



To Our Shareholders,

The severe economic and credit market environment of 2009 tested the mettle of many companies as businesses were forced to respond to rapidly changing market conditions. Many companies restructured, reassessed end market opportunities, and re-evaluated financial and operational strategies. At Kaiser Aluminum our business model is designed to facilitate consistent and proactive management through the full business cycle, and our performance in 2009 validated that model as we remained profitable with positive cash flow and a clear focus on long-term growth by continuing to fund our strategic investment programs during a deep recession.

Over the past decade we have been implementing a portfolio strategy that focuses the business on demanding applications where we can achieve a strong competitive position. Our emphasis is to supply highly engineered, semi-fabricated aluminum specialty products for aerospace and defense, automotive, general engineering and other industrial applications. These products and applications require sophisticated capabilities and expertise, and Kaiser Aluminum is a leader in consistently meeting the needs that our customers demand.

Our competitive strategy is, and will continue to be, to achieve the position as a supplier of choice and low-cost producer for these demanding applications. Our supplier of choice initiative is supported by a company-wide culture to provide “Best in Class” product quality, on-time delivery, lead time and customer service. A key proof point of our commitment to quality excellence is our unique portfolio of **KaiserSelect**<sup>®</sup> products, which are designed and developed to provide superior attributes that enable our customers to achieve lower processing costs and enhanced quality for their end products.

Our strategy to be a supplier of choice and low cost producer is facilitated by the integration of world-class manufacturing facilities with our Kaiser Production System (KPS). We have invested approximately \$250 million since the beginning of 2006, adding to an existing platform of low-cost focused facilities, and this thrust will continue in 2010 with additional investment to complete our new world-class extrusion facility in Kalamazoo, Michigan. We continue to pursue manufacturing excellence with KPS that blends our extensive experience and capabilities for Six Sigma, lean manufacturing, application engineering, metallurgy and process engineering into a comprehensive tool kit. The successful integration of KPS with our world-class facilities positions Kaiser Aluminum as a premier supplier to our demanding customers.

Another key component of our business model is a focus on maintaining financial strength and flexibility. Strong operating cash flows, prudent debt levels, and a focus on liquidity have enabled us to advance our competitive position, invest for long-term strategic growth and return cash to our shareholders throughout the entire economic cycle.

As I look back on the year, I am more confident today than before we entered the recession that our business model is sound and that we are well positioned to build upon our operational and financial platform for future growth and profitability as the economy continues to recover.

### **2009 Highlights**

While 2009 was a very challenging year, we generated strong financial results and executed well on the key priorities we established for the year, which included:

- Improving manufacturing efficiencies;
- Enhancing our financial position and liquidity;
- Sustaining and building on our “Best in Class” customer experience;
- Expanding our **KaiserSelect**<sup>®</sup> product portfolio; and
- Continuing to invest in our strategic growth initiatives.

For the full-year 2009, we reported consolidated operating income of \$63 million excluding non-run-rate items (non-run-rate items can include mark-to-market gains or losses, metal profits or losses, and restructuring charges, among others). Consolidated results were driven by a strong underlying performance in our Fabricated Products business that contributed \$91 million of operating income excluding non-run-rate items. Significant improvements in manufacturing efficiencies, reductions in overhead costs, and lower energy-related costs partially offset the negative impact from lower year-over-year demand.

Destocking throughout the supply chain exacerbated the impact of the recessionary decline in demand for our end use applications. However, the base load of contract business related to our Trentwood facility expansion cushioned the impact of weaker aerospace and high strength demand. Our manufacturing team quickly and efficiently met the significant challenge of flexing operations to a much lower level of production and, in doing so, achieved \$17 million of operational cost efficiencies beyond the impact of flexing to the lower activity level. In addition, we reduced underlying selling, general and administrative costs by \$14 million. These cost efficiencies will improve earnings leverage as sales volumes increase.

Despite the challenging economy in 2009, we improved our net cash position by \$66 million as we generated approximately \$130 million of cash from earnings and reduction of working capital. In addition, we invested \$59 million to fund the new Kalamazoo extrusion facility and other strategic capital programs while also returning approximately \$20 million in cash to shareholders through our quarterly dividend program. These long-term focused investments and direct shareholder returns were made during a time in which many companies were retrenching, further reinforcing the strength and resiliency of our model.

In summary, 2009 was a very challenging year – but one that reaffirmed the strength of our business model and our strategic focus. Our actions further strengthened our financial and competitive position, and our continued investment in the new Kalamazoo facility provides the next step change in our strategy for long-term profitability.

## **Outlook**

As we enter 2010, we expect that market conditions will continue to be challenging as the economic climate remains uncertain. We were pleased to have begun the year by extending the labor agreements for our Trentwood and Newark facilities through September 2015. This successful early negotiation and ratification reaffirm the positive company / union partnership that both parties have worked hard to build at these facilities over the past decade.

Operationally, our primary focus in the near term is the completion of our new world-class extrusion facility in Kalamazoo, Michigan. The facility is currently in the early stages of startup and is on schedule to become fully operational in late 2010. The Kalamazoo project, in combination with the capital improvements recently completed at Trentwood and several other facilities, rounds out our comprehensive platform of focused facilities to position Kaiser Aluminum as the supplier of choice and low cost producer of products for aerospace and defense, automotive and general engineering applications.

Looking beyond 2010 the long-term fundamentals for commercial and defense aerospace remain strong, and the full benefit from our Trentwood expansion has yet to be fully realized due to soft market conditions. The Kalamazoo facility is the next step in advancing our competitive position and will provide additional capacity to facilitate profitable automotive sales growth driven by increasing demand for aluminum extrusions to achieve more fuel efficient vehicles. With attractive markets and a strong financial and competitive profile, Kaiser Aluminum is well positioned to capitalize on value-creating internal and external growth opportunities.

I want to thank all of our customers, suppliers, shareholders, our employees and their families, and finally the communities in which we operate for your contributions to our success in 2009. It is with your commitment and continued support of Kaiser Aluminum that we strengthened our position as a preferred supplier, preferred customer, preferred employer, and preferred investment. I am confident in our ability to achieve our objectives, and I am very optimistic about the future for Kaiser Aluminum.

Sincerely,



Jack A. Hockema  
President, Chief Executive Officer and Chairman of the Board  
Kaiser Aluminum Corporation

May 3, 2010

This letter contains statements based on management's current expectations and projections that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 involving known and unknown risks and uncertainties that may cause actual results, performance or achievements of the company to be materially different from those expressed or implied. These forward-looking statements are not guarantees of future performance or events and involve significant risks and uncertainties. Actual events may vary materially from those expressed or implied in the forward-looking statements as a result of various factors. A number of these factors are summarized in the company's reports filed with the Securities and Exchange Commission, including the company's Form 10-K for the year ended December 31, 2009 included in the package with this letter and Current Report on Form 8-K filed with the Securities and Exchange Commission on March 29, 2010.