KAISER ALUMINUM CORP
Form 10-K
February 29, 2012
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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)	92610-2831 (Zip Code)

Registrant's telephone number, including area code:
(949) 614-1740
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 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 þ No o

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

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.

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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 “antici the negative of the foregoing or other variations or comparable terminology, or by discussions of strategy.

Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary from those in the forward-looking statements as a result of various factors. These factors include: the effectiveness of management’s strategies and decisions; general economic and business conditions, including cyclicality and other conditions in the aerospace and other end 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

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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:

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	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[1]:									
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	%

[1] 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 cyclicality for GE products tend to mirror broad economic patterns and industrial activity in North America. Demand is also impacted by the destocking and restocking of inventory throughout the supply chain.

Automotive Extrusions. 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 cyclicality for Automotive Extrusions tend to mirror automotive build rates in North America. Additional growth for Automotive Extrusions is driven by efforts by

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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	Extrusion	GE, Other
Spokane, Washington	Flat Rolling	Aero/HS, GE

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

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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.

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.

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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 Foresting, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL — CIO, CLC (“USW”),

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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[1]
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[1]
Los Angeles, CA	Teamsters	May 2012[1]
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[2]

[1] These labor contracts are currently under negotiation for renewal.

[2] 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.

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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-

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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

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• 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

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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.

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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

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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 Foresting, 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

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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, 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

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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 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.

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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

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

1 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.

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

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

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

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

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

Our corporate headquarters, located in Foothill Ranch, California, is a leased facility consisting of 28,000 square feet at December 31, 2011, with an expiration date of June 2016.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

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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.

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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[1]	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs[2]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (millions)[2]
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

1 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 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,

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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.

2 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 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.

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- 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

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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

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

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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

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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.
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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.

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- 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[1]	—	0.4	113.9
	560.9	514.6	542.4
Average Realized Sales Price (per pound):			
Fabricated Products[2]	\$2.32	\$2.10	\$2.09
All Other[1]	\$—	\$0.92	\$0.79
Net Sales:			
Fabricated Products	\$1,301.3	\$1,078.8	\$897.1
All Other[1]	—	0.3	89.9
Total Net Sales	\$1,301.3	\$1,079.1	\$987.0
Segment Operating Income (Loss):			
Fabricated Products[3 4 5]	\$108.6	\$78.6	\$73.6
All Other[5 6]	(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

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1 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.)

2 Average realized prices for our Fabricated Products segment are subject to fluctuations due to changes in product mix and underlying primary aluminum prices, and are not necessarily indicative of changes in underlying profitability. See Item 1. "Business" of this Report.

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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 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.

4 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.

5 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.

6 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 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 activites. 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

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 VEBAs 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

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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:

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	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:[1]			
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

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[1] 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

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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[1]	(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[2]	(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

1 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.

2 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:

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	2011 vs. 2010 Favorable/(Unfavorable)	2010 vs. 2009 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

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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 [1]	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

1 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)[1]	$—	$0.1	$10.2
Impairment of investment in Anglesey	—	—	(1.8)
	$—	$0.1	$8.4

1 Operating income represents earnings on metal purchases from Anglesey and resold by us and on alumina purchases 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:

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	Years Ended December 31,		
	2011	2010	2009
Internal hedging with Fabricated Products[1]	$(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

1 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)[1]	6.0	(5.1)	(5.3)
Environmental expense	(2.2)	(0.3)	(1.7)
Workers' compensation expense due to a change in discount rate[2]	(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)

1 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.

2 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.

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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

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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

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 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)[1]	4.0 %	4.0 %

1 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 manufacturers 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.

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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.

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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):

	Payments Due by Period						
	Total	2012	2013	2014	2015	2016	2017 and Thereafter
Operating activities:[1]							
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:[2]							
Capital equipment	1.6	1.6	—	—	—	—	—
Financing activities:[3]							