Obligations ("CAROs").** The Company has CAROs at several of its fabricated products facilities. The vast majority of such CAROs consist of incremental costs that would be associated with the removal and disposal of asbestos (all of which is believed to be fully contained and encapsulated within walls, floors, roofs, ceilings or piping) at certain of the Company's older facilities if such facilities were to undergo major renovation or be demolished. The Company, in accordance with Accounting Standards Codification ("ASC") Topic 410, Asset Retirement and Environmental Obligations, estimates incremental costs for special handling, removal and disposal costs of materials that may or will give rise to CAROs and then discounts the expected costs back to the current year using a credit-adjusted, risk-free rate. The Company recognizes liabilities and costs for CAROs even if it is unclear when or if CAROs will be triggered. When it is unclear when or if CAROs will be triggered, the Company uses probability weighting for possible timing scenarios to determine the probability-weighted amounts that should be recognized in the Company's consolidated financial statements (see Note 13).

**Self Insurance of Employee Health and Workers' Compensation Liabilities.** The Company is primarily self-insured for group health insurance and workers' compensation benefits provided to employees. The Company purchases stop-loss insurance to protect against annual health insurance claims per individual and at an aggregate level. Self insurance liabilities are estimated for claims incurred-but-not-paid based on judgment, using the Company's historical claim data and information and analysis provided by actuarial and claim advisors, the Company's insurance carriers and other professionals. The Company accounts for accrued liability relating to workers' compensation claims on a discounted basis. The discount rates used in estimating the liabilities were 1.00% and 4.75% and the undiscounted workers' compensation liabilities were \$24.3 and \$20.6 at December 31, 2011 and December 31, 2010, respectively. The accrued liabilities for health insurance and workers' compensation is included in Other accrued liabilities or Long-term liabilities, as appropriate (see Note 2).

**Environmental Contingencies.** With respect to environmental loss contingencies, the Company records a loss contingency whenever a contingency is probable and reasonably estimatable. Accruals for estimated losses from environmental remediation obligations are generally recognized at no later than the completion of the remedial feasibility study. Such accruals are adjusted as information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Accruals for expected environmental costs are included in Other accrued liabilities or Long-term liabilities, as appropriate (see Note 2). Environmental expense relating to continuing operations is included in Cost of products sold, excluding depreciation, amortization and other items in the Statements of Consolidated Income. Environmental expense relating to non-operating locations is included in Selling, administrative, research and development, and general in the Statements of Consolidated Income.

**Derivative Financial Instruments.** Hedging transactions using derivative financial instruments are primarily designed to mitigate the Company's exposure to changes in prices for certain products sold and consumed by the

Company and, to a lesser extent, to mitigate the Company's exposure to changes in foreign currency exchange rates. From time to time, the Company also enters into hedging arrangements in connection with financing transactions to mitigate financial risks.

The Company does not utilize derivative financial instruments for trading or other speculative purposes. The Company's derivative activities are initiated within guidelines established by management and approved by the Company's Board of Directors. Hedging transactions are executed centrally on behalf of all of the Company's business units to minimize transaction costs, monitor consolidated net exposures and allow for increased responsiveness to changes in market factors.

The Company recognizes all derivative instruments as assets or liabilities in its Consolidated Balance Sheets and measures these instruments at fair value by "marking-to-market" all of its hedging positions at each period's end (see Note 13). Because the Company does not meet the documentation requirements for hedge (deferral) accounting, unrealized and realized gains and losses associated with hedges of operational risks are reflected as a reduction or increase, respectively, in Cost of products sold, excluding depreciation, amortization and other items, and unrealized and realized gains and losses relating to hedges of financing transactions are reflected as a component of Other income (expense) (see Note 18). See Note 12 for additional information about realized and unrealized gains and losses relating to the Company's derivative financial instruments.

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

**Fair Value Measurement.** The Company applies the provisions of Accounting Standards Update (“ASU”) Topic 820, Fair Value Measurements and Disclosures (“ASC 820”), in measuring the fair value of its derivative contracts, plan assets invested by certain of the Company’s employee benefit plans and its cash convertible senior notes (see Note 13). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that distinguishes between (i) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (ii) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

• **Level 1** — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

• **Level 2** — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

• **Level 3** — Inputs that are both significant to the fair value measurement and unobservable.

**Income Taxes.** Deferred income taxes reflect the future tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying statutory tax rates in effect for the year during which the differences are expected to reverse. In accordance with ASC Topic 740, Income Taxes, the Company uses a “more likely than not” threshold for recognition of tax attributes that are subject to uncertainties and measures any reserves in respect of such expected benefits based on their probability. Deferred tax assets are reduced by a valuation allowance to the extent it is more likely than not that the deferred tax assets will not be realized (see Note 7).

**Earnings per Share.** ASC Topic 260, Earnings Per Share (“ASC 260”), defines unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities and requires inclusion of such securities in the computation of earnings per share pursuant to the two-class method. ASC 260 mandates the application of the foregoing principles to all financial statements issued for fiscal years beginning after December 2008 and requires retrospective application.

Basic earnings per share is computed by dividing distributed and undistributed earnings allocable to common shares by the weighted-average number of common shares outstanding during the applicable period. The basic weighted-average number of common shares outstanding during the period excludes unvested share-based payment awards. The shares owned by a voluntary employee’s beneficiary association (“VEBA”) for the benefit of certain union retirees, their surviving spouses and eligible dependents (the “Union VEBA”) that are subject to transfer restrictions, while treated in the Consolidated Balance Sheets as being similar to treasury stock (i.e., as a reduction in Stockholders’ equity), are included in the computation of basic weighted-average number of common shares outstanding because such shares were irrevocably issued and have full dividend and voting rights. Diluted earnings per share is calculated as the more dilutive result of computing earnings per share under: (i) the treasury stock method or (ii) the two-class method (see Note 14).

**Concentration of Credit Risk.** Financial arrangements which potentially subject the Company to concentrations of credit risk consist of metal, currency, electricity and natural gas derivative contracts, certain cash-settled call options that the Company purchased in March 2010 (the “Call Options”) (see Note 3), and arrangements related to the Company’s cash equivalents. If the market value of the Company’s net commodity and currency derivative positions

with certain counterparties exceeds the applicable threshold, if any, the counterparty is required to post margin by transferring cash collateral in excess of the threshold to the Company. Conversely, if the market value of these net derivative positions falls below a specified threshold, the Company is required to post margin by transferring cash collateral below the threshold to certain counterparties. At both December 31, 2011 and December 31, 2010, the Company had no margin deposits with or from its counterparties.

The Company is exposed to credit loss in the event of nonperformance by counterparties on derivative contracts used in hedging activities as well as failure of counterparties to return cash collateral previously transferred to the counterparties. The counterparties to the Company's derivative contracts are major financial institutions, and the Company does not expect nonperformance by any of its counterparties.

The Company places its cash in bank deposits and money market funds with high credit quality financial institutions which invest primarily in commercial paper and time deposits of prime quality, short-term repurchase agreements, and U.S.



Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

government agency notes. The Company has not experienced losses on its temporary cash investments.

Leases. For leases that contain predetermined fixed escalations of the minimum rent, the Company recognizes the related rent expense on a straight-line basis from the date it takes possession of the property to the end of the initial lease term. The Company records any difference between the straight-line rent amounts and the amount payable under the lease as part of deferred rent, in Other accrued liabilities or Long-term liabilities, as appropriate. Deferred rent for all periods presented was not material.

Foreign Currency. One of the Company's foreign subsidiaries uses the local currency as its functional currency; its assets and liabilities are translated at exchange rates in effect at the balance sheet date; and its statement of operations is translated at weighted-average monthly rates of exchange prevailing during the year. Resulting translation adjustments are recorded directly to a separate component of stockholders' equity in accordance with ASC Topic 830, Foreign Currency Matters. Where the U.S. dollar is the functional currency of a foreign facility or subsidiary, re-measurement adjustments are recorded in Other income (expense). At both December 31, 2011 and December 31, 2010, the amount of translation adjustment relating to the foreign subsidiary using local currency as its functional currency was immaterial.

New Accounting Pronouncements. In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-28, Intangibles - Goodwill and Other, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts ("ASU 2010-28"). ASU 2010-28 amends Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any events or circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The adoption of ASU 2010-28 in the quarter ending March 31, 2011 did not have an impact on the Company's consolidated financial statements. ASU No. 2010-29, Business Combinations, Disclosure of Supplementary Pro Forma Information for Business Combinations ("ASU 2010-29"), was issued in December 2010 to provide clarification regarding pro forma revenue and earnings disclosure requirements for business combinations. ASU 2010-29 specifies that if a public entity presents comparative financial statements, the entity should disclose only revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. This ASU also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company adopted ASU 2010-29 during the first interim reporting period of 2011 as it relates to pro forma disclosure of the Company's acquisition of the Chandler, Arizona (Extrusion) facility, effective January 1, 2011 (see Note 5).

ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), was issued in May 2011. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. ASU 2011-04 sets forth common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term "fair value." The provisions in this ASU are to be applied prospectively. For public entities, this ASU becomes effective during interim and annual periods beginning after December 15, 2011. Early adoption by public entities is not permitted. The Company expects to adopt the provisions of ASU 2011-04 for the interim period ending March 31, 2012 and does not anticipate the adoption of this ASU to have a material impact on its consolidated financial statements.

ASU No. 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"), was issued in June 2011 to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in either a single continuous statement of comprehensive income or two separate but

consecutive statements. Under either option, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 does not change the items that are required to be reported in other comprehensive income or the timing to reclassify an item from other comprehensive income to net income and is required to be applied retrospectively. For public entities, this ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2011. Early adoption is permitted. The Company adopted the provisions of ASU 2011-05 for the fiscal year ending December 31, 2011 and applied the two-statement approach, presenting components of net income and total net income in the statement of income and the components and total of other comprehensive income along with a total for comprehensive income in the statement of other comprehensive income.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

ASU No. 2011-08, Testing Goodwill for Impairment ("ASU 2011-08"), was issued in September 2011 to simplify the testing for goodwill impairment for both public and nonpublic entities. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company adopted the provisions of ASU 2011-08 for the interim period ending September 30, 2011. The adoption of ASU 2011-08 did not have a material impact on the Company's consolidated financial statements.

ASU No. 2011-09, Disclosures about an Employer's Participation in a Multiemployer Plan ("ASU 2011-09"), was issued in September 2011 and requires employers to provide additional disclosures regarding their participation in multiemployer pension plans to increase the transparency of their participation and awareness of the commitments and risks involved in participating in such plans. While previous rules require primarily disclosures relating to employers' historical contributions to the plans, ASU 2011-09 requires employers to disclose, among other things, (i) the amount of employer contributions made to each significant plan and to all plans in the aggregate, (ii) whether the employer's contributions represent more than 5% of total contributions to the plan, (iii) whether any such plans are subject to a funding improvement plan, (iv) the expiration dates of collective bargaining agreements and any minimum funding arrangements, and (v) the nature and effect of any changes affecting the comparability of any period in which a statement of income is presented. ASU 2011-09 applies to nongovernmental entities that participate in multiemployer plans and is effective for annual periods for fiscal years ending after December 15, 2011. Early adoption is permitted. ASU 2011-09 is to be applied retrospectively for all prior periods presented. The Company adopted the provisions of ASU 2011-09 for the fiscal year ending December 31, 2011. See Note 9 for detailed disclosure regarding the Company's participation in various multiemployer pension plans.

ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"), was issued in November 2011. This ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to adopt ASU 2011-11 for reporting periods beginning on or after January 1, 2013. The Company does not anticipate the adoption of ASU 2011-11 to have a material impact on its financial statements.

ASU No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 ("ASU 2011-12"), was issued in December 2011 to defer the requirement under ASU 2011-05 to present reclassification adjustments in the Statement of Consolidated Income and does not affect the effective date of any other requirements under ASU 2011-05. The Company has adopted the new disclosure requirement in ASU 2011-05 to disclose the components and total of other comprehensive income as its own separate statement and deferred the disclosure requirement relating to reclassification adjustments as permitted under ASU 2011-12.

## 2. Supplemental Balance Sheet Information

	December 31, 2011	December 31, 2010
Trade Receivables.		
Billed trade receivables	\$98.9	\$82.5
Unbilled trade receivables — Note 1	0.9	1.1
Trade receivables, gross	99.8	83.6
Allowance for doubtful receivables	(0.9	) (0.6

Trade receivables, net	\$98.9	\$83.0
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70

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Inventories.		
Finished products	\$75.9	\$53.8
Work in process	57.5	49.6
Raw materials	58.1	50.9
Operating supplies and repairs and maintenance parts	14.2	13.2
Total	\$205.7	\$167.5
Prepaid Expenses and Other Current Assets.		
Current derivative assets — Notes 12 and 13	\$—	\$22.1
Current deferred tax assets	63.0	46.8
Current portion of option premiums paid - Notes 12 and 13	0.4	5.6
Short-term restricted cash	7.8	0.9
Prepaid taxes	3.8	1.3
Prepaid expenses	3.9	3.4
Total	\$78.9	\$80.1
Property, Plant and Equipment.		
Land and land improvements	\$22.6	\$23.3
Buildings and leasehold improvements	45.9	43.5
Machinery and equipment	356.7	338.0
Construction in progress	24.1	7.7
Active property, plant and equipment, gross	449.3	412.5
Accumulated depreciation	(86.9	) (63.9
Active property, plant, and equipment, net	362.4	348.6
Idled equipment	5.4	5.5
Property, plant, and equipment, net	\$367.8	\$354.1
Other Assets.		
Derivative assets — Notes 12 and 13	\$46.2	\$50.8
Option premiums paid — Notes 12 and 13	0.1	0.6
Restricted cash	10.4	16.3
Long-term income tax receivable	2.8	2.9
Deferred financing costs	7.8	7.7
Available for sale securities	4.9	4.6
Other	0.1	0.1
Total	\$72.3	\$83.0

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Other Accrued Liabilities.		
Current derivative liabilities — Notes 12 and 13	\$14.8	\$8.9
Current portion of option premiums received — Notes 12 and 13	0.1	7.0
Current portion of income tax liabilities	—	1.1
Accrued income taxes and taxes payable	2.6	1.8
Accrued annual VEBA contribution	—	2.1
Accrued freight	2.4	1.9
Short-term environmental accrual — Note 11	1.2	1.1
Accrued interest	2.3	2.1
Short-term deferred revenue — Note 1	13.5	10.8
Other	4.1	5.2
Total	\$41.0	\$42.0
Long-term Liabilities.		
Derivative liabilities — Notes 12 and 13	\$55.5	\$62.2
Option premiums received — Notes 12 and 13	0.1	0.3
Income tax liabilities	13.4	12.9
Workers' compensation accruals	20.8	15.9
Long-term environmental accrual — Note 11	20.8	19.1
Long-term asset retirement obligations	3.8	3.8
Long-term deferred revenue - Note 1	3.3	13.2
Deferred compensation liability	5.1	4.9
Other long-term liabilities	3.2	2.4
Total	\$126.0	\$134.7

## 3. Cash Convertible Senior Notes and Related Transactions

Indenture. In March 2010, the Company issued \$175.0 principal amount of 4.5% Cash Convertible Senior Notes due April 2015 (the "Notes"). The Notes pay interest semi-annually in arrears on April 1 and October 1. The Company accounts for the cash conversion feature of the Notes (the "Bifurcated Conversion Feature") as a separate derivative instrument with the fair value on the issuance date equaling the original issue discount ("OID") for purposes of accounting for the debt component of the Notes. Additionally, the initial purchasers' discounts and transaction fees of \$5.9 were capitalized as deferred financing costs. The effective interest rate of the Notes is approximately 11% per annum, taking into account the amortization of the OID and deferred financing costs.

The following tables provide additional information regarding the Notes:

	December 31, 2011	December 31, 2010
Principal amount	\$175.0	\$175.0
Less: unamortized issuance discount	\$(27.0)	(33.6)
Carrying amount, net of discount	\$148.0	\$141.4

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Year Ended December 31,	
	2011	2010
Contractual coupon interest	\$8.4	\$6.0
Amortization of discount and deferred financing costs	7.8	5.3
Total interest expense <sup>1</sup>	\$16.2	\$11.3

<sup>1</sup> A portion of the interest relating to the Notes is capitalized as Construction in progress.

See Note 13 for information relating to the estimated fair value of the Notes.

Holders may convert their Notes at any time on or after January 1, 2015. The Notes' conversion rate is subject to adjustment based on the occurrence of certain events, including, but not limited to (i) the payment of quarterly cash dividends on the Company's common stock in excess of \$0.24 per share, (ii) certain other stock or cash dividends, (iii) the issuance of certain rights, options or warrants, (iv) the effectuation of share splits or combinations, (v) certain distributions of property, and (vi) certain issuer tender or exchange offers. The Company's quarterly dividend paid in February 2012 exceeded \$0.24 per share (see Note 21), which caused the conversion rate to increase slightly to 20.6991 shares per \$1,000 principal amount of the Notes and the equivalent conversion price to decrease slightly to approximately \$48.31 per share.

Holders of the Notes can require the Company to repurchase the Notes at a price equal to 100% of the principal amount plus any accrued and unpaid interest following a fundamental change. Fundamental changes include, but are not limited to, (i) certain ownership changes, (ii) certain recapitalizations, mergers and dispositions, (iii) shareholders' approval of any plan or proposal for the liquidation or dissolution of the Company, and (iv) failure of the Company's common stock to be listed on certain stock exchanges. Additionally, holders may convert their Notes before January 1, 2015, only in certain limited circumstances determined by (i) the trading price of the Notes, (ii) the occurrence of specified corporate events, or (iii) the market price of the Company's common stock. For example, if the Company's closing stock price exceeds \$62.80 for 20 trading days during a period of 30 consecutive trading days ending on a calendar quarter, the Notes may be converted by one or more holders. The Company believes in this circumstance, the market value of the Notes will exceed the value of shares into which they can convert, making such an early conversion unlikely. No fundamental changes nor circumstances that could allow early conversion existed as of December 31, 2011 or the date hereof. The Notes are not convertible into the Company's common stock or any other securities under any circumstances, but instead will be settled in cash.

Convertible Note Hedge Transactions. In March 2010, the Company purchased Call Options that have an exercise price equal to the conversion price of the Notes and an expiration date equal to the maturity or earlier conversion date of the Notes. The Call Options and the Notes have substantially similar anti-dilution adjustment provisions, including adjustments for payments of quarterly cash dividends in excess of \$0.24 per share. Mirroring anti-dilution adjustments for the Notes, the February 2012 dividend payment caused the Call Options' exercise price to be adjusted downward slightly to approximately \$48.31 per share, and the number of shares into which the Call Options can convert to be increased by an immaterial amount. Because the Call Options are settled in cash, if the market price per share of the Company's common stock at the time of cash conversion of any Notes is above the strike price of the Call Options, the Company is entitled to receive from the counterparties to the Call Options an aggregate amount equaling the amount of cash that the Company would be required to deliver to the holders of the converted Notes, less the principal amount thereof.

In March 2010, the Company also sold net-share-settled warrants (the "Warrants") relating to approximately 3.6 million shares of the Company's common stock. The Warrants cannot be exercised prior to the expiration date of July 1, 2015

and are subject to certain anti-dilution adjustments, including adjustments for payments of quarterly cash dividends in excess of \$0.24 per share. The February 2012 quarterly dividend payment triggered an anti-dilution provision which caused a slight downward adjustment to the Warrants' exercise price (to approximately \$61.35 per share) and an immaterial increase in the number of shares to which the Warrants relate. At expiration, if the market price per share of the Company's common stock exceeds the strike price of the Warrants, the Company will be obligated to issue shares of the Company's common stock having a value equal to such excess. The Warrants meet the definition of derivatives but are not subject to fair value accounting because they are indexed to the Company's common stock and meet the requirement to be classified as equity instruments.

The Call Options and Warrant transactions are separate transactions and are not part of the terms of the Notes and do not affect the rights of holders under the Notes.

#### 4. Secured Debt and Credit Facilities



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Secured credit facility and other long-term secured debt consisted of the following:

	December 31, 2011	December 31, 2010
Revolving credit facility	\$—	\$—
Other	4.7	13.1
Total	4.7	13.1
Less — Current portion	(1.3	) (1.3
Long-term secured debt	\$3.4	\$11.8

**Revolving Credit Facility.** On September 30, 2011, the Company and certain of its subsidiaries amended and extended its credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions party thereto (the “Revolving Credit Facility”), with the commitment under the facility being increased from \$200.0 to \$300.0 and the term being extended from March 23, 2014 to September 30, 2016. The Revolving Credit Facility is secured by a first priority lien on substantially all of the accounts receivable, inventory and certain other related assets and proceeds of the Company and its domestic operating subsidiaries as well as certain machinery and equipment. Under the Revolving Credit Facility, the Company is able to borrow from time to time an aggregate commitment amount equal to the lesser of \$300.0 and a borrowing base comprised of (i) 85% of eligible accounts receivable, (ii) the lesser of (a) 65% of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory as determined in the most recent inventory appraisal ordered by the administrative agent and (iii) 85% of certain eligible machinery and equipment, reduced by certain reserves, all as specified in the Revolving Credit Facility. Up to a maximum of \$60.0 of availability under the Revolving Credit Facility may be utilized for letters of credit.

Borrowings under the Revolving Credit Facility bear interest at a rate equal to either a base prime rate or LIBOR, at the Company's option, plus, in each case, a specified variable percentage determined by reference to the then-remaining borrowing availability under the Revolving Credit Facility. The Revolving Credit Facility may, subject to certain conditions and the agreement of any increasing lenders and/or any additional lenders thereunder, be increased up to \$350.0.

The Company had \$260.5 of borrowing availability under the Revolving Credit Facility at December 31, 2011, based on the borrowing base determination then in effect. At December 31, 2011, there were no borrowings under the Revolving Credit Facility, and \$8.9 was being used to support outstanding letters of credit, leaving \$251.6 of net borrowing availability. The interest rate applicable to any overnight borrowings under the Revolving Credit Facility would have been 4.0% at December 31, 2011.

Amounts owed under the Revolving Credit Facility may be accelerated upon the occurrence of various events of default including, without limitation, the failure to make principal or interest payments when due and breaches of covenants, representations and warranties set forth therein. The Revolving Credit Facility places limitations on the ability of the Company and certain of its subsidiaries to, among other things, grant liens, engage in mergers, sell assets, incur debt, make investments, undertake transactions with affiliates, pay dividends and repurchase shares. In addition, the Company is required to maintain a fixed charge coverage ratio on a consolidated basis at or above 1.1:1.0 if borrowing availability under the Revolving Credit Facility is less than \$30.0. At December 31, 2011, the Company was in compliance with all covenants contained in the Revolving Credit Facility.

**Other Notes Payable.** In connection with the Company's acquisition of the Florence, Alabama facility (see Note 5), a promissory note in the amount of \$6.7 (the “Nichols Promissory Note”) was issued to Nichols as a part of the consideration paid. The Nichols Promissory Note bears interest at a rate of 7.5% per annum. Accrued but unpaid interest is due quarterly through maturity of the Nichols Promissory Note on August 9, 2015, and principal payments

are due in equal quarterly installments. The Company has the option to repay all or a portion of the Nichols Promissory Note at any time prior to the maturity date. The Nichols Promissory Note is secured by certain real property and equipment included in the assets acquired from Nichols. At December 31, 2011, the outstanding principal balance under the Nichols Promissory Note was \$4.7, of which \$1.3 was payable within 12 months.

On September 30, 2011, the Company fully prepaid the \$7.0 outstanding principal balance of a promissory note issued in connection with the Company's December 2008 purchase of the land and buildings of its Los Angeles, California facility (the "Los Angeles Promissory Note"). Prior to the time of such purchase, the facility was operated under a long term lease.

#### 5. Acquisition

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Alexco. Effective January 1, 2011, the Company completed the acquisition of substantially all of the assets of Alexco, a manufacturer of hard alloy extrusions for the aerospace industry, based in Chandler, Arizona.

The Company paid net cash consideration of \$83.2, with existing cash on hand, and assumed certain liabilities totaling approximately \$1.0. Total acquisition related costs were \$0.5, of which \$0.4 was expensed in 2010 and \$0.1 was expensed in 2011. Such expenses are included within Selling, administrative, research and development, and general expenses.

The following table summarizes recognized amounts of identifiable assets acquired and liabilities assumed at the effective date of the acquisition:

Allocation of purchase price:	
Cash	\$4.9
Accounts receivable, net	3.6
Inventory	6.6
Property, plant and equipment	4.5
Definite-lived intangible assets:	
Customer relationships	34.7
Backlog	0.3
Trademark and trade name	0.4
Goodwill	34.1
Accounts payable and other current liabilities	(1.0 )
Cash consideration paid	\$88.1

Goodwill arising from this transaction reflects (i) the expected synergistic benefits to the Company, as the products manufactured by the acquired operation are expected to complement the Company's other offerings of sheet, plate, cold finish and drawn tube products for aerospace applications and (ii) the calculation of the fair value of the other assets acquired and liabilities assumed in this transaction. Goodwill arising from this transaction is anticipated to be deductible for tax purposes over the next 15 years.

The following unaudited pro forma financial information for the Company summarizes the results of operations for the periods indicated as if the Alexco acquisition had been completed as of January 1, 2010. This pro forma financial information considers principally (i) the Company's audited financial results, (ii) the unaudited historical financial results of Alexco, as supplied to the Company, and (iii) select pro forma adjustments to the historical financial results of Alexco. Such pro forma adjustments represent principally estimates of (i) the impact of the hypothetical amortization of acquired intangible assets and the recognition of fair value adjustments relating to tangible assets in pre-tax income in each period and (ii) the pro forma impact of the transaction on the Company's tax provision in each period. These pro forma adjustments did not have a material impact on the pro forma Net income, as presented below. The following pro forma data does not purport to be indicative of the results of future operations or of the results that would have actually occurred had the acquisition taken place at the beginning of 2010:

	Year Ended December 31,	
	2011 <sup>1</sup>	2010
Net sales (combined)	\$1,301.3	\$1,110.7
Net income (combined)	\$25.1	\$16.9
Basic earnings per share (combined)	\$1.32	\$0.87
Diluted earnings per share (combined)	\$1.32	\$0.87

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The combined results presented for year ended December 31, 2011 are the actual results presented in the Statements<sup>1</sup> of Consolidated Income, as the operating results for the Chandler, Arizona (Extrusion) facility were included in the Company's consolidated operating results commencing January 1, 2011 (see Note 1).

75

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

The following information presents select financial data relating to the Chandler, Arizona (Extrusion) facility, as included within the Company's consolidated operating results for the year ended December 31, 2011.

	Year Ended December 31, 2011
Net sales	\$42.8
Net income before income taxes	\$10.5

Nichols. On August 9, 2010, the Company acquired the Florence, Alabama facility, which manufactures bare mechanical alloy wire products, nails and aluminum rod for aerospace, general engineering, and automotive applications.

Consideration consisted of (i) \$9.0 in cash, (ii) the \$6.7 Nichols Promissory Note from the Company to Nichols (see Note 4), and (iii) the assumption of certain liabilities totaling approximately \$2.1. Total acquisition-related costs were approximately \$0.8, all of which were expensed through December 31, 2010 and included in Selling, administrative, research and development, and general in the Statements of Consolidated Income. The acquisition did not have a material impact on the Company's consolidated financial statements.

The following table summarizes recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

Allocation of purchase price:	
Inventory	\$3.9
Other current assets	2.3
Property, plant and equipment	4.2
Definite lived intangible assets	4.3
Goodwill	3.1
Accounts payable and other current liabilities	(2.1 )
Consideration paid	\$15.7

The goodwill arising from the acquisition represents the commercial opportunity for the Company to sell small-diameter rod, bar and wire products, as a complement to its other products, to its core end market segments for aerospace, general engineering and automotive applications and is expected to be deductible for income tax purposes over the next 15 years.

## 6. Goodwill and Intangible Assets

Goodwill. A roll-forward of goodwill is as follows (see Note 5 for additional information about the Company's business acquisitions):

Balance as of December 31, 2009	\$—
Goodwill arising from Nichols acquisition	3.1
Balance as of December 31, 2010	\$3.1
Goodwill arising from Alexco acquisition	34.1
Balance as of December 31, 2011	\$37.2

All of the Company's goodwill is included in the Fabricated Products segment.

Intangible Assets. Identifiable intangible assets at December 31, 2011 and December 31, 2010 are comprised of the following:

December 31, 2011:

76

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Weighted average Estimated useful life	Original cost	Accumulated amortization	Net book value
Customer relationships	25	\$38.5	\$(1.7 )	\$36.8
Backlog	2	0.8	(0.7 )	0.1
Trademark and trade name	3	0.4	(0.1 )	0.3
Total	24	\$39.7	\$(2.5 )	\$37.2

December 31, 2010:

	Weighted average Estimated useful life	Original cost	Accumulated amortization	Net book value
Customer relationships	20	\$3.8	\$(0.1 )	\$3.7
Backlog	3	0.5	(0.2 )	0.3
Total	18	\$4.3	\$(0.3 )	\$4.0

The Company acquired \$35.4 of intangible assets through the acquisition of Alexco in 2011 (see Note 5).

Amortization expense relating to definite-lived intangible assets is recorded in the Fabricated Products segment. Such expense was \$2.2 and \$0.3 for 2011 and 2010, respectively. The expected amortization of intangible assets for the next five calendar years is as follows:

2012	\$1.8
2013	1.7
2014	1.6
2015	1.6
2016	1.6
Thereafter	28.9
Total	\$37.2

## 7. Income Tax Matters

Tax provision. Income before income taxes by geographic area is as follows:

	Year Ended December 31,		
	2011	2010	2009
Domestic	\$37.9	\$23.0	\$117.8
Foreign	3.4	2.1	0.8
Total	\$41.3	\$25.1	\$118.6

Income taxes are classified as either domestic or foreign, based on whether payment is made or due to the United States or a foreign country. Certain income classified as foreign is also subject to domestic income taxes.

The (provision) benefit for income taxes consists of:





Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Federal	Foreign	State	Total
2011				
Current	\$1.4	\$0.3	\$0.1	\$1.8
Deferred	(2.3	) (0.5	) 0.7	(2.1
Provision applied to increase Additional capital/ Other comprehensive income	(13.5	) (0.4	) (2.0	) (15.9
Total	\$(14.4	) \$(0.6	) \$(1.2	) \$(16.2
2010				
Current	\$—	\$0.1	\$(0.5	) \$(0.4
Deferred	(34.4	) 0.2	(10.2	) (44.4
Benefit applied to decrease Additional capital/ Other comprehensive income	27.9	0.4	3.4	31.7
Total	\$(6.5	) \$0.7	\$(7.3	) \$(13.1
2009				
Current	\$0.7	\$(3.6	) \$(1.1	) \$(4.0
Deferred	(59.3	) 0.3	(2.1	) (61.1
Benefit applied to decrease Additional capital/ Other comprehensive income	12.7	2.7	1.6	17.0
Total	\$(45.9	) \$(0.6	) \$(1.6	) \$(48.1

A reconciliation between the provision for income taxes and the amount computed by applying the federal statutory income tax rate to income before income taxes is as follows:

	Year Ended December 31,		
	2011	2010	2009
Amount of federal income tax provision based on the statutory rate	\$(14.5	) \$(8.8	) \$(41.5
(Increase) decrease in federal valuation allowances	—	(0.2	) 0.5
Non-deductible compensation expense	(1.1	) (0.6	) (4.7
Non-deductible expense	(0.4	) (0.3	) (0.5
State income taxes, net of federal benefit <sup>1</sup>	(0.8	) (4.7	) (1.0
Foreign income tax benefit	0.6	1.5	—
Other	—	—	(0.9
Income tax provision	\$(16.2	) \$(13.1	) \$(48.1

State income taxes of \$4.7 in 2010 primarily consists of (i) a \$1.9 increase in the valuation allowance relating to certain unused state net operating losses expected to expire and (ii) a \$2.3 increase in the income tax provision from a reduction in the state deferred tax asset relating to a decrease in state net operating losses resulting from lower state apportionment factors in various states.

The table above reflects a full statutory U.S. tax provision despite the fact that the Company is only paying alternative minimum tax (“AMT”) in the U.S. and some state income taxes. See “Tax Attributes” below.

Deferred Income Taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes.

The components of the Company’s net deferred income tax assets are as follows:



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Year Ended December 31,	
	2011	2010
Deferred income tax assets:		
Loss and credit carryforwards	\$375.6	\$379.6
VEBAs	—	0.8
Other assets	39.6	25.9
Inventories and other	8.3	27.3
Valuation allowances	(18.8	) (20.1
Total deferred income tax assets — net	404.7	413.5
Deferred income tax liabilities:		
Property, plant, and equipment	(67.2	) (61.9
VEBAs	(47.6	) (59.5
Total deferred income tax liabilities	(114.8	) (121.4
Net deferred income tax assets <sup>1,2</sup>	\$289.9	\$292.1

<sup>1</sup> Of the total net deferred income tax assets of \$289.9, \$63.0 was included in Prepaid expenses and other current assets and \$226.9 was presented as Deferred tax assets, net on the Consolidated Balance Sheet as of December 31, 2011.

<sup>2</sup> Of the total net deferred income tax assets of \$292.1, \$46.8 was included in Prepaid expenses and other current assets and \$245.3 was presented as Deferred tax assets, net on the Consolidated Balance Sheet as of December 31, 2010.

Tax Attributes. At December 31, 2011, the Company had \$875.1 of net operating loss (“NOL”) carryforwards available to reduce future cash payments for income taxes in the United States. Of the \$875.1 of NOL carryforwards at December 31, 2011, \$1.7 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. The Company also had \$29.8 of AMT credit carryforwards with an indefinite life, available to offset regular federal income tax requirements.

To preserve the NOL carryforwards available to the Company, (i) the Company’s certificate of incorporation includes certain restrictions on the transfer of the Company’s common stock and (ii) the Company entered into a stock transfer restriction agreement with the Union VEBA.

In assessing the realizability of deferred tax assets, management considers 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. Management considers 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 the Company’s deferred tax assets, primarily including state NOLs sustained during the prior years and expiring tax benefits, the Company had a valuation allowance against its 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 \$(1.3), \$2.1 and \$(11.5) in 2011, 2010 and 2009, respectively. The decrease in the valuation allowance for 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 reversed in the first quarter of 2011 due to a change in tax law in the State of Illinois. The decrease in the valuation in 2009 was primarily due to a change in the State of Ohio's tax regime. Ohio phased out its corporate income tax and changed to a gross receipts tax, as a result, the deferred tax asset and the related valuation allowance, relating to Ohio NOLs, were reversed in 2009.

Other. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Canada Revenue Agency audited the Company's tax returns for fiscal years 1998 through 2001 and issued assessment notices for which Notices of Objection have been filed. In addition, the Canada Revenue Agency has audited the Company's tax returns for fiscal years 2002 through 2004 and issued assessment notices, resulting in a payment of \$7.9 to the Canada Revenue Agency against previously accrued tax reserves in 2009. During the fourth quarter of 2011, an additional \$1.3 of Canadian Provincial income tax assessment, including interest, was paid resulting from the audit of the Company's tax returns for fiscal years 2002 through 2004. The Company's tax returns for certain past years are still subject to examination by taxing authorities, and the use of NOL carryforwards in future periods could trigger a review of attributes and other tax matters in years that are not otherwise subject to examination.

No U.S. federal or state liability has been recorded for the undistributed earnings of the Company's Canadian subsidiary at

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

December 31, 2011. These undistributed earnings are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been provided on such undistributed earnings. Determination of the potential amount of unrecognized deferred U.S. income tax liability and foreign withholding taxes is not practicable because of the complexities associated with its hypothetical calculation.

The Company has gross unrecognized benefits relating to uncertain tax positions. If and when the gross unrecognized tax benefits are ultimately recognized, it will be reflected in the Company's income tax provision and affect the effective tax rate in future periods.

A reconciliation of changes in the gross unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2011	2010	2009
Gross unrecognized tax benefits at beginning of period	\$15.0	\$15.6	\$15.8
Gross increases for tax positions of prior years	0.1	—	1.6
Gross decreases for tax positions of prior years	—	—	(1.6)
Gross increases for tax positions of current years	0.4	0.4	0.4
Settlements	(0.5)	) —	(2.8)
Gross decrease for tax positions relating to lapse of a statute of limitation	(0.9)	) (1.7)	) —
Foreign currency translation	(0.4)	) 0.7	2.2
Gross unrecognized tax benefits at end of period	\$13.7	\$15.0	\$15.6

The change during 2011 was primarily due to a partial release of an unrecognized tax benefit as a result of the expiration of a statute, settlements with taxing authorities, foreign currency fluctuations and change in tax positions. The change during 2010 was primarily due to a partial release of an unrecognized tax benefit as a result of the expiration of a statute, foreign currency fluctuations and change in tax positions. The change during 2009 was primarily due to settlements with taxing authorities, foreign currency fluctuations and change in tax positions. In addition, the Company recognizes interest and penalties related to above unrecognized tax benefits in the income tax provision. The Company had \$6.6 accrued at both December 31, 2011 and December 31, 2010, for interest and penalties. Of these amounts, \$0 and \$0.4 were recorded as current liabilities and were included in Other accrued liabilities on the Consolidated Balance Sheets at December 31, 2011 and December 31, 2010, respectively. The Company recognized an increase (decrease) in interest and penalty of \$0, \$0.4 and \$(3.2) in its tax provision in 2011, 2010 and 2009, respectively.

In connection with the gross unrecognized tax benefits (including interest and penalties) denominated in foreign currency, the Company incurred a foreign currency translation adjustment. During 2011, 2010 and 2009, the foreign currency impact on such liabilities resulted in \$0.3, \$(0.6) and \$(2.7) currency translation adjustments, respectively, which were recorded within Other comprehensive income.

The Company does not expect its gross unrecognized tax benefits to materially change within the next 12 months.

#### 8. Employee Benefits

Employee Plans. Employee benefit plans include:

▲ A defined contribution 401(k) savings plan for hourly bargaining unit employees at seven of the Company's production facilities based on the specific collective bargaining agreement at each facility. For active bargaining unit employees at three of these production facilities, the Company is required to make fixed rate contributions. For active bargaining unit employees at one of these production facilities, the Company is required to match certain employee contributions. For active bargaining unit employees at two of these production facilities, the Company is required to make both fixed rate contributions and concurrent matches. For active bargaining unit employees at the one remaining

production facility, the Company is not required to make any contributions. Fixed rate contributions either (i) range from (in whole dollars) \$800 to \$2,400 per employee per year, depending on the employee's age, or (ii) vary between 2% to 10% of the employees' compensation depending on their age and years of service for employees hired prior to January 1, 2004 or is a fixed 2% annual contribution for employees hired on or after January 1, 2004. The Company currently estimates that contributions to such plans will range from \$1.0 to \$3.0 per year.

A defined contribution 401(k) savings plan for salaried and certain hourly employees providing for a concurrent match of up to 4% of certain contributions made by employees plus an annual contribution of between 2% and 10% of their compensation depending on their age and years of service to employees hired prior to January 1, 2004. All

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

new hires on or after January 1, 2004 receive a fixed 2% contribution annually. The Company currently estimates that contributions to such plan will range from \$4.0 to \$6.0 per year.

A defined benefit plan for salaried employees at the Company's London, Ontario facility, with annual contributions based on each salaried employee's age and years of service. At December 31, 2011, approximately 55% of the plan assets were invested in equity securities, and 40% of plan assets were invested in debt securities. The remaining plan assets were invested in short-term securities. The Company's investment committee reviews and evaluates the investment portfolio. The asset mix target allocation on the long-term investments is approximately 55% in equity securities, 43% in debt securities and the remaining assets in short-term securities. See Note 13 for additional information regarding the fair values of the Canadian pension plan assets.

A non-qualified, unfunded, unsecured plan of deferred compensation for key employees who would otherwise suffer a loss of benefits under the Company's defined contribution plan as a result of the limitations imposed by the Internal Revenue Code of 1986 (the "Code"). Despite the plan being an unfunded plan, the Company makes an annual contribution to a rabbi trust to fulfill future funding obligations, as contemplated by the terms of the plan. The assets in the trust are at all times subject to the claims of the Company's general creditors, and no participant has a claim to any assets of the trust. Plan participants are eligible to receive distributions from the trust subject to vesting and other eligibility requirements. Assets in the rabbi trust relating to the deferred compensation plan are accounted for as available for sale securities and are included as Other assets on the Consolidated Balance Sheets (see Note 2).

Liabilities relating to the deferred compensation plan are included on the Consolidated Balance Sheets as Long-term liabilities (see Note 2).

An employment agreement with the Company's chief executive officer extending through July 6, 2015. The Company also provides certain members of senior management, including each of the Company's named executive officers, with benefits related to terminations of employment in specified circumstances, including in connection with a change in control, by the Company without cause and by the executive officer with good reason.

**Postretirement Medical Obligations.** The Company's postretirement medical plan was terminated in 2004. Certain eligible retirees receive medical coverage, however, through participation in the Union VEBA or the VEBA that provides benefits for certain other eligible retirees, their surviving spouse and eligible dependents (the "Salaried VEBA" and, together with the Union VEBA, the "VEBAs"). The Union VEBA covers qualifying bargaining unit employees who do not, or are not eligible to, elect coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985. The Salaried VEBA covers certain retirees who retired prior to the 2004 termination of the prior plan and employees who were hired prior to February 2002 and subsequently retired or will retire with the requisite age and service. The Union VEBA is managed by four trustees (two appointed by the Company and two appointed by the the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL - CIO, CLC, or "USW"), and the assets are managed by an independent fiduciary. The Salaried VEBA is managed by trustees who are independent of the Company. The benefits paid by the VEBAs are at the sole discretion of the respective VEBA trustees and are outside the Company's control.

As of December 31, 2011, the Union VEBA owned 2,202,495 common shares of the Company, or approximately 11% of the Company's issued and outstanding shares of common stock. A stock transfer restriction agreement between the Union VEBA and the Company restricts the number of shares of the Company's common stock that generally may be sold by the Union VEBA during any 12-month period without further approval of the Company's Board of Directors to 1,321,485. Shares owned by the Union VEBA that are subject to the stock transfer restriction agreement are treated as being similar to treasury stock (i.e. as a reduction of Stockholders' equity) in the Company's Consolidated Balance Sheet. In January 2012, in accordance with the stock transfer restriction agreement and our certificate of incorporation, our Board of Directors granted its written approval permitting the Union VEBA to sell any and all of the 1,321,485 shares that the Union VEBA would be entitled to sell during 12-month period beginning March 24, 2012 at any time during such 12-month period.

The following table presents the sale of Union VEBA shares by the Union VEBA in 2011 and 2010 (the Union VEBA was not authorized to sell any shares in 2009) and the effect on the Consolidated Balance Sheets due to these share sales:

81

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Year Ended December 31,	
	2011	2010
Common stock sold by Union VEBA	1,321,485	1,321,485
Increase in Union VEBA assets <sup>1</sup>	\$65.5	\$52.1
Reduction in Common stock owned by Union VEBA <sup>2</sup>	\$(31.7	) \$(31.8
Increase in Additional paid in capital	\$(8.8	) \$(0.7
Decrease in Deferred tax assets	\$(25.0	) \$(19.6

<sup>1</sup> At a weighted-average price of \$49.58 and \$39.39 per share realized by the Union VEBA for the years 2011 and 2010, respectively.

<sup>2</sup> At \$24.02 per share reorganization value.

The Company's only financial obligations to the VEBAs are (i) a variable cash contribution payable to the VEBAs based upon a formula driven calculation and (ii) an obligation to pay the administrative expenses of the VEBAs, up to \$0.3 per year. The obligation to the Union VEBA with respect to the variable cash contribution extends through September 30, 2017, while the obligation to the Salaried VEBA has no termination date. The amount to be contributed to the VEBAs through September 2017 pursuant to the Company's obligation is 10% of the first \$20.0 of annual cash flow (as defined; in general terms, the principal elements of cash flow are earnings before interest expense, provision for income taxes, and depreciation and amortization less cash payments for, among other things, interest, income taxes, and capital expenditures), plus 20% of annual cash flow, as defined, in excess of \$20.0. Such payments may not exceed \$20.0 and do not carryover to future years. Payments are also limited to the extent that such payments would cause the Company's liquidity to be less than \$50.0.

Amounts owing by the Company to the VEBAs are recorded in the Company's Consolidated Balance Sheets under Other accrued liabilities, with a corresponding increase in Net assets in respect of VEBAs. Such amounts are determined and paid on an annual basis. At December 31, 2010, the accrued variable contribution was \$2.1 (comprised of \$1.8 to the Union VEBA and \$0.3 to the Salaried VEBA). These amounts were paid during the first quarter of 2011, along with an additional payment of \$0.1, based on the final computation of the 2010 results. As of December 31, 2011, the Company determined that the variable contribution for 2011 was zero, as investments, capital spending, and interest exceeded earnings before interest expense, provision for income taxes, and depreciation and amortization. In addition to the contribution obligations, during 2011, 2010 and 2009, the Company recorded \$0.3 each year in administrative expenses of the VEBAs.

The Company has no claim to the plan assets of the VEBAs or obligation to fund the liability or determine the benefits paid by the VEBAs, and its only financial obligation to the VEBAs are to pay the variable contributions and certain administrative fees. Nevertheless, based on discussions with the staff of the SEC, for accounting purposes the Company treats the postretirement medical benefits to be paid by the VEBAs and the Company's related variable contribution as defined benefit postretirement plans with the current VEBA assets and future variable contributions described above, and earnings thereon, operating as a cap on the benefits to be paid. Accordingly, the Company accounts for net periodic postretirement benefit costs in accordance with ASC Topic 715, Compensation — Retirement Benefits, and records any difference between the assets of each VEBA and its accumulated postretirement benefit obligation in the Company's consolidated financial statements. Information necessary for the valuation of the net funded status of the plans must be obtained from the VEBAs on an annual basis. While the funding status of the VEBAs could result in a liability position on the Company's Consolidated Balance Sheets, such liability has no impact on the Company's cash flow, liquidity or funding obligation to the VEBAs.

Key Assumptions. The following data presents the key assumptions used and the amounts reflected in the Company's financial statements with respect to the Company's Canadian pension plan and the VEBAs.

The Company uses a December 31 measurement date for all of the plans.  
Assumptions used to determine benefit obligations as of December 31 are:

82

---

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Canadian Pension Benefits		VEBA Benefits			
	December 31, 2011	December 31, 2010	December 31, 2011		December 31, 2010	
			Union VEBA	Salaried VEBA	Union VEBA	Salaried VEBA
Benefit obligations assumptions:						
Discount rate	5.60	% 5.70	% 4.20	% 3.75	% 5.25	% 4.70
Rate of compensation increase	3.00	% 3.50	% —	—	—	—
Initial medical trend rate <sup>1</sup>	—	—	8.50	% —	9.00	% —
Ultimate medical trend rate <sup>1</sup>	—	—	5.00	% —	5.00	% —

The medical trend rate assumptions used for the Union VEBA were provided by the Union VEBA and certain industry data were provided by the Company's actuaries. The trend rate is assumed to decline to 5% by 2019 at December 31, 2011 and December 31, 2010. A one-percentage-point increase in the assumed medical trend rates <sup>1</sup> would increase the accumulated postretirement benefit obligation of the Union VEBA by \$50.5 and \$37.0 at December 31, 2011 and December 31, 2010, respectively. A one-percentage-point decrease in the assumed medical trend rates would decrease the accumulated postretirement benefit obligation of the Union VEBA by \$40.8 and \$30.4 at December 31, 2011 and December 31, 2010, respectively.

Key assumptions made in computing the net obligation of each VEBA and in total include:

With respect to VEBA assets:

The shares of the Company's common stock held by the Union VEBA that were not transferable have been excluded from assets used to compute the net asset or liability of the Union VEBA. There were 2,202,495 and 3,523,980 such shares at December 31, 2011 and December 31, 2010, respectively. Such shares will continue to be excluded until the restrictions lapse and are being accounted for similar to "treasury stock" in the interim (see Note 1).

At December 31, 2011 and December 31, 2010, neither VEBA held any unrestricted shares of the Company's common stock.

Based on the information received from the VEBAs, at December 31, 2011 and December 31, 2010 both the Salaried VEBA and Union VEBA assets were invested in various managed proprietary funds. VEBA plan assets are managed by various investment advisors selected by the VEBA trustees, and are not under the control of the Company.

The Company's variable payment, if any, is being treated as a funding/contribution policy and not counted as a VEBA asset at December 31 for actuarial purposes.

With respect to VEBA obligations:

The accumulated postretirement benefit obligation ("APBO") for each VEBA was computed based on the level of benefits being provided by each VEBA at December 31, 2011 and December 31, 2010.

Since the Salaried VEBA was paying a fixed annual amount to its constituents at both December 31, 2011 and December 31, 2010, no future cost trend rate increase has been assumed in computing the APBO for the Salaried VEBA.

Assumptions used to determine net periodic benefit cost (income) for the years ended December 31 are:

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Canadian Pension Benefits			VEBA Benefits								
	2011	2010	2009	2011	2010	2009	Union	Salaried	Union	Salaried		
				Union	Salaried	Union	Salaried	Union	Salaried	Union	Salaried	
				VEBA	VEBA	VEBA	VEBA	VEBA	VEBA	VEBA	VEBA	
Net periodic benefit cost assumptions:												
Discount rate	5.70	% 6.70	% 7.50	% 5.25	% 4.70	% 5.80	% 5.40	% 6.00	% 6.00	% 6.00	% 6.00	%
Expected long term return on plan assets	5.40	% 5.40	% 6.00	% 6.00	% 7.25	% 4.75	% 7.25	% 5.75	% 7.25	% 5.75	% 7.25	%
Rate of compensation increase	3.50	% 3.50	% 3.30	% —	—	—	—	—	—	—	—	—
Initial medical trend rate <sup>2</sup>	—	—	—	9.00	% —	9.50	% —	9.00	% —	9.00	% —	—
Ultimate medical trend rate <sup>2</sup>	—	—	—	5.00	% —	5.00	% —	5.00	% —	5.00	% —	—

<sup>1</sup> The expected long-term rate of return assumption is based on the historical investment portfolios provided to the Company by the VEBAs' trustees.

The medical trend rate assumptions were used for the Union VEBA, which is currently paying certain prescription drug benefits, and provided by the Union VEBA and industry data from the Company's actuaries. The trend rate is assumed to decline to 5% by 2019, 5% by 2019 and 5% by 2013 for 2011, 2010 and 2009, respectively. A

<sup>2</sup> one-percentage-point increase in the assumed medical trend rates would increase the aggregate of the service and interest cost components of net periodic benefit costs by \$2.7, \$2.7 and \$2.4 for 2011, 2010 and 2009, respectively.

A one-percentage-point decrease in the assumed medical trend rates would decrease the aggregate of the service and interest cost components of net periodic benefit costs by \$2.1, \$2.2, and \$1.9 for 2011, 2010 and 2009, respectively.

**Benefit Obligations and Funded Status** — The following table presents the benefit obligations and funded status of the Company's Canadian pension and the VEBAs as of December 31, 2011 and December 31, 2010, and the corresponding amounts that are included in the Company's Consolidated Balance Sheets.

	Canadian Pension Benefits		VEBA Benefits	
	2011	2010	2011	2010
Change in Benefit Obligation:				
Obligation at beginning of year	\$5.4	\$4.1	\$348.6	\$344.8
Foreign currency translation adjustment	(0.1	) 0.2	—	—
Service cost	0.2	0.1	2.2	2.0
Interest cost	0.3	0.3	17.4	19.1
Actuarial (gain) loss <sup>1</sup>	(0.2	) 0.8	96.8	2.8
Plan participant contributions	—	0.1	—	—
Benefits paid by Company	(0.2	) (0.2	) —	—
Benefits paid by VEBA	—	—	(21.1	) (23.2
Reimbursement from Retiree Drug Subsidy <sup>2</sup>	—	—	3.0	3.1
Obligation at end of year	5.4	5.4	446.9	348.6



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

## Change in Plan Assets:

FMV of plan assets at beginning of year	4.9	4.1	506.6	422.4
Foreign currency translation adjustment	(0.1	) 0.2	—	—
Actual return on assets	(0.2	) 0.3	16.9	49.9
Plan participant contributions	—	0.1	—	—
Sale of Company's common stock by Union VEBA	—	—	65.5	52.1
Employer/Company contributions	0.5	0.4	0.1	2.3
Benefits paid by Company	(0.2	) (0.2	) —	—
Benefits paid by VEBA	—	—	(21.1	) (23.2
Reimbursement from Retiree Drug Subsidy <sup>2</sup>	—	—	3.0	3.1
FMV of plan assets at end of year	4.9	4.9	571.0	506.6
Net Funded Status <sup>3</sup>	\$(0.5	) \$(0.5	) \$124.1	\$158.0

The actuarial loss relating to the VEBA plans in 2011 is comprised of (i) a loss of \$31.4 resulting from an increase in benefit cost for plan participants, (ii) a loss of \$53.5 resulting from a decrease in discount rates used to determine benefit obligations for both VEBA plans and (iii) a loss of \$11.9 resulting from change in actuarial assumptions.

The actuarial loss relating to the VEBA plans in 2010 is primarily the result of a change in the assumption in participant marital status in the Union VEBA and a change in annual benefit payment per participant in the Salaried VEBA.

In January 2005, the Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) released final regulations governing the Medicare prescription drug benefit and other key elements of the Medicare Modernization Act that went into effect January 1, 2006. The Union VEBA is eligible for the Retiree Drug Subsidy because the plan meets the definition of actuarial equivalence and therefore qualifies for federal subsidies equal to 28% of allowable drug costs. As a result, the Company has measured the Union VEBA's obligations and costs to take into account this subsidy.

With respect to the Prepaid benefit of \$124.1 relating to the VEBAs at December 31, 2011, of which \$144.7 was included in Net asset in respect of VEBA and \$20.6 was included in Net liability in respect of VEBA on the Consolidated Balance Sheet. Prepaid benefit of \$158.0 relating to the VEBAs at December 31, 2010, was included in Net asset in respect of the VEBAs on the Consolidated Balance Sheets.

With respect to the VEBAs, the Company has no claim to the plan assets nor obligation to fund the liability. The Company's only financial obligation to the VEBA is the variable cash contribution discussed previously. The following table presents the net assets of each VEBA as of December 31, 2011 and December 31, 2010 (such information is also included in the tables required under GAAP above which roll forward the assets and obligations):

	December 31, 2011			December 31, 2010		
	Union VEBA	Salaried VEBA	Total	Union VEBA	Salaried VEBA	Total
APBO	\$(370.0	) \$(76.9	) \$(446.9	) \$(289.0	) \$(59.6	) \$(348.6
Plan assets	514.7	56.3	571.0	445.7	60.9	506.6
Net Funded Status	\$144.7	\$(20.6	) \$124.1	\$156.7	\$1.3	\$158.0

The projected benefit obligation for the Canadian defined benefit pension plan was \$4.9 and \$4.8 at December 31, 2011 and December 31, 2010, respectively. The Company expects to contribute \$0.5 to the Canadian pension plan in 2012.

As of December 31, 2011, the net benefits expected to be paid in each of the next five fiscal years and in aggregate for the five fiscal years thereafter are as follows:



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Benefit Payments Due by Period					
	2012	2013	2014	2015	2016	2017-2021
Canadian pension plan benefit payments	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3	\$1.8
VEBA benefit payments <sup>1</sup>	28.7	29.3	29.6	29.9	30.1	177.3
Anticipated Retiree Drug Subsidy	(3.1 )	(3.3 )	(3.5 )	(3.6 )	(3.7 )	(19.7 )
Total net benefits	\$25.8	\$26.3	\$26.4	\$26.6	\$26.7	\$159.4

<sup>1</sup> Such amounts were obtained from the VEBAs. The Company's only financial obligations to the VEBAs are to pay the variable contributions which may not exceed \$20.0 annually and certain administrative fees.

The amount of (loss) income which is recognized in the Consolidated Balance Sheets (in Accumulated other comprehensive (loss) income) associated with the Company's Canadian defined benefit pension plan and the VEBAs that have not yet been reflected in net periodic benefit cost as of December 31, 2011 were as follows:

	Canadian Pension Benefits		VEBA Benefits	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Accumulated net actuarial (losses) gains	\$(2.0 )	\$(1.8 )	\$(95.1 )	\$14.7
Transition assets	0.4	0.4	—	—
Prior service cost	—	—	(41.1 )	(45.3 )
Loss recognized in Accumulated other comprehensive (loss) income	\$(1.6 )	\$(1.4 )	\$(136.2 )	\$(30.6 )

The amounts in Accumulated other comprehensive (loss) income that have not yet been recognized as components of net periodic pension benefit costs at December 31, 2011 that are expected to be recognized in 2012 are \$0.1 for the Canadian pension plan relating to transition assets and \$7.2 for the VEBAs. Of the \$7.2 relating to the VEBAs, \$4.2 is related to amortization of prior service cost and \$3.0 is related to amortization of net actuarial loss. See the Statement of Comprehensive (Loss) Income for reclassification adjustments of other comprehensive income that were recognized as components of net periodic benefit costs for 2011, 2010 and 2009.

Fair Value of Plan Assets. See Note 13 for the fair values of the VEBAs and Canadian pension plan assets.

Components of Net Periodic Benefit Cost (Income) — The Company's results of operations included the following impacts associated with the Canadian defined benefit plan and the VEBAs: (a) charges for service rendered by employees; (b) a charge for accretion of interest; (c) a benefit for the return on plan assets; and (d) amortization of net gains or losses on assets, prior service costs associated with plan amendments and actuarial differences. The following table presents the components of net periodic benefit cost (income) for 2011, 2010 and 2009:

	Canadian Pension Benefits			VEBA Benefits		
	2011	2010	2009	2011	2010	2009
Service cost	\$0.2	\$0.1	\$0.1	\$2.2	\$2.0	\$2.2
Interest cost	0.3	0.3	0.2	17.4	19.1	18.7
Expected return on plan assets	(0.3 )	(0.2 )	(0.2 )	(30.4 )	(20.9 )	(21.0 )
Amortization of prior service cost <sup>2</sup>	—	—	—	4.2	4.2	1.6
Amortization of net loss	0.1	—	—	0.6	0.7	3.8



Net periodic benefit costs (income)	\$0.3	\$0.2	\$0.1	\$(6.0	) \$5.1	\$5.3
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<sup>1</sup> The Company amortizes prior service cost on a straight-line basis over the average remaining years of service to full eligibility for benefits of the active plan participants.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

The following tables present the total (income) charges related to all benefit plans for 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Canadian pension plan	\$0.3	\$0.2	\$0.1
VEBAs	(6.0	) 5.1	5.3
Deferred compensation plan	0.2	1.3	0.4
Defined contribution plans	7.1	6.5	6.5
Total	\$1.6	\$13.1	\$12.3

The following tables present the allocation of these (income) charges:

	Year Ended December 31,		
	2011	2010	2009
Fabricated Products	\$6.4	\$6.4	\$5.8
All Other	(4.8	) 6.7	6.5
Total	\$1.6	\$13.1	\$12.3

For all periods presented, the net periodic benefits relating to the VEBAs are included as a component of Selling, administrative, research and development and general expense within All Other and substantially all of the Fabricated Products segment's related charges are in Cost of products sold, excluding depreciation, amortization and other items with the balance in Selling, administrative, research and development and general.

#### 9. Multiemployer Pension Plans

Overview. The Company has employees represented by USW, International Association of Machinists ("IAM") and International Brotherhood of Teamsters ("Teamsters") and contributes to the respective multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The Company currently estimates that contributions will range from \$2.0 to \$4.0 per year through 2015.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Company has effectuated a complete withdrawal from the Teamster Local Union 786 Building Materials pension fund effective October 28, 2011 as a result of terminating the Plainfield, Illinois operation. The Company did not incur material liability or cash payments in connection with the withdrawal from this pension fund in 2011.

The Company's participation in material multiemployer pension plans for the annual period ended December 31, 2011, is outlined in the table below.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Pension Fund	EIN/Pension Plan Number <sup>1</sup>	Pension Protection Act Zone Status <sup>2</sup>		FIP/RP Status Pending/Implemented in 2011 <sup>3</sup>	Contributions of the Company			Surcharge Imposed in 2011	Expiration Date of Collective-Bargaining Agreement
		2010	2009		2011	2010	2009		
Steelworkers Pension Trust (USW) <sup>4</sup>	23-6648508	Green	Green	No	\$2.6	\$2.4	\$2.3	No	Mar 2014 - Sep 2015
National Pension Plan(IAM) <sup>5</sup>	51-6031295	Green	Green	No	0.3	0.3	0.4	No	Dec 2013 - Nov 2014
Western Conference of Teamsters Pension Plan (Teamsters) <sup>6</sup>	91-6145047	Green	Green	No	0.3	0.2	0.3	No	May 2012
Canada Wide Industrial Pension Plan <sup>7</sup>	920120	N/A	N/A	N/A	0.4	0.4	0.3	N/A	Feb 2012
					\$3.6	\$3.3	\$3.3		

<sup>1</sup> The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable.

Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2011 and 2010 is for the plan's year-end at December 31, 2010, and December 31, 2009, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

<sup>3</sup> The "FIP/RP Status Pending/Implemented" column indicates plans for which a Financial Improvement Plan (FIP) or a Rehabilitation Plan (RP) is either pending or has been implemented under the PPA.

<sup>4</sup> The Company is party to three collective-bargaining agreements that require contributions to the Steelworkers Pension Trust. Current union contracts covering employees at the Newark, Ohio and Spokane, Washington facilities, Florence, Alabama facility and Richmond (Bellwood), Virginia facility expire in September 2015, March 2014 and November 2014, respectively. Of the three, the union contract covering employees at the Newark, Ohio and Spokane, Washington facilities is more significant because 80% of the Company's USW-represented employees are covered by that agreement. The union contracts covering employees at the Bellwood, Virginia facility and Florence, Alabama facility cover 14% and 6% of the Company's USW-related employees, respectively. The Company makes monthly contributions of (in whole dollars) \$1.00 per hour worked by each bargaining unit employee to the Steelworkers Pension Trust except that (i) the monthly contributions per hour worked by each bargaining unit employee at the Company's Newark, Ohio and Spokane, Washington facilities increased to (in whole dollars) \$1.25 starting July 2010 and will increase to (in whole dollars) \$1.50 in July 2015 and (ii) monthly contributions per hour worked by each bargaining unit employee at the Florence, Alabama facility are (in whole dollars) \$1.25 per hour. The Company is also party to two other collective-bargaining agreements covering

employees at the Chandler, Arizona (Tube) and Kalamazoo, Michigan facilities. However, these agreements do not require contributions from the Company to the Steelworkers Pension Trust because the employees at these facilities are covered under the Company's defined contribution 401(k) savings plan.

The Company is party to two significant collective-bargaining agreements that require contributions to the National Pension Plan. Current union contracts covering employees at the Richmond (Bellwood), Virginia, and Sherman, Texas facilities expire in November 2014 and December 2013, respectively. Of the two, the union contract covering  
5 employees at the Sherman, Texas facility is more significant because 89% of the Company's IAM-represented employees are covered by that agreement. The union contract covering employees at the Richmond (Bellwood), Virginia facility covers 11% of the Company's IAM-represented employees. The Company makes monthly contributions of (in whole dollars) \$1.00 per hour worked by each bargaining unit employee to the National Pension Plan.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

6 The Company makes monthly contributions of (in whole dollars) \$1.00 per hour worked by each bargaining unit employee at the Los Angeles, California facility to the Western Conference of Teamsters Pension Plan.

7 The Company makes monthly contributions of (in whole dollars) \$1.15 per hour worked by each bargaining unit employee at the London, Ontario facility to the Canada Wide Industrial Pension Plan. Information relating to the Pension Protection Act zone status, FIP/RIP status and surcharge imposed are not applicable to this plan because it is a Canadian plan that does not follow the same regulations as plans that are U.S. based.

The Company was not listed in any of the plans' Forms 5500 as providing more than 5% of the total contributions for any of the plan years disclosed. At December 31, 2011, Forms 5500 were not available for the plan years ending in 2011. Further, there were no significant changes to the number of employees covered by the Company's multiemployer plans that would affect the period-to-period comparability of the contributions for the years presented.

## 10. Employee Incentive Plans

## Short-term Incentive Plans ("STI Plans")

The Company has a short-term incentive compensation plan for senior management and certain other employees payable at the Company's election in cash, shares of common stock, or a combination of cash and shares of common stock. Amounts earned under the plan are based primarily on EVA of the Company's core Fabricated Products business, adjusted for certain safety and performance factors. EVA, as defined by the Company's STI Plans, is a measure of the excess of the Company's adjusted pre-tax operating income for a particular year over a pre-determined percentage of the adjusted net assets of the immediately preceding year, measured over a one year period. Most of the Company's production facilities have similar programs for both hourly and salaried employees.

Total costs relating to STI Plans were recorded as follows, for each period presented:

	Year Ended December 31,		
	2011	2010	2009
Cost of products sold	\$3.2	\$2.9	\$2.8
Selling, administrative, research and development and general	5.2	3.9	3.2
Total costs recorded in connection with STI Plans	\$8.4	\$6.8	\$6.0

The following table presents the allocation of the charges detailed above, by segment:

	Year Ended December 31,		
	2011	2010	2009
Fabricated Products segment	\$5.9	\$4.8	\$4.7
All Other	2.5	2.0	1.3
Total costs recorded in connection with STI Plans	\$8.4	\$6.8	\$6.0

## Long-term Incentive Programs

General. Officers and other key employees of the Company or one or more of its subsidiaries, as well as directors of the Company, are eligible to participate in the Kaiser Aluminum Corporation 2006 Equity and Performance Incentive Plan (as amended, the "Equity Incentive Plan"). The Equity Incentive Plan permits the granting of awards in the form of options to purchase common shares, stock appreciation rights, shares of non-vested and vested stock, restricted stock units, performance shares, performance units and other awards. The Equity Plan was originally effective as of July 6, 2006 and amended and restated from time to time. On June 1, 2010, the Board amended and restated the Plan in its entirety, with such amendment and restatement effective as of June 8, 2010, the date the Plan as so amended and restated was approved by the Company's stockholders. Effective as of February 8, 2012, the Board again amended and restated the Plan in its entirety to clarify that the maximum number of shares that the Company may withhold in

connection with income realization cannot exceed the minimum amount of shares necessary to satisfy the payment of the statutorily minimum amount of taxes that the Company is required to withhold in connection with such income realization. The Equity Incentive Plan will expire on July 6, 2016, and no grants will be made thereunder after that date. The Company's Board of Directors may, in its discretion, terminate the Equity

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Incentive Plan at any time. The termination of the Equity Incentive Plan will not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination, and all grants made on or prior to the date of termination will remain in effect thereafter subject to the terms of the applicable grant agreement and the Equity Incentive Plan. Subject to certain adjustments that may be required from time to time to prevent dilution or enlargement of the rights of participants under the Equity Incentive Plan, a total of 2,722,222 common shares have been authorized for issuance under the Equity Incentive Plan. At December 31, 2011, 845,499 common shares were available for additional awards under the Equity Incentive Plan. Compensation charges relating to all awards under the Equity Incentive Plan are included in Selling, administrative, research and development expenses.

Non-vested Common Shares, Restricted Stock Units, and Performance Shares. The Company grants non-vested common shares to its non-employee directors, executive officers and other key employees. The non-vested common shares granted to non-employee directors are generally subject to a one-year vesting requirement. The non-vested common shares granted to executive officers and senior management are generally subject to a three-year cliff vesting requirement. The non-vested common shares granted to other key employees are generally subject to a three-year graded vesting requirement. In addition to non-vested common shares, the Company also grants restricted stock units to certain employees. The restricted stock units have rights similar to the rights of non-vested common shares, and the employee will receive one common share for each restricted stock unit upon the vesting of the restricted stock unit. With the exception of restricted stock units granted to eligible employees of the Company's French subsidiary, restricted stock units are generally subject to a three-year graded vesting requirement, with one-third of the restricted stock units vesting on each of the first, second and third anniversary of the grant date. Restricted stock units granted to eligible employees of the Company's French subsidiary vest two-thirds on the second anniversary of the grant date and one-third on the third anniversary of the grant date.

The Company also grants performance shares to executive officers and other key employees. Such awards are subject to performance requirements pertaining to the Company's EVA performance (as set forth in each year's LTI program), measured over the applicable three-year performance period. EVA is a measure of the excess of the Company's adjusted pre-tax operating income for a particular year over a pre-determined percentage of the adjusted net assets of the immediately preceding year. The number of performance shares, if any, that will ultimately vest and result in the issuance of common shares depends on the average annual EVA achieved for the specified three-year performance periods. During the quarter ended March 31, 2011, a portion of the performance shares granted under the 2008-2010 LTI program vested (see "Summary of Activity" below). The vesting of performance shares and resulting issuance and delivery of common shares, if any, under the 2009-2011 LTI program, 2010-2012 LTI program and 2011-2013 LTI program will occur in 2012, 2013 and 2014, respectively. Holders of performance shares do not receive voting rights through the ownership of such performance shares.

Non-cash Compensation Expense. Recorded costs by type of award under LTI programs were as follows, for each period presented:

	Year Ended December 31,		
	2011	2010	2009
Service-based non-vested common shares and restricted stock units	\$4.1	\$3.6	\$7.9
Performance shares	1.1	0.8	0.9
Service-based stock options	—	0.1	0.3
Total non-cash compensation expense	\$5.2	\$4.5	\$9.1

The following table presents the allocation of the charges detailed above, by segment:

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	Year Ended December 31,		
	2011	2010	2009
Fabricated Products <sup>1</sup>	\$1.5	\$1.4	\$3.5
All Other	3.7	3.1	5.6
Total non-cash compensation expense	\$5.2	\$4.5	\$9.1

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<sup>1</sup> Of the \$3.5 compensation charge allocated to the Fabricated Products segment in 2009, \$0.8 of the amount relates to the

90

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

accelerated vesting of previously granted stock-based payments in connection with the Company's restructuring efforts in 2009 (see Note 16).

Unrecognized Gross Compensation Cost Data. The following table presents unrecognized gross compensation cost data, by type of award:

	December 31, 2011	
	Unrecognized gross compensation costs, by award type	Expected period (in years) over which the remaining gross compensation costs will be recognized, by award type
Service-based non-vested common shares and restricted stock units	\$3.1	1.7
Performance shares	\$3.1	2.0

Summary of Activity. A summary of the activity with respect to non-vested common shares, restricted stock units and performance shares for the year ended December 31, 2011 is as follows:

	Non-Vested Common Shares		Restricted Stock Units		Performance Shares	
	Shares	Weighted-Average Grant-Date Fair Value per Share	Units	Weighted-Average Grant-Date Fair Value per Unit	Shares	Weighted-Average Grant-Date Fair Value per Share
Outstanding at December 31, 2010	268,864	\$ 27.91	7,872	\$ 21.74	686,895	\$ 26.84
Granted	83,066	47.07	2,182	46.59	188,741	46.65
Vested	(146,205 )	36.84	(3,982 )	17.16	(13,462 )	62.83
Forfeited	(2,889 )	33.47	—	—	(15,441 )	26.24
Canceled	—	—	—	—	(68,799 )	74.34
Outstanding at December 31, 2011	202,836	\$ 29.24	6,072	\$ 33.67	777,934	\$ 26.84

The total grant-date fair value for shares granted during 2011, 2010 and 2009 was \$12.8, \$10.5 and \$9.6, respectively. Total grant-date fair value for shares that vested during 2011, 2010 and 2009 was \$6.3, \$2.6 and \$21.6.

Stock Options. As of December 31, 2011 and 2010, there were 20,791 and 22,077 fully-vested options outstanding, respectively, in each case exercisable to purchase common shares at \$80.01 per share and having a remaining contractual life of 5.25 and 6.25 years, respectively. During 2011, 1,286 stock options expired. The grant date fair value of all options was \$39.90 per share. No new options were granted and no existing options were forfeited or exercised during 2011.

Vested Stock. From time to time, the Company issues common shares to non-employee directors electing to receive common shares in lieu of all or a portion of their annual retainer fees. The fair value of these common shares is based on the fair value of the shares at the date of issuance and is immediately recognized in earnings as a period expense.

During 2011, 2010 and 2009, the Company recorded \$0.2, \$0.2 and \$0.1, respectively, relating to common shares granted to non-employee directors in lieu of all or a portion of their annual retainer fees.

Under the Equity Incentive Plan, participants may elect to have the Company withhold common shares to satisfy minimum statutory tax withholding obligations arising in connection with the exercise of stock options and vesting of non-vested shares, restricted stock units and performance shares. Any such shares withheld are canceled by the Company on the applicable vesting dates, which correspond to the times at which income to the employee is recognized. When the Company withholds these common shares, the Company is required to remit to the appropriate taxing authorities the fair value of the shares withheld as of the vesting date. During 2011 and 2010, 62,637 and 11,729 common shares, respectively, were withheld and canceled for this purpose. No such shares were withheld and canceled in 2009.

#### 11. Commitments and Contingencies

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

**Commitments.** The Company has a variety of financial commitments, including purchase agreements, forward foreign exchange and forward sales contracts, indebtedness (and related Call Options and Warrants) and letters of credit (see Note 3 and Note 4).

Minimum rental commitments under operating leases at December 31, 2011, are as follows: years ending December 31, 2012 - \$7.5; 2013 - \$6.4, 2014 - \$3.6, 2015 - \$3.0, 2016 - \$2.3, and thereafter - \$33.0. Rental expenses were \$10.0, \$9.9 and \$7.3 for 2011, 2010, and 2009, respectively. There are renewal options in various operating leases subject to certain terms and conditions.

**Environmental Contingencies.** The Company is subject to a number of environmental laws, to fines or penalties assessed for alleged breaches of the environmental laws, and to claims based upon such laws.

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

The following table presents the changes in such accruals, which are primarily included in Long-term liabilities.

	Year Ended December 31,		
	2011	2010	2009
Beginning balance	\$20.2	\$9.7	\$9.6
Additional accruals	3.9	13.9	2.4
Less expenditures	(2.1	) (3.4	) (2.3
Ending balance	\$22.0	\$20.2	\$9.7

During the third quarter of 2010, the Company increased its environmental accruals in connection with the Company's submission of a draft feasibility study to the Washington State Department of Ecology ("Washington State Ecology") on September 8, 2010 (the "Feasibility Study"). The draft Feasibility Study included recommendations for a range of alternative remediations to primarily address the historical use of oils containing polychlorinated biphenyls, or PCBs, at the Company's Trentwood facility in Spokane, Washington which may be implemented over the next 30 years. During 2011, the Company continued to work with Washington State Ecology to revise the draft Feasibility Study and to determine viable remedial approaches. As of December 31, 2011, no agreement with Washington State Ecology had been reached on the final remediation approach. The draft Feasibility Study is still subject to further reviews, public comment and regulatory approvals before the final decree is issued. The Company expects the consent decree to be issued in late 2012.

At December 31, 2011, environmental accrual of \$22.0 represented the Company's best estimate of the incremental cost based on proposed alternatives in the draft Feasibility Study related to the Company's Trentwood facility in Spokane, Washington and on investigational studies and other remediation activities occurring at certain other locations owned by the Company. The Company expects that these remediation actions will be taken over the next 30 years and estimates that the incremental direct costs attributable to the remediation activities to be charged to these environmental accruals will be approximately \$1.2 in 2012, \$3.6 in 2013, \$1.8 in 2014, \$0.8 in 2015, \$0.6 in 2016, \$14.0 in 2017 and years thereafter through the balance of the 30-year period.

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. The Company believes 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 \$21.7 over the next 30 years. It is reasonably possible that the Company's recorded estimate may change in the next 12 months.

**Other Contingencies.** The Company is party to various lawsuits, claims, investigations, and administrative proceedings that arise in connection with past and current operations. The Company evaluates such matters on a case-by-case basis, and its policy is to vigorously contest any such claims it believes are without merit. The Company accrues for a legal liability when it is both probable that a liability has been incurred and the amount of the loss is reasonably estimatable. Quarterly, in addition to when changes in facts and circumstances require it, the Company reviews and adjusts these accruals to reflect the impacts of

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

negotiations, settlements, rulings, advice of legal counsel and other information, and events pertaining to a particular case. While uncertainties are inherent in the final outcome of such matters and it is presently impossible to determine the actual cost that may ultimately be incurred, management believes that it has sufficiently reserved for such matters and that the ultimate resolution of pending matters will not have a material adverse impact on its consolidated financial position, operating results, or liquidity.

## 12. Derivative Financial Instruments and Related Hedging Programs

**Overview.** In conducting its business, the Company, from time to time, enters into derivative transactions, including forward contracts and options, to limit its economic (i.e., cash) exposure resulting from (i) metal price risk related to its sale of fabricated aluminum products and the purchase of metal used as raw material for its fabrication operations, (ii) energy price risk relating to fluctuating prices of natural gas and electricity used in its production processes, and (iii) foreign currency requirements with respect to its foreign subsidiaries, investment and cash commitments for equipment purchases. Additionally, in connection with the issuance of the Notes, the Company purchased cash-settled Call Options relating to the Company's common stock to limit its exposure to the cash conversion feature of the Notes (see Note 3). The Company may modify the terms of its derivative contracts based on operational needs or financing objectives. As the Company's operational 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.

**Hedges of Operational Risks.** The Company's pricing of fabricated aluminum products is generally intended to lock in a conversion margin (representing the value added from the fabrication process(es)) and to pass metal price risk to its customers. However, in certain instances the Company enters into firm-price arrangements with its customers and incurs price risk on its anticipated aluminum purchases in respect of such customer orders. The Hedging business unit uses third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts. See Note 13 for additional information regarding the Company's material derivative positions relating to hedges of operational risks, and their respective fair values).

During 2011, 2010 and 2009, total fabricated products shipments that contained fixed price terms were (in millions of pounds) 157.0, 97.0 and 162.7, respectively. At December 31, 2011, the Fabricated Products segment held contracts for the delivery of fabricated aluminum products that have the effect of creating price risk on anticipated purchases of aluminum for 2012 and 2013, totaling approximately (in millions of pounds) 103.1 and 0.4, respectively.

A majority of the Company's derivative contracts relating to hedges of operational risks contain credit risk-related contingencies, which the Company tries to minimize or offset through the management of counterparty credit lines, the utilization of options as part of the hedging activities, or both. The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

**Hedges Relating to the Notes.** As described in Note 3, the Company issued Notes in the aggregate principal amount of \$175.0 on March 29, 2010. The conversion feature of the Notes can only be settled in cash and is required to be bifurcated from the Notes and treated as a separate derivative instrument. In order to offset the cash flow risk associated with the Bifurcated Conversion Feature, the Company purchased Call Options, which are accounted for as derivative instruments. The Company expects that the realized gain or loss from the Call Options will substantially offset the realized loss or gain of the Bifurcated Conversion Feature upon maturity of the Notes. However, because valuation assumptions for the Bifurcated Conversion Feature and the Call Option are not identical, over time the Company expects to record net unrealized gains and losses due to mark-to-market adjustments to the fair values of the two derivatives. See Note 13 for additional information regarding the fair values of the Bifurcated Conversion Feature and the Call Options.

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The following table summarizes the Company's material derivative positions at December 31, 2011:

Commodity	Maturity Period	Notional Amount of Contracts (mmlbs)
Aluminum —		
Fixed priced purchase contracts	1/12 through 11/13	103.5
Midwest premium swap contracts <sup>1</sup>	1/12 through 12/12	86.0

93

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Maturity Period	Notional Amount of Contracts (mmbtu)
Energy		
Natural gas <sup>2</sup> —		
Call option purchase contracts	1/12 through 12/13	4,050,000
Put option sales contracts	1/12 through 12/13	4,050,000
Fixed priced purchase contracts	1/12 through 12/14	1,490,000
		Notional Amount of Contracts (Mwh)
Electricity	Maturity Period	
Fixed priced purchase contracts	1/12 through 12/12	219,600
		Notional Amount of Contracts (Common Shares)
Hedges Relating to the Notes	Contract Period	
Bifurcated Conversion Feature <sup>3</sup>	3/10 through 3/15	3,621,608
Call Options <sup>3</sup>	3/10 through 3/15	3,621,608

<sup>1</sup> Regional premiums represent the premium over the London Metal Exchange price for primary aluminum which is incurred on the Company's purchases of primary aluminum.

As of December 31, 2011, the Company's exposure to fluctuations in natural gas prices had been substantially reduced for approximately 85%, 53% and 5% of the expected natural gas purchases for 2012, 2013 and 2014, respectively.

The Bifurcated Conversion Feature represents the cash conversion feature of the Notes. To hedge against the potential cash outflows associated with the Bifurcated Conversion Feature, the Company purchased cash-settled Call Options. The Call Options have an exercise price equal to the conversion price of the Notes, subject to

<sup>3</sup> anti-dilution adjustment provisions substantially similar to the Notes, which may cause the exercise price to decrease and the notional amount of shares relating thereto to increase. The Call Options will expire upon the maturity of the Notes. Although the fair value of the Call Options is derived from a notional number of shares of the Company's common stock, the Call Options may only be settled in cash.

The Company reflects the fair value of its derivative contracts on a gross basis in the Consolidated Balance Sheets (see Note 2).

Realized and Unrealized Gains and Losses. Realized and unrealized gains (losses) associated with all derivative contracts consisted of the following, for each period presented:

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Year Ended December 31,		
	2011	2010	2009
Realized gains (losses):			
Aluminum	\$9.6	\$(0.6)	) \$(29.2)
Natural Gas	(5.2)	) (1.3)	) (10.0)
Foreign Currency	—	—	(13.4)
Total realized gains (losses):	\$4.4	\$(1.9)	) \$(52.6)
Unrealized (losses) gains:			
Aluminum	\$(26.5)	) \$3.6	\$61.2
Natural Gas	(1.6)	) (4.4)	) 3.7
Electricity	(1.8)	) —	—
Foreign Currency	—	0.1	15.6
Call Options	(2.1)	) 17.0	—
Bifurcated Cash Conversion Feature	6.1	(21.9)	) —
Total unrealized (losses) gains	\$(25.9)	) \$(5.6)	) \$80.5

## 13. Fair Value Measurements

## Overview

The Company applies the fair value hierarchy established by GAAP 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, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers counterparty risk in its assessment of fair value.

The fair values of financial assets and liabilities are measured on a recurring basis. The Company has elected not to carry any financial assets and liabilities at fair value, other than as required by GAAP. Financial assets and liabilities that the Company carries at fair value, as required by GAAP include: (i) its derivative instruments, (ii) the plan assets of the VEBAs and the Company's Canadian defined benefit pension plan, and (iii) available for sale securities, consisting of investments related to the Company's deferred compensation plan (see Note 8). The Company records certain other financial assets and liability at carrying value, see table below for the fair value disclosure of those assets and liabilities.

The majority of the Company's 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. For the years ended December 31, 2011 and December 31, 2010, the Company concluded that none of its non-financial assets and liabilities subject to fair value assessments on a non-recurring basis required a material adjustment to the carrying amount of such assets and liabilities.

## Fair Values of Financial Assets and Liabilities

Fair Values of Derivative Assets and Liabilities. The Company's derivative contracts are valued at fair value using significant observable and unobservable inputs.

Commodity, Foreign Currency and Energy 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. The Company has some derivative contracts, however, that do not have observable market quotes. For these financial instruments, management uses 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.

**Bifurcated Conversion Feature and Call Options** - The fair value of the Bifurcated Conversion Feature is measured as the difference in the estimated fair value of the Notes and the estimated fair value of the Notes without the cash conversion feature. The Notes are valued based on the trading price of the Notes each period-end (see “All Other Financial Assets and Liabilities” below). The fair value of the Notes without the cash conversion feature is the present value of the series of the remaining fixed

95

---

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

income cash flows under the Notes, with a mandatory redemption in 2015.

The Call Options are valued using a binomial lattice valuation model. Significant inputs to the model are the Company's stock price, risk-free interest rate, credit spread, dividend yield, expected volatility of the Company's stock price, and probability of certain corporate events, all of which are observable inputs by market participants.

The significant assumptions used in the determining the fair value of the Call Options at December 31, 2011 were as follows:

Stock price at December 31, 2011 <sup>1</sup>	\$45.88	
Quarterly dividend yield (per share) <sup>2</sup>	\$0.24	
Risk-free interest rate <sup>3</sup>	0.42	%
Credit spread (basis points) <sup>4</sup>	569	
Expected volatility rate <sup>5</sup>	42	%

<sup>1</sup> The Company's stock price has the most material impact to the fair values of the Call Options and the Notes, which drives the fair value of the Bifurcated Conversion Feature.

<sup>2</sup> The Company used a discrete quarterly dividend payment of \$0.24 per share based on historical and expected future quarterly dividend payments as of December 31, 2011.

<sup>3</sup> The risk-free rate was based on the five-year and three-year Constant Maturity Treasury rate on December 31, 2011, compounded semi-annually.

<sup>4</sup> The Company's credit rating was estimated to be between BB and B+ based on comparisons of its financial ratios and size to those of other rated companies. Using the Merrill Lynch High Yield index, the Company identified credit spreads for other debt issuances with similar credit ratings and used the median of such credit spreads.

<sup>5</sup> The volatility rate was based on both observed volatility, which is based on the Company's historical stock price, and implied volatility from the Company's traded options. Such volatility was further adjusted to take into consideration market participant risk tolerance.

VEBA and Canadian Pension Plan Assets. The VEBA assets are managed by various investment advisors selected by the trustees of each of the VEBAs. The VEBA assets are outside of the Company's control, and the Company does not have insight into the investment strategies. The fair value of the VEBAs' plan assets is based on information made available to the Company by the VEBA administrators.

The assets of the Company's Canadian pension plan are managed by advisors selected by the Company, with the investment portfolio subject to periodic review and evaluation by the Company's investment committee. The investment of assets in the Canadian pension plan is based upon the objective of maintaining a diversified portfolio of investments in order to minimize concentration of credit and market risks (such as interest rate, currency, equity price and liquidity risks). The degree of risk and risk tolerance take into account the obligation structure of the plan, the anticipated demand for funds and the maturity profiles required from the investment portfolio in light of these demands.

The fair value of the plan assets of the VEBAs and the Company's Canadian pension plan are reflected in the Company's Consolidated Balance Sheets at fair value. In determining the fair value of the plan assets at each annual period end, the Company utilizes primarily the results of valuations supplied by the investment advisors responsible for managing the assets of each plan.

Certain 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 assets is based on significant observable inputs (e.g., net asset values of registered investment companies, 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.

Available for sale securities. The Company holds assets in various investment funds at certain registered investment

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

companies in connection with its deferred compensation program (see Note 1 and Note 8). Such assets are accounted for as available for sale securities and are measured and recorded at fair value based on the net asset value of the investment funds on a recurring basis at amortized cost. Such fair value input is considered a Level 2 input.

All Other Financial Assets and Liabilities. The Company believes that the fair value of its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short maturities and nominal credit risk.

The Company believes that the fair value of Nichols Promissory Note materially approximates its carrying amount in light of the Company's credit profile, the interest rate applicable to the Nichols Promissory Note, and its remaining duration. The foregoing fair value assessment is considered to be a Level 2 valuation within the fair value hierarchy. The fair value of the Note is based on trading price of the Notes and is considered a Level 1 input in the fair value hierarchy.

The following table presents the Company's financial instruments, classified under the appropriate level of the fair value hierarchy, as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS:</b>				
Derivative Instruments				
Aluminum -				
Fixed priced purchase contracts	\$—	\$0.3	\$—	\$0.3
Midwest premium swap contracts	—	—	0.1	0.1
Hedges Relating to the Notes -				
Call Options	—	46.3	—	46.3
VEBAs and Canadian Pension Plan				
Fixed income investment funds in registered investment companies <sup>1</sup>	—	413.3	—	413.3
Mortgage backed securities	—	33.9	—	33.9
Corporate debt securities <sup>2</sup>	—	39.1	—	39.1
Equity investment funds in registered investment companies <sup>3</sup>	—	52.3	—	52.3
United States Treasuries	—	1.6	—	1.6
Municipal debt securities	—	6.3	—	6.3
Cash and money market investments <sup>4</sup>	12.1	—	—	12.1
Asset backed securities	—	5.0	—	5.0
Diversified investment funds in registered investment companies <sup>5</sup>	—	12.3	—	12.3
All Other Financial Assets				
Cash and cash equivalents	49.8	—	—	49.8
Available for sale securities	—	4.9	—	4.9
Total	\$61.9	\$615.3	\$0.1	\$677.3
<b>FINANCIAL LIABILITIES:</b>				
Derivative Instruments				
Aluminum -				
Fixed priced purchase contracts	\$—	\$(7.8	) \$—	\$(7.8 )

Midwest premium swap contracts — — (0.1 ) (0.1 )

97

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Natural Gas -					
Put option sales contracts	—	(5.6	) —	(5.6	)
Fixed priced purchase contracts	—	(1.3	) —	(1.3	)
Electricity -					
Fixed priced purchase contracts	—	(1.8	) —	(1.8	)
Hedges Relating to the Notes -					
Bifurcated Conversion Feature	—	(53.9	) —	(53.9	)
All Other Financial Liabilities					
Nichols Promissory Note	—	(4.7	) —	(4.7	)
Notes	(203.0	) —	—	(203.0	)
Total	\$(203.0	) \$(75.1	) \$(0.1	) \$(278.2	)

The following table presents the Company's financial instruments classified under the appropriate level of the fair value hierarchy as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS:</b>				
Derivative Instruments				
Aluminum -				
Call option purchase contracts	\$—	\$9.3	\$—	\$9.3
Put option purchase contracts	—	0.1	—	0.1
Fixed priced purchase contracts	—	18.2	—	18.2
Midwest premium swap contracts	—	—	0.2	0.2
Natural Gas -				
Call option purchase contracts	—	0.3	—	0.3
Put option purchase contracts	—	2.5	—	2.5
Fixed priced purchase contracts	—	0.1	—	0.1
Hedges Relating to the Notes -				
Call Options	—	48.4	—	48.4
VEBAs and Canadian Pension Plan				
Fixed income investment funds in registered investment companies <sup>1</sup>	—	299.1	—	299.1
Mortgage backed securities	—	81.7	—	81.7
Corporate debt securities <sup>2</sup>	—	47.6	—	47.6
Equity investment funds in registered investment companies <sup>3</sup>	—	32.8	—	32.8
United States Treasuries	—	15.0	—	15.0
Municipal debt securities	—	7.1	—	7.1
Cash and money market investments <sup>4</sup>	11.2	—	—	11.2
Asset backed securities	—	10.1	—	10.1
Diversified investment funds in registered investment companies <sup>5</sup>	—	4.9	—	4.9
All Other Financial Assets				



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Cash and cash equivalents	135.6	—	—	135.6
Available for sale securities	—	4.6	—	4.6
Total	\$146.8	\$581.8	\$0.2	\$728.8
<b>FINANCIAL LIABILITIES:</b>				
<b>Derivative Instruments</b>				
<b>Aluminum -</b>				
Call option sales contracts	\$—	\$(9.3	) \$—	\$(9.3 )
Put option sales contracts	—	(0.1	) —	(0.1 )
Fixed priced purchase contracts	—	(0.4	) —	(0.4 )
Fixed priced sales contracts	—	(3.4	) —	(3.4 )
Midwest premium swap contracts	—	—	(0.1	) (0.1 )
<b>Natural Gas -</b>				
Put option sales contracts	—	(4.6	) —	(4.6 )
Fixed priced purchase contracts	—	(0.5	) —	(0.5 )
<b>Hedges Relating to the Notes -</b>				
Bifurcated Conversion Feature	—	(60.0	) —	(60.0 )
<b>All Other Financial Liabilities</b>				
Los Angeles Promissory Note	—	(7.0	) —	(7.0 )
Nichols Promissory Note	—	(6.0	) —	(6.0 )
Notes	(214.7	) —	—	(214.7 )
Total	\$(214.7	) \$(91.3	) \$(0.1	) \$(306.1 )

This category represents investments in various fixed income funds with multiple registered investment companies. Such funds invest in diversified portfolios, including (a) marketable fixed income securities such as (i) U.S. Treasury and other government issued debt securities, (ii) mortgage backed securities, (iii) asset backed securities, (iv) corporate bonds, notes and debentures in various sectors, (v) preferred stock, (vi) various deposit accounts and (vii) repurchase agreements and reverse repurchase agreements, (b) higher yielding, non-investment-grade fixed income securities in the high yield market, (c) debt securities of issuers located in countries with new or emerging markets, denominated in U.S. dollars or other foreign currencies and (d) fixed income instruments which may be represented by options, future contracts or swap agreements. The fair value of assets in this category is estimated using the net asset value per share of the investments.

This category represents investments in fixed income corporate securities in various sectors. Investments in the industrial, financial and utilities sectors in 2011 represented approximately 53%, 38% and 9% of the total portfolio in this category, respectively. Investments in the industrial, financial and utilities sectors in 2010 represented approximately 53%, 36% and 11% of the total portfolio in this category, respectively. The fair value of assets in this category is estimated using the net asset value per share of the investments.

This category represents investments in equity funds that invest in portfolios comprised of (i) equity securities of U.S. companies with a certain market capitalization threshold, (ii) American Depositary Receipts, or ADRs, for securities of non-U.S. issuers, and (iii) securities whose principal market is outside of U.S. The fair value of assets in this category is estimated using the net asset value per share of the investments. The fair value of assets in this category is estimated using the net asset value per share of the investments.

This category represents cash and investments in various money market funds.

5.



The plan assets are invested in investment funds that hold a diversified portfolio of U.S and international equity securities and fixed income securities such as corporate bonds, government bonds, mortgage and asset backed securities. The fair value of assets in this category is estimated using the net asset value per share of the investments.

Financial instruments classified as Level 3 in the fair value hierarchy represent derivative contracts in which management

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for such derivative contracts on a net basis:

	Level 3
Balance at December 31, 2010	\$0.1
Total realized/unrealized losses included in:	
Cost of goods sold excluding depreciation expense	1.4
Transactions involving Level 3 derivative contracts:	
Purchases	—
Sales	—
Issuances	—
Settlements	(1.5 )
Transactions involving Level 3 derivatives - net	(1.5 )
Transfers in and (or) out of Level 3 valuation hierarchy	—
Balance at December 31, 2011	\$—

Total gains included in earnings attributable to the change in unrealized losses relating to derivative contracts held at December 31, 2011: \$—

## Fair Values of Non-financial Assets and Liabilities

Idled Assets. Included within Property, plant and equipment - net as of December 31, 2010 was \$5.5 of idled assets. Of the carrying amount of idled assets as of December 31, 2010, \$1.1 represented equipment used by the Company's Tulsa, Oklahoma facility prior to the closure of that facility in 2008, and \$4.4 represented assets that were acquired by the Company but had not yet been placed into service. During 2011, \$0.1 of such assets was subsequently placed into service. Idled assets included within Property, plant and equipment - net was \$5.4 as of December 31, 2011. The value of such assets was estimated using a combination of the cost approach and market approach. The cost approach uses replacement cost, and the market approach uses prices, for similar assets to determine the value of assets, and both approaches use Level 3 fair value inputs.

CAROs. The inputs in estimating the fair value of CAROs include: (i) the timing of when any such CARO cash flows may be incurred, (ii) incremental costs associated with special handling or treatment of CARO materials and (iii) the credit adjusted risk free rate applicable at the time additional CARO cash flows are estimated, all of which are considered Level 3 inputs as they involve significant judgment of the Company.

During 2010, the Company re-assessed and revised its estimates relating to the timing and future costs of various asbestos removal projects at one facility. Both upward and downward revisions relating to cost estimates were made. The following table summarizes the activity relating to the Company's CARO liabilities:

	Year Ended December 31,		
	2011	2010	2009
Beginning balance	\$3.8	\$3.5	\$3.3
Liabilities incurred during the period	—	—	—
Liabilities settled during the period	(0.1 )	—	—
Accretion expense	0.3	0.3	0.2
Adjustment to accretion expense due to revisions to estimated cash flow <sup>1</sup>	—	(1.1 )	—
Revisions to estimated cash flow	—	1.1	—
Ending balance	\$4.0	\$3.8	\$3.5

<sup>1</sup> The adjustment increased both basic and diluted earnings per share for 2010 by approximately \$0.05 per share.

The estimated fair value of CARO liabilities at December 31, 2011 and December 31, 2010 are based upon the application of a weighted-average credit-adjusted risk-free rate of 9.1%. CAROs are included in Other accrued liabilities or Long-term

100

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

liabilities, as appropriate (see Note 2).

## 14. Earnings Per Share

Basic and diluted earnings per share for 2011, 2010 and 2009 were calculated as follows:

	Year Ended December 31,		
	2011	2010	2009
Numerator:			
Net income	\$25.1	\$12.0	\$70.5
Less: Net income attributable to participating securities	—	(0.1	) (1.6
Net income available to common stockholders	\$25.1	\$11.9	\$68.9
Denominator - Weighted-average common shares outstanding (000): <sup>1</sup>			
Basic	18,979	19,377	19,639
Diluted	18,979	19,377	19,639
Earnings per common share, Basic:			
Net income per share	\$1.32	\$0.61	\$3.51
Earnings per common share, Diluted:			
Net income per share	\$1.32	\$0.61	\$3.51

<sup>1</sup> The basic weighted-average number of common shares outstanding during the period excludes unvested share-based payment awards. The diluted weighted-average number of common shares outstanding during the period is calculated under the two-class method, which does not take into account the dilutive effect of the unvested share-based payment awards.

The following table provides a detail of net income attributable to participating securities for 2011, 2010 and 2009:

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net income attributable to participating securities: <sup>1</sup>			
Distributed income	\$—	\$0.1	\$0.4
Undistributed income	—	—	1.2
Total net income attributable to participating securities	\$—	\$0.1	\$1.6
Percentage of undistributed net income apportioned to participating securities	—	% —	% 2

Net income attributable to participating securities for a given period includes both distributed and undistributed net income, as applicable. Distributed net income attributed to participating securities represents dividend and dividend equivalents declared on the participating securities that the Company expects to ultimately vest. Undistributed net income for a given period, if any, is apportioned to participating securities based on the weighted-average number of each class of securities outstanding during the applicable period as a percentage of the combined weighted-average number of these securities outstanding during the period. Undistributed losses are not allocated to participating securities, however, as holders of such securities do not have an obligation to fund net losses of the Company. Options to purchase 20,791 common shares at an average exercise price of \$80.01 per share were outstanding at December 31, 2011. The potential dilutive effect of options outstanding was zero for 2011, 2010 and 2009. Warrants

relating to approximately 3.6 million common shares at an initial average exercise price of approximately \$61.36 per share were outstanding at December 31, 2011. The potential dilutive effect of shares underlying the Warrants was zero for 2011 and 2010.

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

During 2011, 2010 and 2009, the Company paid a total of approximately \$18.9 (\$0.96 per common share), \$19.0 (\$0.96 per common share), and \$19.6 (\$0.96 per common share), respectively, in cash dividends to stockholders, including the holders of restricted stock, and dividend equivalents to the holders of restricted stock units and to the holders of any performance shares with respect to one half of the performance shares.

In June 2008, the Company's Board of Directors authorized the repurchase of up to \$75.0 of the Company's common shares, with repurchase transactions to occur in open market and privately negotiated transactions at such times and prices as deemed appropriate by management and to be funded with the Company's excess liquidity after giving consideration to internal and external growth opportunities and cash flows. At December 31, 2011, \$46.9 was available for additional share repurchase.

During the first quarter of 2010, pursuant to a separate authorization from the Company's Board of Directors, the Company repurchased \$44.2, or 1,151,900 shares of the Company's outstanding common stock, in privately negotiated, off-market transactions with purchasers of the Notes.

15. Segment and Geographical Area Information

The Company's primary line of business is the production of semi-fabricated specialty aluminum products through 11 focused production facilities in the United States and one in Canada. The Company also owns a 49% interest in Anglesey, which owns and operates a secondary aluminum remelt and casting facility in Holyhead, Wales. Although Anglesey is decommissioning a portion of the site and pursuing the disposition of some of its assets, Anglesey currently expects to continue to conduct secondary aluminum remelt and casting operations. The Company does not expect those efforts to impact the Company's results or result in any distribution by Anglesey to its owners.

Each of the Company's North American production facilities is an operating segment. Such operating segments are aggregated for reporting purposes to one reportable segment, Fabricated Products. The Fabricated Products segment sells value-added products, such as aluminum sheet and plate and extruded and drawn products, which are primarily used in aerospace/high strength, general engineering, automotive, and other industrial applications.

The Company's operations consist of the Fabricated Products segment and three business units, Secondary Aluminum, Hedging, and Corporate and Other. The Secondary Aluminum business unit sells value-added products, such as ingot and billet, produced at Anglesey, for which the Company receives a portion of a premium over normal commodity market prices. The Hedging business unit conducts hedging activities with respect to the Company's exposure to primary aluminum prices. The Corporate and Other business unit provides general and administrative support for the Company's operations. For purposes of segment reporting under GAAP, the Company treats the Fabricated Products segment as a reportable segment and combines the three other business units, Secondary Aluminum, Hedging and the Corporate and Other into one category, which is referred to as All Other. All Other is not considered a reportable segment.

The accounting policies of the Fabricated Products segment are the same as those described in Note 1. Segment results are evaluated internally by management before any allocation of corporate overhead and without any charge for income taxes, interest expense, or Other operating charges, net.

The following tables provide financial information by operating segment for each period or as of each period-end, as applicable:

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Year Ended December 31,			
	2011	2010	2009	
Net Sales:				
Fabricated Products	\$1,301.3	\$1,078.8	\$897.1	
All Other <sup>1</sup>	—	0.3	89.9	
Total net sales	\$1,301.3	\$1,079.1	\$987.0	
Segment Operating Income (Loss):				
Fabricated Products <sup>2,3,4</sup>	\$108.6	\$78.6	\$73.6	
All Other <sup>4,5</sup>	(53.6	) (37.5	) 45.1	
Total operating income	\$55.0	\$41.1	\$118.7	
Interest expense	(18.0	) (11.8	) —	
Other income (expense), net	4.3	(4.2	) (0.1	)
Income before income taxes	\$41.3	\$25.1	\$118.6	
Depreciation and Amortization:				
Fabricated Products	\$24.8	\$19.4	\$16.2	
All Other	0.4	0.4	0.2	
Total depreciation and amortization	\$25.2	\$19.8	\$16.4	
Capital expenditures:				
Fabricated Products	\$32.1	\$38.0	\$58.5	
All Other	0.4	0.9	0.7	
Total capital expenditures	\$32.5	\$38.9	\$59.2	
		December 31,	December 31,	
		2011	2010	
Segment assets:				
Fabricated Products		\$636.4	\$496.7	
All Other <sup>6</sup>		684.2	822.2	
Total assets		\$1,320.6	\$1,318.9	

<sup>1</sup> Net sales in All Other in 2010 represent residual activity involving primary aluminum purchased by the Company from Anglesey while it continued its smelting operations, prior to September 30, 2009, and resold by the Company in the first quarter of 2010. In connection with Anglesey's remelt operations beginning in the fourth quarter of 2009, the Company changed its basis of revenue recognition from gross to a net basis (see Note 1).

<sup>2</sup> Operating results in the Fabricated Products segment for 2011, 2010 and 2009 included non-cash LIFO inventory (benefits) charges of \$(7.1), \$16.5 and \$8.7, respectively. Also included in the Fabricated Products segment operating results for 2009 were \$9.3 of lower of cost or market inventory write-down and \$5.4 of restructuring charges relating to the restructuring plans involving the Company's Tulsa, Oklahoma and Bellwood, Virginia facilities. Restructuring charges in 2011 and 2010 were not material. Also included in the Fabricated Products segment operating results for 2011, 2010 and 2009 were \$1.7, \$13.6 and \$0.7, respectively, of environmental expense. Fabricated Products segment operating results for 2010 also included \$3.9 of asset impairment charge relating to certain Property, plant and equipment.

<sup>3</sup> Fabricated Products segment results for 2011, 2010 and 2009 include non-cash mark-to-market (losses) gains on natural gas, electricity and foreign currency hedging activities totaling \$(3.4), \$(4.3) and \$4.9, respectively. For further discussion regarding mark-to-market matters, see Note 12.

<sup>4</sup>

Operating results of the Fabricated Products segment and All Other include gains and losses on intercompany hedging activities related to metal. At the time the Fabricated Products segment enters into a firm-price customer contract, the Hedging business unit and Fabricated Products segment enter into an “internal hedge” so that metal price risk resides in the Hedging business unit under All Other. The Hedging business unit uses third-party hedging instruments to limit exposure to metal price risks related to firm-price customer sales contracts. Results from internal hedging activities between the Fabricated Products segment and Hedging business unit eliminate in consolidation. Internal hedging gains (losses) in the Fabricated Products segment were \$8.1, \$(0.1) and \$(42.8) for 2011, 2010 and 2009, respectively. All Other included the



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

same amounts as (losses) gains for 2011, 2010 and 2009, respectively.

Operating results of All Other for 2011, 2010 and 2009 include non-cash mark-to-market (losses) gains on primary aluminum hedging activities totaling \$(26.5), \$3.6 and \$61.2 respectively. The non-cash mark-to-market gain on

<sup>5</sup> foreign currency derivatives for 2009 was \$14.4. Non-cash mark-to-market gains (losses) on foreign currency derivatives for 2011 and 2010 were immaterial. Also included in the operating income of All Other were \$1.8 of impairment charges in 2009 relating to the Company's investment in Anglesey.

<sup>6</sup> Assets in All Other represent primarily all of the Company's cash and cash equivalents, metal and financial derivative assets, net assets in respect of VEBA(s) and net deferred income tax assets.

Geographic information for net sales, based on country of origin, and income taxes paid are as follows:

	Year Ended December 31,		
	2011	2010	2009
Net sales to unaffiliated customers:			
Fabricated Products —			
United States	\$1,195.1	\$991.2	\$840.1
Canada	106.2	87.6	57.0
Total Fabricated Products net sales	1,301.3	1,078.8	897.1
All Other —			
United Kingdom	—	0.3	89.9
Total All Other net sales	—	0.3	89.9
Total net sales	\$1,301.3	\$1,079.1	\$987.0
Income Taxes Paid:			
Fabricated Products —			
United States	\$1.7	\$0.1	\$4.0
Canada	1.8	0.7	8.8
Total income taxes paid	\$3.5	\$0.8	\$12.8

The aggregate foreign currency transaction gains (losses) included in determining net income were immaterial for 2011, 2010, and 2009. Sales to the Company's largest fabricated products customer accounted for sales of approximately 21%, 23% and 20% of total revenue in 2011, 2010, and 2009, respectively. The loss of the Company's largest customer would have a material adverse effect on the Company taken as a whole. However, in the Company's opinion, the relationship between the customer and the Company is good, and the risk of loss of the customer is remote. Export sales were approximately 14%, 13% and 10% of total revenue during 2011, 2010 and 2009, respectively.

#### 16. Restructuring and Other Exit Activities

During 2008 and 2009, the Company closed the Tulsa, Oklahoma facility and curtailed operations at the Bellwood, Virginia facility to focus solely on drive shaft and seamless tube products. These restructuring efforts were substantially completed by the end of 2009. Restructuring costs and other charges were \$5.4 in 2009 primarily related to employee termination costs. The Company recorded an immaterial amount of restructuring benefits in 2010 primarily related to \$1.0 of revisions of estimated employee termination costs, offset by an additional restructuring charge of \$0.7 relating to the impairment of certain Construction in Progress assets. Restructuring benefits in 2011 were \$0.3 primarily reflecting revisions of estimated employee termination costs.

All restructuring costs and other charges in connection with above-referenced restructuring plans were incurred and recorded in the Company's Fabricated Products segment.

The following table summarizes the activity relating to cash obligations arising from the Company's restructuring plans:

104

---

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	Employee Termination and Other Personnel Costs	
Restructuring obligations at December 31, 2008	\$4.5	
Cash restructuring costs and other charges incurred in 2009	3.3	
Cash payments in 2009	(5.5	)
Restructuring obligations at December 31, 2009	2.3	
Cash restructuring costs and other benefits incurred in 2010	(1.0	)
Cash payments in 2010	(0.9	)
Restructuring obligations at December 31, 2010	0.4	
Cash restructuring costs and other benefits incurred in 2011	(0.2	)
Cash payments in 2011	(0.2	)
Restructuring obligations at December 31, 2011	\$—	

In addition to the restructuring activities above, the Company sold its manufacturing facility located in Greenwood, South Carolina for cash consideration of \$4.8 in July 2010. The Greenwood, South Carolina facility produced forged aluminum products, which no longer fit within the Company's strategic portfolio of product offerings. In connection with the sale, the Company recorded a \$1.9 impairment charge to reduce the carrying value of the assets classified as held-for-sale to their estimated fair value, less costs to sell. Such impairment loss was included in Other operating charges (benefit) in the Statements of Consolidated Income and was included as part of the Fabricated Products segment results.

## 17. Supplemental Cash Flow Information

	Year Ended December 31,		
	2011	2010	2009
Supplemental disclosure of cash flow information:			
Interest paid	\$10.4	\$6.0	\$2.0
Income taxes paid	\$3.5	\$0.8	\$12.8
Supplemental disclosure of non-cash transactions:			
Non-cash capital expenditures	\$1.8	\$1.7	\$5.3
Issuance of Nichols Promissory Note — Note 4	\$—	\$6.7	\$—
Capital leases acquired	\$0.3	\$—	\$—

## 18. Other Income (Expense), Net

Other income (expense), net consisted of the following, for each period presented:

	Year Ended December 31,			
	2011	2010	2009	
Interest income	\$0.2	\$0.3	\$0.1	
Unrealized gains (losses) on financial derivatives <sup>1</sup>	4.0	(4.9	) —	
All other, net	0.1	0.4	(0.2	)

Other non-operating income (expense), net	\$4.3	\$(4.2	) \$(0.1	)
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<sup>1</sup> See "Derivative Financial Instruments" in Note 1 for a discussion of accounting policy for such instruments.

105

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

## 19. Other Comprehensive (Loss) Income

The following table presents the tax effect allocated to each component of other comprehensive (loss) income for each period presented:

	Before-Tax Amount	Income Tax (Expense) Benefit	Net-of-Tax Amount
2011			
Defined benefit pension plan and VEBAs:			
Net actuarial loss arising during the period	\$(110.6	) \$42.2	\$(68.4 )
Reclassification adjustments:			
Less: amortization of net actuarial gain	0.6	(0.2	) 0.4
Less: amortization of prior service cost	4.2	(1.6	) 2.6
Total loss recognized in Accumulated other comprehensive loss related to defined benefit pension plan and VEBAs	(105.8	) 40.4	(65.4 )
Unrealized loss on available for sale securities	(0.1	) —	(0.1 )
Foreign currency translation adjustment	0.2	—	0.2
Other comprehensive loss	\$(105.7	) \$40.4	\$(65.3 )
2010			
Defined benefit pension plan and VEBAs:			
Net actuarial gain arising during the period	\$25.5	\$(9.7	) \$15.8
Reclassification adjustments:			
Less: amortization of net actuarial gain	0.7	(0.2	) 0.5
Less: amortization of prior service cost	4.2	(1.6	) 2.6
Total income recognized in Accumulated other comprehensive income related to defined benefit pension plans	30.4	(11.5	) 18.9
Unrealized gain on available for sale securities	0.1	—	0.1
Foreign currency translation adjustment	(0.5	) —	(0.5 )
Other comprehensive income	\$30.0	\$(11.5	) \$18.5
2009			
Defined benefit pension plan and VEBAs:			
Net actuarial gain arising during the period	\$66.3	\$(25.0	) \$41.3
Prior service cost arising during the period	(33.8	) 12.7	(21.1 )
Reclassification adjustments			
Less: amortization of net actuarial loss	3.8	(1.4	) 2.4
Less: amortization of prior service cost	1.6	(0.6	) 1.0
Total income recognized in Accumulated other comprehensive income related to defined benefit pension plans	37.9	(14.3	) 23.6
Foreign currency translation adjustment	(1.5	) —	(1.5 )
Other comprehensive income	\$36.4	\$(14.3	) \$22.1

## 20. Restatement of Previously Issued Consolidated Financial Statements

The Company accounts for the postretirement medical benefits to be paid by the VEBA as defined benefit postretirement plans with the current VEBA assets and future variable contributions and earnings thereon operating as a cap on the benefits to

106

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Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

be paid. Subsequent to the issuance of the consolidated financial statements for the year ended December 31, 2010, the Company identified errors in the accuracy and completeness of the data previously provided by the Union VEBA. The Company determined that it had omitted certain deferred retirees from the Union VEBA's participant population and misinterpreted the benefit election of certain participants for the years ended December 31, 2009 and December 31, 2010. As a result of this omission and misinterpretation, the Company has restated the consolidated financial statements for the years ended December 31, 2009 and December 31, 2010 and each of the interim periods in 2010 and 2011 to reflect the full effects of these errors, which management believes are not material to its previously issued consolidated financial statements.

The following is a summary of the effects of the restatement on the Company's Statements of Consolidated Income, Statements of Comprehensive (Loss) Income, Statements of Consolidated Stockholders' Equity and Statements of Cash Flows for the years ended December 31, 2010 and 2009 and Consolidated Balance Sheet as of December 31, 2010 (in millions of dollars, except per share amounts):

107

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Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

	December 31, 2010		
	Previously Reported	Adjustment	Restated
Consolidated Balance Sheets:			
Net asset in respect of VEBA(s)	\$195.7	\$(37.7)	) \$158.0
Deferred tax assets — net	231.1	14.2	) 245.3
Total assets	1,342.4	(23.5)	) 1,318.9
Retained earnings	80.1	(2.1)	) 78.0
Accumulated other comprehensive income (loss)	1.7	(21.4)	) (19.7)
Total stockholders' equity	912.2	(23.5)	) 888.7
Total liabilities and equity	1,342.4	(23.5)	) 1,318.9
	Year ended December 31, 2010		
	Previously Reported	Adjustment	Restated
Statements of Consolidated Income:			
Selling, administrative, research and development, and general	\$64.4	\$3.3	) \$67.7
Total costs and expenses	1,034.7	3.3	) 1,038.0
Operating income	44.4	(3.3)	) 41.1
Income before income taxes	28.4	(3.3)	) 25.1
Income tax provision	(14.3)	) 1.2	) (13.1)
Net income	14.1	(2.1)	) 12.0
Earnings per common share, Basic:			
Net income per share	\$0.72	\$(0.11)	) \$0.61
Earnings per common share, Diluted:			
Net income per share	\$0.72	\$(0.11)	) \$0.61
Statements of Consolidated Comprehensive (Loss) Income: <sup>1</sup>			
Net income	\$14.1	\$(2.1)	) \$12.0
Other comprehensive (loss) income:			
Defined benefit pension plan and VEBAs			
Net actuarial gain arising during the period	11.4	14.1	) 25.5
Tax impact on net actuarial gain	(4.4)	) (5.3)	) (9.7)
Reclassification adjustments:			
Less: amortization of net actuarial loss	(0.4)	) 1.1	) 0.7
Less: tax impact on amortization of net actuarial loss	0.2	(0.4)	) (0.2)



Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

Less: amortization of prior service cost	4.2	—	4.2	
Less: tax impact on amortization of prior service cost	(1.6)	) —	(1.6)	)
Comprehensive income	23.1	7.4	30.5	

Statements of Consolidated Stockholders' Equity:<sup>1</sup>

Net income	\$ 14.1	\$(2.1)	) \$ 12.0	
Retained earnings	80.1	(2.1)	) 78.0	
Accumulated other comprehensive income (loss)	1.7	(21.4)	) (19.7)	)
Total stockholders' equity	912.2	(23.5)	) 888.7	

## Statements of Consolidated Cash Flows:

Net income	\$ 14.1	\$(2.1)	) \$ 12.0	
Deferred income taxes	14.5	(1.2)	) 13.3	
Non-cash net periodic benefit cost <sup>2</sup>	—	5.1	5.1	
Other non-cash changes in assets and liabilities <sup>2</sup>	1.0	(1.7)	) (0.7)	)

## Year ended December 31, 2009

Previously Reported	Adjustment	Restated
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## Statements of Consolidated Comprehensive (Loss)

Income:<sup>1</sup>

## Other comprehensive (loss) income:

## Defined benefit pension plan and VEBAs

Net actuarial gain arising during the period	\$ 114.6	\$(48.3)	) \$ 66.3	
Tax impact on net actuarial gain	(43.2)	) 18.2	(25.0)	)
Prior service cost arising during the period	(32.4)	) (1.4)	) (33.8)	)
Tax impact on prior service cost	12.2	0.5	12.7	
Comprehensive income	123.5	(30.9)	) 92.6	

Statements of Consolidated Stockholders' Equity:<sup>1</sup>

Accumulated other comprehensive loss	\$(7.3)	) \$(30.9)	) \$(38.2)	)
Total stockholders' equity	901.2	(30.9)	) 870.3	

Total comprehensive (loss) income and components of other comprehensive (loss) income were previously included <sup>1</sup> in the Statement of Stockholders' Equity. In 2011, the Company presented the Statement of Comprehensive (Loss) Income as a separate statement in accordance with ASU 2011-05. As such, the Previously Reported amounts in the tables above reflect the changes in the presentation.

Non-cash net periodic benefit cost was included within Other non-cash changes in assets and liabilities in 2010.

<sup>2</sup> Such amount has been reclassified from Other non-cash changes in assets and liabilities to conform to current period presentation.

## 21. Subsequent Events

The Company has evaluated events subsequent to December 31, 2011, to assess the need for potential recognition or

Table of Contents

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share and per share amounts and as otherwise indicated)

disclosure in herein. Such events were evaluated through the date these financial statements were issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition in the consolidated financial statements and that the following items represent subsequent events that merit disclosure herein:

**Dividend Declaration.** On January 13, 2012, the Company announced that its Board of Directors approved the declaration of a quarterly cash dividend of \$0.25 per common share, or \$4.9 (including dividend equivalents), which was paid on February 15, 2012 to stockholders of record at the close of business on January 24, 2012.

Quarterly cash dividend exceeding \$0.24 per share has certain impacts on the conversion rate on our Notes, the exercise price of the Call Options and Warrants. See Note 3 for additional detail.

Table of Contents

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## QUARTERLY FINANCIAL DATA (Unaudited)

(in millions of dollars, except share and per share amounts and as otherwise indicated)

The following tables present the unaudited financial data for each of the interim periods in 2011 and 2010. Subsequent to the issuance of the unaudited consolidated financial statements for the quarter ended September 30, 2011, the Company identified errors in the accuracy and completeness of the data previously provided by the Union VEBA. The Company determined that it had omitted certain deferred retirees from the Union VEBA's participant population and misinterpreted the benefit election of certain participants for the years ended December 31, 2009 and December 31, 2010. As a result of these errors, the previously presented unaudited consolidated quarterly financial statements for the interim periods in 2011 each contained a \$0.7 overstatement of Operating income, a \$0.4 overstatement of Net income and a \$0.02 overstatement of Net income per share - basic and diluted, and the unaudited consolidated quarterly financial statements for the interim periods in 2010 each contained a \$0.8 overstatement of Operating income, a \$0.5 overstatement of Net income and a \$0.03 overstatement of Net income per share - basic and diluted. The tables below reflect the unaudited restated amounts for each of the interim periods in 2011 and 2010 except for the quarter ended December 31, 2011. Management believes the effects of these errors are not material to any of its previously issued consolidated financial statements.

The restated financial information for each of the 2011 interim periods will also be reflected in the Company's Quarterly Report on Form 10-Q for corresponding interim periods ending in 2012, when such report is filed with the SEC.

	Quarter Ended 31-Mar	Quarter Ended 30-Jun	Quarter Ended 30-Sep	Quarter Ended 31-Dec
2011				
Net sales	\$322.6	\$338.8	\$322.3	\$317.6
Cost of products sold, excluding depreciation, amortization and other items	280.9	300.0	297.7	280.3
Restructuring costs and other (benefits) charges	—	—	(0.3	) —
Gross Profit	41.7	38.8	24.9	37.3
Operating income	19.8	14.7	4.9	15.6
Net income	\$10.8	\$4.1	\$4.1	\$6.1
Earnings per common share, Basic:				
Net income per share	\$0.57	\$0.22	\$0.21	\$0.33
Earnings per common share, Diluted:				
Net income per share	\$0.57	\$0.22	\$0.21	\$0.33
Common stock market price:				
High	\$52.77	\$54.62	\$56.30	\$49.46
Low	\$45.88	\$46.37	\$43.71	\$40.26

Table of Contents

	Quarter Ended 31-Mar	Quarter Ended 30-Jun	Quarter Ended 30-Sep	Quarter Ended 31-Dec	
2010					
Net sales	\$267.5	\$282.4	\$263.4	\$265.8	
Cost of products sold, excluding depreciation, amortization and other items	232.0	255.9	229.3	229.6	
Restructuring costs and other (benefits) charges	(0.6	) 0.1	(0.4	) 0.6	
Gross Profit	36.1	26.4	34.5	35.6	
Operating income	14.0	3.2	12.3	11.6	
Net income (loss)	\$8.3	\$(0.4	) \$5.0	\$(0.9	)
Earnings per common share, Basic:					
Net income (loss) per share	\$0.41	\$(0.02	) \$0.26	\$(0.05	)
Earnings per common share, Diluted:					
Net income (loss) per share	\$0.41	\$(0.02	) \$0.26	\$(0.05	)
Common stock market price:					
High	\$44.40	\$41.63	\$43.23	\$52.00	
Low	\$32.83	\$32.91	\$33.90	\$42.07	

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures.** We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is processed, recorded, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed as of the end of the period covered by this Report under the supervision of and with the participation of our management, including the principal executive officer and principal financial officer. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2011 because of the identification of a material weakness relating to our review of the completeness and accuracy of the information used to value the postretirement benefit obligations of the voluntary employee's beneficiary association that provides benefits for certain eligible retirees represented by certain unions and their spouses and eligible dependents (the "Union VEBA"). Information regarding the identified material weakness and the resulting remediation activities are discussed more fully below in Management's Annual Report on Internal Control Over Financial Reporting.

**Management's Annual Report on Internal Control Over Financial Reporting.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed under the supervision of our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and include those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets;
- (2) Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2011 because of the identification of a material weakness relating to our review of the completeness and accuracy of the information used to value the postretirement benefit obligations of the Union VEBA.

As discussed in this Report, although (1) our only financial obligation to the Union VEBA is to pay to the Union VEBA an annual variable contribution that does not depend on the funding status of the Union VEBA and to pay to the Union VEBA 50% of its administrative expenses, up to \$250,000 per year, (2) the Union VEBA assets and liabilities have no impact on our liquidity or cash flow and (3) we have no control over the plan assets or the benefits

provided by the Union VEBA, we are required to account for the Union VEBA's net periodic postretirement benefit costs and record any difference between the Union VEBA assets and the Union VEBA's accumulated postretirement benefit obligation in our financial statements. To determine the value and develop appropriate assumptions for the valuation of the Union VEBA assets and obligations required for this treatment, we must obtain from the Union VEBA administrators, on an annual basis, information regarding the Union

113

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Table of Contents

VEBA assets, Union VEBA benefit structures, Union VEBA plan participants and Union VEBA participant coverage elections. We have identified that, in certain circumstances, the information and assumptions we used for the valuation of the Union VEBA's postretirement benefit obligations did not accurately reflect the Union VEBA benefit structure, plan participants or participant coverage election.

Deloitte & Touche LLP, the independent registered public accounting firm that audited our consolidated financial statements for the year ended December 31, 2011 included in Item 8. "Financial Statements and Supplementary Data" of this Report, has issued an audit report on the effectiveness of our internal control over financial reporting.

Changes in Internal Controls Over Financial Reporting. We had no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

114

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Table of Contents

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the information included under the captions “Executive Officers,” “Proposals Requiring Your Vote — Proposal for Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance” in our proxy statement for the 2012 annual meeting of stockholders.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the information included under the captions “Executive Compensation,” “Director Compensation” and “Corporate Governance — Board Committees — Compensation Committee — Compensation Committee Interlocks and Insider Participation” in our proxy statement for the 2012 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information included under the captions “Equity Compensation Plan Information” and “Principal Stockholders and Management Ownership” in our proxy statement for the 2012 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the information included under the captions “Certain Relationships and Related Transactions” and “Corporate Governance — Director Independence” in our proxy statement for the 2012 annual meeting of stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information included under the caption “Independent Public Accountants” in our proxy statement for the 2012 annual meeting of stockholders.



Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Statements of Consolidated Income

Statements of Consolidated Comprehensive (Loss) Income

Statements of Consolidated Stockholders' Equity

Statements of Consolidated Cash Flows

Notes to Consolidated Financial Statements

Quarterly Financial Data (Unaudited)

2. All schedules are omitted because they are either inapplicable or the required information is included in the Consolidated Financial Statements or the Notes thereto included in Item 8. "Financial Statements and Supplementary Data" and incorporated herein by reference.

3. Exhibits

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 118), which index is incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAISER ALUMINUM CORPORATION

/s/ Jack A. Hockema  
 Jack A. Hockema  
 President and Chief Executive Officer

Date: February 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Jack A. Hockema	President, Chief Executive Officer, Chairman of the Board and	Date: February 29, 2012
Jack A. Hockema	Director (Principal Executive Officer)	

/s/ Daniel J. Rinkenberger	Senior Vice President and Chief Financial Officer	Date: February 29, 2012
Daniel J. Rinkenberger	(Principal Financial Officer)	

/s/ Neal West	Vice President and Chief Accounting Officer	Date: February 29, 2012
Neal West	(Principal Accounting Officer)	

/s/ Carolyn Bartholomew	Director	Date: February 29, 2012
Carolyn Bartholomew		

/s/ David Foster	Director	Date: February 29, 2012
David Foster		

/s/ Teresa A. Hopp	Director	Date: February 29, 2012
Teresa A. Hopp		

/s/ Lauralee Martin	Director	Date: February 29, 2012
Lauralee Martin		

	Director	
William F. Murdy		

/s/ Alfred E. Osborne, Jr.	Director	Date: February 29, 2012
Alfred E. Osborne, Jr., Ph.D.		

	Director	
Jack Quinn		

/s/ Thomas M. Van Leeuwen	Director	Date: February 29, 2012
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Thomas M. Van Leeuwen

/s/ Brett E. Wilcox  
Brett E. Wilcox

Director

Date: February 29, 2012

117

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Table of Contents

INDEX OF EXHIBITS

Exhibit Number	Description
2.1	Third Amended Joint Plan of Liquidation for Alpart Jamaica Inc. (“AJI”) and Kaiser Jamaica Corporation (“KJC”), dated February 25, 2005 (incorporated by reference to Exhibit 99.1 to the Annual Report on Form 10-K for the period ended December 31, 2004, filed by the Company on March 31, 2005, File No. 1-9447).
2.2	Modification to the Third Amended Joint Plan of Liquidation for AJI and KJC, dated April 7, 2005 (incorporated by reference to Exhibit 2.2 to the Current Report Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447).
2.3	Second Modification to the Third Amended Joint Plan of Liquidation for AJI and KJC, dated November 22, 2005 (incorporated by reference to Exhibit 2.3 to the Current Report Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447).
2.4	Third Modification to the Third Amended Joint Plan of Liquidation for AJI and KJC, dated December 19, 2005 (incorporated by reference to Exhibit 2.4 to the Current Report Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447).
2.5	Third Amended Joint Plan of Liquidation for Kaiser Alumina Australia Corporation (“KAAC”) and Kaiser Finance Corporation (“KFC”), dated February 25, 2005 (incorporated by reference to Exhibit 99.3 to the Annual Report on Form 10-K for the period ended December 31, 2004, filed by the Company on March 31, 2005, File No. 1-9447).
2.6	Modification to the Third Amended Joint Plan of Liquidation for KAAC and KFC, dated April 7, 2005 (incorporated by reference to Exhibit 2.6 to the Current Report on Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447).
2.7	Second Modification to the Third Amended Joint Plan of Liquidation for KAAC and KFC, dated November 22, 2005 (incorporated by reference to Exhibit 2.7 to the Current Report on Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447).
2.8	Third Modification to the Third Amended Joint Plan of Liquidation for KAAC and KFC, dated December 19, 2005 (incorporated by reference to Exhibit 2.8 to the Current Report on Form 8-K, filed by the Company on December 23, 2005, File No. 1-9447)
2.9	Second Amended Joint Plan of Reorganization for the Company, Kaiser Aluminum & Chemical Corporation (“KACC) and Certain of Their Debtor Affiliates, dated as of September 7, 2005 (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K, filed by the Company on September 13, 2005, File No. 1-9447).
2.10	Modifications to the Second Amended Joint Plan of Reorganization for the Company, KACC and Certain of Their Debtor Affiliates Pursuant to Stipulation and Agreed Order between Insurers, Debtors, Committee and Future Representatives (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K, filed by the Company on February 7, 2006, File No. 1-9447).
2.11	Modification to the Second Amended Joint Plan of Reorganization for the Company, KACC and Certain of Their Debtor Affiliates, dated as of November 22, 2005 (incorporated by reference to

Exhibit 2.3 to the Current Report on Form 8-K, filed by the Company on February 7, 2006, File No. 1-9447).

2.12

Third Modification to the Second Amended Joint Plan of Reorganization for the Company, KACC and Certain of Their Debtor Affiliates, dated as of December 16, 2005 (incorporated by reference to Exhibit 2.4 to the Current Report on Form 8-K, filed by the Company on February 7, 2006, File No. 1-9447).

118

---

Table of Contents

- 2.13 Order Confirming the Second Amended Joint Plan of Reorganization of the Company, KACC and Certain of Their Debtor Affiliates (incorporated by reference to Exhibit 2.5 to the Current Report on Form 8-K, filed by the Company on February 7, 2006, File No. 1-9447).
- 2.14 Order Affirming the Confirmation Order of the Second Amended Joint Plan of Reorganization of the Company, KACC and Certain of Their Debtor Affiliates, as modified (incorporated by reference to Exhibit 2.6 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 1-9447).
- 2.15 Special Procedures for Distributions on Account of NLRB Claim, as agreed by the National Labor Relations Board, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (formerly known as the United Steelworkers of America, AFL-CIO, CLC) (the “USW”) and the Company pursuant to Section 7.8e of the Second Amended Joint Plan of Reorganization of the Company, KACC and Certain of Their Debtor Affiliates, as modified (incorporated by reference to Exhibit 2.7 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).
- 3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).
- 3.2 Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q, filed by the Company on August 7, 2008, File No. 000-52105).
- 3.3 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).
- 4.1 Indenture, dated as of March 29, 2010 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed by the Company on March 29, 2010, File No. 000-52105).
- 10.1 Credit Agreement, dated as of September 30, 2011, among the Company, Kaiser Aluminum Investments Company, Kaiser Aluminum Fabricated Products, LLC, Kaiser Aluminium International, Inc., Kaiser Aluminum Washington, LLC and Kaiser Aluminum Alexco, LLC, certain financial institutions from time to time party thereto, as lenders, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Wells Fargo Capital Finance, LLC, as joint bookrunners and joint lead arrangers, Wells Fargo Capital Finance, LLC, as documentation agent, and Bank of America, N.A., as syndication agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on October 3, 2011, File No. 000-52105).
- 10.2 Credit Agreement, dated as of March 22, 2010, effective as of March 23, 2010, among the Company, Kaiser Aluminum Investments Company, Kaiser Aluminum Fabricated Products, LLC and Kaiser Aluminium International, Inc., certain financial institutions from time to time party thereto, as lenders, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Wells Fargo Capital Finance, LLC, as joint bookrunners and joint lead arrangers, Wells Fargo Capital Finance, LLC, as documentation agent, and Bank of America, N.A., as syndication agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A, filed by the Company on January 28, 2011, File No. 000-52105).

10.3 Form of Confirmation of Base Call Option Transactions (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on March 29, 2010, File No. 000-52105).

10.4 Form of Confirmation of Additional Call Option Transactions (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed by the Company on March 29, 2010, File No. 000-52105).

119

---

Table of Contents

10.5	Form of Confirmation of Base Warrant Transactions (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on March 29, 2010, File No. 000-52105).
10.6	Form of Confirmation of Additional Warrant Transactions (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed by the Company on March 29, 2010, File No. 000-52105).
10.7	Asset Purchase Agreement between Desert Fabco Acquisition, LLC and Alexco, L.L.C., dated as of October 12, 2010, and related Corporate Guaranty, dated as of October 12, 2010, by Kaiser Aluminum Corporation to Alexco, L.L.C. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on October 15, 2010, File No. 000-52105).
10.8	Amendment No. 1, dated as of January 3, 2011, to Asset Purchase Agreement between Desert Fabco Acquisition, LLC and Alexco, L.L.C., dated as of October 12, 2010 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed by the Company on April 28, 2011, File No. 000-52105).
*10.9	Description of Compensation of Directors.
**10.10	Employment Agreement, dated as of November 9, 2010, between the Company and Jack A. Hockema (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on November 15, 2010, File No. 000-52105).
**10.11	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K, filed by the Company on July 6, 2006, File No. 000-52105).
**10.12	Form of Officer Indemnification Agreement (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K, filed by the Company on July 6, 2006, File No. 000-52105).
**10.13	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K, filed by the Company on July 6, 2006, File No. 000-52105).
**10.14	Kaiser Aluminum Fabricated Products Restoration Plan (incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K, filed by the Company on July 6, 2006, File No. 000-52105).
**10.15	Amendment to the Kaiser Aluminum Fabricated Products Restoration Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed by the Company on December 31, 2008, File No. 000-52105).
10.16	Stock Transfer Restriction Agreement, dated as of July 6, 2006, between the Company and National City Bank, in its capacity as the trustee for the trust that provides benefits for certain eligible retirees of Kaiser Aluminum & Chemical Corporation represented by the USW, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America and its Local 1186, the International Association of Machinists and Aerospace Workers, the International Chemical Workers Union Council of the United Food and Commercial Workers, and the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO, CLC and their surviving spouses and eligible dependents (the "Union VEBA") (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).



10.17 Registration Rights Agreement, dated as of July 6, 2006, between the Company and the Union VEBA and the other parties thereto (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).

10.18 Director Designation Agreement, dated as of July 6, 2006, between the Company and the USW (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A, filed by the Company on July 6, 2006, File No. 000-52105).

120

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Table of Contents

- 10.19 Letter Agreement dated January 19, 2010 extending the term of the Director Designation Agreement between the Company and the USW (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on January 21, 2010, File No. 000-52105).
- \*\*10.20 Form of Change in Control Severance Agreement for John Barneson (incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K for the period ended December 31, 2002, filed by the Company on March 31, 2003, File No. 1-9447).
- \*\*10.21 Form of Change in Control Severance Agreement for John M. Donnan, Daniel J. Rinkenberger and James E. McAuliffe (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K for the period ended December 31, 2002, filed by the Company on March 31, 2003, File No. 1-9447).
- \*\*10.22 Form of Amendment to the Change in Control Severance Agreement with John Barneson, John M. Donnan, Daniel J. Rinkenberger, and James E. McAuliffe (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed by the Company on December 31, 2008, File No. 000-52105).
- \*10.23 Kaiser Aluminum Corporation Amended and Restated 2006 Equity and Performance Incentive Plan effective February 8, 2012.
- \*\*10.24 2007 Form of Executive Officer Option Rights Award Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on April 5, 2007, File No. 000-52105).
- \*\*10.25 Amendment dated December 31, 2008 to the agreements evidencing awards granted to Messrs. Jack A. Hockema, John Barneson, John M. Donnan, Daniel J. Rinkenberger and James E. McAuliffe prior to 2008 under the Company's 2006 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on December 31, 2008, File No. 000-52105).
- \*\*10.26 Form of Non-Employee Director Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, filed by the Company on August 7, 2008, File No. 000-52105).
- \*\*10.27 Summary of the Kaiser Aluminum Fabricated Products 2009 Short-Term Incentive Plan for Key Managers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on March 10, 2009, File No. 000-52105).
- \*\*10.28 2009 Form of Executive Officer Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed by the Company on March 10, 2009, File No. 000-52105).
- \*\*10.29 2009 Form of Executive Officer Performance Shares Award Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on March 10, 2009, File No. 000-52105).
- \*\*10.30 Kaiser Aluminum Corporation 2009 - 2011 Long-Term Incentive Program Summary of Management Objectives and Formula for Determining Performance Shares Earned (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed by the Company on March 10, 2009, File No.

000-52105).

- \*\*10.31 Kaiser Aluminum Fabricated Products 2011 Short-Term Incentive Plan for Key Managers Summary (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
- \*\*10.32 2011 Form of Executive Officer Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).

121

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Table of Contents

**10.34	2011 Form of Executive Officer Performance Shares Award Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
**10.35	Kaiser Aluminum Corporation 2011 - 2013 Long-Term Incentive Program of Management Objectives and Formula for Determining Performance Shares Earned (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
**10.36	Kaiser Aluminum Fabricated Products 2011 Short-Term Incentive Plan for Key Managers Summary (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
**10.37	2011 Form of Executive Officer Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
**10.38	2011 Form of Executive Officer Performance Shares Award Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
**10.39	Kaiser Aluminum Corporation 2011 - 2013 Long-Term Incentive Program Summary of Management Objectives and Formula for Determining Performance Shares Earned (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed by the Company on March 7, 2011, File No. 000-52105).
*18.1	Letter Regarding Change in Accounting Principles.
*21	Significant Subsidiaries of Kaiser Aluminum Corporation.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification of Jack A. Hockema pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Daniel J. Rinkenberger pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Jack A. Hockema pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Daniel J. Rinkenberger pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS***	XBRL Instance
*101.SCH***	XBRL Taxonomy Extension Schema
*101.CAL***	XBRL Taxonomy Extension Calculation
*101.DEF***	XBRL Taxonomy Extension Definition

\*101.LAB\*\*\* XBRL Taxonomy Extension Label

\*101.PRE\*\*\* XBRL Taxonomy Extension Presentation

122

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Table of Contents

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\* Filed herewith.

\*\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

\*\*\* As provided Rule 406T of Regulation S-T, XBRL information is furnished and not deemed filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

123