KAISER ALUMINUM CORP
Form 10-K
February 22, 2017

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, 2016

[ ] 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: 1-09447
KAISER ALUMINUM CORPORATION
(Exact name of registrant as specified in its charter)

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

(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, 2016) was approximately $1.6 billion.

As of February 15, 2017, there were 17,482,863 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 2017 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

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 "anticipates," or the negative of the foregoing or other variations or comparable terminology, or by discussions of strategy.

Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties and that actual results may vary from those in the forward-looking statements as a result of various factors. These factors include: the effectiveness of management's strategies and decisions; general economic and business conditions, including cyclicality and other conditions in the aerospace, 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, any amendments to those reports 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 are made available free of charge on our website at http://www.kaiseraluminum.com as soon as reasonably practicable after we file or furnish the materials with the SEC. News releases, announcements of upcoming earnings calls and events in which our 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. Information on our website is not incorporated into this Report.

Business Overview

Kaiser Aluminum Corporation, a Delaware corporation, manufactures and sells semi-fabricated specialty aluminum mill products for the following end market applications: aerospace and high strength ("Aero/HS products"); automotive ("Automotive Extrusions"); general engineering ("GE products"); and other industrial ("Other products"). Our fabricated aluminum mill products include flat-rolled (plate and sheet), extruded (rod, bar, hollows and shapes), drawn (rod, bar, pipe and tube) and certain cast aluminum products. The sophistication of our products is due to the metallurgy and physical properties of the metal and the special characteristics that are required for particular end uses. We strategically choose to serve technically challenging applications for which we can deploy our core metallurgical and process technology capabilities to produce highly engineered mill products with differentiated characteristics that present opportunities for us to receive premium pricing and to create long-term profitable growth.

With respect to the global market for flat-rolled aluminum mill products, our focus is on heat treat plate and sheet for applications that require higher strength and other desired product attributes that cannot be achieved by common alloy rolled products. The primary end market applications of flat-rolled heat treat plate and sheet are Aero/HS products (which we sell globally) and GE products (which we predominantly sell within North America). We do not supply sheet for automotive applications, and have chosen not to supply sheet for beverage/food can applications nor common alloy rolled products for construction or other applications. Although global demand for these applications is large, the product requirements are less demanding.

Similarly, in the areas of aluminum extrusions, we focus on demanding Aero/HS products, Automotive Extrusions and GE products that require high strength, machinability or other specific properties where we can create and maintain a defensible competitive position because of our technical expertise, strong production capability and high product quality. We primarily serve North American demand for extruded mill products. Building and construction applications, the largest segment of North American aluminum extrusion market, rarely require extruded products with specialized properties. Since we have strategically chosen to deploy our capabilities to make differentiated products, we do not focus on building and construction applications.

Our rolling mill in Spokane, Washington ("Trentwood") produces heat treat plate and sheet for aerospace and general engineering end market applications. Our 11 extrusion/drawing facilities, 10 of which are in the United States and one of which is in Canada, serve aerospace, automotive or general engineering applications. Our consolidated Net sales in 2016 totaled approximately $1.3 billion on approximately 614.3 million pounds shipped from these 12 focused facilities. We employed approximately 2,760 people at December 31, 2016.

A fundamental part of our business model is to remain neutral to the impact from fluctuations in the market price for aluminum, thereby earning profit predominately from the conversion of aluminum into semi-fabricated mill products. We refer to this as metal price neutrality. We purchase primary and scrap, or recycled, aluminum, our main raw material, at prices that fluctuate on a monthly basis, and our pricing policies generally allow us to pass the underlying cost of metal through to our customers so that we remain neutral to metal pricing. For some of our higher value added revenue products sold on a spot basis, however, the pass through of metal price movements can lag by several months, with a favorable impact to us when metal prices decline and an adverse impact to us when metal prices increase. Additionally, we sometimes enter into firm-price customer sales agreements that specify a firm underlying metal price plus a conversion price. Spot sales with lagged metal price pass through and firm-price sales agreements create metal price exposure for us, which we mitigate through a hedging program with an objective to remain metal price neutral.

We have long-standing relationships with our customers, which consist primarily of blue-chip companies including leading aerospace and automotive manufacturers, tier one aerospace and automotive suppliers and metal service centers. Approximately 50% of our shipments is sold direct to the manufacturers or tier one suppliers and approximately 50% is sold to metal service centers. In our served markets, we seek to be the supplier of choice by pursuing "Best in Class" customer satisfaction driven by quality, availability, service and delivery performance. We strive to differentiate our product portfolio through our broad product offering and our KaiserSelect® products, which 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 production cost for our customers.

We further strive to enhance the efficiency of product flow to our customers and our status as supplier of choice by tightly integrating the management of the operations within our Fabricated Products segment across multiple production facilities, product lines and target markets. Additionally, our strategy to be a supplier of choice and low cost producer is facilitated by 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. Using KPS, we seek to continuously reduce our own manufacturing costs and eliminate waste throughout the value chain.

In recent years, we have pursued significant capital spending initiatives to strengthen our competitive position by expanding manufacturing capabilities, increasing capacity, improving efficiency and enhancing product quality. The most significant of these initiatives was a series of investments that more than doubled our capacity and expanded our manufacturing capability to produce thick gauge heat treat plate at our Trentwood facility in order to capitalize on significant demand growth for Aero/HS products. Additionally, we have invested to support sizable growth in demand for Automotive Extrusions by adding new extrusion presses and upgrading existing presses within our automotive manufacturing platform. Until recently, the primary goal of our capital spending was capacity expansion, with secondary benefits of improved product quality and efficiency. More recently, to maintain and improve our position in a market environment that we believe will become increasingly competitive in the coming decade, we have shifted our focus to investing primarily for continued improvement in our manufacturing cost efficiency from which we will also derive incremental capacity. The multi-year, $150.0 million capital investment project at our Trentwood facility, which was announced in December 2015, is focused on equipment upgrades throughout the process flow to reduce conversion costs and increase efficiency, further improving our competitive cost position on all products produced at Trentwood. In addition, a significant portion of the investment is focused on modernizing the legacy equipment and process flow for thin gauge heat treat plate to achieve KaiserSelect® quality enhancements for both Aero/HS products and GE products. The investments will also result in further expansion of Trentwood's manufacturing capacity.

Because we recognize that we operate in cyclical markets, another key component of our business model is to maintain financial strength and flexibility throughout the business cycle so that even in economic downturns we can proactively pursue strategic growth with financial and competitive strength.
Kaiser Aluminum was founded by Henry J. Kaiser in 1946 with the lease and eventual purchase of three aluminum facilities from the United States Government. Over the ensuing decades, Kaiser Aluminum grew to become a fully-integrated aluminum company involved in all aspects of the aluminum industry. From 2000 to 2010, as a result of a strategic reassessment of our competitive positions in the upstream and downstream portions of the aluminum industry, we divested or closed our non-strategic bauxite mining, alumina refining, and primary aluminum operations and focused on downstream operations where we had a competitive advantage. Consequently, we no longer participate in commodity segments within the aluminum industry and focus solely on the production of semi-fabricated specialty aluminum products for major suppliers and manufacturers for applications in our chosen aerospace/high strength, automotive, general engineering and other end-markets.

Business Operations

Consistent with the manner in which our chief operating decision maker reviews and evaluates our business, our Fabricated Products business is treated as a single operating segment. In addition to the Fabricated Products segment, we have one business unit, All Other, which provides general and administrative support for our operations. For purposes of segment reporting under United States generally accepted accounting principles ("GAAP"), we treat the Fabricated Products segment as its own reportable segment. All Other is not considered a reportable segment.

Fabricated Products Segment

Overview

Our Fabricated Products segment focuses on producing rolled, extruded and drawn aluminum products used principally for aerospace and defense, automotive and general engineering products that include consumer durables, electronics, electrical and machinery and equipment applications. For information regarding net sales, operating income (loss) and total assets of the Fabricated Products segment, see Note 12 of Notes to Consolidated Financial Statements included in this Report.
The table below provides shipment and sales information for our fabricated aluminum products by end market application (in millions of dollars except for shipment information and percentages):

	Year Ended December 31,					
	2016		2015		2014	
Shipments (mm lbs):						
Aero/HS products	243.2	40 %	243.5	40 %	236.9	40 %
Automotive Extrusions	92.9	15 %	93.5	15 %	78.5	13 %
GE products	249.9	41 %	231.4	38 %	223.4	38 %
Other products	28.3	4 %	47.0	7 %	50.0	9 %
	614.3	100%	615.4	100%	588.8	100%
Sales:						
Aero/HS products	$675.4	51 %	$695.5	50 %	$686.3	51 %
Automotive Extrusions	188.8	14 %	199.2	14 %	173.5	13 %
GE products	420.1	32 %	426.1	31 %	419.5	31 %
Other products	46.3	3 %	71.1	5 %	76.8	5 %
	$1,330.6	100%	$1,391.9	100%	$1,356.1	100%

Aero/HS Products. Our Aero/HS products include heat treat plate and sheet, hard alloy extruded shapes, cold finish rod and bar, seamless drawn tube and billet used for a wide variety of end uses in the global aerospace and defense industries. Typical applications are structural aircraft components that must perform consistently under extreme variations in temperature and pressure due to frequent take-offs, landings and changes in altitude. Required physical properties include high tensile strength, superior fatigue resistance and exceptional durability even in harsh environments. We use high-strength 2000- and 7000-series alloys and apply a variety of thermal practices to manufacture our Aero/HS products to meet the demanding specifications

3

required for such safety-critical applications. While competing materials such as titanium and composites have displaced aluminum for certain applications on several newer aircraft designs, aluminum continues to be the material used most extensively for structural aerospace and defense applications because it is light weight, can meet demanding performance requirements and is cost effective relative to other materials. Overall, the aerospace and defense industries' consumption of fabricated aluminum products is driven by factors that include levels of airframe build rates, the mix of aircraft models being built and defense spending. Unanticipated changes in build rates and mix of aircraft models being built can trigger re-stocking or de-stocking throughout the long aerospace supply chain, temporarily impacting demand for our Aero/HS products. Growth in demand for aerospace plate has exceeded demand growth for other forms of Aero/HS products as aircraft manufacturers have migrated to monolithic component design, where a single piece of aluminum, usually a plate, is heavily machined to form a desired part rather than creating the same part by assembling sub-components made of aluminum sheet, extrusions or forgings that are affixed to one another using rivets, bolts or welds. As more applications convert to monolithic design, we expect aerospace plate demand to continue to grow at a pace higher than our other Aero/HS products.

Automotive Extrusions. Automotive Extrusions 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 the body-in-white structural components, bumper systems, anti-lock braking systems and drawn tube for drive shafts. For some Automotive Extrusions, we perform limited fabrication, including sawing and cutting to length. Demand for Automotive Extrusions is determined based upon automotive build rates in North America and increasing aluminum content. In recent years, automotive original equipment manufacturers ("OEMs") and their suppliers have, at an increasing pace, been converting many automotive components that historically were made of steel to aluminum to decrease weight without sacrificing structural integrity and safety performance and thereby achieve greater fuel efficiency standards mandated by stringent United States' Corporate Average Fuel Economy ("CAFE") regulations. We believe fuel efficiency standards along with consumer preference for larger vehicles 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 Automotive Extrusions are designed and produced to provide specific mechanical properties and performance attributes required in automotive applications across a broad mix of North American 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 tier one automotive suppliers.

GE Products. Our broad portfolio of GE products consists primarily of 6000-series alloy plate, sheet, rod, bar, tube, wire and standard extruded shapes. The 6000-series alloy is an extremely versatile, medium-strength, heat treatable alloy that can be both extruded and rolled. Our GE products have a wide range of uses and applications, many of which involve further fabrication for numerous transportation and other industrial end market applications where machining of plate, rod and bar is intensive. For example, our GE products are used to produce armor for military vehicles, ordnances, manufacturing cells for semiconductor production, numerous electronic devices, after-market motor sport parts, tooling plate, parts for machinery and equipment, bolts, screws, nails and rivets. 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.

Other Products. Other products consist of extruded, drawn and cast billet aluminum products for a variety of North American industrial end uses. Demand for Other products tends to mirror broad economic patterns and industrial activity in North America.

Manufacturing Processes

We use two main processes, flat rolling and extrusion/drawing, to produce our fabricated products in the desired forms and dimensions and with the desired physical properties. Both processes start by heating aluminum, a rolling ingot or extrusion billet, to an elevated temperature at which the metal is malleable and then applying pressure in a manner that both forces the metal into a desired shape and begins the "working" of the metal to enhance its strength and related properties.

Flat Rolling. Our 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 that can be done at elevated (hot) or room (cold) temperatures. 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 in a variety of alloys, a range of tempers (hardness), gauges (thickness) and widths and various finishes. Flat-rolled aluminum semi-finished products are classified as sheet (under 0.25 inches in thickness) or plate (0.25 inches or greater in thickness).

Extrusion/Drawing. Our extrusion process begins with a cast billet, which is an aluminum cylinder of varying length and diameter. After heating the billet to make the metal malleable, it is placed into an extrusion press and squeezed (extruded) through a die that gives the material the desired two-dimensional cross section. The material can be quenched as it leaves the

press, or processed through a post-extrusion heat treatment cycle, to control the material’s physical properties. The extrusion is straightened, typically by stretching, and then cut to length before being hardened in aging ovens.
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. Extruded and drawn semi-fabricated products are manufactured in a variety of alloys and a range of tempers (hardness).
Additionally, some of our locations have remelt and casting operations to produce the ingot or billet for flat rolling or extrusion. To produce the ingot or billet, we purchase primary aluminum, recycled scrap aluminum segregated by alloys, and other metals (including copper, zinc and magnesium) that are necessary to create various aluminum alloys. We also recycle internally generated scrap from our own manufacturing processes. Initially in solid form, aluminum is heated in a vessel to a temperature at which it melts. While in molten form, additional metals (aluminum alloyed scrap, alloy metals, primary aluminum or high purity aluminum) are introduced to achieve the proper mixture of chemical elements for a particular alloy. When the desired chemical composition of the molten metal has been achieved, it is poured into a mold in which the molten metal cools in a controlled manner and solidifies into a rolling ingot or extrusion billet. The size of the mold determines the dimensions of the rolling ingot or extrusion billet. Our casting operations at our facilities in Kalamazoo, Michigan, London, Ontario, Los Angeles, California, Newark, Ohio and Sherman, Texas produce extrusion billet for their operations and for our other facilities that do not have casting operations. Trentwood casts rolling ingot for its own consumption.
A description of the manufacturing processes and category of products at each of our production facilities at December 31, 2016 is shown below:

Location	Types of Products	Manufacturing Process
Chandler, Arizona (Extrusion)	Aero/HS, GE	Extrusion
Chandler, Arizona (Tube)	Aero/HS	Extrusion/Drawing
Florence, Alabama	Aero/HS, GE, Other	Drawing
Jackson, Tennessee	Aero/HS, Auto, GE	Extrusion/Drawing
Kalamazoo, Michigan	Auto, GE	Extrusion
London, Ontario (Canada)	Auto	Extrusion
Los Angeles, California	GE, Other	Extrusion
Newark, Ohio	Aero/HS, GE	Extrusion/Rod Rolling
Richland, Washington	GE	Extrusion
Richmond, Virginia (Bellwood)	Auto, GE	Extrusion/Drawing
Sherman, Texas	Auto, GE, Other	Extrusion
Spokane, Washington (Trentwood)	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 enhance the efficiency of product flow to customers. We centralize purchasing of our primary and scrap, or recycled, aluminum requirements and related alloying agents 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 and scrap, or recycled, 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. Scrap aluminum is typically purchased at a discount to the Midwest Price but can require additional processing. The average Midwest Price is comprised of the average London Metal Exchange ("LME") plus average Midwest premium. The average LME and the average Midwest Premium for 2016, 2015 and 2014 were $0.73 +

\$0.07, \$0.75 + \$0.13 and \$0.85 + \$0.20, respectively.

In addition to selling fabricated aluminum products to third parties, certain of our production facilities supply billet, log, or other intermediate material to another of our facilities for further value added production. As an example, our Newark, Ohio facility supplies billet and log to our Jackson, Tennessee facility.

Pricing, Metal Price Risk Management and Hedging

As noted above, we purchase primary and scrap, or recycled, 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. In order to meet our objective to be metal price neutral, 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. A majority of our customers for GE products and some of our customers for Aero/HS products pay a product price that incorporates the spot price of primary aluminum (LME plus Midwest premium) in effect at the time of shipment to a customer. Spot prices for these products change regularly based on competitive dynamics. Fluctuation in the underlying aluminum price is a significant factor influencing changes in competitive spot prices. Through spot pricing, we generally can pass metal price risk through to customers. For some of our higher value added revenue products sold on a spot basis, however, the pass through of metal price movements can lag by several months, with a favorable impact to us when metal prices decline and an adverse impact to us when metal prices increase. We, from time to time, enter into hedging transactions with third parties to minimize the impact to us of metal price swings for these higher value added revenue products.
- Index-based price. The pricing structure of our typical automotive and aerospace contracts calls for our customer to pay a product price that incorporates a monthly index-based price for primary aluminum, such as Platt's Midwest price for primary aluminum. Index-based pricing typically allows us to pass metal price risk through to the customer and applies to virtually all of our Automotive Extrusions sales and the majority of our Aero/HS products sales.
- 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, in millions of pounds, 213.7, 204.6 and 138.3 during 2016, 2015 and 2014, 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, Latin America and the Middle East. Our sales and marketing efforts are focused on the markets for Aero/HS products, Automotive Extrusions, GE products and Other products.

Aero/HS Products. We sell our Aero/HS products to metal service centers, as well as directly to aerospace manufacturers and tier one suppliers. Sales are made primarily under contracts (with terms up 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.

Automotive Extrusions. Our Automotive Extrusions are sold primarily to tier one 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 support organization.

GE Products. A majority of our GE products are sold to large metal service centers in North America on an order-by-order basis, 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.

Other Products. Other products are primarily sold directly to industrial end users on an order-by-order basis using a North American direct sales force.

6

Customers
In 2016, our Fabricated Products segment had over 750 customers. Our two largest customers, Reliance Steel & Aluminum Co. ("Reliance") and The Boeing Company ("Boeing") accounted for approximately 26% and 10%, respectively, of our net sales in 2016. While the loss of Reliance or Boeing as customers could have a material adverse effect on us, we believe that our long-standing relationship with each is good and that the risk of losing either as a customer is remote. See Note 12 of Notes to Consolidated Financial Statements included in this Report for information about our significant concentrations.
Research and Development
We operate three research and development centers. Our Rolling and Heat Treat Center and our Metallurgical Analysis Center are both located at our Trentwood facility. 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 and 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 this Report for information about our research and development costs.
A significant amount of our research and development is devoted to product and process development within our production operations, largely focused on controlling the manufacturing process to improve product quality, ensure consistency and enhance one or more specific product attributes. This has resulted in the creation and delivery of our highly differentiated KaiserSelect® products.
We hold numerous patents, trademarks, trade secrets and copyrights that relate to the design, use and marketing of products. We consider this intellectual property important, but no single property is material to the overall conduct of our business.
All Other
All Other provides general and administrative support to our operations. The expenses incurred in this business unit are not allocated to our other operations. All Other is not considered a reportable segment.
Segment and Geographical Area Financial Information
For information regarding our GAAP reporting segment and the geographical areas in which we operate, see Note 12 of Notes to Consolidated Financial Statements included in this Report.
Competition
The fabricated aluminum industry is highly competitive. We focus our fabricating operations on technically challenging applications for flat-rolled heat treat plate and sheet and extruded/drawn products that allow us to apply our core metallurgical and process technology capabilities to produce highly engineered products with differentiated characteristics. We further differentiate ourselves from our competitors by providing a broad product offering and striving to deliver "Best in Class" customer satisfaction.
Our primary competitors in the global market for Aero/HS products are Arconic, Inc. (previously part of Alcoa, Inc.), Constellium N.V. and Aleris Corporation. In serving our North American customers for both Automotive Extrusions and GE products, our primary competitors are Arconic, Inc. and Sapa AS, and for certain of these products, we also compete with smaller, regional participants. In North America, we also compete with general engineering heat treat plate products imported from South Africa, Europe and China. Some of our competitors are substantially larger, have greater financial resources and may have other strategic advantages.
Because many of our products are used in safety critical applications, our customers have demanding standards for product quality and consistency that make it difficult to become a qualified supplier. Suppliers must pass a rigorous qualification process to sell to both airframe and automotive manufacturers and must also make significant investments in infrastructure and specialized equipment to supply products for these high strength applications. Further, sophisticated manufacturing processes make it difficult to become a qualified supplier, even with proper equipment. For example, producing heat treat plate and sheet products, particularly for aerospace applications,

requires technological expertise that only a few companies have developed through significant investment in research and development and decades of operating experience.

Employees

At December 31, 2016, we employed approximately 2,760 people, of which approximately 2,700 were employed in our Fabricated Products segment and approximately 60 were employed in our corporate group, most of whom are located in our office 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 of December 31, 2016. 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"). See Note 12 of Notes to Consolidated Financial Statements in this Report for additional information about concentration of labor subject to collective bargaining agreements.

Location	Union	Contract Expiration Date
Chandler, Arizona (Extrusion)	Non-union	—
Chandler, Arizona (Tube)	USW	Apr 2018
Florence, Alabama	USW	Mar 2017
Jackson, Tennessee	Non-union	—
Kalamazoo, Michigan	USW	Feb 2021
London, Ontario (Canada)	USW Canada	Feb 2018
Los Angeles, California	Teamsters	Apr 2018
Newark, Ohio	USW	Sep 2020
Richland, Washington	Non-union	—
Richmond, Virginia (Bellwood)	USW/IAM	Nov 2017/Nov 2017
Sherman, Texas	IAM	Apr 2022
Spokane, Washington (Trentwood)	USW	Sep 2020

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 9 of Notes to Consolidated Financial Statements included in 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 Aluminum Mill Products, Inc., a Delaware corporation, which engages in market development and commercialization and distribution of our products in the United Kingdom;
    - Trochus Insurance Co., Ltd., a corporation formed in Bermuda, which has historically functioned as a captive insurance company; and
    - Kaiser Aluminum France, SAS, a corporation formed in France for the primary purpose of engaging in market development and commercialization and distribution of our products in Europe.

DCO Management, LLC, a Delaware limited liability company, a successor by merger to Kaiser Aluminum & Chemical Corporation, was dissolved in the fourth quarter of 2016 and ceased to exist as of January 1, 2017.

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 operate in a highly competitive industry.

The fabricated products segment of the aluminum industry is highly competitive. We compete with others in the industry based upon quality, availability, price, customer service and delivery performance. Some of our competitors are substantially larger and may have greater financial resources than us. Additionally, some competitors may operate more facilities than we do, be geographically closer than us to our customers, employ more efficient or advanced technologies, or have other strategic advantages. To the extent that our competitors have existing facilities or locate new production facilities in developing economies, they may have a manufacturing cost advantage compared to our facilities, which are all located in North America. Foreign competitors may sell products similar to ours at lower prices as a result of lower manufacturing costs, currency exchange rates that periodically favor foreign competition, or dumping those products in North America in violation of existing trade laws. Additionally, new parties may become capable of manufacturing similar products and qualifying them with our customers. The capability and incremental capacity for such products that these new competitors introduce to the market could lead to further competitive pricing pressure. We may not be able to compete by differentiating ourselves based on the quality, availability and delivery of our products or our customer service. We also may not be able to adequately reduce our selling prices or our costs to levels competitive with new or foreign competitors. Increased competition could cause a reduction in our shipment volumes, our product pricing, or both shipment volume and product pricing, any one of which could have an adverse effect on our financial position, results of operations and cash flows.

9

We depend on a core group of significant customers.
In 2016, Reliance and Boeing were our two largest customers, representing approximately 26% and 10%, respectively, of our net sales. Our five largest customers in total accounted for approximately 51% of our 2016 net sales. Most of these customers have one or more sizable sales agreements with us. If one or more of these customers experienced a prolonged period of adverse demand, depressed business activity, or financial distress, if they breached or sought relief from their contractual obligations under their sales agreements with us, or if any of these customer relationships otherwise ended or materially deteriorated and such lost business was not successfully replaced, our financial position, results of operations and cash flows could be adversely affected.
We experience fluctuation in certain costs that we cannot pass through to our customers and face pressure from our customers on pricing.
We generally are unable to pass fluctuations of certain costs through to our customers, including the cost of energy, certain raw materials and freight. Further, cost cutting initiatives that many of our customers have adopted generally result in downward pressure on pricing. If we are unable to generate sufficient productivity improvements and cost savings in the future to offset reductions in our selling prices and spikes in our costs that we cannot pass through to our customers, our financial position, results of operations and cash flows could be adversely affected.
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. Our financial position, results of operations and cash flows could be adversely affected by numerous factors in the politically and economically diverse jurisdictions in which we operate, have customers or suppliers, or our products are consumed or further fabricated. Such factors include but are not limited to:
- inflation relative to the U.S. and related fluctuations in currency and interest rates;
- trade disputes;
- the implementation of controls on imports, exports or prices;
- the adoption of new forms of taxation and duties;
- the imposition of currency restrictions;
- government regulation in the countries in which we operate, service customers or purchase raw materials;
- civil unrest and labor problems;
- the nationalization or appropriation of rights or other assets; and
- acts or threats of war or terrorism;

The commercial aerospace industry is cyclical and downturns in the commercial aerospace industry could adversely affect our business.
We derive a significant portion of our revenue from products sold to the aerospace industry. The aerospace industry has historically been highly cyclical, driven by the demand for new commercial aircraft which is influenced by trends in airline passenger traffic and increasing global travel, normal replacement of older aircraft, replacement of fuel inefficient aircraft, airline industry profitability, the state of the U.S. and global economies, concerns regarding terrorism or the threat of terrorism, concerns regarding pandemics of infectious disease, safety concerns with newly introduced aircraft, and numerous other factors, any of which could result in order cancellations or deferrals by the major airlines and a sharp decrease globally in new commercial aircraft deliveries. Despite existing backlogs, any one or more of these influencing factors 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 demand for our products may be more severe than, and may occur prior to, reductions in demand for our customers’ products.
Most of our products undergo further fabrication by other parties before being deployed in its end use. In particular, our Aero/HS products undergo numerous stages of further fabrication or assembly by a number of parties in the supply chain, often over the course of many months. The lead time from when we sell our Aero/HS product to when the finished product is installed on an aircraft often exceeds a year. Due to this long lead time, demand for our products may increase prior to demand

for our customers' products or may decrease when our customers experience or anticipate softening demand for their products. Our customers typically meet reduced demand for their products by depleting their inventory without replenishment until their inventory falls to a new desired level. This causes a greater reduction in demand for our products than our customers experience for their products. Further, the reduction in demand for our products can be exacerbated if our customers' inventory levels had been higher than normal, if production is delayed for specific commercial airframe models, if our customers previously had purchased products from us at committed sales contract volumes that exceeded their actual need, or for other reasons. The amplified reduction in demand for our products while our customers consume their inventory to meet their business needs (destocking) may adversely affect our financial position, results of operations and cash flows.

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

Our products are used in a wide variety of military applications, including military aircraft, armored vehicles and ordnance. Many military programs that currently use or in the future could use our products may be subject to changes in military strategy and government priorities. Further, while many of the U.S. government programs span several years, they are often funded annually, and funding is generally subject to congressional appropriations. When U.S. and foreign governments are faced with competing national priorities, there can be significant pressure to reduce defense spending which could reduce the demand for our products and 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 products compete with other materials for use in various customer applications. For instance, the commercial aerospace industry has used and continues to evaluate the further use of titanium, composites and carbon fiber materials as alternatives to aluminum to reduce aircraft weight and increase fuel efficiency. Additionally, while the automotive industry has continued to increase use of aluminum in vehicle production to reduce vehicle weight and achieve government-mandated fuel efficiency standards, manufacturers may revert to steel or other materials for certain applications. The willingness of customers to use materials other than aluminum could adversely affect the demand for our products, particularly our Aero/HS products and Automotive Extrusions, and thus could adversely affect our financial position, results of operations and cash flows.

Our customers may reduce their demand for our products if oil prices remain low for a protracted period of time or if the government loosens CAFE standards.

With the decline of oil prices in recent years, the economic benefits of new, more fuel efficient aircraft and automobiles are less compelling. Additionally, while government-established fuel efficiency standards have remained in place during an extended period of lower oil prices, there is a potential for those standards to be relaxed by the Environmental Protection Agency ("EPA"). An extended period of moderate oil prices or a change in fuel efficiency standards by the EPA could reduce demand for new aircraft and automobiles, which could adversely affect the demand for our products and have an adverse effect on 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. Even with the automotive industry’s growing use of aluminum to reduce vehicle weight, weak demand for, or lower production of, new cars, light trucks, SUVs and heavy duty vehicles and trailers, could adversely affect the demand for our products and have an 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 fuel prices 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.

11

We may experience difficulties in the launch or production ramp-up of new products which could adversely affect our business.

As we ramp up manufacturing processes for newly introduced products, we may experience difficulties, including manufacturing disruptions, delays or other complications, which could adversely impact our ability to serve our customers, our reputation or our costs of production and ultimately, our financial position, results of operations and cash flows.

Unplanned events may interrupt our production operations, which may adversely affect our business.

The production of fabricated aluminum products is subject to unplanned events such as explosions, fires, inclement weather, natural disasters, accidents, labor disruptions, transportation interruptions and supply interruptions. Operational interruptions could significantly curtail the production capacity of a facility for a period of time. We have redundant capacity and capability to produce many of our extruded products within our manufacturing platform to mitigate our business risk from such interruptions, but interruptions at our Trentwood facility where our production of plate and sheet is concentrated could significantly compromise our ability to meet our customers' needs. Delayed delivery of our products to customers who require on-time delivery from us may cause customers to purchase alternative products at a higher cost, reschedule their own production, or incur other incremental costs. Customers may be able to pursue financial claims against us for their incremental costs, 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.

We may not be able to successfully implement our productivity enhancement and cost reduction initiatives that are necessary to offset competitive price pressure.

Over time, we have experienced pricing pressure on many of our products and anticipate continued pricing pressure in the future. Ongoing and heightened competitive price pressure makes it increasingly important for us to be a low cost producer. Although we have undertaken and expect to continue to undertake productivity enhancement and cost reduction initiatives, including significant investments in our facilities to improve our manufacturing efficiency, cost and product quality, we cannot assure you that we will complete all of these initiatives, that we will fully realize the estimated cost savings from such activities, that short-to-medium term improvements from new efficiencies and lower cost structure achieved will become permanent, or that we will be able to continue to reduce cost and increase productivity over the long term.

Our investment and other expansion projects may not be completed, start up as scheduled or deliver the expected capacity and other benefits.

Our ability to complete our investment and expansion 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 and economic conditions. 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, if the start-up phase after completion is more complicated than anticipated, or if the capacity and other benefits of these projects are less than anticipated, our financial position, results of operations and cash flows could be adversely affected.

Our business could be adversely affected by increases in the cost of aluminum.

Our largest inputs to produce fabricated aluminum products are primary aluminum and scrap, or recycled, aluminum. The price of primary aluminum fluctuates in response to global supply and demand, and scrap aluminum is priced at a discount to primary aluminum that loosens and tightens in response to regional aluminum scrap supply and demand. The timing and magnitude of changes in the market price of primary and scrap aluminum are largely unpredictable. Our pricing structures for fabricated aluminum products generally allow us to pass underlying metal price fluctuations through to our customers so that we can minimize our exposure to metal price risk. However, competitive dynamics for certain of our high value added products may limit the amount or delay the timing of selling price increases on our products to recover our increased aluminum costs, resulting in a time lag during which we may be partially exposed to metal price risk. If these events were to occur, they could have an adverse effect on our financial position, results of operations and cash flows. In addition, if the market price for primary aluminum were to remain high for an extended period of time, the corresponding increase in our selling price for our fabricated products may cause some of our customers to switch to other materials in lieu of our products, causing sales of our fabricated aluminum products to decrease, which could adversely affect our financial position, results of operations and cash flows.

Volatile pricing for commodities, including aluminum, certain alloying metals, natural gas and electricity, can cause our liquidity to decline and lead to non-cash charges in periods of declining commodity pricing.
We execute a hedging strategy to reduce the risk to our business from the volatility of prices for aluminum, certain alloying metals, natural gas and electricity. Large price declines for these commodities could cause us to incur sizable non-cash mark to market losses on our hedge positions. Also, a market price decline for aluminum could result in a non-cash lower-of-cost-or-market inventory charge. Besides non-cash losses, lower commodity prices could reduce our liquidity due to lower borrowing availability under our revolving credit facility (caused by lower market value of our inventory which serves as collateral for the facility) and potential cash required for margin calls on our hedge positions. Non-cash losses and reduced liquidity could have an adverse effect on our financial position, results of operations and cash flows.
Our hedging programs may limit the income and cash flows we would otherwise expect to receive if our hedging program were not in place and may otherwise affect our business.
In the ordinary course of business, we enter into hedging transactions to limit our exposure to risks relating to changes in the market prices of primary aluminum, certain alloying metals, natural gas and electricity, as well as fluctuations in foreign currency exchange rates. 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. As noted above, our liquidity could also be adversely affected to the extent we incur margin calls from our hedging counterparties due to the market price of the underlying commodity or the foreign currency exchange rates deviating adversely from fixed, floor or ceiling prices or rates established by our outstanding hedging transactions. Our failure to satisfy certain covenants in the underlying hedging documents or the occurrence of an event of default thereunder could also trigger margin calls that could adversely impact our liquidity, financial position, results of operations and cash flows. Our hedging programs also expose us to the creditworthiness of our hedging counterparties, which is inherently difficult to assess and can change quickly and dramatically. Non-performance by a hedging counterparty could have an adverse effect on our financial position, results of operations and cash flows.
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 5.875% Senior Notes due 2024 ("5.875% 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.
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.
A breach of the covenants or restrictions under our revolving credit facility or under the indenture governing the 5.875% Senior Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt. A payment default or an acceleration following an event of default under our revolving credit facility or our indenture for our 5.875% Senior Notes could trigger an event of default under the other indebtedness obligation as well

13

as any other debt to which a cross-acceleration or cross-default provision applies, which could result in the principal of and the accrued and unpaid interest on all such debt becoming due and payable. 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 and grow in accordance with our strategy;
•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.

In addition, our financial results, our level of indebtedness and our credit ratings could adversely affect the availability and terms of any additional or replacement financing.

More detailed descriptions of our revolving credit facility and the indenture governing our 5.875% Senior Notes are included in filings made by us with the SEC, along with the documents themselves, which provide the full text of these covenants.

Restrictive covenants in our debt instruments contain significant qualifications and exceptions.

While our revolving credit facility and the indenture governing the 5.875% Senior Notes place limitations on our ability to pay dividends or make other distributions, repurchase or redeem capital stock, make loans and investments and incur additional indebtedness, investors should be aware that these limitations are subject to significant qualifications and exceptions. The aggregate amount of payments made or incremental debt incurred in compliance with these limitations could be substantial.

As indicated above, more detailed descriptions of our revolving credit facility and the indenture governing our 5.875% Senior Notes are included in filings made by us with the SEC, along with the documents themselves, which provide the full text of these covenants.

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 interest and principal payments on our debt obligations or to refinance such obligations 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 interest, principal, and premium, if any, on our indebtedness.

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, dispose of material assets or operations, restructure or refinance our indebtedness, or seek additional debt or equity capital. 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 5.875% 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 5.875% Senior 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.

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 5.875% Senior Notes or our revolving credit facility. Accordingly, repayments of our 5.875% Senior Notes and amounts due under our revolving credit facility are dependent on the generation of cash flow by our subsidiaries and their ability to make

14

such cash available to us by dividend, loan, debt repayment, or otherwise. Our subsidiaries that are not guarantors of our revolving credit facility or the 5.875% Senior Notes have no obligation to pay amounts due on the revolving credit facility or the 5.875% Senior Notes 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. 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. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required interest and principal payments on our revolving credit facility, the 5.875% Senior Notes, or other indebtedness.

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

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

At December 31, 2016, approximately 63% of our employees were represented by labor unions under labor contracts with varying durations and expiration dates. Employees at our Trentwood and Newark, Ohio facilities are represented by the USW under a single contract that extends through September 2020. The USW also represents employees at five other facilities, two of which have contracts expiring in 2017. As part of any labor negotiation, the future wages, healthcare benefits and any excise taxes that may result therefrom, and other benefits that we agree to, could adversely affect our future financial position, results of operations and cash flows. In addition, negotiations could divert management attention, result in unsatisfactory terms and conditions, fail in coming to any agreement at all, or result in strikes, work stoppages, or other union-initiated work actions, any of which could have an 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 an adverse effect on our financial performance.

We participate in several multi-employer pension plans pursuant to our collective bargaining agreements. Our contribution amounts to these plans were established by collective bargaining and, along with benefit levels and related items, will be issues in our future collective bargaining negotiations. Based on the most recent information available to us, we believe some of these plans are underfunded and may require increased contributions from participating employers to fill the funding shortfall in the future. An employer that withdraws or partially withdraws from a multi-employer pension plan may incur a withdrawal liability for 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 increase the burden of the remaining participating employers to make up the funding shortfall, which could have an adverse effect on our financial position, results of operations and cash flows. The increase or decrease in our contributions to these multi-employer pension plans will depend on our future collective bargaining, actions taken by trustees who manage the plans, actions of other participating employers, government regulations, and the actual return on assets held in the plans, among other factors.

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 make annual payments to two VEBAs calculated in part on our profitability. Our obligation to the VEBA that provides benefits for eligible retirees represented by certain unions and their surviving spouse and eligible dependents terminates on September 30, 2017, and our final contribution will be capped at $12.8 million for the nine months ending September 30, 2017. Our obligation to the VEBA that provides benefits for certain other eligible retirees, their surviving spouse and eligible dependents has no express termination date and is capped at $2.9 million per year. As a result of these variable payment obligations, our cash flows may be reduced and not all of our earnings will be available to our stockholders.

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

Pursuant to agreements we have with the USW, the USW has the right, subject to certain limitations, to nominate candidates which, if elected, would constitute 40% of our Board of Directors through December 31, 2020. 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 2020.

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.

From time to time, we may incur fines, penalties and expenses for alleged breaches of environmental laws and may be obligated to conduct investigations or perform environmental clean up activities with respect to our continuing operations and certain of our former operations. 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 an 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 exceed, perhaps significantly, the amounts expected or accrued, or that such expenditures may occur sooner than anticipated. 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. Actual costs that exceed previously accrued costs or occur sooner than anticipated and new or amended laws and regulations may adversely affect 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.

Laws enacted by Congress or policies of the EPA could regulate greenhouse gas emissions through cap-and-trade systems, carbon taxes or other programs under which emitters would be required to buy allowances to offset emissions of greenhouse gas, pay carbon based taxes, make significant capital investments, alter manufacturing practices or curtail production. In addition, several states, including the state of Washington, in which we have manufacturing operations, have considered and continue to consider various greenhouse gas regulation and reduction programs through legislative proposals, executive orders and ballot initiatives. Certain of our manufacturing plants use significant amounts of electricity and natural gas and certain of our plants emit amounts of greenhouse gas above certain minimum thresholds that have or may be imposed. Greenhouse gas regulations could restrict our access to natural gas and limit our ability to use natural gas and increase the price we pay for natural gas and electricity, any one of which could significantly increase our costs, reduce our competitiveness in a global economy or otherwise adversely 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.

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, our customers, our suppliers and our employees to risks of misuse of confidential information. A breach could also result in 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 implement new technology systems or replace and/or upgrade our current information technology systems. These upgrades or replacements may not improve our productivity to the levels anticipated and may subject us to inherent costs and risks associated with implementing, 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 other existing systems. Our inability to prevent information technology system disruptions or to mitigate the impact of such disruptions could have an adverse effect on us.

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 to offset future taxable income in the United States. Our ability to fully utilize these tax attributes, however, could be limited to the extent they expire before we fully utilize them or if federal or certain state tax laws are changed to reduce or eliminate our ability to use net operating loss carryforwards to offset income taxes.

Additionally, a change in our ownership, specifically a change in ownership of more than 50% during any period of 36 consecutive months ("ownership change") as determined under the Internal Revenue Code of 1986 ("Code"), could reduce our ability to fully use our net operating loss carryforwards and other significant tax attributes. To prevent an unintended ownership change that could compromise our tax attributes, at the 2016 annual meeting, our stockholders approved an amendment to our certificate of incorporation to implement new stock transfer restrictions ("Successor Transfer Restrictions") to replace restrictions that were scheduled to expire in July 2016. The Successor Transfer Restrictions will expire on May 26, 2019.

Our stockholders also ratified a tax asset protection rights plan ("Tax Asset Rights Plan") at our 2016 annual meeting. The Tax Asset Rights Plan, which will expire on April 7, 2019, was designed to preserve our ability to fully utilize our net operating loss carryforwards and other significant tax attributes to offset future taxable income. Neither the Tax Asset Rights Plan nor the Successor Transfer Restrictions, however, completely protects us from an ownership change that could limit our use of our net operating loss carryforwards and other valuable tax attributes.

After our net operating loss carryforwards and other significant tax attributes are fully utilized or if they become unavailable to us before we fully utilize them, 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.

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.

The Tax Asset Rights Plan and Successor Transfer Restrictions implemented by us to protect our tax attributes could hinder the market for our common stock.

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, we adopted the Tax Asset Rights Plan and implemented the Successor Transfer Restrictions as discussed above. Like the previous transfer restrictions contained in our certificate of incorporation, the Tax Asset Rights Plan and the Successor 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.

The Successor Transfer Restrictions implemented by us to protect our tax attributes may void transactions in our common stock effected by 5% stockholders.

The Successor Transfer Restrictions in our certificate of incorporation restrict the transfer of our equity securities if, as a result of the transfer, either any person would become the owner of 4.99% or more of our stock as determined under Section 382 of the Code ("5% stockholder") or the percentage stock ownership of any 5% stockholder would be increased. The Successor Transfer Restrictions are subject to exceptions set forth in our certificate of incorporation and will expire in accordance with their terms on May 26, 2019. Any transfer that violates the Successor Transfer Restrictions is void and will be unwound as provided in our certificate of incorporation.

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

Under the Successor Transfer Restrictions in our certificate of incorporation, prior to May 26, 2019, our 5% stockholders are, in effect, required, and under the Tax Asset Rights Plan, prior to April 7, 2019, encouraged, to seek the approval of, or a determination by, our Board of Directors before they engage in certain 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 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 before they could engage in certain 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.

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 each own greater than 5% of our outstanding common stock as of December 31, 2016. 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.

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

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, are 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 5.875% Senior Notes impose limitations on our ability to pay dividends and repurchase our common shares.

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. Prior to May 26, 2019, the Successor Transfer Restrictions in our certificate of incorporation will restrict 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 the Successor 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 an ownership change cannot occur in any 36-month 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. In addition, to reduce the risk that an ownership change could limit our ability to fully utilize our net operating loss carryforwards and other significant tax attributes to offset future taxable income, our stockholders ratified the adoption of the Tax Asset Rights Plan, which will expire on April 7, 2019. Like the rights and provisions described above, including the Successor Transfer Restrictions in our certificate of incorporation, the Tax Asset Rights Plan could 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.

In addition to the risks discussed above, we are subject to a variety of other risks as a publicly traded U.S. manufacturing company.

As a publicly traded U.S. manufacturing company, we are subject to a variety of other risks, each of which could adversely affect our financial position, results of operations or cash flows, or the price of our common stock. These risks include but are not limited to:

- the ongoing effects of global economic uncertainty;
- regulations that subject us to additional capital or margin requirements or other restrictions that make it more difficult to hedge risks associated with our business or increase the cost of our hedging activities;
- the ability to attract and retain key management and other personnel and develop effective succession plans;
- compliance with a wide variety of health and safety laws and regulations and changes to such laws and regulations;
- disputes, legal proceedings, or investigations, whether meritorious or not, with respect to a variety of matters, including matters related to personal injury, employees, taxes, contracts and product liability;
- pursuing growth through acquisitions, including the ability to identify acceptable acquisition candidates, finance and consummate acquisitions on favorable terms and successfully integrate acquired assets or businesses;
- protection of intellectual property, including patents, trademarks, trade secrets and copyrights, from infringement by others and the potential defense of claims, whether meritorious or not, alleging the unauthorized use of the intellectual property of others;
- taxation by multiple jurisdictions and the impact of such taxation on effective tax rate and the amount of taxes paid;
- modifications to the Affordable Care Act and any new or repealed legislation related to health care;
- compliance with Section 404 of the Sarbanes-Oxley Act of 2002, including the potential impact of compliance failures; and
- the failure to meet the expectations of investors, including as a result of factors beyond the control of an individual company.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information regarding the location, size and ownership of our principal production facilities as of December 31, 2016 is below:

Location	Square footage	Owned or Leased
Chandler, Arizona (Extrusion)	115,000	Owned/Leased[1]
Chandler, Arizona (Tube)	93,000	Owned/Leased[1]
Florence, Alabama	252,000	Owned
Jackson, Tennessee	310,000	Owned
Kalamazoo, Michigan	465,000	Leased[2]
London, Ontario (Canada)	311,000	Owned
Los Angeles, California	183,000	Owned
Newark, Ohio	1,293,000	Owned
Richland, Washington	45,000	Leased[3]
Richmond, Virginia (Bellwood)	449,000	Owned
Sherman, Texas	360,000	Owned
Spokane, Washington (Trentwood)	2,874,000	Owned/Leased[4]
Total	6,750,000	

1. The Chandler, Arizona (Extrusion) and Chandler, Arizona (Tube) facilities are each subject to a land lease with a lease term that expires in 2023 and 2033, respectively, subject to certain extension rights held by us. The facilities are owned by us and are not subject to any leases.
2. The Kalamazoo, Michigan facility is subject to a lease with a 2033 expiration date, subject to certain extension rights held by us.
3. The Richland, Washington facility is subject to a lease with a 2021 expiration date.
4. The Spokane, Washington facility consists of 2,753,000 square feet, which is owned by us, and 121,000 square feet, which is subject to a lease with a 2020 expiration date and a renewal option subject to certain terms and conditions.

Production facilities and equipment are generally in good condition and suitable for their intended uses. For additional information regarding our production facilities, see the table under Item 1. Business "Business Operations - Fabricated Products Segment - Types of Manufacturing Processes Employed" of this Report.

Our corporate headquarters, located in Foothill Ranch, California, consists of 36,000 square feet at December 31, 2016 and is subject to a lease that expires in 2019.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, 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 transaction prices of our common stock for each quarterly period for fiscal years 2016 and 2015:

	High	Low
Fiscal 2016		
First quarter	$85.96	$70.14
Second quarter	$96.06	$80.75
Third quarter	$94.65	$80.44
Fourth quarter	$88.68	$69.41
Fiscal 2015		
First quarter	$78.39	$68.42
Second quarter	$86.16	$75.60
Third quarter	$88.92	$77.92
Fourth quarter	$88.70	$75.61

Holders

As of February 15, 2017, there were approximately 614 holders of record of our common stock.

Dividends

We have been paying a quarterly cash dividend since the second quarter of 2007 to holders of our common stock, including holders of restricted stock, and have increased the dividend for the last five consecutive years. Nevertheless, as in the past, 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 5.875% Senior Notes due 2024, or other indebtedness we may incur in the future. We can give no assurance that dividends will be declared and paid in the future. See Note 3 of Notes to Consolidated Financial Statements in this Report for additional information about restrictions on dividend payments.

We also pay quarterly dividend equivalents to the holders of certain restricted stock units and to the holders of performance shares granted prior to 2014 with respect to the target number of underlying shares of common stock (constituting approximately one-half of the maximum payout). Holders of performance shares granted beginning in 2014 are not paid a quarterly dividend equivalent, but instead are entitled to receive, in connection with the issuance of underlying shares of common stock in respect of performance shares that ultimately vest, a one-time payment equal to the dividends such holder would have received if the number of such shares of common stock so issued had been held of record by such holder from the date of grant of such performance shares through the date of such issuance.

Total cash dividends (and dividend equivalents) paid in 2016, 2015 and 2014 were $1.80 per share (or $32.4 million), $1.60 per share (or $28.1 million) and $1.40 per share (or $25.4 million), respectively.

On January 17, 2017, we announced that our Board of Directors approved the declaration of a quarterly cash dividend of $0.50 per common share, or $8.8 million (including dividend equivalents), which was paid on February 15, 2017 to stockholders of record at the close of business on January 27, 2017.

Stock Performance Graph

The following graph compares the cumulative total shareholder return on our common stock with: (i) the Russell 2000® index, (ii) the S&P SmallCap 600® index and (iii) the S&P SmallCap 600® Materials index. We are a component of each of these indices. The graph assumes: (i) an initial investment of $100 as of December 31, 2011 and (ii) reinvestment of all dividends. The performance graph is not necessarily indicative of the 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, 2016:

	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 Program (millions)[2]
October 1, 2016 - October 31, 2016	—	$ —	82,765	$ 74.29	$ 103.4
November 1, 2016 - November 30, 2016	—	—	104,364	76.75	$ 95.4
December 1, 2016 - December 31, 2016	557	77.69	86,405	80.10	$ 88.4
Total	557	$ 77.69	273,534	$ 77.06	N/A

22

1. Under our Amended and Restated 2006 Equity and Performance Incentive Plan and our 2016 Equity and Incentive Compensation 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. All such shares withheld by us were canceled on the applicable vesting dates or dates on which income to the employees was recognized, and the number of shares withheld was determined based on the closing price per common share as reported on the Nasdaq Global Select Market on such dates.
2. In April 2015, our Board of Directors authorized an additional $100.0 million for repurchases of our common stock. Of the amounts so authorized, $88.4 million remained available for further share repurchases as of December 31, 2016. 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 (in millions of dollars, except shipments, average realized sales price and per share amounts):

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Shipments (mm lbs)	614.3	615.4	588.8	563.7	585.9
Net sales	$1,330.6	$1,391.9	$1,356.1	$1,297.5	$1,360.1
Net income (loss)[1]	$91.7	$(236.6)	$71.8	$104.8	$85.8
Net income (loss) per share - Basic	$5.15	$(13.76)	$4.02	$5.56	$4.49
Net income (loss) per share - Diluted	$5.09	$(13.76)	$3.86	$5.44	$4.45
Cash dividends declared per common share	$1.80	$1.60	$1.40	$1.20	$1.00
Capital expenditures	$76.1	$63.1	$59.4	$70.4	$44.1
Depreciation and amortization expense	$36.0	$32.4	$31.1	$28.1	$26.5

1. Net income (loss) includes the impact of removing the net assets of the voluntary employees beneficiary association that provides benefits for eligible retirees represented by certain unions and their surviving spouses and eligible dependents ("Union VEBA") and related deferred tax liabilities from our Consolidated Balance Sheets during the first quarter of 2015. See Note 6 of Notes to Consolidated Financial Statements included in this Report for further details.

	December 31,				
	2016	2015	2014	2013	2012
Assets:					
Fabricated Products	$969.4	$904.7	$878.9	$852.5	$771.2
All Other [1]	474.1	342.2	860.1	911.7	972.6
Total assets[1, 2]	$1,443.5	$1,246.9	$1,739.0	$1,764.2	$1,743.8
Cash and short-term investments	$286.2	$102.5	$291.7	$299.0	$358.4
Long-term borrowings (at face value), including amounts due within one year	$375.0	$197.8	$400.0	$400.0	$400.0

1. Our retrospective adoption of Accounting Standards Update 2015-03 in the first quarter of 2016 resulted in a $3.2 million, $4.7 million, $6.7 million and $8.7 million reclassification of debt issuance costs from Total assets to Total liabilities as of December 31, 2015, 2014, 2013 and 2012, respectively. See Note 1 of Notes to Consolidated Financial Statements included in this Report for further details.
2. The 2015 Total assets reflect the removal of the Union VEBA net assets from our Consolidated Balance Sheets during the first quarter of 2015. See Note 6 of Notes to Consolidated Financial Statements included in this Report for further details.

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

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:

- Management Review of 2016 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; and
- New Accounting Pronouncements.

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, we refer to certain items 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 unrealized mark-to-market gains or losses on derivatives related to fluctuations in underlying metal and energy prices and currency exchange rates, lower of cost or market inventory write-downs, the impact of discount rate changes on workers' compensation liabilities, legacy environmental expenses related to predecessor operations and gains or losses related to our voluntary employee beneficiary associations ("VEBAs"). For a reconciliation of operating income (loss) excluding non-run-rate items to operating income (loss), see "Results of Operations - Segment and Business Unit Information" below.

We also provide information regarding value added revenue, which represents Net sales less the hedged cost of alloyed metal. Hedged Cost of Alloyed Metal is our Midwest Transaction Price of aluminum ("Midwest Price"), which reflects the primary aluminum supply/demand dynamics in North America, plus the cost of alloying elements plus any realized gains and/or losses on settled hedges related to the metal sold in the referenced period. Value added revenue (including average realized value added revenue and value added revenue of the product categories of our Fabricated Products segment) is disclosed for the benefit of readers 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.

Management Review of 2016 and Outlook for the Future

Our full year 2016 results reflected favorable market conditions, with solid demand for our aerospace and high strength products ("Aero/HS products"), automotive applications ("Automotive Extrusions") and general engineering products ("GE products") and low contained metal costs for most of the year that enabled favorable sales margins on certain of our high value added revenue products.

24

Although we benefited from solid demand and low contained metal costs, our strong operating performance was the primary driver of our results. Strong sales across our broad product offering were supported by our Best-In-Class customer satisfaction and by previous investments for quality, capacity and efficiency. Previous investments also facilitated improved manufacturing performance as our underlying manufacturing cost efficiency was a step-change improvement in 2016, with record performance at several manufacturing locations. Additionally, major initiatives by our metal purchasing group and our manufacturing operations to increase utilization of recycled aluminum scrap resulted in lower input raw material costs.

During the year, we continued to execute on our capital investment program to further enhance quality and efficiency, expand capacity and sustain our strong competitive manufacturing capabilities. Our total capital spending in 2016 of approximately $76.1 million was focused on:

- the $150.0 million five-year efficiency and modernization project at our Spokane, Washington ("Trentwood") rolling mill; and
- additional investments to support automotive growth, including a new extrusion press and related equipment at our Sherman, Texas facility.

The Trentwood efficiency and modernization project commenced in late 2015 to further advance our competitive cost position on all products produced at Trentwood, maintain our quality leadership position and expand our heat treat plate capacity to meet continued long-term demand growth. In addition, a significant portion of the investment will be focused on modernizing the legacy equipment and process flow for thin gauge plate to achieve KaiserSelect® quality enhancements for these aerospace and general engineering products. Our investment activity at Trentwood in 2016 and further significant activity in 2017 will provide Trentwood with additional capacity and enhanced cost and quality capabilities to address anticipated sales in 2018 and beyond.

The capacity provided by the new press line at our Sherman, Texas facility, combined with an extrusion press line we installed at our London, Ontario facility in 2015, allows us to meet the growing demand for our automotive applications.

In addition to investments we made to support further organic growth, we returned $65.7 million to stockholders through share repurchases and dividends. We have increased our quarterly dividend in each of the last five consecutive years, and again, in early 2017, we increased our quarterly dividend an additional 11% to $0.50 per share.

Consistent with our priorities for capital deployment, we will continue to invest proactively in initiatives for organic growth and asset integrity, seek complementary inorganic growth opportunities to create additional value for our stockholders and return cash to stockholders through quarterly dividends and share repurchases.

Outlook

Aero/HS Products. While we expect end-user demand growth for our Aero/HS products to be strong over the next three years with a solid nine-year backlog and steady commercial aircraft order rates, we expect destocking in 2017 as the commercial aerospace supply chain adjusts inventory to revised production forecasts for larger airframes. Accordingly, we expect industry demand for our end market applications to decline approximately 5% in 2017 as destocking more than offsets real demand growth.

We view the decline in 2017 industry demand as a temporary pause in the steady, long-term demand growth trajectory for our Aerospace/HS products. With continued growth in commercial aerospace builds, recovering growth for business jets and solid growth for military aircraft due to the Joint Strike Fighter and international demand for prior generation aircraft, we expect to emerge from 2017 with industry demand approaching 10% annual growth in both 2018 and 2019 for our Aero/HS products.

We are very well-positioned in the marketplace, and, despite the supply chain destocking, we expect our strong competitive position to support 2017 shipments for these applications similar to 2016. However, as we have seen in prior periods of soft industry demand, we expect competitive price pressure on our non-contract business.

Automotive Extrusions. For our Automotive Extrusions, we expect that North American build rates will be down approximately 1% to 2% in 2017 compared to 2016, before returning to a pace in 2018 and 2019 similar to the 2016 level. However, we expect that industry demand growth for our applications will continue at a robust 6% compound annual growth rate as aluminum extrusion content increases across multiple automotive platforms to facilitate light-weighting of the vehicle fleet.

As our sales for newer applications, including chassis, structures and crash management systems, have grown, our sales outlook has become more platform-specific. In 2016, our sales fell short of our expectation because of delays in the launch of several new platforms containing our products. In 2017, while we expect double-digit growth in shipments, we anticipate single-digit growth in value added revenue as our product mix evolves to more lower value-added parts for the newer applications and some mature applications such as high value added drive shaft parts are redesigned. Looking longer term, we expect to continue to enjoy strong growth for aluminum extrusion content in this attractive market and remain very well-positioned with the automotive extrusion capacity, capability, and a solid market presence to capture these growth opportunities.

GE Products. We have experienced positive growth for our GE products over the past two years driven by improving, broad-based industrial demand for our applications. We are cautiously optimistic about continued strong demand in 2017. However, we anticipate sales margin compression on our higher value added products as we continue to experience competitive price pressure from import products and see metal costs rising from lower levels experienced in 2016.

Other Products. We expect to continue to redirect our resources and production capacity to focus on strategic Aero/HS products, Automotive Extrusions and GE products, and away from our other industrial products ("Other products").

Overall. As we proceed with our multi-year Trentwood efficiency and modernization project, we have significant construction activity and planned equipment outages in the first half of 2017. Many of these planned activities are scheduled to be conducted simultaneously to minimize disruption. However, we anticipate that our manufacturing efficiency during the first nine months of 2017 will fall short of our record 2016 performance level as a result of reduced throughput due to these equipment outages and related disruption to our operations.

We expect 2017 to be a challenging year with headwinds from the commercial aerospace supply chain inventory overhang, competitive price pressure, rising metal costs and scheduled construction and equipment outages at Trentwood. While we believe our strong market presence will enable us to maintain strong shipment volume, in the first half we expect a 1%-3% decline in value added revenue compared to the first half of 2016 due to planned equipment downtime and the compression of sales margins by as much as 150-250 basis points year-over-year due to competitive price pressure combined with rising contained metal costs. Planned major maintenance primarily related to the Trentwood efficiency and modernization project is also expected to be approximately $5.0 million higher in the first half 2017. By the end of 2017, however, we expect these headwinds will be largely behind us, and the project-related work at Trentwood this year will further enhance our competitive position and enable us to address strong demand anticipated in 2018 and 2019.

Results of Operations

Fiscal 2016 Summary

- Our reported operating income for 2016 was $177.8 million, including items that we consider to be non-run-rate, which netted to a benefit of $7.3 million. See "Segment and Business Unit Information" below for further discussion of our operating income before non-run-rate items.
- Net income for 2016 was $91.7 million, as reported. Adjusting for the non-run-rate items as discussed above, adjusted net income was $87.1 million. See "Segment and Business Unit Information" below for additional discussion of non-run-rate items.
- We had combined cash balances, short-term investments and net borrowing availability under our revolving credit facility (with no borrowings thereunder outstanding) of approximately $561.5 million as of December 31, 2016.
- We invested $76.1 million in capital spending. See "Liquidity and Capital Resources – Capital Expenditures and Investments" below.
- We paid a variable cash contribution to the VEBAs with respect to 2015 of $19.5 million and expect to pay $20.0 million to the VEBAs for the variable contribution with respect to 2016.
- We issued $375.0 million principal amount of 5.875% Senior Notes due May 2024 ("5.875% Senior Notes") in May 2016, resulting in proceeds of $368.2 million, net of $6.8 million of transaction fees. Our exchange offer registration statement in connection with this issuance was declared effective by the Securities and Exchange Commission in September 2016 and 100% of the outstanding principal amount of the original notes was tendered in exchange for an equal aggregate principal amount of registered exchange notes.
- We redeemed all our outstanding 8.25% Senior Notes due 2020 ("8.25% Senior Notes") on June 1, 2016 resulting in a cash outflow for principal, redemption premium and accrued interest of $214.2 million.

26

- In the second quarter of 2016, we adopted a tax asset protection rights plan ("Tax Asset Rights Plan"), which was ratified by our stockholders at our 2016 annual meeting, and declared a dividend of one preferred share purchase right for each outstanding share of our common stock.
- We paid a total of approximately $32.4 million, or $1.80 per common share, in cash dividends to stockholders, including holders of restricted stock, and dividend equivalents to holders of certain restricted stock units and to the holders of performance shares granted prior to 2014 with respect to the target number of underlying common shares (constituting approximately one-half of the maximum payout).
- We repurchased 443,838 shares of common stock in 2016 for a total cost of $34.9 million pursuant to a stock repurchase program authorized by our Board of Directors.

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 12 of Notes to Consolidated Financial Statements included in this Report for further information regarding segments.

Net Sales. We reported Net sales for 2016 of $1,330.6 million, compared to $1,391.9 million for 2015 and $1,356.1 million for 2014. The decrease in Net sales during 2016 compared to 2015 primarily reflected a 4% decrease in total average realized sales price per pound due to a $0.13/lb, or 13%, decrease in average Hedged Cost of Alloyed Metal prices per pound, partially offset by a $0.04/lb, or 3%, increase in average value added revenue per pound. The increase in average value added revenue per pound reflected benefits of pricing improvements on some Aero/HS products and the benefit from lower contained metal prices on some high value added products. Fabricated Products segment shipment volume declined slightly in 2016 compared to 2015 as lower shipments of Other products were largely offset by an increase in shipments of GE products. Additionally, Aero/HS products and Automotive Extrusions declined slightly compared to 2015. See the table in "Segment and Business Unit Information" below for further details.

The increase in Net sales during 2015 compared to 2014 reflected a 5% increase in Fabricated Products segment shipment volume, partially offset by a 2% decrease in average realized sales price per pound. The increase in Fabricated Products segment shipment volume was primarily due to a 15.0 million pound, or 19%, increase in Automotive Extrusions shipment volume, an 8.0 million pound, or 4%, increase in GE products shipment volume and a 7.0 million pound, or 3%, increase in Aero/HS products shipment volume. The increase in Automotive Extrusions shipments reflected launches of new programs at each of our automotive facilities, including a significant ramp up of programs on the new aluminum-intensive Ford F-150 platform, as well as strong demand for certain other large vehicle models that we supply. The decrease in average realized sales price per pound reflected an 8% decrease in average Hedged Cost of Alloyed Metal prices per pound, partially offset by a 3% increase in average value added revenue per pound. The increase in average value added revenue per pound reflected spot pricing improvements on some Aero/HS and GE products, the benefit from lower contained metal prices on some high value added products and a more favorable shipment mix of Aero/HS and GE products sold. See the table in "Segment and Business Unit Information" below for further details.

Fluctuation in the Midwest Price for primary aluminum does not necessarily directly impact profitability because: (i) a substantial portion of the business conducted by the Fabricated Products segment passes 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 2016 totaled $1,019.5 million, or 77% of Net sales, compared to $1,115.4 million, or 80% of Net sales, in 2015 and $1,117.5 million, or 82% of Net sales, in 2014. The decrease during 2016 compared to 2015 of $95.9 million was comprised of a decrease of $84.4 million related to lower Hedged Cost of Alloyed Metal and a decrease of $11.5 million in net manufacturing conversion and other costs. Virtually all of the $84.4 million decrease in Hedged Cost of Alloyed Metal was due to lower hedged metal prices. The $11.5 million decrease in net manufacturing conversion and other costs reflected: (i) a $14.0 million reduction in controllable manufacturing conversion costs from efficiency improvements; (ii) a $12.6 million reduction in costs resulting from coordinated efforts to increase utilization of recycled scrap aluminum in lieu of more expensive primary aluminum and alloying raw materials; and (iii) a decrease of $2.3 million from lower energy pricing. Offsetting these favorable conversion cost factors were: (i) $7.7 million of incremental costs related to a change in product mix; (ii) a $4.2 million increase in workers' compensation and benefits costs and (iii) $5.4 million of LIFO and other charges. See "Segment and Business Unit Information" below for a further discussion of the comparative results of operations for 2016 and 2015.

The $2.1 million decrease from 2014 to 2015 was comprised of a $21.6 million decrease in Hedged Cost of Alloyed Metal, partially offset by $19.5 million of higher net manufacturing conversion and other costs. Of the $21.6 million decrease in Hedged Cost of Alloyed Metal, $49.9 million was due to lower hedged metal prices, partially offset by $28.3 million due to higher shipment volume, as discussed in "Net Sales" above. The $19.5 million increase in net manufacturing conversion and other costs reflected $11.5 million of higher conversion costs due to the impact of higher shipment volume, $7.1 million due to higher manufacturing costs largely related to start-ups of automotive programs and higher overhead costs to support automotive growth, and approximately $0.9 million of other costs. See "Segment and Business Unit Information" below for a further discussion of the comparative results of operations for 2015 and 2014.

Lower of Cost or Market Inventory Write-Down. See Note 1 of Notes to Consolidated Financial Statements included in this Report for information on our inventory lower of cost or market value adjustments.

Unrealized (Gain) Loss on Derivative Instruments. Unrealized (gain) loss on derivative instruments is primarily due to changes in underlying commodity prices as well as derivative settlements and are related to our operational hedges. These hedges are intended 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. Unrealized (gain) loss on derivative instruments was $(18.7) million, $3.4 million and $10.4 million for 2016, 2015 and 2014, respectively. Unrealized gain in 2016 was comprised of a $10.8 million gain on aluminum hedge positions and a $7.9 million gain on natural gas hedge positions. See Note 10 of Notes to Consolidated Financial Statements included in this Report for details on the unrealized loss (gain) on derivative instruments for 2015 and 2014.

Depreciation and Amortization. Depreciation and amortization for 2016 was $36.0 million compared to $32.4 million for 2015 and $31.1 million for 2014. Approximately $3.6 million of the increase in Depreciation and amortization in 2016 compared to 2015 was due to various construction-in-progress projects being placed in service during 2016 and the second half of 2015 related to capital upgrades at several of our extrusion facilities to support automotive programs that will launch over the next few years and other manufacturing cost efficiency and quality initiatives. Approximately $1.3 million of the increase in Depreciation and amortization expense in 2015 compared to 2014 was due to various construction-in-progress projects being placed in service during 2015 such as the capital upgrades and other initiatives discussed above.

Selling, General, Administrative, Research and Development ("SG&A and R&D"). SG&A and R&D expense totaled $105.0 million in 2016 compared to $88.1 million in 2015. The increase in 2016 was due primarily to increases of: (i) $9.1 million in our short-term incentive compensation based on improved performance measures; (ii) $2.3 million in our long-term incentive compensation; (iii) $1.3 million in professional fees and services; (iv) $1.4 million in management development; and (v) a combined increase in workers' compensation, environmental costs and salaries and benefits of approximately $1.7 million. The increase in SG&A and R&D was also due to $1.2 million of insurance settlement proceeds we received during 2015.

SG&A and R&D expense totaled $88.1 million in 2015 compared to $81.4 million in 2014. The increase in 2015 was due primarily to an increase of $3.7 million in employee incentive compensation and $2.5 million in salaries and benefits.

Net Periodic Postretirement Benefit Cost (Income) Relating to VEBAs. The VEBAs are comprised of: (i) a VEBA that provides benefits for eligible retirees represented by certain unions and their surviving spouses and eligible dependents ("Union VEBA"); and (ii) a VEBA that provides healthcare related benefits for certain other retirees and their spouse and eligible dependents ("Salaried VEBA"). Net periodic postretirement benefit cost (income) relating to the VEBAs totaled $3.4 million, $2.4 million and $(23.7) million in 2016, 2015 and 2014, respectively. The 2016 and 2015 cost reflected only the cost associated with the Salaried VEBA. The net periodic postretirement benefit cost relating to the Salaried VEBA was $0.6 million in 2014, which was netted against the net periodic postretirement benefit income of the Union VEBA in 2014. The increase in the Salaried VEBA cost in 2016 and 2015 was due primarily to the actuarial impact of increased obligations related to changes in the annual healthcare reimbursement benefit for participants in the Salaried VEBA. The increase in cost in 2015 was due primarily to the removal of the net assets of the Union VEBA and related deferred tax liabilities from our consolidated financial statements during the quarter ended March 31, 2015. See Note 6 of Notes to Consolidated Financial Statements included in this Report for additional information regarding the VEBAs.

(Gain) Loss on Removal of Union VEBA Net Assets. Loss on removal of Union VEBA net assets in 2015 represented the removal of the Union VEBA's plan assets, related deferred tax liabilities and accumulated other comprehensive loss from our consolidated financial statements during the quarter ended March 31, 2015 as a result of the definitive expiration of our obligation to make annual variable contributions to the Union VEBA for any period after September 2017. The 2015 loss on removal of Union VEBA net assets of $493.4 million included: (i) a $16.8 million accrual for the 2015 variable contribution, of which $16.7 million was paid in the first quarter of 2016; (ii) an estimated $17.1 million accrual for the 2016 variable contribution, all of which was reported within Other accrued liabilities as of December 31, 2016 and is to be paid in 2017; and (iii) an estimated $12.8 million accrual for the 2017 variable contribution, all of which was reported within Long-term liabilities as of December 31, 2016 and is to be paid in 2018. The final cash payment amounts are subject to change until the close of each respective calendar year. The estimated liability for the remaining variable cash contributions will be adjusted quarterly based on our most current projections of cash flow (as defined) with the changes reflected in our Operating income (loss). See Note 6 of Notes to Consolidated Financial Statements included in this Report for further details.

Other Operating Charges, Net. Other operating charges, net, were $2.8 million, $0.1 million and $1.5 million for 2016, 2015 and 2014, respectively. The 2016 amount primarily reflected a non-cash impairment charge of $2.6 million related to a write-off of one of our customer relationship intangible assets. See Note 4 of Notes to Consolidated Financial Statements included in this Report for further details. The 2015 and 2014 amounts reflected impairment charges related to property, plant and equipment.

Interest Expense. Interest expense represents cash and non-cash interest expense incurred on our revolving credit facility, our 5.875% Senior Notes, our 8.25% Senior Notes, which were redeemed on June 1, 2016, and our 4.5% Cash Convertible Senior Notes ("Convertible Notes"), which were settled on April 1, 2015, net of capitalized interest. Interest expense was $20.3 million, $24.1 million and $37.5 million for 2016, 2015 and 2014, respectively, net of $2.9 million, $1.8 million and $2.5 million of interest expense capitalized as part of construction-in-progress, respectively, for the three periods. Non-cash amortization of the discount on our Convertible Notes accounted for $2.4 million and $9.1 million of the total interest expense in 2015 and 2014, respectively.

Other (Expense) Income, Net. See Note 14 of Notes to Consolidated Financial Statements included in this Report for details.

Income Tax (Provision) Benefit. The income tax provision for 2016 was $55.5 million, resulting in an effective tax rate of 37.7%. There was no material difference between the effective tax rate and the projected blended statutory tax rate for 2016.

The income tax benefit for 2015 was $135.2 million, resulting in an effective tax rate of 36.4%. The difference between the effective tax rate and the projected blended statutory tax rate for 2015 was primarily due to: (i) a decrease in unrecognized tax benefits, including interest and penalties, of $1.8 million, resulting in a 0.5% increase in the effective tax rate; (ii) state tax rate and apportionment changes in various states resulting in an increase of $4.7 million, which resulted in a 1.3% decrease in the effective tax rate; and (iii) an increase in the valuation allowance for Federal and certain state net operating losses of $2.0 million, which resulted in a 0.5% decrease to the effective tax rate.

The income tax provision for 2014 was $35.3 million, resulting in an effective tax rate of 33.0%. The difference between the effective tax rate and the projected blended statutory tax rate for 2014 was primarily due to: (i) a decrease in unrecognized tax benefits, including interest and penalties, of $2.3 million, resulting in a 2.1% decrease in the effective tax rate; (ii) a lower state tax rate in various states resulting in a decrease of $1.6 million, which resulted in a 1.5% decrease in the effective tax rate; and (iii) a decrease in the valuation allowance for certain state net operating losses of $0.7 million, which resulted in a 0.6% decrease to the effective tax rate.

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 plate and sheet and extruded and drawn products, for the following end market applications: Aero/HS products, Automotive Extrusions, GE products and Other products.

We also have a business unit, All Other, which provides general and administrative support for our operations. For purposes of segment reporting under United States generally accepted accounting principles ("GAAP"), we treat the Fabricated Products segment as a reportable segment. All Other is not considered a reportable segment.

The following data should be read in conjunction with our consolidated financial statements and the notes thereto included in this Report. See Note 12 of Notes to Consolidated Financial Statements included in this Report for further information regarding segments.

Fabricated Products

The table below provides selected operational and financial information for our Fabricated Products segment for each period presented (in millions of dollars):

	Year Ended December 31,		
	2016	2015	2014
Segment operating income	$229.6	$190.8	$151.4
Impact to segment operating income of non-run-rate items:			
Adjustments to plant-level LIFO[1]	(0.6)	7.0	(4.0)
Mark-to-market gain (loss) on derivative instruments	18.7	(3.4)	(10.4)
Non-cash lower of cost or market inventory write-down[2]	(4.9)	(2.6)	—
Workers' compensation benefit (cost) due to discounting	0.3	(0.2)	—
Asset impairment charges	(2.8)	(0.1)	(1.5)
Environmental expenses[3]	(0.1)	(1.7)	(1.2)
Total non-run-rate items	10.6	(1.0)	(17.1)
Segment operating income excluding non-run-rate items	$219.0	$191.8	$168.5

1. We manage our Fabricated Products segment business on a monthly last-in, first-out ("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.
2. The $4.9 million lower of cost or market inventory write-down in 2016 was due primarily to a decrease in our net realizable value of inventory (less a normal profit margin). The $2.6 million lower of cost or market inventory write-down in 2015 was due primarily to declining metal prices.
3. Non-run-rate environmental expenses within Fabricated Products are related to activities that occurred at operating facilities prior to July 6, 2006, while such facilities were occupied by a predecessor. See Note 9 of Notes to Consolidated Financial Statements included in this Report for additional information relating to the environmental expenses.

As noted above, operating income excluding non-run-rate items for 2016 was $27.2 million higher than operating income excluding such items for 2015. The increase primarily reflected: (i) a $15.3 million favorable sales impact; (ii) improvement in controllable manufacturing conversion costs of $14.0 million; (iii) $12.6 million of favorable impact from coordinated efforts by our metal procurement group and manufacturing operations to increase utilization of recycled scrap aluminum in lieu of more expensive primary aluminum and alloying raw materials; and (iv) a $2.3 million benefit from lower energy prices. These favorable impacts were partially offset by: (i) a $5.3 million increase in incentive compensation expense due to year-over-year improvement in key performance metrics and financial results; (ii) a $3.7 million increase in workers' compensation expense; (iii) an increase of $4.6 million in overhead and other benefits and costs; and (iv) $3.5 million of higher depreciation expense. The favorable sales impact reflected expanded sales margins due to price improvements on certain Aero/HS products, as well as lower contained metal prices on certain high value added products.

Operating income excluding non-run-rate items for 2015 was $23.3 million higher than operating income excluding such items for 2014. Higher operating income excluding non-run-rate items primarily reflected a positive sales impact, partially offset by higher: (i) manufacturing conversion and other costs; (ii) overhead cost; (iii) other costs and (iv) depreciation expense. The positive sales impact of $33.7 million was due primarily to increased shipments of Automotive Extrusions, GE products and Aero/HS products and improved sales margins on certain Aero/HS and GE products reflecting improved spot pricing and lower contained metal costs. The $1.2 million increase in manufacturing conversion and other costs was due to approximately $5.2 million of inefficiencies in our automotive operations as we ramped up on several new automotive programs and responded to unexpectedly strong and volatile demand, as discussed in further detail in "Consolidated Results of Operations" above, largely offset by the improved manufacturing cost efficiencies in our operations other than automotive, including benefits derived from recent investments at Trentwood. Overhead cost increased $5.4 million due to additional resources to support sizable growth in strategic end markets and increased wages. Other costs increased $3.0 million due primarily to higher employee incentive compensation. Depreciation expense increased $1.3 million.

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 each period presented:

	Year Ended December 31,					
	2016		2015		2014	
Aero/HS Products:						
Shipments (mmlbs)	243.2		243.5		236.9	
	$	$ / lb	$	$ / lb	$	$ / lb
Net sales	$675.4	$2.78	$695.5	$2.86	$686.3	$2.90
Less: Hedged Cost of Alloyed Metal	(208.5)	(0.86)	(246.4)	(1.02)	(256.1)	(1.08)
Value added revenue	$466.9	$1.92	$449.1	$1.84	$430.2	$1.82
Automotive Extrusions:						
Shipments (mmlbs)	92.9		93.5		78.5	
	$	$ / lb	$	$ / lb	$	$ / lb
Net sales	$188.8	$2.03	$199.2	$2.13	$173.5	$2.21
Less: Hedged Cost of Alloyed Metal	(77.0)	(0.83)	(88.7)	(0.95)	(82.6)	(1.05)
Value added revenue	$111.8	$1.20	$110.5	$1.18	$90.9	$1.16
GE Products:						
Shipments (mmlbs)	249.9		231.4		223.4	
	$	$ / lb	$	$ / lb	$	$ / lb
Net sales	$420.1	$1.68	$426.1	$1.84	$419.5	$1.88
Less: Hedged Cost of Alloyed Metal	(208.9)	(0.83)	(226.1)	(0.98)	(237.6)	(1.07)
Value added revenue	$211.2	$0.85	$200.0	$0.86	$181.9	$0.81
Other Products:						
Shipments (mmlbs)	28.3		47.0		50.0	
	$	$ / lb	$	$ / lb	$	$ / lb
Net sales	$46.3	$1.64	$71.1	$1.51	$76.8	$1.54
Less: Hedged Cost of Alloyed Metal	(23.2)	(0.82)	(40.8)	(0.87)	(47.3)	(0.95)
Value added revenue	$23.1	$0.82	$30.3	$0.64	$29.5	$0.59
Total:						
Shipments (mmlbs)	614.3		615.4		588.8	
	$	$ / lb	$	$ / lb	$	$ / lb
Net sales	$1,330.6	$2.17	$1,391.9	$2.26	$1,356.1	$2.30
Less: Hedged Cost of Alloyed Metal	(517.6)	(0.85)	(602.0)	(0.98)	(623.6)	(1.06)
Value added revenue	$813.0	$1.32	$789.9	$1.28	$732.5	$1.24

For 2016, Net sales of Fabricated Products decreased by $61.3 million to $1,330.6 million, as compared to 2015, primarily reflecting a 4% decrease in total average realized sales price per pound and a slight decrease in Fabricated Products segment shipping. See "Consolidated Selected Operational and Financial Information" above for further discussion.

The increase in Net sales of Fabricated Products during 2015 compared to 2014 was due primarily to a 5% increase in Fabricated Products segment shipment volume, partially offset by a 2% decrease in average realized sales price per pound. See "Consolidated Selected Operational and Financial Information" above for further discussion.

All Other

All Other provides support for our operations and incurs general and administrative expenses that are not allocated to the Fabricated Products segment. All Other is not considered a reportable segment. The table below presents the impact of non-run-rate items to operating loss within the All Other business unit for each period presented (in millions of dollars):

	Year Ended December 31,		
	2016	2015	2014
Operating loss	$(51.8)	$(536.7)	$(13.5)
Impact to operating loss of non-run-rate items:			
Net periodic postretirement benefit (cost) income relating to the VEBAs[1]	(3.4)	(2.4)	23.7
Gain (loss) on removal of Union VEBA net assets[1]	0.1	(493.4)	—
Environmental expense adjustments[2]	—	0.4	0.4
Total non-run-rate items	(3.3)	(495.4)	24.1
Operating loss excluding non-run-rate items	$(48.5)	$(41.3)	$(37.6)

1. See Note 6 of Notes to Consolidated Financial Statements included in this Report for additional information relating to the VEBAs.
2. Non-run-rate environmental expense adjustments within All Other is related to activities that occurred at non-operating facilities prior to July 6, 2006, while such facilities were occupied by a predecessor. See Note 9 of Notes to Consolidated Financial Statements included in this Report for additional information relating to the environmental income.

All Other operating loss excluding non-run-rate items for 2016 was $7.2 million higher than in 2015 due primarily to: (i) an increase of $5.7 million in employee incentive compensation expense and (ii) a combined increase in workers' compensation, environmental costs and salaries and benefits of approximately $1.3 million.

All Other operating loss excluding non-run-rate items for 2015 was $3.7 million higher than in 2014. The increase was due primarily to an increase of $1.5 million in employee long-term incentive compensation expense and $1.9 million in salaries and benefits.

Certain Information Related to Our Significant Tax Attributes

We have significant federal income tax attributes, including sizable net operating loss carryforwards. Under Section 382(l)(5) ("Section 382") of the Internal Revenue Code of 1986 ("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 preserve our ability to fully use our net operating loss carryforwards and other significant tax attributes, we have: (i) adopted the Tax Asset Rights Plan (defined in Note 5), which is designed to deter transfers of our common stock that could result in an ownership change pursuant to Section 382 and (ii) implemented the Successor Transfer Restrictions (defined in Note 5), which restrict transfers of our stock by any person who owns, or would become an owner of, 4.99% or more of our stock as determined under Section 382. See Note 5 of Notes to Consolidated Financial Statements included in this Report for additional information relating to the Tax Asset Rights Plan and the Successor Transfer Restrictions.

Liquidity and Capital Resources

Summary

The following table summarizes our liquidity at the dates presented (in millions of dollars):

	December 31, 2016	December 31, 2015
Available cash and cash equivalents	$ 55.2	$ 72.5
Short-term investments	231.0	30.0
Net borrowing availability under Revolving Credit Facility after letters of credit	275.3	280.8
Total liquidity	$ 561.5	$ 383.3

Cash equivalents consist primarily of money market accounts and investments which, when purchased, have a maturity of 90 days or less. 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 of $12.2 million 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 (see Note 2 of Notes to Consolidated Financial Statements included in this Report).

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 included in this Report). There were no borrowings under our Revolving Credit Facility as of December 31, 2016 or December 31, 2015.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for each period presented (in millions of dollars):

	Year Ended December 31, 2016	2015	2014
Total cash provided by (used in):			
Operating activities:			
Fabricated Products	$235.4	$226.4	$199.5
All Other	(71.1)	(67.6)	(75.4)
Total cash provided by operating activities	$164.3	$158.8	$124.1
Investing activities:			
Fabricated Products	$(75.8)	$(62.4)	$(58.5)
All Other	(200.6)	82.8	13.8
Total cash (used in) provided by investing activities	$(276.4)	$20.4	$(44.7)
Financing activities:			
Fabricated Products	$—	$—	$—
All Other	94.8	(284.4)	(71.2)
Total cash provided by (used in) financing activities	$94.8	$(284.4)	$(71.2)

Operating Activities

Fabricated Products – In 2016, Fabricated Products segment operating activities provided $235.4 million of cash. Cash provided in 2016 was primarily related to: (i) $229.6 million of operating income; (ii) adjustments for non-cash items and depreciation and amortization of $21.9 million; (iii) a lower of cost or market inventory write-down of $4.9 million; (iv) a decrease in inventory of $13.1 million; and (v) a net increase in other operating assets and liabilities of $10.5 million. Cash provided by operating activities was partially offset by an increase in accounts receivable of $26.7 million due primarily to the timing of sales and increase in metal price.

In 2015, Fabricated Products segment operating activities provided $226.4 million of cash. Cash provided in 2015 was primarily related to: (i) $190.8 million of operating income; (ii) adjustments for non-cash items and depreciation and amortization of $37.5 million; and (iii) a decrease in accounts receivable of $17.0 million, partially offset by: (iv) an increase in inventory of $4.9 million (net of a $2.6 million lower of cost or market charge) due primarily to increased shipment volume; and (v) a decrease in accounts payable of $12.4 million due to the timing of payments and decreasing price of aluminum.

In 2014, Fabricated Products segment operating activities provided $199.5 million of cash. Cash provided in 2014 was primarily related to: (i) $151.4 million of operating income; (ii) adjustments for non-cash items and depreciation and amortization of $46.4 million; and (iii) an increase in accounts payable of $20.7 million due to an increase in general business activities and the timing of payments. Cash provided in 2014 was partially offset by: (i) an increase in accounts receivable of $7.7 million; (ii) a $5.0 million decrease in other accrued liabilities due primarily to a decrease in accrued salaries and wages; and (iii) a $6.1 million decrease in long-term liabilities due primarily to a decrease in workers' compensation and environmental accruals.

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

All Other – Cash outflow from All Other operating activities in 2016 consisted primarily of payments relating to: (i) general and administrative costs of $27.4 million; (ii) an annual variable cash contribution to the VEBAs of $19.5 million with respect to the 2015 year; (iii) our short-term incentive program in the amount of $3.6 million; and (iv) interest on the 5.875% and 8.25% Senior Notes and Revolving Credit Facility of $20.6 million.

Cash outflow from All Other operating activities in 2015 consisted primarily of payments relating to: (i) general and administrative costs of $25.9 million; (ii) an annual variable cash contribution to the VEBAs of $13.7 million with respect to the 2014 year; (iii) our short-term incentive program in the amount of $3.4 million; (iv) interest on the Convertible Notes, 8.25% Senior Notes and Revolving Credit Facility of $22.1 million; and (v) a loss of $2.5 million on the repurchase of our 8.25% Senior Notes.

Cash outflow from All Other operating activities in 2014 consisted primarily of payments relating to: (i) general and administrative costs of $29.9 million; (ii) an annual variable cash contribution to the VEBAs of $16.0 million with respect to 2013; (iii) our short-term incentive program in the amount of $4.3 million; and (iv) interest on the Convertible Notes, 8.25% Senior Notes and Revolving Credit Facility of $25.6 million.

Investing Activities

Fabricated Products – Cash used in investing activities for Fabricated Products was $75.8 million in 2016, compared to $62.4 million of cash used in 2015 and $58.5 million of cash used in 2014. Cash used in 2016, 2015 and 2014 was substantially related to capital expenditures. See "Capital Expenditures and Investments" below for additional information.

All Other – Cash used in investing activities during 2016 of $200.6 million primarily consisted of $200.1 million net cash outflow in conducting investment activities with respect to our available for sale securities and capital expenditures of $0.5 million. Cash provided by investing activities during 2015 of $82.8 million primarily consisted of proceeds from the disposition of available for sale securities. A portion of the proceeds was used to settle the Convertible Notes on April 1, 2015. Cash provided by investing activities during 2014 of $13.8 million consisted primarily of $14.7 million net cash inflow in conducting investment activities with respect to our available for sale securities, partially offset by $0.9 million of capital expenditures.

Financing Activities

Fabricated Products – No cash was used in financing activities for Fabricated Products in 2016, 2015 or 2014.

All Other – Cash provided by financing activities in 2016 was $94.8 million, representing $375.0 million in proceeds from the issuance of our 5.875% Senior Notes and $1.2 million in proceeds from the exercise of stock options, partially offset by: (i) $206.0 million for the redemption of the 8.25% Senior Notes; (ii) $32.4 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 granted prior to 2014, with respect to the target number of underlying shares of common stock (constituting approximately one-half of the maximum payout); (iii) $33.3 million of cash used to repurchase our common stock under our stock repurchase program; (iv) $6.8 million of debt issuance costs; and (v) $2.9 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.

Cash used in financing activities in 2015 was $284.4 million, representing: (i) net cash outlay of $175.0 million to settle the Convertible Notes; (ii) $49.2 million of cash used to repurchase our common stock under our stock repurchase program; (iii) $28.1 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 granted prior to 2014, with respect to the target number of underlying shares of common stock (constituting approximately one-half of the maximum payout); (iv) a $30.0 million payment related to the repurchase of $27.2 million aggregate principal amount of our 8.25% Senior Notes; (v) $2.8 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; and (vi) $0.6 million of cash paid for financing costs related to the renewal of our Revolving Credit Facility. Cash used in financing activities in 2015 was partially offset by $1.3 million of additional tax benefit in connection with the vesting of employee non-vested shares, restricted stock units and performance shares.

Cash used in financing activities in 2014 was $71.2 million, representing: (i) $44.1 million of cash used to repurchase our common stock under our stock repurchase program; (ii) $25.4 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 granted prior to 2014, with respect to the target number of underlying shares of common stock (constituting approximately one-half of the maximum payout); and (iii) $2.4 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. Cash used in financing activities in 2014 was partially offset by $0.8 million of additional tax benefit in connection with the vesting of employee non-vested shares, 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 and our planned capital expenditures and investments for at least the next 12 months. Nevertheless, our ability to fund our working capital requirements, planned capital expenditures and investments, debt service obligations and variable cash contributions to the VEBAs 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 December 2020 and provides for borrowings up to $300.0 million (subject to borrowing base limitations), of which up to a maximum of $20.0 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 $400.0 million.

The table below summarizes recent availability and usage of our Revolving Credit Facility (in millions of dollars except for borrowing rate):

	February 15, 2017	December 31, 2016
Revolving Credit Facility borrowing commitment	$ 300.0	$ 300.0
Borrowing base availability	$ 297.8	$ 283.0
Less: Outstanding borrowings under Revolving Credit Facility	—	—
Less: Outstanding letters of credit under Revolving Credit Facility	(7.7)	(7.7)
Net remaining borrowing availability	$ 290.1	$ 275.3

Borrowing rate (if applicable)[1]	4.00 %	4.00 %

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 included in this Report for a description of our Revolving Credit Facility.

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 5.875% Senior Notes. See Note 3 of Notes to Consolidated Financial Statements included in this Report for further details with respect to the 5.875% Senior Notes and the redemption of our 8.25% Senior Notes.

We do not believe that covenants in the indenture governing the 5.875% 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.

Capital Expenditures and Investments

In anticipation of an increasingly competitive market environment, we strategically allocate our capital spending on projects to maintain and improve our competitive position. Objectives are to target significant improvement in our manufacturing cost efficiency and product quality. Capacity expansion typically is an additional benefit of most projects focused on cost and quality.

The most significant example is our Trentwood efficiency and modernization project, a multi-year, $150.0 million capital investment initiative that upgrades equipment throughout the Trentwood process flow to reduce conversion costs and increase efficiency, further improving our competitive cost position on all of Trentwood’s products. A significant portion of this investment will focus on modernizing our legacy equipment and process flow for thin gauge plate to achieve KaiserSelect® quality enhancements for both Aero/HS and GE products. Although the primary purpose of this project is to improve cost efficiency and product quality, activity in 2016 and further significant project activity in 2017 will also position Trentwood with additional manufacturing capacity to address anticipated sales growth in 2018 and beyond. The project was announced in 2015, represented a significant portion of our capital expenditures during 2016 and will be a sizable portion of our capital spending in 2017.

Total capital expenditures were $76.1 million, $63.1 million and $59.4 million for 2016, 2015 and 2014, respectively. The majority of our capital spending during 2016 was focused on the Trentwood efficiency and modernization project and investments to support automotive growth, including a new extrusion press and related equipment at our Sherman, Texas facility. Capital spending during 2015 and 2014 included a new casting complex at our Trentwood facility to expand our rolling ingot capacity and reduce costs, spending to further expand heat treat plate capacity at Trentwood, and investments to support our automotive growth, including: (i) upgrades to existing extrusion presses at several of our automotive-focused facilities; (ii) a new extrusion press at our London, Ontario facility; and (iii) initial spending on the extrusion press at our Sherman, Texas facility. The remainder of our capital spending in 2016, 2015 and 2014 was spread among our manufacturing locations on projects expected to reduce operating costs, improve quality, increase capacity or enhance operational security.

In 2017, we anticipate capital spending will be approximately $80.0 million for purposes of continued spending on the Trentwood efficiency and modernization project and sustaining capital spending throughout the manufacturing platform. 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

See Note 11 of Notes to Consolidated Financial Statements included in this Report for information regarding dividends paid during 2016, 2015 and 2014. See Item 5 of this Report for disclosure regarding the future declaration and payment of dividends.

36

Repurchases of Common Stock

See Note 11 of Notes to Consolidated Financial Statements included in this Report for information regarding repurchases of common stock in 2016 and 2015 and the amounts authorized and available for future repurchases of common stock under our stock repurchase program.

See Note 8 of Notes to Consolidated Financial Statements included in this Report for information regarding minimum statutory tax withholding obligations arising during 2016, 2015 and 2014 in connection with the vesting of non-vested shares, restricted stock units and performance shares.

Restrictions Related to Equity Capital

As discussed in "Certain Information Related to Our Significant Tax Attributes" above and elsewhere in this Report, to preserve our ability to fully use our net operating loss carryforwards and other significant tax attributes, we have: (i) adopted the Tax Asset Rights Plan (defined in Note 5), which is designed to deter transfers of our common stock that could result in an ownership change pursuant to Section 382 and (ii) implemented the Successor Transfer Restrictions (defined in Note 5), which restrict transfers of our stock by any person who owns, or would become an owner of, 4.99% or more of our stock as determined under Section 382. The Tax Asset Rights Plan will expire on April 7, 2019, and the Successor Transfer Restrictions will expire on May 26, 2019. See Note 5 of Notes to Consolidated Financial Statements included in this Report for additional information relating to the Tax Asset Rights Plan and the Successor Transfer Restrictions.

Environmental Commitments and Contingencies

See Note 9 of Notes to Consolidated Financial Statements included in this Report for information regarding our environmental commitments and contingencies.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet 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 and discussion provide a summary of our significant contractual obligations and commercial commitments at December 31, 2016 (in millions of dollars):

	Payments Due by Period						
	Total	2017	2018	2019	2020	2021	2022 and Thereafter
On-Balance Sheet:							
Principal and interest on 5.875% Senior Notes	$540.2	$22.0	$22.0	$22.0	$22.0	$22.0	$ 430.2
Standby letters of credit	8.1	6.6	1.5	—	—	—	—
Uncertain tax liabilities	0.9	—	—	—	—	—	—
Deferred compensation plan liability	8.2	—	—	—	—	—	—
Capital leases	0.3	0.1	0.1	0.1	—	—	—
VEBA variable contributions	32.8	20.0	12.8	—	—	—	—
Off-Balance Sheet:							
VEBA administrative fees	1.2	0.3	0.3	0.3	0.3	—	—
Purchase obligations	281.7	254.5	13.6	10.0	1.4	1.1	1.1
Operating leases	44.9	6.1	5.4	5.1	2.8	2.4	23.1
Commitment fees on Revolving Credit Facility	4.3	1.1	1.1	1.1	1.0	—	—
Total contractual obligations	$922.6	$310.7	$56.8	$38.6	$27.5	$25.5	$ 454.4

Principal and Interest on 5.875% Senior Notes. Cash outlays related to our 5.875% Senior Notes consist of our principal obligations and interest obligations based on scheduled interest payments.
Standby Letters of Credit. Of the $8.1 million of standby letters of credit, $0.4 million are cash collateralized and $7.7 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 2020 (for those letters of credit issued under that facility).
Uncertain Tax Liabilities. At December 31, 2016, we had uncertain tax positions which ultimately could result in tax payments. As the amount of ultimate tax payments beyond 2017 is contingent on the tax authorities' assessment, it is not practical to present annual payment information.
Deferred Compensation Plan Liability. The deferred compensation liability amount relates to our deferred compensation plan for certain key employees. As the distribution amount is contingent upon investment performance, vesting and other eligibility requirements, including retirement dates, it is not practical to present annual payment information.
Capital Leases. Capital project spending included in the preceding table represents non-cancelable capital commitments as of December 31, 2016. 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.
VEBA Obligations. Our primary contractual obligations to the VEBAs are: (i) an annual variable cash contribution to the Salaried VEBA capped at $2.9 million per year; (ii) the variable cash contribution to the Union VEBA, estimated to be $17.1 million, to be made in the first quarter of 2017 with respect to the 2016 calendar year; (iii) the final cash contribution to the Union VEBA to be made in the first quarter of 2018 with respect to the first nine months of 2017, which we currently estimate at the maximum payout of $12.8 million but which remains subject to change; and (iv) annual administration fees to the VEBAs. See Note 6 of Notes to Consolidated Financial Statements included in this Report for additional information regarding the VEBAs.
Purchase Obligations. Cash outlays for purchase obligations consist primarily of commitments to purchase aluminum, energy and equipment. 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, 2016. 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. Physical delivery commitments with energy companies are in place to cover our exposure to fluctuations in electricity and natural gas prices and are based on fixed contractual rates and quantities. Equipment purchase obligations are based on scheduled payments to equipment manufacturers.
Operating Leases. Operating leases represent multi-year obligations for certain manufacturing facilities, warehouses, office space and equipment.
Commitment Fees on Revolving Credit Facility. Future commitment fees on our Revolving Credit Facility are estimated based on the amount of unused credit under the facility at December 31, 2016 and assuming no extension of terms beyond the current maturity date of our Revolving Credit Facility, which is in December 2020. No borrowings were outstanding under our Revolving Credit Facility either throughout the year or as of December 31, 2016.
Other Off-Balance Sheet Arrangements
In addition to our off-balance sheet items discussed in the contractual obligations and commercial commitments section above:

- See Note 7 of Notes to Consolidated Financial Statements included in this Report for information regarding our participation in multi-employer pension plans.
- See Note 8 of Notes to Consolidated Financial Statements included in this Report for information regarding our long-term employee incentive plans. Additional equity awards are expected to be made to employees and non-employee directors in 2017 and future years.

Critical Accounting Estimates and Policies

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates and such differences could be material.

In addition to the accounting estimates we discuss in Note 1 of Notes to Consolidated Financial Statements included in this Report, management believes that the following accounting estimates are 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
Self-insured 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 claims 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 claims experience and as the discount rate changes, we would make a corresponding adjustment to our workers' compensation accruals.	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.

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 tax rates, 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: (i) actual results vary from our forecasts due to one or more of the factors cited above or elsewhere in this Report; (ii) income is distributed differently than expected among tax jurisdictions; (iii) one or more material events or transactions occur which were not contemplated; or (iv) 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 5 of Notes to Consolidated Financial Statements included in this Report for additional discussion of these matters.	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 $1.5 million to Net income for the year ended December 31, 2016.