KAISER ALUMINUM CORP
Form 10-K
February 18, 2014

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

FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

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

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

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

(949) 614-1740

(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to section 12(g) of the Act:
NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2013) was approximately $1.1 billion.

As of February 11, 2014, there were 18,014,394 shares of the Common Stock of the registrant outstanding.

Documents Incorporated by Reference. Certain portions of the registrant's definitive proxy statement related to the registrant's 2014 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K (this “Report”) contains statements which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this Report, including Item 1. “Business — Business Operations,” Item 1A. “Risk Factors,” and Item 7. “Management’s Discussion and Analysis of Financial Condition 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, automotive and other end markets we serve; developments in technology; new or modified statutory or regulatory requirements; changing prices and market conditions; and other factors discussed in Item 1A. “Risk Factors” and elsewhere in this Report. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

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

Item 1. Business

Availability of Information

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

Business Overview

Founded in 1946, Kaiser Aluminum Corporation’s primary line of business is the production of semi-fabricated specialty aluminum products. At December 31, 2013, we operated 11 focused production facilities in the United States and one in Canada. Consistent with the manner in which our chief operating decision maker reviews and evaluates our business, the Fabricated Products business is treated as a single operating segment.

In addition to the Fabricated Products segment, we have two business units, Corporate and Other and Secondary Aluminum, which we combine into one category and refer to herein as All Other. Our Corporate and Other business unit provides general and administrative support for our operations. The Secondary Aluminum business unit activities related to our purchase and resale of secondary aluminum produced by Anglesey Aluminium Limited (“Anglesey”). We owned a 49.0% equity interest in Anglesey until we sold such interest in the fourth quarter of 2013. For purposes of segment reporting under United States generally accepted accounting principles (“GAAP”), we treat the Fabricated Products segment as its own reportable segment. All Other is not considered a reportable segment (see “Business Operations” below).

Through our 12 focused production facilities in North America, we primarily manufacture rolled, extruded, and drawn aluminum products to strategically serve four end market applications: aerospace and high strength products (which we refer to as Aero/HS products), general engineering products (which we refer to as GE products), extrusions for automotive applications (which we refer to as Automotive Extrusions), and other industrial products (which we refer to as Other products). See “Business Operations — Fabricated Products Segment” below for additional information. In 2013, we produced and shipped approximately 563.7 million pounds of semi-fabricated aluminum products from these facilities, which comprised 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 tools such as 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 seven years, we have pursued significant capital spending initiatives to expand manufacturing capabilities, increase capacity and improve product capabilities, product quality, and efficiency. The most significant of these initiatives is a series of investments to more than double our capacity and expand our manufacturing capability to produce thick heat treat plate at our Spokane (Trentwood), Washington facility in order to capitalize on significant demand growth 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 applications. As indicated above, the Fabricated Products segment focuses on products that strategically serve four end market applications, more particularly Aero/HS products, GE products, Automotive Extrusions and Other products. During 2013, 2012 and 2011, our North American manufacturing facilities produced and shipped approximately 563.7 million, 585.9 million, and 560.9 million pounds of fabricated aluminum products, respectively, which accounted for all of our total net sales.

For information regarding net sales, operating income and total assets of the Fabricated Products segment, see Note 14 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report; such information is incorporated herein by reference.

Types of Products Produced

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

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

	Year Ended December 31, 2013			2012			2011		
Shipments (mm lbs):									
Aero/HS Products	224.3	40	%	223.9	38	%	192.0	34	%
GE Products	222.5	40	%	232.7	40	%	220.2	39	%
Automotive Extrusions	64.1	11	%	62.8	11	%	62.8	11	%
Other Products	52.8	9	%	66.5	11	%	85.9	16	%
	563.7	100	%	585.9	100	%	560.9	100	%
Sales:									
Aero/HS Products	$677.0	52	%	$695.1	51	%	$596.3	46	%
GE Products	411.0	32	%	441.4	33	%	447.0	34	%
Automotive Extrusions	129.5	10	%	125.5	9	%	126.9	10	%
Other Products	80.0	6	%	98.1	7	%	131.1	10	%
	$1,297.5	100	%	$1,360.1	100	%	$1,301.3	100	%

Aero/HS Products. Our Aero/HS products include high quality heat treat plate and sheet, as well as cold finish rod and 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 such properties as 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 factors that include overall levels of airframe build rates, which are cyclical in nature, and defense spending, as well as the potential availability of competing materials such as titanium and composites. Demand has increased for thick plate with growth in monolithic construction of commercial and other aircraft. In monolithic construction, aluminum plate is heavily machined to form the desired part from a single piece of metal (as opposed to creating parts using aluminum sheet, extrusions or forgings that are affixed to one another using rivets, bolts or welds). Military applications for heat treat plate and sheet include aircraft frames and skins.

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

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

Other Products. Other products consist of extruded, drawn, and cast billet aluminum products for a variety of North American industrial end uses, including consumer durables, electrical/electronic device, 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, stretching, leveling or slitting to achieve the desired metallurgical, dimensional and/or performance characteristics. Aluminum flat-rolled products are manufactured using a variety of alloys, a range of tempers (hardness), gauges (thickness) and widths, and various finishes. Flat-rolled aluminum semi-finished products are generally either sheet (under 0.25 inches in thickness) or plate (0.25 inches or greater in thickness). The vast majority of the North American market for aluminum flat-rolled products uses “common alloy” sheet and plate for construction, beverage/food can, and other applications. We have focused our efforts on “heat treat” products, which are distinguished from common alloy products by higher strength and other desired product attributes. The primary end market applications of heat treat flat-rolled sheet and plate are for Aero/HS and GE products.

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

Drawing. Drawing is a fabrication operation in which extruded tubes and rods are pulled through a die, or drawn. The primary 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, 2013 is shown below:

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

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

Raw Materials

To make our fabricated products, we purchase primary aluminum ingot, sow, 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 segment is typically based on the Average Midwest Transaction Price ("Midwest Price"), which reflects the 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. The average London Metal Exchange ("LME") plus Midwest premium transaction price per pound of primary aluminum for 2013, 2012 and 2011 were \$0.84 + \$0.11, \$0.92 + \$0.10 and \$1.09 + \$0.07, respectively, and during these three years, the Midwest Price has ranged between approximately \$0.06 to \$0.12 per pound above the price traded on the LME. At February 11, 2014, the LME plus Midwest premium transaction price per pound was \$0.76 + \$0.20.

In addition to producing fabricated aluminum products for sale to third parties, certain of our production facilities provide one another with billet, log, ingot or other intermediate material for production in lieu of purchasing such items from third-party suppliers. For example, our Newark, Ohio facility supplies billet and log to the Jackson, Tennessee facility and redraw rod to the Florence, Alabama facility.

Pricing, Metal Price Risk Management, and Hedging

As noted above, we purchase primary and secondary aluminum, our principal raw material, on a floating price basis typically based on the Midwest Price. 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 fluctuation through to our customers. We manage the risk of fluctuations in the price of aluminum through our pricing policies and use of financial derivatives. Our three principal pricing mechanisms are as follows:

- Spot price. Some of our customers pay a product price that incorporates the spot price of primary aluminum in effect at the time of shipment to a customer. Spot prices for these products change regularly based on competitive dynamics, and change in underlying aluminum price is a significant factor influencing changes in competitive spot prices. This pricing mechanism typically allows us to pass metal price risk through to the customers. For some of our higher value added products sold on a spot basis, the pass through of metal price movements can sometimes lag by as much as several months, with a favorable impact to us when metal prices decline and an adverse impact to us when metal prices increase.
- Index-based price. Some of our customers pay a product price that incorporates an index-based price for primary aluminum, such as Platt's Midwest price for primary aluminum. This pricing mechanism also typically allows us to pass metal price risk through to the customer.
- Firm price. Some of our customers who commit to volumes and timing of delivery pay a firm price, creating metal price risk that we must hedge. We are able to limit exposure to metal price risks created by firm-price customer sales contracts by using third-party hedging instruments. Total fabricated product shipments for which we were subject to price risk were 119.8, 178.8, and 157.0 (in millions of pounds) during 2013, 2012 and 2011, respectively.

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

Sales, Marketing and Distribution

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

Aero/HS Products. Approximately 51% of our Aero/HS product shipments are sold to metal distributors with the remainder sold directly to end market application customers. Sales are made primarily under contracts (with terms spanning from one year to ten 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 multi-year sales agreements. 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 extrusions in vehicles for fuel efficiency and in response to increasingly strict governmental standards.

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 2013, our Fabricated Products segment had approximately 900 customers. The largest, Reliance Steel & Aluminum (“Reliance”), and the five largest customers for fabricated products accounted for approximately 23% and 47%, respectively, of our net sales in 2013. While the loss of Reliance as a customer would have a material adverse effect on us, we believe that our longstanding relationship with Reliance is good and that the risk of losing Reliance as a customer is remote.

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 Spokane (Trentwood), Washington facility. 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 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 Corporate and Other and Secondary Aluminum business units. All Other is not considered a reportable segment.

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.

Secondary Aluminum. The Secondary Aluminum business unit activities related to our purchase and resale to a third party of secondary aluminum produced by Anglesey until Anglesey ceased its remelt and casting operations at its facility in Holyhead, Wales in the quarter ending June 30, 2013. Because we in substance acted as a sales agent for secondary aluminum produced by Anglesey, our sales were presented net of our cost of sales. Accordingly, we reported net sales and operating income of zero in 2013, 2012 and 2011.

We owned a 49.0% interest in Anglesey until we sold such interest in the quarter ended December 31, 2013 for a de minimis amount. Because the carrying value of our ownership interest in Anglesey was zero, we recorded a de minimis gain on the sale.

Segment and Geographical Area Financial Information

The information set forth in Note 14 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report regarding our GAAP reporting segment and the geographical areas in which we operate is incorporated herein by reference.

Competition

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

Our primary competitors in the global heat treated flat-rolled products are Alcoa and Constellium. In the extrusion/drawn market, we compete with many regional participants, as well as larger companies with a national presence, such as SAPA and Alcoa. Some of our competitors are substantially larger, have greater financial resources, and may have other strategic advantages.

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

In addition, our fabricated aluminum products compete with products made from other materials, such as steel, titanium and composites, for various applications, including aircraft and automotive manufacturing. The willingness of customers to accept other materials in lieu of 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 and decades of operating experience. 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.

We maintain a competitive advantage by using application engineering and advanced process engineering to distinguish our company and our rolled and extruded/drawn products. In combination, our application and process engineering and our expertise in metallurgy and manufacturing process control allow us to manufacture products that are differentiated from the majority of our competitors. In particular, our differentiated KaiserSelect® products are engineered and manufactured to deliver enhanced product characteristics with improved consistency, so as to result in better performance, lower waste, and, in many cases, lower cost for our customers.

Employees

At December 31, 2013, we employed approximately 2,650 people, of which approximately 2,590 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 location, the primary union affiliation, if any, and the expiration date for the current union contracts. As indicated below, union affiliations are with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL — CIO, CLC (“USW”), International Association of Machinists (“IAM”) and International Brotherhood of Teamsters (“Teamsters”).

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

Environmental Matters

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

We have established procedures for regularly evaluating environmental loss contingencies. 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. See Note 10 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data,” of this Report.

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 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 segment (excluding those assets and liabilities associated with our London, Ontario and Chandler, Arizona (Extrusion) facilities and certain of the assets and liabilities associated with our Fabricated Products segment’s operations in the State of Washington) and owns 100% of the ownership interest of each of:
- Kaiser Aluminum Washington, LLC, a Delaware limited liability company, which holds certain of the assets and liabilities associated with our Fabricated Products segment’s operations in the State of Washington; and
- Kaiser Aluminum Alexco, LLC, a Delaware limited liability company, which holds the assets and liabilities associated with our Chandler, Arizona (Extrusion) facility;
- Kaiser Aluminum Canada Limited, an Ontario corporation, which holds the assets and liabilities associated with our London, Ontario facility;
- Kaiser Aluminium Mill Products, Inc., a Delaware corporation, which engages in market development and commercialization and distribution of our products in Europe and, until the second quarter of 2013, also purchased and resold products produced by Anglesey.

- Trochus Insurance Co., Ltd., a corporation formed in Bermuda, which has historically functioned as a captive insurance company;
- Kaiser Aluminum France, SAS, a corporation formed in France for the primary purpose of engaging in market development and commercialization and distribution of our products in Western Europe; and
- DCO Management, LLC, a Delaware limited liability company, which, as a successor by merger to Kaiser Aluminum & Chemical Corporation, holds our remaining non-operating assets and liabilities.

Item 1A. Risk Factors

This Item may contain statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See Item 1. "Business — Forward-Looking Statements" for cautionary information with respect to such forward-looking statements. Such cautionary information should be read as applying to all forward-looking statements wherever they appear in this Report. Forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. Actual results may vary from those in forward-looking statements as a result of a number of factors including those we discuss in this Item and elsewhere in this Report. In addition to the factors discussed elsewhere in this Report, the risks described below are those that we believe are material to our company. The occurrence of any of the events discussed below could significantly and adversely affect our business, prospects, financial position, results of operations and cash flows as well as the trading price of our common stock.

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

The U.S. and global economies continue to experience a period of 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;
- volatility in commodity prices that can materially impact the results of our hedging strategies, create near-term cash margin requirements, reduce the value of our inventories and borrowing base under our revolving credit facility and result in substantial non-cash charges as we adjust inventory values and mark-to-market our hedge positions;
- substantial fluctuations in consumer spending that have at times reduced the demand for some applications that use our products;
- destocking and restocking of inventory levels throughout the supply chain for certain of our products;
- our inability to achieve the level of growth or other benefits anticipated from our acquisitions and other strategic investments, and the integration of acquired businesses;
- increases in our costs, including the cost of energy, raw materials and freight, which we may not be able to pass entirely 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 success or failure of efforts to reduce government deficit spending or the scope, nature or effect of such efforts.

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

We operate in a highly competitive industry.

The fabricated products segment of the aluminum industry is highly competitive. Competition in the sale of fabricated aluminum products is based upon quality, availability, price, service, and delivery performance. Many of our competitors are substantially larger than we are and have greater financial resources than we do, and may have other strategic advantages, including more efficient technologies or lower or more stable 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 2013, our largest fabricated products customer, Reliance Steel & Aluminum Company, accounted for approximately 23% of our fabricated products net sales, and our five largest customers accounted for approximately 47% of our fabricated products net sales. If our existing relationships with significant customers materially deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected. In addition, a prolonged or increasing downturn in the business or financial position of any of our significant customers could cause any one or more of them to limit purchases to contractual minimum volumes, seek relief from contractual minimums or breach those obligations, all of which could materially and adversely affect our financial position, results of operations and cash flows.

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

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

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

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

We derive a significant portion of our revenue from products sold to the aerospace industry, which is highly cyclical. The aerospace industry is historically driven by the demand for new commercial aircraft. Demand for commercial aircraft is influenced by trends in airline passenger traffic and increasing global travel, normal replacement of older aircraft, accelerated replacement of fuel inefficient aircraft, airline industry profitability, the state of the U.S. and global economies, the effects of terrorism, and numerous other factors, including safety concerns with newly introduced aircraft, any of which could result in a sharp decrease globally in new commercial aircraft deliveries and order cancellations or deferrals by the major airlines. Despite existing backlogs, 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 ordnance. The funding of U.S. government programs is subject to congressional appropriations. Many of the programs in which we participate may extend several years; however, these programs are normally funded annually. Changes in military strategy and priorities may affect current and future programs. In recent years, the demand for our products for defense-related applications arose from the conflicts in Iraq and Afghanistan. Such conflicts and similar events are unplanned and unpredictable. Virtually all U.S. troops have been withdrawn from Iraq and Afghanistan, which permits reductions in the level of defense spending. With significant pressure to reduce defense spending as the U.S. and foreign governments are faced with competing national priorities, reductions in defense spending could reduce the demand for our products and could adversely affect our financial position, results of operations and cash flows.

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

Our fabricated aluminum products compete with products made from other materials, such as steel, titanium, and composites, for various applications. For instance, the commercial aerospace industry has used and continues to evaluate the further use of alternative materials to aluminum, such as titanium and composites, in order to reduce the weight and increase the fuel efficiency of aircraft. Additionally, the automotive industry, while motivated to reduce vehicle weight with the use of aluminum, may revert to steel for certain applications. The willingness of customers to accept other materials in lieu of 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 ground transportation 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. Weak demand for, or lower production of, new cars, light trucks, SUVs, and heavy duty vehicles and trailers, particularly by U.S. manufacturers, could adversely affect the demand for our products and have a material adverse effect on our financial position, results of operations and cash flows. Additionally, in recent years, several North American automotive related manufacturers and first tier suppliers experienced severe financial difficulty, including bankruptcy, with serious effects on the conditions of markets that directly affect the demand for our products. If other North American automotive-related manufacturers and first tier suppliers experience similar financial difficulties or bankruptcy, there again could be serious effects on such markets, which could have a material adverse effect on our financial position, results of operations and cash flows.

Changes in consumer demand for particular motor vehicles could adversely affect our business.

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

We face pressure from our automotive customers on pricing.

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

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

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

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

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

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

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

A breach of the covenants or restrictions under the indenture governing the Senior Notes or under our revolving credit facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our revolving credit facility could permit the lenders under our revolving credit facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay any amounts due and payable under our revolving credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:
•limited in how we conduct our business;
•unable to raise additional debt or equity financing to operate during general economic or business downturns; or
•unable to compete effectively or to take advantage of new business opportunities.

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

In addition, a payment default, or an acceleration following an event of default, under our revolving credit facility, our indenture for our 4.5% Cash Convertible Senior Notes due 2015 ("Convertible Notes") or our indenture for our Senior Notes, could trigger an event of default under the others, which could result in the principal of and the accrued and unpaid interest on all 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 obligations, including the Senior Notes and our Convertible Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Senior Notes and Convertible Notes.

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

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

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

In the event the conditional conversion features of our Convertible Notes are triggered, holders of such notes are entitled to convert such notes at any time during specified periods at their option. Because our closing stock price exceeded 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days ending on December 31, 2013, the last trading date of the fourth quarter of 2013, a conditional conversion feature of the Convertible Notes was triggered, enabling holders to convert their Convertible Notes during the first quarter of 2014. The Company believes that the market value of the Convertible Notes will continue to exceed the amount of cash payable upon conversion, making early conversion unlikely. However, 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.

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

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

We understand that the option counterparties and/or their affiliates have entered into various derivative transactions with respect to our common stock in order to hedge their exposure to fluctuations and volatility in the price of our common stock and that the option counterparties and/or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions prior to the maturity of our Convertible Notes (and are likely to do so during any settlement averaging period related to a conversion of our Convertible Notes). The effect, if any, of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the market price of our common stock.

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

The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that these option counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate their obligations, under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If one or more of the option counterparties to one or more of our convertible note hedge transactions becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price of our common stock and in volatility of our common stock. A default or other failure to perform, or a termination of obligations, by one of the option counterparties could materially and adversely affect our financial position and results of operations. We can provide no assurances as to the financial stability or viability of any of the option counterparties.

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

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

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

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

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

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

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

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

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

Legislation on derivative transactions could have an adverse impact on our ability to hedge risks associated with our business and on the cost of our hedging activities.

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

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

From time to time in the ordinary course of business, we enter into hedging transactions to limit our exposure to price risks relating to primary aluminum prices, energy prices and foreign currency. To the extent that market prices or exchange rates at the expiration of these hedging transactions would have been more favorable to us than 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 certain covenants, or an event of default occurs under the terms of the underlying documents, we could incur margin calls that could adversely impact our liquidity and result in a material adverse effect on our financial position, results of operations and cash flows. Conversely, we are exposed to risks associated with the credit worthiness of our hedging counterparties. The credit worthiness of hedging counterparties is inherently difficult to assess and can change quickly and dramatically, as demonstrated by the significant trading losses and bankruptcies of some large financial institutions in recent years. Non-performance by a counterparty could have a material adverse effect on our financial position, results of operations and cash flows.

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

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

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

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

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

A significant number of our employees are represented by labor unions under labor contracts with varying durations and expiration dates, including labor contracts with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL - CIO, CLC (“USW”), covering seven of our manufacturing locations. Employees represented by labor unions under labor contracts represented approximately 62% of our employees at December 31, 2013. Contracts at our manufacturing locations expire in 2014 through 2017. We may not be able to renegotiate or negotiate these or our other labor contracts on satisfactory terms. As part of any negotiation, we may reach agreements with respect to future wages and benefits that could materially and adversely affect our future financial position, results of operations and cash flows. In addition, negotiations could divert management attention or result in union-initiated work actions, including strikes or work stoppages, that could have a material adverse effect on our financial position, results of operations and cash flows. Moreover, the existence of labor agreements may not prevent such union-initiated work actions.

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

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

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

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

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

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

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

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

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

Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Laws enacted by Congress or policies of the Environmental Protection Agency could regulate greenhouse gas emissions through a cap-and-trade system under which emitters would be required to buy allowances to offset emissions of greenhouse gas. In addition, several states, including states where we have manufacturing plants, are considering various greenhouse gas registration and reduction programs. Certain of our manufacturing plants use significant amounts of energy, including electricity and natural gas, and certain of our plants emit amounts of greenhouse gas above certain minimum thresholds that are likely to be imposed by existing proposals. Greenhouse gas regulation could increase the price of the electricity we purchase, increase costs for our use of natural gas, potentially restrict access to or the use of natural gas, require us to purchase allowances to offset our own emissions or result in an overall increase in our costs of raw materials, any one of which could significantly increase our costs, reduce our competitiveness in a global economy or otherwise negatively affect our business, operations or financial results. It is too early to predict how existing or future regulation will affect our business, operations or financial results.

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

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

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

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

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

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

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

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

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

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 be subject to risks relating to our information technology systems.

We rely on information technology systems to process, transmit and store electronic information and manage and operate our business. A breach in cyber security could expose us and our customers and suppliers to risks of misuse of confidential information, manipulation and destruction of data, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, business or results of operations. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

In addition, from time to time we may replace and/or upgrade our current information technology systems. These activities subject us to inherent costs and risks associated with replacing and updating these systems, including potential disruption of our internal control structure, substantial capital expenditures, demands on management time and other risks of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. Our systems implementations and upgrades may not result in productivity improvements at the levels anticipated, or at all. In addition, the implementation of new technology systems may cause disruptions in our business operations. Such disruption and any other information technology system disruptions, and our ability to mitigate those disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on us.

Our effective income tax rate or the amount of our required tax payments 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 of tax we are required to pay, including changes in or interpretations of tax laws in any given jurisdiction, our ability to use net operating losses and tax credit carryforwards and other tax attributes, changes in geographical allocation of income and expense, and our judgment about the realizability of deferred tax assets. Changes to our effective tax rate and/or the amount of tax we are required to pay could materially adversely affect our financial position, liquidity, results of operations and cash flows.

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

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

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

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

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

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

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

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

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

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

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

We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. While our principal executive officer and principal financial officer concluded that our internal controls over financial reporting were effective as of December 31, 2013, we cannot assure you that we will not have a material weakness in the future. A "material weakness" is a control deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. If we fail to maintain a system of internal controls over financial reporting that meets the requirements of Section 404, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by the Nasdaq Stock Market LLC. Additionally, failure to comply with Section 404 or the report by us of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may be subject to increase in insurance costs, we may not have access to the capital markets, and our stock price may be adversely affected.

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

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

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

Our annual variable payment obligations to two voluntary employees beneficiary associations ("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 that provide benefits for certain eligible retirees and their spouses and eligible dependents calculated in part on our profitability, and therefore, not all of our earnings will be available to our stockholders. The aggregate amount of our annual payments to the VEBAs is capped at $20 million in the aggregate and is subject to other limitations. As a result of these variable payment obligations, our cash flows may be reduced. Our obligation to the VEBA that provides benefits for eligible retirees represented by certain unions and their surviving spouse and eligible dependents (the "Union VEBA") terminates on September 30, 2017 and is capped at $17.1 million. In the future, groups representing our current and future retired hourly employees, or the Union VEBA itself, may seek to extend our obligation to the Union VEBA beyond the current termination date. Any such extension could have a material adverse effect on our financial position, results of operations and cash flows. Our obligation to the VEBA that provides benefits for certain other eligible retirees, their surviving spouse and eligible dependents (the "Salaried VEBA") has no express termination date and is capped at $2.9 million.

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

Certain investment funds, advisers and organizations own greater than 5% of our outstanding common stock as of December 31, 2013. 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 stockholders, debt holders and other stakeholders.

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

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

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

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

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

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

Provisions of Delaware law and our certificate of incorporation and bylaws may discourage a change of control of our company or deter tender offers for our common stock. We are currently subject to anti-takeover provisions under Delaware law. These anti-takeover provisions impose various impediments to the ability of a third party to acquire control of us. Additionally, provisions of our certificate of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our certificate of incorporation authorizes our Board of Directors to determine the rights, preferences and privileges and restrictions of unissued shares of preferred stock without any vote or action by our stockholders. As a result, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of common stock. Our certificate of incorporation also divides our Board of Directors into three classes of directors who serve for staggered terms. A significant effect of a classified Board of Directors may be to deter hostile takeover attempts because an acquirer could experience delays in replacing a majority of directors. Moreover, stockholders are not permitted to call a special meeting. Our certificate of incorporation restricts certain transactions in our common stock involving 5% stockholders or parties who would become 5% stockholders as a result of the transaction. The general effect of these transfer restrictions, which were put in place to reduce the risk that an ownership change would jeopardize the preservation of our U.S. federal income tax attributes, including net operating loss carryforwards, 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

None.

Item 2. Properties

Information regarding the location, size and ownership of our principal plants as of December 31, 2013 is below:

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

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1 The Chandler, Arizona (Extrusion) facility is subject to a land lease with a lease term that expires in 2023. We have certain extension rights in respect of the Chandler, Arizona (Extrusion) land lease. The facility is owned by us and is not subject to any leases.

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

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

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

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

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

Our corporate headquarters, located in Foothill Ranch, California, consists of 28,000 square feet at December 31, 2013, and is subject to a lease that expires in 2016.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

The following table sets forth the high and low closing sale prices of our common stock for each quarterly period for fiscal years 2013 and 2012:

	High	Low
Fiscal 2013		
First quarter	$65.03	$60.77
Second quarter	$65.44	$58.75
Third quarter	$71.96	$62.31
Fourth quarter	$73.03	$65.23
Fiscal 2012		
First quarter	$52.46	$46.82
Second quarter	$52.57	$46.62
Third quarter	$59.15	$49.42
Fourth quarter	$61.75	$56.27

Holders

As of February 11, 2014, there were approximately 708 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 to the holders of performance shares with respect to approximately one-half of the performance shares. Total cash dividends (and dividend equivalents) paid in 2013, 2012 and 2011 were $1.20 per share (or $23.0 million), $1.00 per share (or $19.6 million) and $0.96 per share (or $18.9 million), respectively.

On January 14, 2014, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of $0.35 per common share, or $6.4 million (including dividend equivalents), which was paid on February 14, 2014 to stockholders of record at the close of business on January 24, 2014.

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

Stock Performance Graph

The following graph compares the cumulative total shareholder return on our common stock with: (i) the Russell 2000® index and (ii) the S&P SmallCap 600® index. The graph assumes (i) an initial investment of $100 as of December 31, 2008 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.

Issuer Repurchases of Equity Securities

The following table provides information regarding our repurchases of our common shares during the quarter ended December 31, 2013:

	Amended and Restated 2006 Equity and Performance Incentive Plan		Stock Repurchase Plan		
	Total Number of Shares Purchased[1]	Average Price per Share	Total Number of Shares Purchased[2]	Average Price per Share	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs (millions)[2]
October 1, 2013 - October 31, 2013	—	$—	235,700	$67.33	$62.1
November 1, 2013 - November 30, 2013	—	—	185,000	66.69	$49.8
December 1, 2013 - December 31, 2013	—	—	104,300	68.43	$117.6
Total	—	$—	525,000	$67.32	N/A

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1 Under our equity and performance incentive plan, participants may 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 by us on the date of withholding. The withholding of common shares by us could be deemed a purchase of such common shares. During the quarter ended December 31, 2013, we did not withhold any shares of common stock to satisfy employee tax withholding obligations. When shares are withheld, all such shares are canceled by us on the applicable vesting dates or dates on which income to the employees is recognized, and 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.

2 Share repurchases are pursuant to a stock repurchase program authorized by our Board of Directors. During 2013, our Board of Directors twice authorized additional funds under this program, with $75.0 million authorized in April 2013 and another $75.0 million authorized in December 2013. As of December 31, 2013, $117.6 million remained available for share repurchases under this program. Repurchase transactions will occur at such times and prices as management deems appropriate and will be funded with our excess liquidity after giving consideration to internal and external growth opportunities and future cash flows. Repurchases may be in open-market transactions or in privately negotiated transactions, and the program may be modified or terminated by our Board of Directors at any time.

Item 6. Selected Financial Data

The following table represents our selected financial data. The table should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8. “Financial Statements and Supplementary Data” of this Report.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions of dollars, except shipments, average realized sales price and per share amounts)				
Net sales	$1,297.5	$1,360.1	$1,301.3	$1,079.1	$987.0
Net income	$104.8	$85.8	$25.1	$12.0	$70.5
Basic income per share:					
Net income per share	$5.56	$4.49	$1.32	$0.61	$3.51
Diluted income per share:					
Net income per share	$5.44	$4.45	$1.32	$0.61	$3.51
Shipments (mm lbs)	563.7	585.9	560.9	514.6	542.4
Average realized sales price (per lb)	$2.30	$2.32	$2.32	$2.10	$1.82
Cash dividends declared per common share	$1.20	$1.00	$0.96	$0.96	$0.96
Capital expenditures	$70.4	$44.1	$32.5	$38.9	$59.2
Depreciation and amortization expense	$28.1	$26.5	$25.2	$19.8	$16.4

	December 31,				
	2013	2012	2011	2010	2009
Total assets	$1,770.9	$1,752.5	$1,320.6	$1,318.9	$1,054.6
Cash and short term investment	$299.0	$358.4	$49.8	$135.6	$30.3
Long-term borrowings (at face value), including amounts due within one year	$400.0	$400.0	$179.7	$188.0	$7.0

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:

2013:

- We reached a settlement with the Canada Revenue Agency Competent Authority for the 1998-2004 tax years, and as a result, booked a cash tax benefit of $7.6 million, of which $6.1 million had been received as of December 31, 2013. In addition, we signed an advance pricing agreement with the Canada Revenue Agency, which resulted in an additional cash tax benefit of $2.9 million, which is expected to be refunded within the next 12 months.
- We recorded $3.9 million of non-cash, pre-tax, unrealized mark-to-market gains on our derivative instruments.

- We repurchased 1,232,077 shares of our common stock at the weighted average price per share of $64.35. The total cost of $79.3 million was recorded as Treasury Stock.

- We recorded $22.5 million of net periodic pension benefit income relating to two voluntary employee's beneficiary associations that provide benefits for certain eligible retirees and their spouses and eligible dependents (the “VEBAs”).
- We recorded a variable cash contribution payable to the VEBAs of $16.0 million with respect to calendar year 2013, which will be paid in the first quarter of 2014.

2012:

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

2011:

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

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

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

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

- Overview;
- Management Review of 2013 and Outlook for the Future;
- Results of Operations;
- Certain Information Related to Our Significant Tax Attributes;
- Liquidity and Capital Resources;
- Contractual Obligations, Commercial Commitments, and Off-Balance Sheet and Other Arrangements;

- Critical Accounting Estimates and Policies;
- New Accounting Pronouncements; and
- Available Information.

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

In the discussion of operating results below, certain items are referred to as non-run-rate items. For purposes of such discussion, non-run-rate items are items that, while they may recur from period-to-period, (i) are particularly material to results, (ii) affect costs primarily as a result of external market factors, and (iii) may not recur in future periods if the same level of underlying performance were to occur. Non-run-rate items are part of our business and operating environment but are worthy of being highlighted for the benefit of readers of our 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, energy prices, our stock price and currency exchange rates. For a reconciliation of operating income excluding non-run-rate items to operating income, see “Results of Operations-Segment and Business Unit Information” below.

We also provide information regarding value added revenue. Value added revenue represents net sales less the hedged cost of alloyed metal. A fundamental part of our business model is to mitigate the impact of aluminum price volatility through pricing policies that allow us to pass metal cost fluctuations through to our customers and a hedging program that addresses metal price exposure in circumstances in which we are unable to pass metal cost fluctuations through to our customers due to firm-price customer sales agreements that specify the underlying metal price plus a conversion price. As a result of our pricing policies and hedging program, fluctuations in underlying metal price do not directly impact our profitability. Accordingly, value added revenue (including average realized value added revenue, third party value added revenue and value added revenue of the product categories of our Fabricated Products segment) is worthy of being highlighted for the benefit of users of our financial statements. Our intent is to allow users of the financial statements to consider our net sales information both with and without the metal cost component thereof. For a reconciliation of value added revenue to net sales, see “Results of Operations Segment and Business Unit Information” below.

Overview

We are a leading North American manufacturer of semi-fabricated specialty aluminum products for the following end market applications: aerospace and high strength products (which we refer to as Aero/HS products); general engineering products (which we refer to as GE products); extrusions for automotive applications (which we refer to as Automotive Extrusions); and other industrial products (which we refer to as Other products). We operate twelve focused production facilities in North America to serve a global customer base. We have one operating segment, Fabricated Products. See “Results of Operations Segment and Business Unit Information” below.

Our highly engineered products are manufactured to meet demanding requirements of aerospace/high strength, general engineering, automotive and other industrial end market applications. We have focused our business on select end market applications where we believe we have sustainable competitive advantages and opportunities for long-term profitable growth. We believe that we differentiate ourselves with “Best in Class” customer satisfaction and a broad product offering, including products in our KaiserSelect® product line. Our KaiserSelect® products are manufactured to deliver enhanced product characteristics with improved consistency, so as to result 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, larger payloads and focus on fuel efficiency have increased the demand for new and larger aircraft. We believe that the long-term demand drivers, including growing build rates, larger airframes and increased use of monolithic design (where aluminum plate is heavily machined to form the desired part from a single piece of metal as opposed to using aluminum sheet, extrusions or forgings that are affixed to one another using rivets, bolts or welds) throughout the industry will continue to increase demand for our high strength aerospace plate. We believe the strength of overall plate demand is demonstrated by the current eight-year backlog for the two primary manufacturers of commercial aircraft.

Our Aero/HS and GE products are also sold for use in defense end market applications. Requirements of military engagements and sequestration of spending by the United States government will determine near-term demand for our Aero/HS and GE products for use in such applications. Longer term, we expect the production of the F-35, or Joint Strike Fighter, to be a demand driver for our aerospace/high strength products.

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

We expect the 2014 North American automotive sector build rates to increase approximately 3.8% over 2013 based on data from IHS, a provider of technical information. Our Automotive Extrusions typically have specific performance attributes in terms of machinability and/or mechanical properties for specific applications across a broad mix of North American original equipment manufacturers ("OEMs") and automotive platforms. We believe that these attributes are not easily replicated by our competitors and are important to our customers, who are typically first tier automotive suppliers. Additionally, we believe that in North America, from 2001 to 2012, the aluminum extrusion content per vehicle grew at a compound annual growth rate of 2.6% based on data provided by the Aluminum Association and IHS, as automotive OEMs and their suppliers found opportunities to decrease weight without sacrificing structural integrity and safety performance. We also believe the United States' Corporate Average Fuel Economy ("CAFE") regulations, which increase fuel efficiency standards on an annual basis, will continue to drive growth in demand for aluminum extruded components in passenger vehicles as a replacement for the heavier weight of steel components.

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

Management Review of 2013 and Outlook for the Future

Overall, our Fabricated Products shipment volumes in 2013 decreased 4% as compared to 2012. Volume for aerospace applications, after increasing significantly to a record level in 2012, maintained a similar pace in 2013 on continued strong aerospace plate demand, dampened by excess customer inventory of some aerospace products. Shipments of Automotive Extrusions increased as we launched several new automotive programs. This was offset by weaker shipments of GE products as GE plate production was impacted by throughput inefficiencies related to major construction projects at our Spokane (Trentwood), Washington facility.

Our average realized prices decreased slightly in 2013 reflecting lower underlying hedged, alloyed metal prices, which are passed through to customers, offset by higher value added revenue per pound. Value added revenue per pound increased as automotive extrusion sales with improved pricing grew in 2013.

In 2013, we (i) continued our investment initiatives to further enhance our manufacturing platform including the Phase 5 expansion to increase aerospace plate capacity and a new casting complex at our Spokane (Trentwood), Washington facility to expand our rolling ingot capacity and reduce costs, (ii) launched several new automotive extrusion programs, (iii) expanded our product offering of KaiserSelect® products to meet the needs and specifications of our customers, and (iv) returned $102.3 million to stock holders through quarterly dividends and stock repurchases.

Outlook

The long-term prospects for Aero/HS products remain strong. The backlog for Boeing and Airbus deliveries grew to a new record high in 2013, providing impetus for increasing build rates for several years into the future. We continue to expect strong demand growth for our products, particularly for aerospace plate, driven by increasing build rates, larger airframes, and continued conversion to monolithic design. While near-term commercial airframe build rates are increasing, an inventory overhang developed for aerospace plate during 2013. We believe most of the excess supply chain inventory of aerospace plate will be consumed during 2014, dampening industry demand for aerospace plate from plate producers.

As it relates to the outlook for Kaiser, we expect a modest increase in aerospace plate shipments in 2014, despite the industry-wide de-stocking of aerospace plate inventory in the supply chain. However, we expect competitive pricing pressure in 2014, particularly on our sales of aerospace and general engineering plate sold on a spot basis as competitors impacted by the aerospace plate de-stocking attempt to fill their capacity. Additionally, we expect to see improved shipments of our non-plate aerospace products as the excess supply-chain inventory of such products that persisted in 2013 abates in 2014.

We continue to be optimistic about long-term automotive growth opportunities attributable to increasing aluminum extrusion content and higher build rates. In 2014, we expect to launch several new programs for anti-lock braking systems, crash management systems and various structural applications. As these programs come on line, our content per vehicle will grow, further increasing our shipments and value added revenue for Automotive Extrusions to a new record level.

With current visibility, we anticipate modestly stronger general engineering demand and shipments in 2014, although competitive price pressure on spot sales of general engineering plate will offset some of the benefit from increased volume. However, given the relatively lean inventories at service center customers, we could see accelerated improvement in demand for these products if the U.S. manufacturing economy demonstrates higher levels of sustainable growth.

During the first half 2014, and more specifically during the first quarter, we anticipate higher costs and inefficiencies related to the installation and subsequent ramp-up of the new casting complex at our Spokane (Trentwood) Washington facility in addition to the ramp-up of the Phase 5 heat treat plate expansion and preparation for the launch of several new automotive programs. We expect to begin realizing the benefits of these investments through improved manufacturing efficiencies as these projects reach full production status in the second half 2014.

Looking beyond 2014, we are well positioned in attractive, growing markets, particularly for aerospace and automotive end uses. We expect to realize growing benefits from our previous investments in capacity, quality and efficiency, and we have a strong manufacturing platform for capital-efficient investments to allow us to capture additional opportunities for profitable growth in these end market applications.

Results of Operations

Fiscal 2013 Summary

- Our operating income for 2013 was $173.3 million, which included items that we consider to be non-run-rate, which totaled to a benefit of $27.4 million, primarily related to non-cash net periodic pension benefit income of $22.5 million relating to two voluntary employee's beneficiary associations that provide benefits for certain eligible retirees and their spouses and eligible dependents (“the VEBAs”). (See “Segment and Business Unit Information” for further discussion of our operating income before non-run-rate items below.)
- Net income for 2013 was $104.8 million, which included the non-run-rate items as discussed above. (See "Segment and Business Unit Information" below for further discussion on additional non-run-rate items.) Net income for 2013 also included various tax settlements and a full year of cash and non-cash interest expense relating to our Senior Notes.
- Our effective tax provision rate for 2013 was 26.8% after taking into account a $10.5 million cash tax benefit relating to an audit settlement with the Canada Revenue Agency ("CRA") and a tax benefit in connection with a new advance pricing agreement with the CRA (see discussion in “Consolidated Selected Operational and Financial Information - Income Tax Provision” below).
- We had combined cash balances, short-term investments, and net borrowing availability under our revolving credit facility (with no borrowings thereunder outstanding) of approximately $552.1 million as of December 31, 2013.
- We invested $70.4 million in capital spending (see “Capital Expenditures and Investments” below).
- We paid a variable cash contribution of $20.0 million to the VEBAs.
- We paid a total of approximately $23.0 million, or $1.20 per common share, in cash dividends to stockholders, including holders of restricted stock, and dividend equivalents to the holders of certain restricted stock units and to the holders of performance shares with respect to approximately one-half of the performance shares.
- We repurchased 1,232,077 shares of common stock in 2013 for a total cost of $79.3 million. Share repurchases were pursuant to a stock repurchase program authorized by our Board of Directors. During 2013, our Board of Directors twice authorized additional funds under this program, with $75.0 million authorized in April 2013 and another $75.0 million authorized in December 2013.

Consolidated Selected Operational and Financial Information

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 14 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for further information regarding segments.

Net Sales. We reported Net sales for 2013 of $1,297.5 million, compared to $1,360.1 million for 2012 and $1,301.3 million for 2011. As more fully discussed below, the decrease in Net sales during 2013 was the result of lower Fabricated Products segment shipment volume and lower average realized sales price per pound. Lower average realized sales price in 2013 reflected lower hedged, alloyed metal prices, mostly offset by higher value added revenue per pound as compared to 2012.

The increase in Net sales during 2012 compared to 2011 was primarily due to an increase in Fabricated Products segment shipments. The average realized sales price per pound compared to the prior year was flat reflecting higher value added revenue offset by lower underlying metal prices.

Fluctuations in underlying primary aluminum market prices do not necessarily 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 the Fabricated Products segment's firm price sales agreements limit our losses, as well as gains, from primary metal price changes.

Cost of Products Sold, Excluding Depreciation and Amortization and Other Items. Cost of products sold, excluding depreciation and amortization and other items for 2013 totaled $1,038.9 million, or 80% of Net sales, compared to $1,116.2 million, or 82% of Net sales, in 2012 and $1,129.0 million, or 87% of Net sales, in 2011. See "Segment and Business Unit Information" below for a detailed discussion of the comparative results of operations for 2013, 2012 and 2011.

Unrealized (gains) losses on derivative instruments. Unrealized (gains) losses on derivative instruments were $(0.7) million, $(15.2) million and $29.9 million for 2013, 2012 and 2011, respectively. Such unrealized (gains) losses are primarily due to changes in underlying commodity prices as well as derivative settlements and are related to our operational hedges to mitigate our exposure to changes in prices for certain products sold and consumed by us and, to a lesser extent, to mitigate our exposure to changes in foreign currency exchange rates.

Depreciation and Amortization. Depreciation and amortization for 2013 was $28.1 million compared to $26.5 million for 2012 and $25.2 million for 2011. Depreciation and amortization expense increased in 2013 compared to 2012 primarily due to additional Construction in progress being placed in service during 2013 in connection with our casting complex and Phase 5 expansion at the Spokane (Trentwood), Washington facility. Depreciation and amortization increased in 2012 compared to 2011 primarily due to additional Construction in progress being placed in service during 2012 in connection with expansion projects at various facilities.

Selling, Administrative, Research and Development, and General. Selling, administrative, research and development, and general expense totaled $57.9 million in 2013 compared to $62.2 million in 2012. The decrease during 2013 was primarily due to (i) a $10.6 million increase in periodic pension benefit income with respect to the VEBAs, offset by (ii) a $3.1 million increase in general administrative expenses primarily related to employee compensation, (iii) a $1.7 million increase in selling and advertising expense to support further growth, and (iv) a $1.4 million increase in research and development expense as we continue to invest in research and development initiatives.

Selling, administrative, research and development, and general expense totaled $62.2 million in 2012 compared to $62.7 million in 2011. The slight decrease during 2012 was primarily due to (i) a $5.9 million increase in periodic pension benefit income with respect to the VEBAs as a result of changes in actuarial assumptions and (ii) a $2.1 million decrease in environmental expense, offset by (iii) a $5.5 million increase in employee compensation expense related primarily to our incentive programs as a result of improved operating results, (iv) a $1.2 million increase in workers' compensation expense due to increases in case reserves in 2012, and (v) a $0.7 million increase in expense relating to our deferred compensation plan as a result of mark-to-market gains on deferred compensation assets in 2012.

Other Operating Charges (Benefits). Other operating charges (benefits) were $4.5 million and $(0.2) million for 2012 and 2011, respectively. Other operating charges for 2012 consisted primarily of $4.4 million of impairment charge on two presses that were a part of idled assets. There were no Other operating charges or benefits in 2013.

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 $35.7 million, $29.1 million and $18.0 million for 2013, 2012 and 2011, respectively, net of $3.4 million, $1.7 million and $1.3 million of interest capitalization to Construction in progress. Non-cash amortization of the discount on our 4.5% Cash Convertible Senior Notes due 2015 ("Convertible Notes") accounted for $8.2 million, $7.3 million and $6.6 million of the total interest expense in 2013, 2012 and 2011. Interest expense in 2013 and 2012 was primarily related to interest expense incurred on our Convertible Notes and our 8.250% Senior Notes due 2020 ("Senior Notes"). The increase in interest expense in 2013 compared to interest expense in 2012 is primarily due to a full year of interest related to our Senior Notes. Interest expense in 2011 was primarily related to interest incurred on the Convertible Notes.

Other Income, Net. Other income, net was $5.6 million for 2013, compared to $2.8 million for 2012 and $4.3 million for 2011. Other income, net primarily consists of unrealized gains (losses) associated with our hedges relating to the Convertible Notes. See Note 16 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for further information.

Income Tax Provision. The income tax provision for 2013 was $38.4 million, or an effective tax rate of 26.8%. The difference between the effective tax rate and the projected blended statutory tax rate for 2013 was primarily due to (i) a decrease in unrecognized tax benefits, including interest and penalties, of $4.4 million, resulting in a 3.1% decrease in the effective tax rate due to an audit settlement with the Canada Revenue Agency Competent Authority on February 28, 2013 for the 1998-2004 tax years, (ii) a decrease in unrecognized tax benefits, including interest and penalties, of $4.6 million, resulting in a 3.2% decrease in the effective rate due to an expiration of a statute of limitations with a taxing authority, (iii) a decrease from a bilateral advance pricing agreement between Canada and the U.S. for $2.9 million, resulting in a 2.0% decrease in the effective tax rate and (iv) a decrease from an audit settlement with the CRA for $5.3 million, resulting in a 3.7% decrease in the effective tax rate.

As a result of the audit settlement and advance pricing agreement with the CRA, a tax benefit of $10.5 million, which represents amounts previously paid against Canadian accrued taxes, was recorded to Other receivables, of which, $6.1 million of cash refunds has been received by the Company as of December 31, 2013.

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

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

Derivatives

See Note 11 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for disclosure regarding our derivatives.

Fair Value Measurements

See Note 12 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for disclosure regarding our fair value measurements.

Deferred Tax Asset

See Note 6 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for disclosure regarding our deferred tax asset.

Segment and Business Unit Information

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

We also have two other business units, Corporate and Other and Secondary Aluminum. The Corporate and Other business unit provides general and administrative support for our operations. The Secondary Aluminum business unit activities related to our purchase and resale of secondary aluminum produced by Anglesey Aluminium Limited ("Anglesey") until Anglesey ceased secondary aluminum production in the second quarter of 2013. We owned a 49% equity interest in Anglesey until we sold such interest in the fourth quarter of 2013.

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

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 2013, 2012 and 2011:

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	Year Ended December 31, 2013	2012	2011
Shipments (mmlbs)	563.7	585.9	560.9
Composition of average realized sales price (per pound):			
Average realized sales price[1]	$2.30	$2.32	$2.32
Less: hedged cost of alloyed metal	(1.00)	(1.06)	(1.17)
Average realized value added revenue	$1.30	$1.26	$1.15
Composition of net sales:			
Net sales	$1,297.5	$1,360.1	$1,301.3
Less: hedged cost of alloyed metal	(563.9)	(623.9)	(657.1)
Third party value added revenue	$733.6	$736.2	$644.2
Segment operating income	$188.6	$190.8	$83.6
Impact to operating income of non-run-rate items:			
Adjustments to plant-level LIFO[2]	7.4	(2.3)	(0.2)
Mark-to-market gains (losses) on derivative instruments	0.7	15.2	(29.9)
Workers' compensation benefit (cost) due to discounting	1.1	(0.2)	(3.1)
Restructuring benefits	—	—	0.3
Asset impairment charges	—	(4.4)	—
Environmental expenses[3]	(4.0)	(1.1)	(1.7)
Total non-run-rate items	5.2	7.2	(34.6)
Operating income excluding non-run-rate items	$183.4	$183.6	$118.2

1 Average realized sales 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.

2 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.

3 See Note 10 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information relating to the environmental expenses.

As noted above, operating income excluding non-run-rate items for 2013 was $0.2 million lower than for 2012. Lower operating income excluding non-run-rate items in 2013 reflected higher manufacturing and operating costs primarily due to the expansion projects at our Spokane (Trentwood), Washington facility and higher depreciation expense, partially offset by the impact of higher pricing on net sales, lower major maintenance expense and lower energy costs. Operating income excluding non-run-rate items for 2012 was $65.4 million higher than for 2011. The increase in operating income excluding non-run-rate items for 2012 as compared to 2011 reflected the impact of higher net sales due to higher pricing, higher volume and mix.

The table below provides shipment and value added revenue information (in millions of dollars except shipments and value added revenue per pound) for each of the product categories (which are based on end market applications) of our Fabricated Products segment, for 2013, 2012 and 2011:

	Year Ended December 31,					
	2013		2012		2011	
Aero/HS Products:						
Shipments (mmlbs)	224.3		223.9		192.0	
	$	$ / lb	$	$ / lb	$	$ / lb
Sales	$677.0	$3.02	$695.1	$3.10	$596.3	$3.11
Less: hedged cost of alloyed metal	(227.8)	(1.02)	(244.6)	(1.09)	(219.8)	(1.15)
Value added revenue	$449.2	$2.00	$450.5	$2.01	$376.5	$1.96
GE Products:						
Shipments (mmlbs)	222.5		232.7		220.2	
	$	$ / lb	$	$ / lb	$	$ / lb
Sales	$411.0	$1.85	$441.4	$1.90	$447.0	$2.03
Less: hedged cost of alloyed metal	(224.9)	(1.01)	(249.4)	(1.07)	(271.8)	(1.23)
Value added revenue	$186.1	$0.84	$192.0	$0.83	$175.2	$0.80
Automotive Extrusions:						
Shipments (mmlbs)	64.1		62.8		62.8	
	$	$ / lb	$	$ / lb	$	$ / lb
Sales	$129.5	$2.02	$125.5	$2.00	$126.9	$2.02
Less: hedged cost of alloyed metal	(63.2)	(0.99)	(66.5)	(1.06)	(75.3)	(1.20)
Value added revenue	$66.3	$1.03	$59.0	$0.94	$51.6	$0.82
Other Products:						
Shipments (mmlbs)	52.8		66.5		85.9	
	$	$ / lb	$	$ / lb	$	$ / lb
Sales	$80.0	$1.52	$98.1	$1.48	$131.1	$1.53
Less: hedged cost of alloyed metal	(48.0)	(0.91)	(63.4)	(0.96)	(90.2)	(1.05)
Value added revenue	$32.0	$0.61	$34.7	$0.52	$40.9	$0.48
Total:						
Shipments (mmlbs)	563.7		585.9		560.9	
	$	$ / lb	$	$ / lb	$	$ / lb
Sales	$1,297.5	$2.30	$1,360.1	$2.32	$1,301.3	$2.32
Less: hedged cost of alloyed metal	(563.9)	(1.00)	(623.9)	(1.06)	(657.1)	(1.17)
Value added revenue	$733.6	$1.30	$736.2	$1.26	$644.2	$1.15

For 2013, Net sales of Fabricated Products decreased by $62.6 million to $1,297.5 million, as compared to 2012, due primarily to a 22.2 million pound decrease in shipments and lower average realized sales price. The decrease in shipments was comprised of (i) a 10.2 million pound decrease in GE products shipments primarily due to slightly weaker demand for all product types, (ii) a 13.7 million pound decrease in Other products shipments reflecting our focus on higher value added products, partially offset by (iii) a 1.3 million pound increase in Automotive Extrusion shipments reflecting the ramp up of new Automotive Extrusion programs and (iv) a 0.4 million pound increase in Aero/HS products shipments reflecting strong demand from commercial aerospace build rates dampened by excess customer inventory of certain products. Average realized sales price decreased slightly, reflecting a $0.06 per pound decline in the hedged, alloyed metal prices, mostly offset by a $0.04 per pound increase in the average value added revenue per pound as compared to 2012.

For 2012, Net sales of Fabricated Products increased by $58.8 million to $1,360.1 million, as compared to 2011, due primarily to a 25.0 million pound increase in shipments. The increase in shipments was comprised of (i) a 31.9 million pound

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increase in Aero/HS products shipments primarily due to higher commercial aerospace demand for plate and sheet products and (ii) a 12.5 million pound increase in GE products shipments reflecting higher demand in the general engineering end use market, partially offset by (iii) a 19.4 million pound decrease in Other products shipments. Average realized sales price was flat, reflecting an $0.11 per pound increase in average value added revenue per pound, offset by an $0.11 per pound decrease in hedged, alloyed metal prices as compared to 2011. The increase in average value added revenue per pound reflected a shift to a richer product mix and improved pricing on some products.

All Other

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

Corporate and Other. The Corporate and Other business unit provides support for our operations and incurs general and administrative expenses that are not allocated to other business units or segments. The table below presents the impact of non-run-rate items to operating loss within the Corporate and Other business unit for 2013, 2012 and 2011 (in millions of dollars):

	Year Ended December 31,		
	2013	2012	2011
Operating loss	$(15.3)	$(24.9)	$(28.6)
Impact to operating loss of non-run-rate items:			
Net periodic benefit income relating to the VEBAs[1]	22.5	11.9	6.0
Environmental expense	(0.5)	(0.2)	(2.2)
Workers' compensation expense due to a change in discount rate[2]	0.2	—	(0.7)
Other operating benefits	—	—	0.3
Total non-run-rate items	22.2	11.7	3.4
Operating loss excluding non-run-rate items	$(37.5)	$(36.6)	$(32.0)

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 annual variable cash contributions and certain administrative fees. Nevertheless, for accounting purposes we treat the postretirement medical benefits to be paid by the VEBAs and our related annual variable cash contribution obligations as defined benefit postretirement plans with the current VEBA assets and future variable cash 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 of the VEBAs and its accumulated postretirement benefit obligation in our consolidated financial statements. See Note 7 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 2013 and 2012 were not material because discount rates did not fluctuate significantly.

Corporate and Other operating loss excluding non-run-rate items for 2013 was $0.9 million higher than in 2012. The increase primarily reflects a $0.7 million increase in non-discounted workers’ compensation expense related to our non-operating locations primarily due to higher reported case reserve estimates and incurred-but-not-reported reserve estimates.

Corporate and Other operating loss excluding non-run-rate items for 2012 was $4.6 million higher than in 2011. The increase primarily reflects (i) a $2.3 million increase in employee compensation expense relating to our incentive programs due to better operating results in 2012, (ii) a $1.2 million increase in salaries and wages expense and (iii) a

$1.7 million increase in workers' compensation expense (excluding the impact of the change in discount rate applied in estimating workers' compensation liabilities) related to our non-operating locations due to higher estimated incurred-but-not-reported reserve estimates expenses in 2012.

Secondary Aluminum. The Secondary Aluminum business unit activities related to our purchase and resale to a third party of secondary aluminum produced by Anglesey until Anglesey ceased its remelt and casting operations at its facility in Holyhead, Wales in the quarter ending June 30, 2013. Because we in substance acted as a sales agent for secondary aluminum produced

by Anglesey, our sales were presented net of our cost of sales. Accordingly, we reported net sales and operating income of zero in 2013, 2012 and 2011.
We owned a 49.0% interest in Anglesey until we sold such interest in the quarter ended December 31, 2013 for a de minimis amount. Because the carrying value of our ownership interest in Anglesey was zero, we recorded a de minimis gain on the sale.

Certain Information Related to Our Significant Tax Attributes
We have significant federal income tax attributes, including sizable net operating loss carry-forwards. Under Section 382(l)(5) (“Section 382”) of the Internal Revenue Code of 1986 (the "Code"), 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”).
Issuances of new common shares impact the formula to determine whether an ownership change has occurred under Section 382. However, we could issue all shares that are authorized (and not outstanding) without triggering an ownership change.
Liquidity and Capital Resources
Summary
The following table summarizes our liquidity at the dates presented (in millions of dollars):

	December 31, 2013	December 31, 2012
Available cash and cash equivalents	$169.5	$273.4
Short-term investments	129.5	85.0
Net borrowing availability on Revolving Credit Facility after borrowings and letters of credit	253.1	259.8
Total liquidity	$552.1	$618.2

Available cash and cash equivalents and short-term investments were $299.0 million at December 31, 2013, compared to $358.4 million at December 31, 2012. The decrease was primarily driven by the payment to the VEBAs of $20.0 million of annual variable cash contribution with respect to 2012, the payment of interest for a full year on our Senior Notes and cash outflow from investing and financing activities consisting of capital expenditures, repurchases of common stock and the payment of quarterly dividends. These decreases were partially offset by cash inflow from operations. Cash equivalents consist primarily of money market accounts and investments with an original maturity of 90 days or less when purchased. 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. Short-term investments represent holdings in investment-grade commercial paper and corporate bonds with a maturity of greater than 90 days.
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. From time to time, such restricted funds could be returned to us or we could be required to pledge additional cash. Short-term restricted cash, which is included in Prepaid expenses and other current assets, was $0.3 million and $1.3 million at December 31, 2013 and December 31, 2012, respectively. Long-term restricted cash, which is included in Other Assets, was $9.3 million and $10.0 million at December 31, 2013 and December 31, 2012, respectively.

We and certain of our subsidiaries have a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions party thereto ("Revolving Credit Facility") (see Note 3 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report). There were no borrowings under our Revolving Credit Facility as of December 31, 2013 or December 31, 2012.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for 2013, 2012 and 2011 (in millions of dollars):

	Year Ended December 31,		
	2013	2012	2011
Total cash provided by (used in):			
Operating activities:			
Fabricated Products	$187.5	$201.3	$105.9
All Other	(75.8)	(48.9)	(43.1)
	$111.7	$152.4	$62.8
Investing activities:			
Fabricated Products	$(69.8)	$(43.5)	$(115.3)
All Other	(43.6)	(78.4)	(1.0)
	$(113.4)	$(121.9)	$(116.3)
Financing activities:			
Fabricated Products	$(0.1)	$(4.8)	$(8.4)
All Other	(102.1)	197.9	(23.9)
	$(102.2)	$193.1	$(32.3)

Operating Activities

Fabricated Products — In 2013, Fabricated Products segment operating activities provided $187.5 million of cash. Cash provided in 2013 was primarily related to $200.8 million of adjusted net income, which primarily consisted of $188.6 million of operating income and $15.7 million of Canadian tax benefits, partially offset by $3.3 million of non-cash adjustments. Cash provided in 2013 also included an increase in accounts payable and other accrued liabilities of $2.1 million due to general business activities and the timing of payment, partially offset by an increase in accounts receivable of $7.9 million due partially to the recognition of a $4.4 million receivable relating to tax refunds from the CRA, as well as increases in product shipments near year end and an increase in inventory of $4.4 million in anticipation of higher sales.

In 2012, Fabricated Products segment operating activities provided $201.3 million of cash. Cash provided in 2012 was primarily related to $202.2 million of net income including adjustments of non-cash items, a decrease in inventory of $24.6 million as a result of inventory reduction efforts and an increase in accounts payable and other accrued liabilities of $3.9 million due to an increase in general business activities, partially offset by an increase in accounts receivable of $24.8 million which resulted primarily from the elimination of customer cash discounts and a decrease in net long-term assets and liabilities of $4.4 million primarily due to recognition of deferred revenue.

In 2011, Fabricated Products segment operating activities provided $105.9 million of cash. Cash provided in 2011 was primarily related to $130.9 million of net income including adjustments of non-cash items, an increase in accounts payable and other accrued liabilities of $12.2 million due to an increase in general business activities and the timing of payment, partially offset by an increase in inventory of $24.4 million due to inventory build in anticipation of higher sale, an increase in accounts receivable of $9.9 million due to increased sales, and a decrease in net long-term assets and liabilities of $3.0 million primarily due to recognition of deferred revenue.

For additional information regarding Fabricated Products operations income excluding non-run-rate items, see “Results of Operations-Segment and Business Unit Information” above.

All Other — Cash used in operations in All Other is comprised of (i) cash used in Corporate and Other activities, and (ii) cash flows from Anglesey-related operating activities.

Corporate and Other operating activities used $75.8 million, $42.0 million and $41.5 million of cash during 2013, 2012 and 2011, respectively. Cash outflow from Corporate and Other operating activities in 2013 consisted primarily of payments relating to (i) general and administrative costs of $26.9 million, (ii) an annual variable cash contribution to the VEBAs of $20.0 million with respect to the 2012 year, and (iii) interest on the Convertible Notes, Senior Notes and Revolving Credit Facility of $28.1 million in the aggregate. Cash outflow from Corporate and Other operating activities in 2012 consisted primarily of payments relating to (i) general and administrative costs of $25.9 million, (ii) interest on the Senior Notes, Convertible Notes and Revolving Credit Facility of $19.4 million in the aggregate, and (iii) our incentive programs in the amount of $2.4 million.

Cash outflow from Corporate and Other operating activities in 2011 consisted primarily of payments relating to (i) general and administrative costs of $27.8 million, (ii) interest on the Convertible Notes and Revolving Credit Facility of $9.7 million in the aggregate, and (iii) an annual variable cash contribution to the VEBAs of $2.2 million with respect to the 2010 year.

Anglesey-related activities did not have any cash flow impact in 2013. Anglesey-related activities used $6.9 million and $1.6 million of cash in 2012 and 2011, respectively. As discussed in "Results of Operations" above, the Secondary Aluminum business unit activities related to our purchase and resale to a third party of secondary aluminum produced by Anglesey. As such, operating cash flows for all years presented reflected changes in accounts payable to Anglesey for the purchase of secondary aluminum and changes in accounts receivable on third party sales of such secondary aluminum. During 2013, Anglesey ceased its remelt and casting operations and we sold our 49% interest in Anglesey. Accordingly, we will not have liquidity fluctuations from Anglesey activities in the future.

Investing Activities

Fabricated Products — Cash used in investing activities for Fabricated Products was $69.8 million in 2013, compared to $43.5 million of cash used in 2012 and $115.3 million of cash used in 2011. Cash used in 2013 and 2012 was substantially related to capital expenditures. 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. See “Capital Expenditures and Investments” below for additional information.

All Other — Investing activities in All Other is generally related to purchases and settlements of short-term investments, 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 for All Other during 2013 of $43.6 million primarily represents $44.7 million net cash outflow relating to purchases and settlements of short-term investments and $0.6 million relating to capital expenditures, partially offset by $1.7 million of cash returned to us from the State of Washington and Bermuda relating to workers compensation deposits. Cash used in investing activities for All Other during 2012 of $78.4 million primarily represents the purchase of $85.0 million of short-term investments offset by the return of $6.9 million of restricted cash previously held in a trust account. Cash used in investing activities in 2011 is comprised of the deposit of $1.0 million of restricted cash relating to workers' compensation, $0.4 million of capital expenditures and a $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.

Financing Activities

Fabricated Products — Cash used in financing activities for Fabricated Products in 2013 was $0.1 million relating to the repayment of a capital lease liability. Cash used in financing activities for Fabricated Products in 2012 was $4.8 million, relating to the repayment of outstanding principal balance of a promissory note issued in connection with the acquisition of our Florence, Alabama facility. Cash used in financing activities for Fabricated Products in 2011 of $8.4 million was related to a $7.0 million full repayment of the outstanding principal balance of the promissory note issued 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 in financing activities in 2013 was $102.1 million, primarily (i) $78.3 million of cash used to repurchase our common stock under our stock repurchase program, (ii) $22.4 million of cash dividends paid to our stockholders (net of dividends returned), including holders of restricted stock, and dividend equivalents paid to holders of certain restricted stock units and to holders of performance shares with respect to approximately one-half of the performance shares, (iii) $2.5 million of cash used to repurchase our common stock to satisfy withholding taxes resulting from the vesting of employee restricted stock, restricted stock units and performance shares, partially offset by (iv) $1.1 million of additional tax benefit in connection with the vesting of employee non-vested shares, restricted stock units and performance shares.

Cash provided by financing activities in 2012 was $197.9 million, primarily representing (i) net proceeds of $218.4 million from the issuance of the Senior Notes and (ii) $1.3 million of additional tax benefit in connection with the vesting of employee restricted stock, restricted stock units and performance shares, partially offset by (iii) $19.6 million of cash dividends paid to our stockholders, including holders of restricted stock, and dividend equivalents paid to holders of certain restricted stock units and to holders of performance shares with respect to approximately one-half of the performance shares and (iv) $2.2 million of cash used in connection with the withholding of shares of 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 used in 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 certain restricted stock units and to holders of performance shares with respect to approximately 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.

Sources of Liquidity

We believe our available cash and cash equivalents, short-term investments, borrowing availability under the Revolving Credit Facility, and funds generated from operations are our most significant sources of liquidity. We believe these sources will be sufficient to finance our cash requirements, including those associated with our planned capital expenditures and investments, for at least the next 12 months. Nevertheless, our ability to fund our working capital requirements, debt service obligations, the full amount of any variable cash contribution to the VEBAs, and planned capital expenditures and investments will 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.

The 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. The 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):

	February 11, 2014	December 31, 2013
Revolving credit facility borrowing commitment	$300.0	$300.0
Borrowing base availability	$264.4	$260.1
Less: Outstanding borrowings under Revolving Credit Facility	—	—
Less: Outstanding letters of credit under Revolving Credit Facility	(7.0)	(7.0)
Net remaining borrowing availability	$257.4	$253.1
Borrowing rate (if applicable)[1]	4.0%	4.0%

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1 Such borrowing rate, if applicable, represents the interest rate for any overnight borrowings under the Revolving Credit Facility.

We do not believe that covenants contained in the 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 3 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

See “Contractual Obligations, Commercial Commitments, and Off-Balance Sheet and Other Arrangements - Contractual Obligations and Commercial Commitments” below for mandatory principal and cash interest payments on the outstanding borrowings under the Convertible Notes and the Senior Notes. Because our closing stock price exceeded 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days ending on December 31, 2013, the last trading date of the fourth quarter of 2013, holders may convert the Convertible Notes during the first quarter of 2014. We believe that the market value of the Convertible Notes will continue to exceed the amount of cash payable upon conversion, making conversion prior to the first quarter of 2015 unlikely. In any event, we expect to exercise the cash-settled Call Options relating to shares of our common stock that we acquired in connection with the issuance of the Convertible Notes to cover the amount of cash that we would be required to pay to the holders of any converted Convertible Notes in excess of the principal amount thereof. Furthermore, we expect to have sufficient liquidity to repay the principal amount of the Convertible Notes upon conversion. See Note 3 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for further details of the Convertible Notes and the Senior Notes.

We do not believe that covenants in the indentures governing the Convertible Notes and the Senior Notes are reasonably
likely to limit our ability to obtain additional debt or equity financing should we choose to do so during the next 12 months.

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See Note 3 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" of this Report for further descriptions regarding the Convertible Notes and the Senior Notes; such descriptions are incorporated herein
by reference.
Capital Expenditures and Investments

A component of our long-term strategy is our capital expenditure program, including our organic growth initiatives and
value-creating acquisitions. Total capital expenditures were $70.4 million, $44.1 million and $32.5 million for 2013, 2012 and 2011, respectively.

Capital spending during 2013 and 2012 included spending on major projects at our Spokane (Trentwood), Washington facility, including a new casting complex to expand our rolling ingot capacity and reduce costs and a project to further expand heat treat plate capacity. Other projects included capital upgrades at several of our extrusion facilities to support new automotive programs that launched in 2013 or will launch over the next few years. Capital investment during 2011 included capital spending (i) at our extrusion facility in Chandler, Arizona to increase capacity to serve demand for aerospace extrusions, (ii) at our Spokane (Trentwood), Washington facility primarily on projects to increase capacity to meet growing demand for heat treat plate applications, and (iii) to complete our extrusion and remelt facility in Kalamazoo, Michigan. The rest of our capital spending in 2013, 2012 and 2011 was spread among our manufacturing locations on projects expected to reduce operating costs, improve quality, increase capacity or enhance operational security.

In 2014, we anticipate capital spending will be in the $50.0 million to $60.0 million range. Capital investment will be funded using cash generated from operations, available cash and cash equivalents, short-term investments, borrowings under the Revolving Credit Facility and/or other third-party financing arrangements. 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 2013, 2012 and 2011, we paid a total of $23.0 million, $19.6 million and $18.9 million, or $1.20, $1.00 and $0.96 per common share, respectively, in cash dividends to our stockholders, including the holders of restricted stock, and dividend equivalents to the holders of certain restricted stock units and to the holders of performance shares with respect to approximately one-half of the performance shares. Upon the termination in the third quarter of 2013 of the third-party disbursing agent agreement entered into in connection with our emergence from chapter 11 proceedings in 2006, $0.6 million of cash dividends paid in respect of our common shares held in trust by the third-party disbursing agent for distribution under our chapter 11 plan, as well as 9,001 such common shares, were returned to us at the direction of the bankruptcy court.
On January 14, 2014, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of $0.35 per common share, or $6.4 million (including dividend equivalents), which was paid on or about February 14, 2014 to stockholders of record at the close of business on January 24, 2014.
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 condition and anticipated cash requirements and
contractual restrictions under our Revolving Credit Facility, the indenture for our Senior Notes or other indebtedness we may incur in the future. We can give no assurance that dividends will be declared and paid in the future.
Repurchases of Common Stock
From time to time, we repurchase shares of our common stock pursuant to a stock repurchase program authorized by our Board of Directors. During 2013, our Board of Directors twice authorized additional funds under this program,

with $75.0 million authorized in April 2013 and another $75.0 million authorized in December 2013. Repurchase transactions will occur at such times and prices as management deems appropriate and will be funded with our excess liquidity after giving consideration to internal and external growth opportunities and future cash flows. Repurchases may be in open-market transactions or in privately negotiated transactions, and the program may be modified or terminated by our Board of Directors at any time.

In 2013, we repurchased 1,232,077 shares of our common stock at a weighted-average price of $64.35 per share pursuant to this authorization. The total cost of $79.3 million was recorded as Treasury Stock. We purchased no shares under this program during 2012 and 2011. As of December 31, 2013, $117.6 million remained available for repurchases of our common shares pursuant to the stock repurchase program.

Under our 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 2013, we withheld 40,075 shares of common stock to satisfy employees' minimum statutory tax withholding obligations. The withholding of common shares by us on the vesting date could be deemed a purchase of the common shares.

Restrictions Related to Equity Capital

As discussed in “Certain Information Related to Our Significant Tax Attributes” above and elsewhere in this Report, there are restrictions on the transfer of our common shares. These restrictions are intended to reduce the risk that an ownership change within the criteria under Section 382 would jeopardize our ability to fully use our federal income tax attributes.

Environmental Commitments and Contingencies

We are subject to a number of environmental laws and regulations, to potential fines or penalties assessed for alleged breaches of the environmental laws and regulations, and to potential claims and litigation based upon such laws and regulations. We have established procedures for regularly evaluating environmental loss contingencies. 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. See Note 10 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” for additional information regarding our environmental commitments and contingencies.

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, 2013 (dollars in millions):

	Payments Due by Period						
	Total	2014	2015	2016	2017	2018	2019 and Thereafter
Operating activities:[1]							
Purchase obligations	$286.5	$278.5	$4.9	$0.4	$0.4	$0.4	$1.9
Operating leases	45.1	4.7	4.0	2.9	2.1	2.0	29.4
Investing activities:[2]							
Capital equipment	0.8	0.8	—	—	—	—	—
Financing activities:[3]							
Principal on the Convertible Notes[4]	175.0	—	175.0	—	—	—	—
Cash Interest on the Convertible Notes[4]	11.8	7.9	3.9	—	—	—	—
Principal on the Senior Notes[4]	225.0	—	—	—	—	—	225.0
Interest on the Senior Notes[4]	120.6	18.6	18.6	18.6	18.6	18.6	27.6
Commitment fees on Revolving Credit Facility[5]	4.1	1.5	1.5	1.1	—	—	—
Other:							
VEBA contribution[6]	17.3	16.3	0.3	0.3	0.3	0.1	—
Standby letters of credit[7]	7.4	—	—	7.0	—	—	—
Uncertain tax liabilities[8]	5.0	—	—	—	—	—	—
Deferred compensation plan liability[9]	7.0	—	—	—	—	—	—
Total contractual obligations[6]	$905.6	$328.3	$208.2	$30.3	$21.4	$21.1	$283.9

1 See “Obligations for Operating Activities” below.

2 See “Obligations for Investing Activities” below.

3 See “Obligations for Financing Activities” below.

4 The timing of the principal payment with respect to the Convertible Notes assumes that no early conversion occurs. Interest obligations on the Convertible Notes and Senior Notes are based on scheduled interest payments.

5 Future commitment fees are estimated based on the amount of unused credit under our Revolving Credit Facility at December 31, 2013 and assuming no extension of terms beyond the current maturity date of our Revolving Credit Facility, which is in September 2016.

6 Except for the variable cash contribution to the VEBAs to be made in the first quarter of 2014 with respect to the 2013 calendar year and the annual administration fees to the VEBAs, total contractual obligations exclude future annual variable cash contributions to the VEBAs, which cannot be determined at this time. See “Off-Balance Sheet and Other Arrangements” below for a description of our annual variable cash obligations to the VEBAs.

7 Of the $7.4 million of standby letters of credit, $0.4 million represents cash collateralized and $7.0 million represents letters of credit issued under our Revolving Credit Facility. The letters of credit provide financial assurance of our payment of obligations, primarily related to workers' compensation and environmental compliance. The specific timing of payments with respect to such matters is uncertain. The letters of credit generally automatically renew every 12 months and terminate when the underlying obligations no longer require assurance or upon the maturity of our Revolving Credit Facility in September 2016 (for those letters of credit issued under that facility).

8 At December 31, 2013, we had uncertain tax positions which ultimately could result in tax payments. As the amount of ultimate tax payments beyond 2014 is contingent on the tax authorities’ assessment, it is not practical to present annual payment information.

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

payment information.

Obligations for Operating Activities

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

We have various contracts with suppliers of aluminum that require us to purchase minimum quantities of aluminum in future years at a price to be determined at the time of purchase based primarily on the underlying metal price at that time. Amounts included in the table are based on minimum quantities at the metal price at December 31, 2013. We believe the minimum quantities are lower than our current requirements for aluminum. Actual quantities and actual metal prices at the time of purchase could be different.

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

Obligations for Investing Activities

Capital project spending included in the preceding table represents non-cancelable capital commitments as of December 31, 2013. We expect capital projects to be funded through available cash generated from our operations, cash and cash equivalents, short-term investments, borrowings under our Revolving Credit Facility and/or other third-party financing arrangements.

Obligations for Financing Activities

Cash outlays for financing activities consist of our principal obligations under long-term debt, scheduled interest payment on the Convertible Notes and the Senior Notes and commitment fees under our Revolving Credit Facility. No borrowings were outstanding under our Revolving Credit Facility either throughout the year or as of December 31, 2013.

Off-Balance Sheet and Other Arrangements

- See Note 7 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for information regarding our employee benefit plans, including defined contribution plans and defined benefit plans.
- See Note 8 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for information regarding our participation in multi-employer pension plans.
- See Note 9 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for information regarding our employee incentive plans. Additional equity awards are expected to be made to employees and directors in 2014 and future years.
- Our financial obligations to the VEBAs are (i) a variable cash contribution payable to the VEBAs and (ii) an obligation to pay the administrative expenses of the VEBAs, up to \$0.3 million per year. The obligation to the VEBA that provides benefits for eligible retirees represented by certain unions and their surviving spouse and eligible dependents with respect to the variable cash contribution extends through September 30, 2017, while the obligation to the VEBA that provides benefits to certain other eligible retirees, and their surviving spouse and eligible dependents has no express termination date. The amount to be contributed to the VEBAs through September 2017 pursuant to our obligation is 10% of the first \$20.0 million of annual cash flow (as defined; in general terms, the principal elements of cash flow are earnings before interest expense, provision for income taxes, and depreciation and amortization less cash payments for, among other things, interest, income taxes, and capital expenditures), plus 20% of annual cash flow, as defined, in excess of \$20.0 million. Such annual payments may not exceed \$20.0 million and are also limited (with no carryover to future years) to the extent that the payments would cause our liquidity to be less than \$50.0 million. As of December 31, 2013, we determined that the variable cash contribution to the VEBAs for 2013 was \$16.0 million. See Note 7 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information regarding the effect that the VEBAs had on the consolidated financial statements.
- In March 2010, we issued the Convertible Notes, and, in connection therewith, we purchased the Call Options and sold to the Call Option counterparties net-share-settled warrants relating to our common stock. Because our closing stock price exceeded 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days ending on December 31, 2013, the last trading date of the fourth quarter of 2013, holders may convert the Convertible Notes during the first quarter of 2014. We believe that the market value of the Convertible Notes will continue to

exceed the amount of cash payable upon conversion, making conversion prior to the first quarter of 2015 unlikely. In any event, we expect to exercise the cash-settled call options to cover the amount of cash that we would be required to pay to the holders of any converted Convertible Notes in excess of the principal amount thereof. Furthermore, we expect to have sufficient liquidity to repay the principal amount of the Convertible Notes upon conversion. See Note 3 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” of this Report for further details of the Convertible Notes and the Senior Notes.

Critical Accounting Estimates and Policies

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

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Our judgments and estimates in respect of defined benefit plans.		
At December 31, 2013, our financial statements include two defined benefit postretirement medical plans (i.e. the postretirement medical plans maintained by the VEBAs, which we are required to reflect on our financial statements despite our limited legal obligations to the VEBAs in regard to those plans) and a pension plan for our Canadian plant. Liabilities and expenses for pension and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return (“LTRR”) on plan assets, and several assumptions relating to the employee workforce (i.e., salary increases, medical costs, retirement age, and mortality). The most significant assumptions used in determining the estimated year-end obligations were the assumed discount rate, LTRR and the assumptions regarding future medical cost increases. In addition to the above assumptions used in the actuarial valuation, changes in plan provisions could also have a material impact on the net funded status of the VEBAs. Our only obligation to the VEBAs is to pay the annual variable contribution amount based on the level of our cash flow. We have no control over any aspect of the plans. We rely entirely on information provided to us by the VEBA administrators with respect to specific plan provisions such as annual benefits paid. See Note 7 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional information on our benefit plans.	Since recorded obligations represent the present value of expected pension and postretirement benefit payments over the life of the plans, decreases in the discount rate (used to compute the present value of the payments) would cause the estimated obligations to increase. Conversely, an increase in the discount rate would cause the estimated present value of the obligations to decline. The LTRR on plan assets reflects an assumption regarding what the amount of earnings would be on existing plan assets (before considering any future contributions to the plans). Increases in the assumed LTRR would cause the projected value of plan assets available to satisfy pension and postretirement obligations to increase, yielding a reduced net expense in respect of these obligations. A reduction in the LTRR would reduce the amount of projected net assets available to satisfy pension and postretirement obligations and, thus, cause the net expense in respect of these obligations to increase. As the assumed rate of increase in medical costs goes up, so does the net projected obligation. Conversely, if the	The rate used to discount future estimated liabilities is determined considering the rates available at year end on debt instruments that could be used to settle the obligations of the plan. An increase/decrease in the discount rate of 1/4 of 1% would impact the projected benefit obligation by approximately \$0.3 million in relation to the Canadian pension plan, and impact 2014 expense by \$0.1 million. An increase/decrease in the discount rate of 1/4 of 1% would impact the accumulated pension benefit obligation by approximately \$10.0 million in relation to the VEBAs, impact service and interest costs by \$0.3 million and impact 2014 expense by approximately \$0.2 million. The LTRR on plan assets is estimated by considering historical returns and expected returns on current and projected asset allocations. A change in the assumption for LTRR on plan assets of 1/4 of 1% would impact expense by approximately \$1.9 million in 2014 in relation to the VEBAs.

	rate of increase was assumed to be lower, the projected obligation would decline. A change in plan provisions could cause the estimated obligations to change. An increase in annual paid benefits would increase the estimated present value of the obligations, and conversely, a decrease in annual paid benefits would decrease the estimated present value of the obligations.	An increase/decrease in the assumed medical trend rate of 1% would impact the accumulated postretirement benefit obligation by approximately $22.7 million to $27.8 million in relation to the Union VEBA. An increase/decrease in the assumed medical trend rate of 1% would impact service and interest costs by approximately $1.5 million to $2.0 million.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Our judgments and estimates with respect to environmental commitments and contingencies.		
We are subject to a number of environmental laws and regulations, to potential fines or penalties assessed for alleged breaches of such laws and regulations and to potential claims and litigation based upon such laws and regulations. Based on our evaluation of environmental matters, we have established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. These environmental accruals represent our estimate of costs reasonably expected to be incurred on a going concern basis in the ordinary course of business based on presently enacted laws and regulations, currently available facts, existing technology and our assessment of the likely remediation action to be taken. See Note 10 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information on our environmental contingencies.	Making estimates of possible incremental environmental remediation costs is subject to inherent uncertainties. In estimating the amount of any loss, in many instances a single estimation of the loss may not be possible. Rather, we may only be able to estimate a range for possible losses. In such event, GAAP requires that a liability be established for at least the minimum end of the range assuming that there is no other amount which is more likely to occur. As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals.	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals. To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our future results from operations could be materially affected.
Our judgments and estimates with respect to legal and other commitments and contingencies.		
Valuation of legal and other contingent claims is subject to a great deal of judgment and substantial uncertainty. Under GAAP, companies are required to accrue for loss contingencies in their financial statements only if both (i) the potential loss is "probable" and (ii) the amount (or a range) of probable loss is "estimable." In reaching a determination of the probability of an adverse ruling in respect of a matter, we typically consult outside experts. However, any such judgments reached regarding probability are subject to	In estimating the amount of any loss, in many instances a single estimation of the loss may not be possible. Rather, we may only be able to estimate a range for possible losses. In such event, GAAP requires that a liability be established for at least the minimum end of the range assuming that there is no other	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals. To the extent we prevail in matters for

significant uncertainty. We may, in fact, obtain an adverse ruling in a matter that we did not consider a “probable” loss or “estimable” and which, therefore, was not accrued for in our financial statements. Additionally, facts and circumstances in respect of a matter can change causing key assumptions that were used in previous assessments of a matter to change.

amount which is more likely to occur.

which reserves have been established or are required to pay amounts in excess of our reserves, our future results from operations could be materially affected.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Our judgments and estimates with respect to conditional asset retirement obligations.		
We recognize conditional asset retirement obligations (“CAROs”) related to legal obligations associated with the normal operations of certain of our facilities. These CAROs consist primarily of incremental costs that would be associated with the removal and disposal of asbestos (all of which is believed to be fully contained and encapsulated within walls, floors, ceilings or piping) of certain of our older facilities if such facilities were to undergo major renovation or be demolished. There are currently plans for such renovation or demolition at certain facilities and management’s current assessment is that certain immaterial CAROs may be triggered during the next four years. For locations where there are no current plans for renovations or demolitions, the most probable scenario is such CAROs would not be triggered for 20 or more years, if at all. Under current accounting guidelines, liabilities and costs for CAROs must be recognized in a company’s financial statements even if it is unclear when or if the CARO will be triggered. If it is unclear when or if a CARO will be triggered, companies are required to use probability weighting for possible timing scenarios to determine the probability-weighted amounts that should be recognized in the company’s financial statements.	The estimation of CAROs is subject to a number of inherent uncertainties including: (1) the timing of when any such CARO may be incurred; (2) the ability to accurately identify all materials that may require special handling or treatment; (3) the ability to reasonably estimate the total incremental special handling and other costs; (4) the ability to assess the relative probability of different scenarios which could give rise to a CARO; and (5) other factors outside a company’s control including changes in regulations, costs and interest rates. As such, actual costs and the timing of such costs may vary significantly from the estimates, judgments and probable scenarios we considered, which could, in turn, have a material impact on our future financial statements.	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be materially different than those reflected in our accruals.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Our judgments and estimates with respect to self insurance workers' compensation liabilities.		
We are primarily self-insured for workers compensation benefits provided to employees. Workers' compensation liabilities are estimated for incurred-but-not-reported claims based on judgment, using our historical claim data and information and analysis provided by actuarial and claim advisors, our insurance carriers and other professionals. We account for accrued liability relating to workers' compensation claims on a discounted basis.	The accounting for our self-insured workers' compensation plan involves estimates and judgments to determine our ultimate liability related to reported claims and incurred-but-not-reported claims. We consider our historical experience, severity factors, actuarial analysis and existing stop loss insurance in estimating our ultimate insurance liability. In addition, since recorded obligations represent the present value of expected payments over the life of the claims, decreases in the discount rate (used to compute the present value of the payments) would cause the estimated obligations to increase. Conversely, an increase in the discount rate would cause the estimated present value of expected payments to decrease. If our workers' compensation claim trends were to differ significantly from our historic claim experience and as the discount rate changes, we would make a corresponding adjustment to our workers' compensation reserves.	The rate used to discount future estimated workers' compensation liabilities is determined based on the U.S. Treasury bond rate with a five-year maturity date which resembles the remaining estimated life of the workers' compensation claims. A change in the discount rate of 1/4 of 1% would impact the workers' compensation liability and operating income by approximately $0.3 million.
Long Lived Assets.		
Long-lived assets other than goodwill and indefinite-lived intangible assets, which are separately tested for impairment, are evaluated for impairment whenever events or changes in	Our impairment loss calculations contain uncertainties because they require management to make	We have not made any material changes in our impairment loss assessment methodology.

circumstances indicate that the carrying value may not be recoverable. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the fair value, which may be based on estimated future cash flows (discounted and with interest charges) to the asset's carrying value. We recognize an impairment loss if the amount of the asset's carrying value exceeds the assets estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining useful life of that asset.

assumptions and apply judgment to estimate future cash flows and asset fair values, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate long-lived asset impairment losses. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to further losses from impairment charges that could be material.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Income Tax.		
We have substantial tax attributes available to offset the impact of future income taxes. We have a process for determining the need for a valuation allowance with respect to these attributes. The process includes an extensive review of both positive and negative evidence including our earnings history, future earnings, adverse recent occurrences, carryforward periods, an assessment of the industry and the impact of the timing differences. We expect to record a full statutory tax provision in future periods, and, therefore, the benefit of any tax attributes realized will only affect future balance sheets and statements of cash flows. In accordance with GAAP, financial statements for interim periods include an income tax provision based on the effective tax rate expected to be incurred in the current year.	Inherent within the completion of our assessment of the need for a valuation allowance, we make significant judgments and estimates with respect to future operating results, timing of the reversal of deferred tax assets and current market and industry factors. In order to determine the effective tax rate to apply to interim periods, estimates and judgments are made (by taxable jurisdiction) as to the amount of taxable income that may be generated, the availability of deductions and credits expected and the availability of net operating loss carryforwards or other tax attributes to offset taxable income. Making such estimates and judgments is subject to inherent uncertainties given the difficulty of predicting future market conditions, customer requirements, the cost for key inputs such as energy and primary aluminum, overall operating efficiency and other factors. However, if, among other things, (1) actual results vary from our forecasts due to one or more of the factors cited above or elsewhere in this Report, (2) income is distributed differently than expected among tax jurisdictions, (3) one or more material events or transactions occur which were not	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material. A change in our effective tax rate by 1% would have had an impact of approximately $1.4 million to net income for the year ended December 31, 2013.

contemplated, or (4) certain expected deductions, credits or carryforwards are not available, it is possible that the effective tax rate for a year could vary materially from the assessments used to prepare the interim consolidated financial statements. See Note 6 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report for additional discussion of these matters.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Tax Contingencies.		
		Although management believes that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material.
We use a "more likely than not" threshold for recognition of tax attributes that are subject to uncertainties and measure reserves in respect of such expected benefits based on their probability. A number of years may elapse before a particular matter, for which we have established a reserve, is audited and fully resolved or clarified. We adjust our tax reserve and income tax provision in the period in which actual results of a settlement with tax authorities differs from our established reserve, the statute of limitations expires for the relevant tax authority to examine the tax position or when more information becomes available. See Note 6 of Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of this Report for additional information on the recognition of tax attributes.	Our reserve for contingent tax liabilities reflects uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions. Our effective income tax rate is also affected by changes in tax law, the tax jurisdiction of new plants or business ventures, the level of earnings and the results of tax audits.	To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement could require use of our cash and would result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective income tax rate in the period of resolution. Our liability related to uncertain tax positions at December 31, 2013 was $5.0 million.
Inventory Valuation.		
We value our inventories at the lower of cost or market value. For the Fabricated Products segment, finished products, work-in-process and raw material inventories are stated on a LIFO basis, and other inventories, principally operating supplies and repair and maintenance parts, are	Our estimate of market value of our inventories contains uncertainties because management is required to make assumptions and to apply judgment to estimate the	Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses

stated at average cost. Inventory costs consist of material, labor and manufacturing overhead, including depreciation. Abnormal costs, such as idle facility expenses, freight, handling costs and spoilage, are accounted for as current period charges. We determine the market value of our inventories based on the current replacement cost, by purchase or by reproduction, except that it does not exceed the net realizable value and it is not less than net realizable value reduced by an approximate normal profit margin.	selling price of our inventories, costs to complete our inventories and normal profit margin. Making such estimates and judgments is subject to inherent uncertainties given the difficulty predicting such factors as future commodity prices and market conditions.	or gains that could be material.

Description	Judgments and Uncertainties	Potential Effect if Actual Results Differ From Assumptions
Convertible Notes and Call Options.		
The cash conversion feature of the Convertible Notes and the Call Options are accounted for as derivative instruments. We measure the value of the cash conversion feature as the difference between the estimated fair value of the Convertible Notes and the estimated fair value of the Convertible Notes without the cash conversion feature. We value the Convertible Notes based on the trading price of the Convertible Notes and we value the Convertible Notes without the cash conversion feature based on the present value of the series of fixed income cash flows under the Convertible Notes, with a mandatory redemption in 2015. We value the Call Options using a binomial lattice valuation model.	Significant inputs to the model include our stock price, risk-free rate, credit spread, dividend yield, expected volatility of our stock price, and probability of certain corporate events, all of which are observable inputs by market participants. Our estimates of fair value of the cash conversion feature of the Convertible Notes and the Call Options contain uncertainties given the difficulty in predicting factors such as the expected volatility of our stock price and the probability of certain corporate events. The primary driver of fair values of both the cash conversion feature of the Convertible Notes and the Call Option is our stock price.	An increase of $10 in our stock price would cause the net estimated fair values of the cash conversion feature and the Call Options to decrease by approximately $0.1 million. A decrease of $10 in our stock price would cause the net estimated fair values of the cash conversion feature and the Call Options to increase by approximately $0.4 million. We do not expect the net change in the fair value of these derivatives to have a material impact to our financial statements, over time.
Acquisition, Goodwill and Intangible Assets.		
We accounted for acquisitions using the purchase method of accounting, which requires the assets acquired and liabilities assumed to be recorded at the date of acquisition at their respective estimated fair values. We recognize goodwill as of the acquisition date, as a residual over the fair values of the identifiable net assets acquired. Goodwill is tested for impairment at least on an annual basis, as well as on an interim basis as warranted, at the time of events and changes in circumstances. Definite-lived intangible assets acquired will be amortized over the estimated useful lives of the respective assets, to reflect the pattern in which the economic benefits of the intangible assets are consumed. In the event the pattern cannot be	The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can significantly impact our results of operations. Fair values and useful lives are determined based on, among other factors, the expected future period of benefit of the asset, the various characteristics of the asset and projected cash flows. As the determination of an asset's fair value and useful life involves management making certain estimates and because these	We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate goodwill and intangible assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values assigned to each class of assets acquired and liabilities assumed, we may be exposed to losses from impairment charges

reliably determined, we use a straight-line amortization method. Whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable, the intangible assets will be reviewed for impairment. | estimates form the basis for the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates. | that could be material.

New Accounting Pronouncements

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

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, and other information with the 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our operating results are sensitive to changes in the prices of primary aluminum and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. As discussed more fully in Note 11 of Notes to Consolidated Financial Statements included in Item 8. “Financial Statements and Supplementary Data” of this Report, we have historically utilized hedging transactions to lock in a specified price or range of prices for certain products which we sell or consume in our production process and to mitigate our exposure to changes in energy prices and foreign currency exchange rates.

Aluminum. Our pricing of fabricated aluminum products is generally intended to lock in a conversion margin (representing the value added from the fabrication process(es)) and to pass metal price fluctuations to our customers. However, in certain instances, we enter into firm-price arrangements with our customers for stipulated volumes to be delivered in the future. Because we generally purchase primary and secondary aluminum on a floating price basis, pounds that we have committed to sell to customers under such firm-price arrangements create metal price risk for us. We use third-party hedging instruments to limit our exposure to metal price risks related to firm-price customer sales contracts.

Total fabricated products shipments sold under firm-price arrangements during 2013, 2012 and 2011 were (in millions of pounds) 119.8, 178.8 and 157.0, respectively. At December 31, 2013, we had customer sales contracts for the delivery of fabricated aluminum products pursuant to firm-price arrangements for 2014 and 2015, totaling approximately (in millions of pounds) 62.0 and 2.3, respectively.

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

Energy. We are exposed to energy price risk from fluctuating prices for natural gas and electricity. We estimate that, before consideration of any hedging activities and the potential to pass through higher natural gas and electricity prices to customers, each $1.00 change in natural gas prices (per mmBtu) and electricity prices (per mwh) would impact our 2014 annual operating costs by approximately $4.1 million and $0.3 million, respectively.

We, from time to time, in the ordinary course of business, enter into hedging transactions with major suppliers of energy and energy-related financial investments. As of December 31, 2013, our exposure to fluctuations in natural gas prices had been substantially reduced for approximately 82%, 64% and 6% of the expected natural gas purchases for 2014, 2015 and 2016, respectively.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Item 8. Financial Statements and Supplementary Data

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Kaiser Aluminum Corporation and Subsidiary Companies (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kaiser Aluminum Corporation and Subsidiary Companies as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
February 18, 2014

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
	(In millions of dollars, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$169.5	$273.4
Short-term investments	129.5	85.0
Receivables:		
Trade, less allowance for doubtful receivables of $0.8 at December 31, 2013 and December 31, 2012	119.8	123.8
Other	13.4	3.4
Inventories	214.4	186.0
Prepaid expenses and other current assets	44.2	70.1
Total current assets	690.8	741.7
Property, plant, and equipment — net	429.3	384.3
Net asset in respect of VEBAs	406.0	365.9
Deferred tax assets — net (including deferred tax liability relating to the VEBAs of $152.4 at December 31, 2013 and $136.9 at December 31, 2012 - see Note 6)	69.1	102.0
Intangible assets — net	33.7	35.4
Goodwill	37.2	37.2
Other assets	104.8	86.0
Total	$1,770.9	$1,752.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$62.9	$62.5
Accrued salaries, wages, and related expenses	42.7	39.3
Other accrued liabilities	44.8	51.8
Payable to affiliate	—	7.9
Short-term capital leases	0.2	0.1
Total current liabilities	150.6	161.6
Net liability in respect of VEBA	—	5.3
Deferred tax liability	1.2	—
Long-term liabilities	146.4	134.5
Long-term debt	388.5	380.3
Total liabilities	686.7	681.7
Commitments and contingencies — Note 10		
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized at both December 31, 2013 and December 31, 2012; no shares were issued and outstanding at December 31, 2013 and December 31, 2012	—	—
Common stock, par value $0.01, 90,000,000 shares authorized at both December 31, 2013 and December 31, 2012; 21,103,700 shares issued and 18,147,017 shares outstanding at December 31, 2013; 21,037,841 shares issued and 19,313,235 shares outstanding at December 31, 2012	0.2	0.2
Additional paid in capital	1,023.1	1,017.7
Retained earnings	233.8	151.2

Treasury stock, at cost, 2,956,683 shares at December 31, 2013 and 1,724,606 shares at December 31, 2012	(152.2)	(72.3)
Accumulated other comprehensive loss	(20.7)	(26.0)
Total stockholders' equity	1,084.2	1,070.8
Total	$1,770.9	$1,752.5

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2013	2012	2011
	(In millions of dollars, except share and per share amounts)		
Net sales	$1,297.5	$1,360.1	$1,301.3
Costs and expenses:			
Cost of products sold:			
Cost of products sold, excluding depreciation and amortization and other items	1,038.9	1,116.2	1,129.0
Unrealized (gains) losses on derivative instruments	(0.7)	(15.2)	29.9
Restructuring benefits	—	—	(0.3)
Depreciation and amortization	28.1	26.5	25.2
Selling, administrative, research and development, and general (includes accumulated other comprehensive income reclassifications related to VEBA and Canadian pension plan adjustments of $5.7, $7.3 and $4.8 for the years ended 2013, 2012 and 2011, respectively) - See Note 7	57.9	62.2	62.7
Other operating charges (benefits), net	—	4.5	(0.2)
Total costs and expenses	1,124.2	1,194.2	1,246.3
Operating income	173.3	165.9	55.0
Other (expense) income:			
Interest expense	(35.7)	(29.1)	(18.0)
Other income, net (includes accumulated other comprehensive income reclassifications for realized gains on available for sale securities of $1.0 for the year ended 2013)	5.6	2.8	4.3
Income before income taxes	143.2	139.6	41.3
Income tax provision (includes aggregate income tax expense from reclassification items of $(1.8), $(2.8) and $(1.8) for the years ended 2013, 2012 and 2011, respectively)	(38.4)	(53.8)	(16.2)
Net income	$104.8	$85.8	$25.1
Earnings per common share, Basic:			
Net income per share	$5.56	$4.49	$1.32
Earnings per common share, Diluted:			
Net income per share[1]	$5.44	$4.45	$1.32
Weighted-average number of common shares outstanding (in thousands):			
Basic	18,827	19,115	18,979
Diluted[1]	19,246	19,278	18,979

[1] Diluted weighted-average number of common shares outstanding and diluted earnings per share for 2013 and 2012 are based on the treasury method. Diluted weighted-average number of common shares outstanding and diluted earnings per share for 2011 is based on the two-class method (see Note 1 and Note 13).

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2013	2012	2011
	(In millions of dollars)		
Net income	$104.8	$85.8	$25.1
Other comprehensive income (loss):			
Defined benefit pension plan and VEBAs			
Net actuarial gain (loss) arising during the period	2.2	87.8	(110.6)
Reclassification adjustments relating to VEBAs:			
Amortization of net actuarial loss	1.5	3.1	0.6
Amortization of prior service cost	4.2	4.2	4.2
Other comprehensive income (loss) relating to defined benefit pension plan and VEBAs	7.9	95.1	(105.8)
Available for sale securities			
Unrealized gain (loss) on available for sale securities	1.0	0.6	(0.1)
Reclassification adjustments:			
Less: reclassification of unrealized gain upon sale of available for sale securities	(1.0)	—	—
Other comprehensive income (loss) relating to available for sale securities	—	0.6	(0.1)
Foreign currency translation adjustment	0.2	(0.2)	0.2
Other comprehensive income (loss), before tax	8.1	95.5	(105.7)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(2.8)	(36.5)	40.4
Other comprehensive income (loss), net of tax	5.3	59.0	(65.3)
Comprehensive income (loss)	$110.1	$144.8	$(40.2)

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Common Shares Outstanding	Common Stock	Additional Capital	Retained Earnings	Common Stock Owned by Union VEBA Subject to Transfer Restriction	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	(In millions of dollars, except for shares)							
BALANCE, January 1, 2011	19,214,451	$0.2	$987.1	$78.0	$(84.6)	$(72.3)	$ (19.7)	$888.7
Net income		—	—	25.1	—	—	—	25.1
Other comprehensive income, net of tax	—	—	—	—	—	—	(65.3)	(65.3)
Release of restriction on Union VEBA shares, net of tax of $25.0	—	—	8.8	—	31.7	—	—	40.5
Issuance of non-vested shares to employees	83,066	—	—	—	—	—	—	—
Issuance of common shares to directors	3,750	—	0.2	—	—	—	—	0.2
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	17,444	—	—	—	—	—	—	—
Cancellation of employee non-vested shares	(2,889)	—	—	—	—	—	—	—
Cancellation of shares to cover employees' tax withholdings upon vesting of non-vested shares	(62,637)	—	(3.1)	—	—	—	—	(3.1)
Cash dividends on common stock ($0.96 per share)	—	—	—	(18.9)	—	—	—	(18.9)
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	—	—	0.2	—	—	—	—	0.2
	—	—	5.2	—	—	—	—	5.2

Amortization of unearned equity compensation								
Dividends on unvested equity awards that were canceled	—	—	—	0.2	—	—	—	0.2
BALANCE, December 31, 2011	19,253,185	$0.2	$998.4	$84.4	$(52.9)	$(72.3)	$ (85.0)	$872.8
Net income	—	$—	$—	$85.8	$—	$—	$ —	$85.8
Other comprehensive loss, net of tax	—	—	—	—	—	—	59.0	59.0
Release of restriction on Union VEBA shares, net of tax of $41.3	—	—	14.4	—	52.9	—	—	67.3
Issuance of non-vested shares to employees	92,949	—	—	—	—	—	—	—
Issuance of common shares to directors	3,930	—	0.2	—	—	—	—	0.2
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	11,327	—	—	—	—	—	—	—
Cancellation of employee non-vested shares	(2,355)	—	—	—	—	—	—	—
Cancellation of shares to cover employees' tax withholdings upon vesting of non-vested shares	(45,801)	—	(2.2)	—	—	—	—	(2.2)
Cash dividends on common stock ($1.00 per share)	—	—	—	(19.6)	—	—	—	(19.6)
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	—	—	1.3	—	—	—	—	1.3
Amortization of unearned equity compensation	—	—	5.6	—	—	—	—	5.6
Dividends on unvested equity awards that were canceled	—	—	—	0.6	—	—	—	0.6

BALANCE, December 31, 2012	19,313,235	$0.2	$1,017.7	$151.2	$—	$(72.3)	$ (26.0)	$1,070.8
Net income	—	$—	$—	$104.8	$—	$—	$ —	$104.8
Other comprehensive income, net of tax	—	—	—	—	—	—	5.3	5.3
Issuance of non-vested shares to employees	76,336	—	—	—	—	—	—	—
Issuance of common shares to directors	2,916	—	0.2	—	—	—	—	0.2
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	36,503	—	—	—	—	—	—	—
Cancellation of employee non-vested shares	(820)	—	—	—	—	—	—	—
Cancellation of shares to cover employees' tax withholdings upon vesting of non-vested shares	(40,075)	—	(2.5)	—	—	—	—	(2.5)
Repurchase of common stock	(1,232,077)	—	—	—	—	(79.3)	—	(79.3)
Distribution from bankruptcy trust	(9,001)	—	—	0.6	—	(0.6)	—	—
Cash dividends on common stock ($1.20 per share)	—	—	—	(23.0)	—	—	—	(23.0)
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	—	—	1.1	—	—	—	—	1.1
Amortization of unearned equity compensation	—	—	6.6	—	—	—	—	6.6
Dividends on unvested equity awards that were canceled	—	—	—	0.2	—	—	—	0.2
BALANCE, December 31, 2013	18,147,017	$0.2	$1,023.1	$233.8	$—	$(152.2)	$ (20.7)	$1,084.2

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
	(In millions of dollars)		
Cash flows from operating activities:			
Net income	$104.8	$85.8	$25.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	26.4	24.7	23.0
Amortization of definite-lived intangible assets	1.7	1.8	2.2
Amortization of debt discount and debt issuance costs	11.0	9.8	8.6
Deferred income taxes	55.4	52.0	17.6
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	(1.1)	(1.3)	(0.2)
Non-cash equity compensation	6.8	5.8	5.4
Net non-cash LIFO benefits	(24.1)	(4.9)	(7.1)
Non-cash unrealized (gains) losses on derivative instruments	(3.9)	(16.0)	25.9
Amortization of option premiums (received) paid, net	(0.1)	0.3	(1.2)
Non-cash impairment charges	—	4.4	—
Losses (gains) on disposition of property, plant and equipment	0.1	(0.1)	0.2
Gain on disposition of available for sale securities	(0.4)	—	—
Non-cash defined benefit net periodic benefit income	(22.0)	(11.5)	(5.7)
Other non-cash changes in assets and liabilities	(9.3)	1.2	0.4
Changes in operating assets and liabilities, net of effect of acquisition:			
Trade and other receivables	(3.3)	(27.1)	(8.3)
Inventories (excluding LIFO adjustments)	(4.3)	24.6	(24.5)
Prepaid expenses and other current assets	1.1	1.4	(2.9)
Accounts payable	(1.6)	(1.3)	10.9
Accrued liabilities (includes the effect of the VEBA contribution accrual of $16.0 at December 31, 2013 and $20.0 at December 31, 2012)	(18.2)	10.4	(1.5)
Payable to affiliate	(7.9)	(6.5)	(2.7)
Long-term assets and liabilities, net	0.6	(1.1)	(2.4)
Net cash provided by operating activities	111.7	152.4	62.8
Cash flows from investing activities[1]:			
Capital expenditures	(70.4)	(44.1)	(32.5)
Purchase of available for sale securities	(227.8)	(85.0)	(0.3)
Proceeds from disposition of available for sale securities	183.1	—	—
Proceeds from disposal of property, plant and equipment	—	0.3	0.7
Cash payment for acquisition of manufacturing facility and related assets (net of $4.9 of cash received in connection with the acquisition in 2011)	—	—	(83.2)
Change in restricted cash	1.7	6.9	(1.0)
Net cash used in investing activities	(113.4)	(121.9)	(116.3)
Cash flows from financing activities[1]:			
Proceeds from issuance of Senior Notes	—	225.0	—
Payment of capital lease liability	(0.1)	(0.1)	(0.1)

Repayment of promissory notes	—	(4.7)	(8.3)
Cash paid for financing costs	—	(6.6)	(2.1)
Excess tax benefit upon vesting of non-vested shares and dividend payment on unvested shares expected to vest	1.1	1.3	0.2
Repurchase of common stock to cover employees' tax withholdings upon vesting of non-vested shares	(2.5)	(2.2)	(3.1)
Repurchase of common stock	(78.3)	—	—
Cash dividend paid to stockholders	(23.0)	(19.6)	(18.9)
Cash dividend returned to the Company	0.6	—	—
Net cash (used in) provided by financing activities	(102.2)	193.1	(32.3)
Net (decrease) increase in cash and cash equivalents during the period	(103.9)	223.6	(85.8)
Cash and cash equivalents at beginning of period	273.4	49.8	135.6
Cash and cash equivalents at end of period	$169.5	$273.4	$49.8

[1] See Note 15 for the supplemental disclosure on non-cash transactions.

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions of dollars, except share and per share amounts and as otherwise indicated)
1. Summary of Significant Accounting Policies
Organization and Nature of Operations. Kaiser Aluminum Corporation (together with its subsidiaries, unless the context otherwise requires, the "Company") specializes in the production of semi-fabricated specialty aluminum products, such as aluminum sheet and plate and extruded and drawn products, primarily used in aerospace/high strength, general engineering, automotive, and other industrial end market applications. The Company has one operating segment, Fabricated Products. See Note 14 for additional information regarding the Company's reportable segment and its other business units.
Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and are prepared in accordance with United States generally accepted accounting principles ("GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Intercompany balances and transactions are eliminated.
The Company sold its 49% non-controlling ownership interest in Anglesey Aluminium Limited ("Anglesey") in the fourth quarter of 2013 for a de minimis amount. The Company had previously impaired the carrying value of its ownership interest in Anglesey to zero, and accordingly, recorded a de minimis gain on the sale. Because the Company had suspended the use of the equity method of accounting with respect to its 49% non-controlling ownership interest in Anglesey, no equity in income from Anglesey was reflected for any of the periods presented herein.

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

Recognition of Sales. Sales are generally recognized on a gross basis when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) title, ownership and risk of loss has passed to the customer, (iii) the price to the customer is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured. A provision for estimated sales returns from, and allowances to, customers is made in the same period as the related revenues are recognized, based on historical experience or the specific identification of an event necessitating a reserve.
From time to time, in the ordinary course of business, the Company may enter into agreements with customers in which the Company, in return for a fee, agrees to reserve certain amounts of its existing production capacity for the customer, defer an existing customer purchase commitment into future periods and reserve certain amounts of its expected production capacity in those periods for the customer, or cancel or reduce existing commitments under existing contracts. These agreements may have terms or impact periods exceeding one year.
Certain of the capacity reservation and commitment deferral agreements provide for periodic, such as quarterly or annual, billing for the duration of the contract. For capacity reservation agreements, the Company recognizes revenue ratably over the period of the capacity reservation. Accordingly, the Company may recognize revenue prior to billing reservation fees. Unbilled receivables are included within Trade receivables on the Company's Consolidated Balance Sheets (see Note 2). For commitment deferral agreements, the Company recognizes revenue upon the earlier occurrence of the related sale of product or the end of the commitment period. In connection with other agreements, the Company may collect funds from customers in advance of the periods for which (i) the production capacity is reserved, (ii) commitments are deferred, (iii) commitments are reduced or (iv) performance is completed, in which event the recognition of revenue is deferred until the fee is earned. Any unearned fees are included within Other accrued liabilities or Long-term liabilities, as appropriate, on the Company's Consolidated Balance Sheets (see Note 2).

Stock-Based Compensation. Stock-based compensation in the form of service-based awards is provided to executive officers, certain employees and directors, and is accounted for at fair value. The Company measures the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award and the number of awards expected to ultimately vest. The cost of an award is recognized as an expense over the requisite service period of the award on a straight-line basis. The Company has elected to amortize compensation expense for equity awards with graded vesting using the straight-line method (see Note 9).
The Company also grants performance-based awards to executive officers and other key employees. These awards are subject to performance requirements pertaining to the Company's economic value added (“EVA”) performance, measured over

specified three-year performance periods. The EVA is a measure of the excess of the Company's adjusted pre-tax operating income for a particular year over a pre-determined percentage of the adjusted net assets of the immediately preceding year-end, as defined in the Company's annual long-term incentive (“LTI”) programs. The number of performance shares, if any, that will ultimately vest and result in the issuance of common shares depends on the average annual EVA achieved for the specified three-year performance period. The fair value of performance-based awards is measured based on the most probable outcome of the performance condition, which is estimated quarterly using the Company's forecast and actual results. The Company expenses the fair value, after assuming an estimated forfeiture rate, over the specified three-year performance period on a ratable basis (see Note 9).

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

Advertising Costs. Advertising costs, which are included in Selling, administrative, research and development, and general, are expensed as incurred. Advertising costs for 2013, 2012 and 2011 were $1.3, $0.4, and $0.4, respectively.

Research and Development Costs. Research and development costs, which are included in Selling, research and development, and general, are expensed as incurred. Research and development costs for 2013, 2012 and 2011 were $7.8, $6.4, and $6.1, respectively.

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

Cash and Cash Equivalents. The Company considers only those short-term, highly liquid investments with original maturities of 90 days or less when purchased to be cash equivalents. The Company’s cash equivalents consist primarily of funds in commercial paper, savings accounts, demand notes, money market funds and other highly liquid investments, which are classified within Level 1 of the fair value hierarchy with the exception of commercial paper, which is classified within Level 2 of the fair value hierarchy.

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

Trade Receivables and Allowance for Doubtful Accounts. Trade receivables primarily consist of amounts billed to customers for products sold. Accounts receivable are generally due within 30 to 60 days. For the majority of its receivables, the Company establishes an allowance for doubtful accounts based upon collection experience and other factors. On certain other receivables where the Company is aware of a specific customer’s inability or reluctance to pay, an allowance for doubtful accounts is established against amounts due, to reduce the net receivable balance to the amount the Company reasonably expects to collect. However, if circumstances change, the Company’s estimate of the recoverability of accounts receivable could be different. Circumstances that could affect the Company’s estimates include, but are not limited to, customer credit issues and general economic conditions. Accounts are written off once deemed to be uncollectible. Any subsequent cash collections relating to accounts that have been previously written off are typically recorded as a reduction to total bad debt expense in the period of payment.

Inventories. Inventories are stated at the lower of cost or market value. Finished products, work-in-process and raw material inventories are stated on the last-in, first-out (“LIFO”) basis. The Company recorded net non-cash LIFO inventory benefits of approximately $24.1, $4.9 and $7.1 during 2013, 2012 and 2011, respectively. These amounts are primarily a result of changes in metal prices and changes in inventory volumes. The excesses of current cost over the stated LIFO value of inventory at December 31, 2013 and December 31, 2012 were $0.4 and $24.5, respectively. Inventory volume decreased during the year ended December 31, 2012. The effect from the liquidation of the 2011 LIFO layer was $22.3. Other inventories, principally operating supplies and repair and maintenance parts, are stated at average cost. Inventory costs consist of material, labor and manufacturing overhead, including depreciation. Abnormal costs, such as idle facility expenses, freight, handling costs and spoilage, are accounted for as current period charges. All of the Company's inventories at December 31, 2013 and December 31, 2012 were included in the Fabricated Products segment (see Note 2 for the components of inventories).

Property, Plant, and Equipment - Net. Property, plant and equipment is recorded at cost (see Note 2). Construction in progress is included within Property, plant, and equipment - net in the Consolidated Balance Sheets. Interest related to the construction of qualifying assets is capitalized as part of the construction costs. The aggregate amount of interest capitalized is limited to the interest expense incurred in the period. The amount of interest expense capitalized as construction in progress was $3.4, $1.7 and $1.3 during 2013, 2012 and 2011, respectively.
Depreciation is computed using the straight-line method at rates based on the estimated useful lives of the various classes of assets. Capital lease assets and leasehold improvements are depreciated on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The principal estimated useful lives are as follows:

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

	Range (in years)
Land improvements	3 - 25
Buildings and leasehold improvements	15 - 45
Machinery and equipment	1 - 24
Capital lease assets	3 - 5

Depreciation expense is not included in Cost of products sold, excluding depreciation and amortization and other items, but is included in Depreciation and amortization on the Statements of Consolidated Income. For 2013, 2012 and 2011, the Company recorded depreciation expense of $25.8, $24.2 and $22.7, respectively, relating to the Company's operating facilities in its Fabricated Products segment. An immaterial amount of depreciation expense was also recorded in the Company's Corporate and Other for all periods presented herein.

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

Property, plant and equipment held for future development are presented as idled assets. Such assets are evaluated for impairment on a held-and-used basis. Depreciation expense is not adjusted when assets are temporarily idled.

During 2012, the Company determined not to deploy a portion of the idled assets for future use and recorded an impairment charge of $4.4 to reflect the scrap value of such assets. There were no impairment charges in 2013 and 2011. Asset impairment charges are included in Other operating charges (benefits), net in the Statements of Consolidated Income and are included in the Fabricated Products segment.

Available for Sale Securities. The Company accounts for investments in certain marketable debt securities as available for sale securities. Such securities are recorded at fair value (see “Fair Values of Financial Assets and Liabilities - Available for Sale Securities” in Note 12), with net unrealized gains and losses, net of income taxes, reflected in other comprehensive earnings as a component of Stockholders' equity. Debt investment securities with an original maturity of 90 days or less is classified as Cash and cash equivalents (see Note 2). Debt investment securities with an original maturity of greater than 90 days is presented as Short-term investments on the Consolidated Balance Sheets. In addition to debt investment securities, the Company also holds assets in various investment funds managed by a third-party trust in connection with the Company's deferred compensation program (see Note 7).

Deferred Financing Costs. Costs incurred in connection with debt financing are deferred and amortized over the estimated term of the related borrowing. Such amortization is included in Interest expense and may be capitalized as part of construction in progress (see Note 2 and Note 3).

Goodwill and Intangible Assets. Goodwill is tested for impairment during the fourth quarter on an annual basis, as well as on an interim basis, as warranted, at the time of relevant events and changes in circumstances. Intangible assets with definite lives are initially recognized at fair value and subsequently amortized over the estimated useful lives to reflect the pattern in which the economic benefits of the intangible assets are consumed. In the event the pattern cannot be reliably determined, the Company uses a straight-line amortization method. Whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable, the intangible assets are reviewed for impairment. The Company concluded there was no impairment of the carrying value of goodwill at December 31, 2013 or December 31, 2012 (Note 5).

Conditional Asset Retirement Obligations (“CAROs”). The Company has CAROs at several of its fabricated products facilities. The vast majority of such CAROs consist of incremental costs that would be associated with the removal and disposal of asbestos (all of which is believed to be fully contained and encapsulated within walls, floors, roofs, ceilings or piping) at certain of the Company's older facilities if such facilities were to undergo major renovation or be demolished. The Company, in accordance with Accounting Standards Codification ("ASC") Topic 410, Asset Retirement and Environmental Obligations, estimates incremental costs for special handling, removal and disposal costs of materials that may or will give rise to CAROs and then discounts the expected costs back to the current year using a credit-adjusted, risk-free rate. The Company recognizes liabilities and costs for CAROs even if it is unclear when or if CAROs will be triggered. When it is unclear when or if CAROs will be triggered, the Company uses probability weighting for possible timing scenarios to determine the probability-weighted amounts that should be recognized in the Company's consolidated financial statements (see Note 12).

Self Insurance of Employee Health and Workers' Compensation Liabilities. The Company is primarily self-insured for group health insurance and workers' compensation benefits provided to employees. Self insurance liabilities are estimated for incurred-but-not-paid claims based on judgment, using the Company's historical claims data and information and analysis provided by actuarial and claims advisors, the Company's insurance carriers and other professionals. The Company accounts for accrued liability relating to workers' compensation claims on a discounted basis. The discount rates used in estimating the liabilities were 1.75% and 0.75% and the undiscounted workers' compensation liabilities were $29.1 and $27.3 at December 31, 2013 and December 31, 2012, respectively. The accrued liabilities for health insurance and workers' compensation is included in Other accrued liabilities or Long-term liabilities, as appropriate (see Note 2).

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

Derivative Financial Instruments. Hedging transactions using derivative financial instruments are primarily designed to mitigate the Company's exposure to changes in prices for certain products sold and consumed by the Company and, to a lesser extent, to mitigate the Company's exposure to changes in foreign currency exchange rates. From time to time, the Company also enters into hedging arrangements in connection with financing transactions to mitigate financial risks.

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

The Company recognizes all derivative instruments as assets or liabilities in its Consolidated Balance Sheets and measures these instruments at fair value by "marking-to-market" all of its hedging positions at each period's end (see Note 12). Because the Company does not meet the documentation requirements for hedge (deferral) accounting, unrealized and realized gains and losses associated with hedges of operational risks are reflected as a reduction or increase, respectively, in Cost of products sold (Unrealized (gains) losses on derivative instruments), and unrealized and realized gains and losses relating to hedges of financing transactions are reflected as a component of Other income (expense) (see Note 16). See Note 11 for additional information about realized and unrealized gains and losses relating to the Company's derivative financial instruments.

Fair Value Measurement. The Company applies the provisions of Accounting Standards Update ("ASU") Topic 820, Fair Value Measurements and Disclosures, in measuring the fair value of its derivative contracts and plan assets invested by certain of the Company's employee benefit plans (see Note 12).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of three broad levels and are described below:

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including: quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs that are both significant to the fair value measurement and unobservable.

Income Taxes. Deferred income taxes reflect the future tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying statutory tax rates in effect for the year during which the differences are expected to reverse. In accordance with ASC Topic 740, Income Taxes, the Company uses a "more likely than not" threshold for recognition of tax attributes that are subject to uncertainties and measures any reserves in respect of such expected benefits based on their probability. Deferred tax assets are reduced by a valuation allowance to the extent it is more likely than not that the deferred tax assets will not be realized (see Note 6).

Earnings per Share. Basic earnings per share is computed by dividing distributed and undistributed earnings allocable to common shares by the weighted-average number of common shares outstanding during the applicable period. The basic weighted-average number of common shares outstanding during the period excludes unvested share-based payment awards. The shares that were owned by a voluntary employee's beneficiary association ("VEBA") for the benefit of certain union retirees, their surviving spouses and eligible dependents (the "Union VEBA") and subject to transfer restrictions (see Note 7) are included in the computation of basic weighted-average number of common shares outstanding in 2012 and 2011 because such shares were irrevocably issued and had full dividend and voting rights.

Diluted earnings per share is calculated as the more dilutive result of computing earnings per share under: (i) the treasury stock method or (ii) the two-class method. Diluted earnings per share for 2013 and 2012 were calculated under the treasury stock method. Diluted earnings per share for 2011 was calculated under the two-class method (see Note 13).

Concentration of Credit Risk. Financial arrangements which potentially subject the Company to concentrations of credit risk consist of metal, natural gas, electricity and foreign currency derivative contracts, certain cash-settled call options that the Company purchased in March 2010 (the "Call Options") (see Note 3), and arrangements related to the Company's cash equivalents and short-term investments. If the market value of the Company's net commodity and currency derivative positions with certain counterparties exceeds the applicable threshold, if any, the counterparty is required to post margin by transferring cash collateral in excess of the threshold to the Company. Conversely, if the market value of these net derivative positions falls below a specified threshold, the Company is required to post margin by transferring cash collateral below the threshold to certain counterparties. At both December 31, 2013 and December 31, 2012, the Company had no margin deposits with or from its counterparties.

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

The Company places its cash in commercial paper, savings accounts, demand notes and money market funds. Such money market funds are 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.

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

Foreign Currency. Certain of the Company's foreign subsidiaries use the local currency as its functional currency; its assets and liabilities are translated at exchange rates in effect at the balance sheet date; and its statement of operations is translated at weighted-average monthly rates of exchange prevailing during the year. Resulting translation adjustments are recorded directly to a separate component of stockholders' equity in accordance with ASC Topic 830, Foreign Currency Matters. At both December 31, 2013 and December 31, 2012, the amount of translation adjustment relating to the foreign subsidiary using local currency as its functional currency was immaterial. Where the U.S. dollar is the functional currency of a foreign facility or subsidiary, re-measurement adjustments are recorded in Other income (expense).

New Accounting Pronouncements. ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.

("ASU 2013-11"), was issued in July 2013. ASU 2013-11 requires an entity to present in the financial statements an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset resulting from a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the above situation is not available at the reporting date or the tax law of the applicable jurisdiction does not require the entity to use the deferred tax asset for such purpose, the unrecognized tax benefit is to be presented in the financial statements as a liability and not be combined with deferred tax assets. An entity is required to adopt ASU 2013-11 for annual and interim periods beginning after December 15, 2014. The Company does not expect the adoption of ASU 2013-11 to have a material impact on its financial statements.

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2. Supplemental Balance Sheet Information

	December 31, 2013	December 31, 2012
Cash and Cash Equivalents.		
Cash and money market funds	$57.7	$107.9
Commercial paper	111.8	165.5
Total	$169.5	$273.4
Trade Receivables.		
Billed trade receivables	$120.2	$124.4
Unbilled trade receivables — Note 1	0.4	0.2
Trade receivables, gross	120.6	124.6
Allowance for doubtful receivables	(0.8)	(0.8)
Trade receivables, net	$119.8	$123.8
Inventories.		
Finished products	$72.5	$59.9
Work-in-process	75.9	55.5
Raw materials	47.2	53.9
Operating supplies and repairs and maintenance parts	18.8	16.7
Total	$214.4	$186.0
Prepaid Expenses and Other Current Assets.		
Current derivative assets — Notes 11 and 12	$2.0	$3.0
Current deferred tax assets	36.7	59.5
Current portion of option premiums paid — Notes 11 and 12	—	0.1
Short-term restricted cash	0.3	1.3
Prepaid taxes	—	2.1
Prepaid expenses	5.2	4.1
Total	$44.2	$70.1
Property, Plant, and Equipment - Net.		
Land and improvements	$22.6	$22.6
Buildings and leasehold improvements	53.0	50.9
Machinery and equipment	425.6	400.4
Construction in progress	66.0	20.8
Active property, plant, and equipment, gross	567.2	494.7
Accumulated depreciation	(137.9)	(111.4)
Active property, plant, and equipment, net	429.3	383.3
Idled equipment	—	1.0
Property, plant, and equipment, net	$429.3	$384.3

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Other Assets.		
Derivative assets — Notes 11 and 12	$79.8	$55.5
Restricted cash	9.3	10.0
Long-term income tax receivable	—	2.9
Deferred financing costs	8.9	11.7
Deferred compensation plan assets	6.5	5.6
Other	0.3	0.3
Total	$104.8	$86.0
Other Accrued Liabilities.		
Current derivative liabilities — Notes 11 and 12	$1.8	$3.1
Current portion of option premiums received — Notes 11 and 12	—	0.1
Uncleared cash disbursement	9.6	4.7
Accrued income taxes and taxes payable	4.3	3.1
Accrued annual VEBA contribution	16.0	20.0
Short-term environmental accrual — Note 10	2.8	3.0
Accrued interest	3.7	3.7
Short-term deferred revenue — Note 1	—	6.7
Other	6.6	7.4
Total	$44.8	$51.8
Long-term Liabilities.		
Derivative liabilities — Notes 11 and 12	$84.3	$63.5
Income tax liabilities	5.0	15.1
Workers' compensation accruals	23.3	24.0
Long-term environmental accrual — Note 10	20.0	18.7
Long-term asset retirement obligations	4.0	3.8
Deferred compensation liability	7.0	5.8
Long-term capital leases	0.1	0.2
Other long-term liabilities	2.7	3.4
Total	$146.4	$134.5
Long-term Debt. — Note 3		
Senior notes	$225.0	$225.0
Cash convertible senior notes	163.5	155.3
Total	$388.5	$380.3

3. Long-Term Debt and Credit Facility

Senior Notes

In May 2012, the Company issued $225.0 principal amount of 8.250% Senior Notes due June 1, 2020 (the "Senior Notes") at 100% of the principal amount. Interest expense, including amortization of deferred financing costs, relating to the Senior

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

Notes were $19.4 and $11.8 for 2013 and 2012, respectively. The effective interest rate of the Senior Notes is approximately 8.6% per annum, taking into account the amortization of deferred financing costs.

The Senior Notes are unsecured obligations and are guaranteed by existing and future direct and indirect subsidiaries of the Company that are borrowers or guarantors under the Company's revolving credit facility. The indenture governing the Senior Notes places limitations on the ability of the Company and certain of its subsidiaries to, among other things, incur liens, consolidate, merge or sell all or substantially all of the Company's and certain of its subsidiaries' assets, incur or guarantee additional indebtedness, prepay, redeem or repurchase certain indebtedness, make loans and investments, enter into transactions with affiliates, pay dividends and repurchase shares.

The Senior Notes are redeemable at the option of the Company in whole or part at any time on or after June 1, 2016 at an initial redemption price of 104.125% of the principal amount plus any accrued and unpaid interest, declining to a redemption price of 100% of the principal amount, plus any accrued and unpaid interest, on or after June 1, 2018. At any time prior to June 1, 2015, the Company may redeem up to 35% of the original principal amount of the Senior Notes with the proceeds of certain equity offerings at a redemption price of 108.250% of the principal amount, plus any accrued and unpaid interest. At any time prior to June 1, 2016, the Company may also redeem some or all of the Senior Notes at a redemption price equal to 100% of the principal amount, together with any accrued and unpaid interest, plus a “make-whole premium.”

Holders of the Senior Notes have the right to require the Company to repurchase the Senior Notes at a price equal to 101% of the principal amount plus any accrued and unpaid interest following a change of control. A change of control includes (i) certain ownership changes, (ii) certain recapitalizations, mergers and dispositions, (iii) certain changes in the composition of the Board of Directors of the Company, and (iv) shareholders' approval of any plan or proposal for the liquidation or dissolution of the Company. The Company may also be required to offer to repurchase the Senior Notes at 100% of the principal amount, plus any accrued and unpaid interest, with the proceeds of certain asset sales. See “Fair Values of Financial Assets and Liabilities - All Other Financial Assets and Liabilities” in Note 12 for information relating to the estimated fair value of the Senior Notes.

Cash Convertible Senior Notes

Convertible Notes. In March 2010, the Company issued $175.0 principal amount of 4.5% Cash Convertible Senior Notes due April 1, 2015 (the "Convertible Notes"). The Convertible Notes are unsecured obligations of the Company. The Convertible Notes are not convertible into the Company's common stock or any other securities, but instead will be settled in cash. The Company accounts for the cash conversion feature of the Convertible Notes as a separate derivative instrument (the “Bifurcated Conversion Feature”) with the fair value on the issuance date equaling the original issue discount for purposes of accounting for the debt component of the Convertible Notes. The effective interest rate for the term of the Convertible Notes is approximately 11%, taking into account the amortization of the original issuance discount and deferred financing costs.

The following tables provide additional information regarding the Convertible Notes:

	December 31, 2013	December 31, 2012
Principal amount	$175.0	$175.0
Less: unamortized issuance discount[1]	(11.5)	(19.7)
Carrying amount, net of discount	$163.5	$155.3

[1] The remaining unamortized issuance discount at December 31, 2013 will be amortized over the next 1.3 years assuming no early conversion.

	Year Ended December 31, 2013	2012	2011
Contractual coupon interest	$7.9	$7.9	$8.4

Amortization of discount	8.2	7.3	6.6
Amortization of deferred financing costs	1.2	1.2	1.2
Total interest expense[1]	$17.3	$16.4	$16.2

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[1] A portion of the interest relating to the Convertible Notes is capitalized as Construction in progress.

The Convertible Notes' conversion rate is subject to adjustment based on the occurrence of certain events, including, but not limited to, the payment of quarterly cash dividends on the Company's common stock in excess of $0.24 per share. As of December 31, 2013, the conversion rate was 20.7903 shares per $1,000 principal amount of the Convertible Notes and the equivalent conversion price was approximately $48.10 per share, reflecting cumulative adjustments for quarterly dividends paid in excess of $0.24 per share.

Holders may convert their Convertible Notes at any time on or after January 1, 2015. Additionally, holders may convert the Convertible Notes before January 1, 2015 in certain limited circumstances determined by (i) the trading price of the Convertible Notes, (ii) the occurrence of specified corporate events, or (iii) the market price of the Company's common stock. Because the Company's closing stock price exceeded 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days ending on December 31, 2013, the last trading date of the fourth quarter of 2013, holders may convert the Convertible Notes during the first quarter of 2014. The Company believes that the market value of the Convertible Notes will continue to exceed the amount of cash payable upon conversion, making early conversion unlikely. As of December 31, 2013, no Convertible Notes had been converted.

Holders of the Convertible Notes can require the Company to repurchase the Convertible Notes at a price equal to 100% of the principal amount plus any accrued and unpaid interest following a fundamental change. Fundamental changes include, but are not limited to, (i) certain ownership changes, (ii) certain recapitalizations, mergers and dispositions, (iii) shareholders' approval of any plan or proposal for the liquidation or dissolution of the Company, and (iv) failure of the Company's common stock to be listed on certain stock exchanges.

Convertible Note Hedge Transactions. In March 2010, the Company purchased cash-settled Call Options that have an exercise price equal to the conversion price of the Convertible Notes and an expiration date that is the same as the maturity or on the earlier conversion date of the Convertible Notes. If the Company exercises the Call Options, the aggregate amount of cash it will receive from the counterparties to the Call Options will cover the aggregate amount of cash that the Company would be required to pay to the holders of the converted Convertible Notes, less the principal amount thereof. Contemporaneous with the purchase of the Call Options, the Company also sold net-share-settled warrants (the "Warrants") with an exercise date of July 1, 2015 relating to approximately 3.6 million shares of the Company's common stock. The Call Options and the Warrants have anti-dilution provisions similar to the convertible Notes. At December 31, 2013, the exercise prices were $48.10 per share and $61.08 per share for the Call Options and the Warrants, respectively, reflecting cumulative adjustments for quarterly dividends paid in excess of $0.24 per share.

See "Fair Values of Financial Assets and Liabilities - All Other Financial Assets and Liabilities" in Note 12 for information relating to the estimated fair value of the Bifurcated Conversion Feature and the Call Options.

Revolving Credit Facility

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

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

The Company had $260.1 of borrowing availability under the Revolving Credit Facility at December 31, 2013, based on the borrowing base determination then in effect. At December 31, 2013, there were no borrowings under the Revolving Credit Facility and $7.0 was being used to support outstanding letters of credit, leaving $253.1 of net borrowing availability. The interest rate applicable to any overnight borrowings under the Revolving Credit Facility would have been 4.0% at December 31, 2013.

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

4. Acquisitions

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

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

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

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

Goodwill arising from this transaction reflects the commercial opportunity for the Company to sell aerospace extruded products manufactured by the acquired operation as a complement to the Company's other products and is expected to be deductible for tax purposes over a period of 15 years.

The following unaudited pro forma financial information for the Company summarizes the results of operations for the periods indicated as if the Alexco acquisition had been completed as of January 1, 2010. This pro forma financial information considers principally (i) the Company's audited financial results, (ii) the unaudited historical financial results of Alexco, as supplied to the Company, and (iii) select pro forma adjustments to the historical financial results of Alexco, which did not have a material impact on the pro forma Net income, as presented below. The combined results presented below for the year ended December 31, 2011 are the actual results presented in the Statements of Consolidated Income, as the operating results for the Chandler, Arizona (Extrusion) facility were included in the Company's consolidated results commencing January 1, 2011. The following pro forma data does not purport to be indicative of the results of future operations or of the results that would have actually occurred had the acquisition taken place at the beginning of 2010:

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

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

The following information presents select financial data relating to the Chandler, Arizona (Extrusion) facility, as included within the Company's consolidated operating results for 2013, 2012 and 2011.

	Year Ended December 31,		
	2013	2012	2011
Net sales	$39.5	$44.5	$42.8
Net income before income taxes	$6.3	$9.0	$10.5

5. Goodwill and Intangible Assets

Goodwill. The Company had goodwill of $37.2 at both December 31, 2013 and December 31, 2012. Such goodwill is related to the Company's acquisitions of the Chandler, Arizona (Extrusion) facility and the Florence, Alabama facility and is included in the Fabricated Products segment.

The Company’s accounting policy is to perform an annual goodwill impairment test during the fourth quarter of each year or whenever events or changes in circumstances indicate that goodwill or the carrying value of intangible assets may not be recoverable. As of December 31, 2013, the Company performed a quantitative impairment test and determined that no impairment of its goodwill and intangible assets was required.

Intangible Assets. Identifiable intangible assets at December 31, 2013 and December 31, 2012 are comprised of the following:

December 31, 2013:

	Original cost	Accumulated amortization	Net book value
Customer relationships	$38.5	$(4.8)	$33.7
Backlog	0.8	(0.8)	—
Trademark and trade name	0.4	(0.4)	—
Total	$39.7	$(6.0)	$33.7

December 31, 2012:

	Original cost	Accumulated amortization	Net book value
Customer relationships	$38.5	$(3.2)	$35.3
Backlog	0.8	(0.8)	—
Trademark and trade name	0.4	(0.3)	0.1
Total	$39.7	$(4.3)	$35.4

Amortization expense relating to definite-lived intangible assets is recorded in the Fabricated Products segment. Such expense was $1.7, $1.8 and $2.2 for 2013, 2012 and 2011, respectively. The expected amortization of intangible assets for each of the next five calendar years is $1.6 and $25.7 for years thereafter.

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6. Income Tax Matters

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

	Year Ended December 31,		
	2013	2012	2011
Domestic	$138.9	$134.5	$37.9
Foreign	4.3	5.1	3.4
Income before income taxes	$143.2	$139.6	$41.3

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

The provision for income taxes consists of:

	Federal	Foreign	State	Total
2013				
Current	$1.1	$16.2	$(0.2)	$17.1
Deferred	(49.7)	(0.5)	(6.7)	(56.9)
Benefit (expense) applied to increase (decrease) Additional capital/ Other comprehensive income	1.3	(0.1)	0.2	1.4
Total (expense) benefit	$(47.3)	$15.6	$(6.7)	$(38.4)
2012				
Current	$—	$(2.3)	$0.2	$(2.1)
Deferred	(113.0)	(0.2)	(15.3)	(128.5)
Benefit applied to increase Additional capital/ Other comprehensive income	67.4	0.2	9.2	76.8
Total expense	$(45.6)	$(2.3)	$(5.9)	$(53.8)
2011				
Current	$1.4	$0.3	$0.1	$1.8
Deferred	(2.3)	(0.5)	0.7	(2.1)
Expense applied to decrease Additional capital/ Other comprehensive income	(13.5)	(0.4)	(2.0)	(15.9)
Total expense	$(14.4)	$(0.6)	$(1.2)	$(16.2)

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

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	Year Ended December 31,		
	2013	2012	2011
Amount of federal income tax provision based on the statutory rate	$(50.1)	$(48.9)	$(14.5)
Decrease in federal valuation allowances	0.1	0.1	—
Non-deductible compensation expense	(0.3)	(0.4)	(1.1)
Non-deductible expense	(0.9)	(0.3)	(0.4)
State income taxes, net of federal benefit [1]	(4.4)	(3.8)	(0.8)
Foreign income tax (expense) benefit	—	(0.5)	0.6
Expiration of statute of limitations	4.6	—	—
Settlement with taxing authorities	4.4	—	—
Advance pricing agreement	2.9	—	—
Competent Authority settlement	5.3	—	—
Income tax provision	$(38.4)	$(53.8)	$(16.2)

[1] State income taxes of $4.4 in 2013 includes a $1.2 increase in the valuation allowance relating to certain unused state net operating losses expected to expire. State income taxes of $0.8 in 2011 includes a $1.2 decrease in the valuation allowance relating to certain state net operating losses expected to be utilized before their expiration.

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

Deferred Income Taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The components of the Company's net deferred income tax assets are as follows:

	Year Ended December 31,	
	2013	2012
Deferred income tax assets:		
Loss and credit carryforwards	$321.8	$342.2
VEBAs (See Note 7)	6.1	7.6
Other assets	34.4	35.3
Inventories and other	2.5	1.7
Valuation allowances	(19.9)	(18.7)
Total deferred income tax assets	344.9	368.1
Deferred income tax liabilities:		
Property, plant, and equipment	(73.0)	(69.7)
VEBAs (See Note 7)	(152.4)	(136.9)
Inventories	(14.9)	—
Total deferred income tax liabilities	(240.3)	(206.6)
Net deferred income tax assets [1]	$104.6	$161.5

[1] Of the total net deferred income tax assets of $104.6, $36.7 was included in Prepaid expenses and other current assets, $69.1 was presented as Deferred tax assets, net and $1.2 was presented as Deferred tax liability on the Consolidated Balance Sheet as of December 31, 2013. Of the total net deferred income tax assets of $161.5, $59.5 was included in Prepaid expenses and other current assets and $102.0 was presented as Deferred tax assets, net on the Consolidated Balance Sheet as of December 31, 2012.

Tax Attributes. At December 31, 2013, the Company had $736.9 of net operating loss ("NOL") carryforwards available to reduce future cash payments for income taxes in the United States. Of the $736.9 of NOL carryforwards at

December 31, 2013, $1.7