GLOBAL BRASS & COPPER HOLDINGS, INC.
Form 10-Q
August 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission File No. 001-35938

GLOBAL BRASS AND COPPER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-1826563 (I.R.S. Employer Identification Number)
475 N. Martingale Road Suite 1050 Schaumburg, IL	60173
(Address of principal executive offices)	(Zip Code)

(847) 240-4700
(Registrant’s telephone number, including area code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 x No ¨

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 ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

On July 30, 2015, there were 21,507,934 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
Global Brass and Copper Holdings, Inc.
Consolidated Balance Sheets (Unaudited)

(In millions, except share and par value data)	As of June 30, 2015	December 31, 2014	June 30, 2014
Assets			
Current assets:			
Cash	$78.4	$44.6	$19.4
Accounts receivable (net of allowance of $1.5, $1.0 and $1.0 at June 30, 2015, December 31, 2014 and June 30, 2014, respectively)	164.8	152.3	195.6
Inventories	195.6	189.0	192.3
Prepaid expenses and other current assets	22.3	26.2	25.7
Deferred income taxes	31.3	30.1	33.0
Income tax receivable	0.6	8.3	6.3
Total current assets	493.0	450.5	472.3
Property, plant and equipment (net of accumulated depreciation of $41.3, $35.1 and $28.3 at June 30, 2015, December 31, 2014 and June 30, 2014, respectively)	102.9	103.5	100.0
Investment in joint venture	—	2.0	2.8
Goodwill	4.4	4.4	4.4
Intangible assets, net	0.6	0.6	0.7
Deferred income taxes	1.6	0.8	2.9
Other noncurrent assets	13.3	14.7	15.8
Total assets	$615.8	$576.5	$598.9
Liabilities and equity			
Current liabilities:			
Current maturities of long-term debt	$1.0	$1.0	$0.7
Accounts payable	104.1	82.5	107.6
Accrued liabilities	51.7	57.3	49.3
Accrued interest	3.2	3.2	3.3
Income tax payable	0.1	0.5	—
Total current liabilities	160.1	144.5	160.9
Long-term debt	379.3	379.8	396.8
Deferred income taxes	—	0.8	—
Other noncurrent liabilities	25.4	25.4	25.9
Total liabilities	564.8	550.5	583.6
Commitments and contingencies (Note 10)			
Global Brass and Copper Holdings, Inc. stockholders' equity:			
Common stock - $0.01 par value; 80,000,000 shares authorized; 21,553,828, 21,369,407 and 21,373,407 shares issued at June 30, 2015, December 31, 2014 and June 30, 2014, respectively	0.2	0.2	0.2
Additional paid-in capital	34.6	32.5	32.4
Retained earnings (accumulated deficit)	13.5	(10.1)	(21.5)
Treasury stock - 45,894, 29,200 and 29,200 shares at June 30, 2015, December 31, 2014 and June 30, 2014, respectively	(0.7)	(0.4)	(0.4)
Accumulated other comprehensive (loss) income	(1.0)	(0.6)	0.4

Total Global Brass and Copper Holdings, Inc. stockholders' equity	46.6	21.6	11.1
Noncontrolling interest	4.4	4.4	4.2
Total equity	51.0	26.0	15.3
Total liabilities and equity	$615.8	$576.5	$598.9

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

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2015	2014	2015	2014
Net sales	$414.9	$440.5	$815.1	$884.3
Cost of sales	364.6	396.3	720.9	796.5
Gross profit	50.3	44.2	94.2	87.8
Selling, general and administrative expenses	21.9	19.9	43.3	38.7
Operating income	28.4	24.3	50.9	49.1
Interest expense	9.9	9.8	19.9	19.7
Gain on sale of investment in joint venture	(6.3)	—	(6.3)	—
Other (income) expense, net	(0.2)	0.1	(0.1)	0.2
Income before provision for income taxes and equity income	25.0	14.4	37.4	29.2
Provision for income taxes	7.9	5.5	12.4	10.8
Income before equity income	17.1	8.9	25.0	18.4
Equity income, net of tax	0.1	0.2	0.3	0.5
Net income	17.2	9.1	25.3	18.9
Less: Net income attributable to noncontrolling interest	0.1	0.1	0.1	0.2
Net income attributable to Global Brass and Copper Holdings, Inc.	$17.1	$9.0	$25.2	$18.7
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:				
Basic	$0.80	$0.42	$1.19	$0.89
Diluted	$0.80	$0.42	$1.18	$0.88
Weighted average common shares outstanding:				
Basic	21.3	21.2	21.2	21.1
Diluted	21.4	21.3	21.3	21.2
Dividends declared per common share	$0.0375	$0.0375	$0.0750	$0.0750

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

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2015	2014	2015	2014
Net income	$17.2	$9.1	$25.3	$18.9
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(0.3)	0.1	(0.5)	(0.1)
Less: Income tax (benefit) expense on foreign currency translation adjustment	(0.1)	0.1	(0.2)	—
Comprehensive income	17.0	9.1	25.0	18.8
Less: Comprehensive income attributable to noncontrolling interest	0.1	0.1	0.2	0.2
Comprehensive income attributable to Global Brass and Copper Holdings, Inc.	$16.9	$9.0	$24.8	$18.6

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

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Changes in Equity / (Deficit) (Unaudited)

(In millions, except share data)	Common stock	Additional paid-in capital	(Accumulated deficit)/ retained earnings	Treasury stock	Accumulated other comprehensive (loss) income	Total Global Brass and Copper Holdings, Inc. stockholders' equity/(deficit)	Noncontrolling interest	Total equity/ (deficit)
Balance at December 31, 2013	$ 0.2	$ 30.5	$ (38.6)	$ —	$ 0.5	$ (7.4)	$ 4.0	$ (3.4)
Share-based compensation (110,316 shares)	—	1.6	—	—	—	1.6	—	1.6
Exercise of stock options (11,605 shares)	—	0.1	—	—	—	0.1	—	0.1
Share repurchases (29,200 shares)	—	—	—	(0.4)	—	(0.4)	—	(0.4)
Excess tax benefit on share-based compensation	—	0.2	—	—	—	0.2	—	0.2
Dividends declared	—	—	(1.6)	—	—	(1.6)	—	(1.6)
Net income	—	—	18.7	—	—	18.7	0.2	18.9
Other comprehensive loss, net of tax	—	—	—	—	(0.1)	(0.1)	—	(0.1)
Balance at June 30, 2014	$ 0.2	$ 32.4	$ (21.5)	$ (0.4)	$ 0.4	$ 11.1	$ 4.2	$ 15.3
Balance at December 31, 2014	$ 0.2	$ 32.5	$ (10.1)	$ (0.4)	$ (0.6)	$ 21.6	$ 4.4	$ 26.0
Share-based compensation (172,678 shares)	—	1.9	—	—	—	1.9	—	1.9
Exercise of stock options (11,743 shares)	—	0.1	—	—	—	0.1	—	0.1
Share repurchases (16,694 shares)	—	—	—	(0.3)	—	(0.3)	—	(0.3)
Excess tax benefit on share-based compensation	—	0.1	—	—	—	0.1	—	0.1
Dividends declared	—	—	(1.6)	—	—	(1.6)	—	(1.6)
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.2)	(0.2)
Net income	—	—	25.2	—	—	25.2	0.1	25.3
Other comprehensive (loss) income, net of	—	—	—	—	(0.4)	(0.4)	0.1	(0.3)

tax								
Balance at June 30, 2015	$ 0.2	$ 34.6	$ 13.5	$ (0.7)	$ (1.0)	$ 46.6	$ 4.4	$ 51.0

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

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(In millions)	2015	2014
Cash flows from operating activities		
Net income	$25.3	$18.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Lower of cost or market adjustment to inventory	2.5	0.2
Unrealized (gain) loss on derivatives	(0.7)	0.4
Depreciation	6.6	5.3
Amortization of debt issuance costs	1.4	1.3
Share-based compensation expense	1.9	1.6
Excess tax benefit from share-based compensation	(0.1)	(0.2)
Provision for bad debts, net of reductions	0.6	—
Deferred income taxes	(2.6)	0.5
Loss on disposal of property, plant and equipment	0.3	—
Gain on sale of investment in joint venture	(6.3)	—
Equity earnings, net of distributions	0.1	(0.5)
Change in assets and liabilities:		
Accounts receivable	(13.3)	(23.8)
Inventories	(9.3)	(1.7)
Prepaid expenses and other current assets	4.8	(2.9)
Accounts payable	23.1	23.6
Accrued liabilities	(6.0)	(6.4)
Income taxes, net	7.4	(2.3)
Other, net	—	(0.6)
Net cash provided by operating activities	35.7	13.4
Cash flows from investing activities		
Capital expenditures	(7.6)	(14.1)
Proceeds from sale of property, plant, and equipment	—	0.1
Proceeds from sale of investment in joint venture	8.0	—
Net cash provided by (used in) investing activities	0.4	(14.0)
Cash flows from financing activities		
Borrowings on ABL Facility	0.6	174.2
Payments on ABL Facility	(0.6)	(163.2)
Principal payments under capital lease obligation	(0.5)	—
Dividends paid	(1.6)	(1.6)
Distribution to noncontrolling interest owner	(0.2)	—
Proceeds from exercise of stock options	0.1	0.1
Excess tax benefit from share-based compensation	0.1	0.2
Share repurchases	(0.3)	(0.4)
Net cash (used in) provided by financing activities	(2.4)	9.3
Effect of foreign currency exchange rates	0.1	(0.1)
Net increase in cash	33.8	8.6
Cash at beginning of period	44.6	10.8
Cash at end of period	$78.4	$19.4
Noncash investing and financing activities		
Purchases of property, plant and equipment not yet paid	$2.7	$2.9

Acquisition of equipment under capital lease obligation	$—	$6.0

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

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation and Principles of Consolidation

Global Brass and Copper Holdings, Inc. ("Holdings," the "Company," "we," "us," or "our") through its wholly-owned principa operating subsidiary, Global Brass and Copper, Inc. ("GBC"), is operated and managed through three reportable segments: GBC Metals, LLC ("Olin Brass"), Chase Brass and Copper Company, LLC ("Chase Brass") and A.J. Oster, LLC ("A.J. Oster").

These unaudited consolidated financial statements include the accounts of the Company, our wholly-owned subsidiaries and our majority-owned subsidiaries in which we have a controlling interest. All intercompany accounts and transactions are eliminated in consolidation. The equity method is used to account for investments in affiliated companies that are 20% to 50% owned where we do not hold a controlling voting interest and do not direct the matters that most significantly impact the investee's operations.

The accompanying unaudited interim consolidated financial statements include all normal recurring adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The December 31, 2014 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, it requires management to make estimates and assumptions that affect the reported amount of net sales and expenses during the reporting periods. Actual amounts could differ from those estimates.

Results of operations for the interim periods presented are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. There have been no significant changes to our significant accounting policies during the six months ended June 30, 2015. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Revision of Prior Period Statements of Cash Flows

We revised our consolidated statement of cash flows for the six months ended June 30, 2014 to correct errors related to the treatment of purchases of property, plant and equipment for which cash had not yet been paid. These non-cash purchases were previously reflected as a component of net cash used in operating activities and net cash used in investing activities. We assessed the materiality of this error and determined that the error is not material to any previously reported annual or interim financial statements. The revision of prior reported amounts has no impact on the reported change in cash or amounts reported in the consolidated balance sheets, statements of operations, statements of comprehensive income or statements of changes in equity (deficit).

For the six months ended June 30, 2014, the correction to cash flows from operating activities was to adjust the cash effect of the change in accounts payable and the change in accrued liabilities by $1.4 million and $0.4 million, respectively, from $22.2 million and $6.8 million, respectively, to $23.6 million and $6.4 million, respectively. The correction to cash flows from investing activities was to adjust capital expenditures by $1.8 million, from $12.3 million to $14.1 million. The revision resulted in an increase of $1.8 million to the Company's "net cash provided by operating activities" for the six months ended June 30, 2014, with a corresponding increase to "net cash used in investing activities".

Recently Issued and Recently Adopted Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, Simplifying the Measurement of Inventory. ASU 2015-11 simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first-out ("LIFO") or the retail inventory method. Under the new standard, in scope inventory, which includes inventory that is measured using first-in, first-out ("FIFO") or average cost, should be measured at the lower of cost and net realizable value. Prior to the issuance of the standard, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

a ceiling of net realizable value and floor of net realizable value less a normal profit margin). The new standard is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We are in the process of evaluating the impact of adoption on our consolidated financial statements.
In April 2015, the FASB issued ASU No. 2015-3, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-3"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-3 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. ASU 2015-3 requires retrospective adoption. We do not expect the adoption of this standard to have a material effect on our financial statements.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, in May 2014, the FASB issued ASU No. 2014-9, Revenue from Contracts with Customers ("ASU 2014-9"). The guidance provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. In July 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are in the process of evaluating the impact of adoption on our consolidated financial statements.

2. Inventories
Inventories were as follows:

(in millions)	As of June 30, 2015	December 31, 2014	June 30, 2014
Raw materials and supplies	$30.2	$29.7	$36.8
Work-in-process	77.3	78.7	71.1
Finished goods	88.1	80.6	84.4
Total inventories	$195.6	$189.0	$192.3

Inventories include costs attributable to direct labor and manufacturing overhead, but are primarily comprised of raw material costs. The metals component of inventories that is valued on a LIFO basis comprised approximately 70% of total inventory at June 30, 2015, December 31, 2014 and June 30, 2014. Other manufactured inventories, including the direct labor and manufacturing overhead components and certain non-U.S. inventories, are valued on a FIFO basis. During the three months ended June 30, 2015 and 2014, we reduced the recorded value of certain domestic non-copper metal inventory by $0.6 million and $0.1 million, respectively, resulting from the decline in market value of these metals. During the six months ended June 30, 2015 and 2014, these adjustments were $2.5 million and $0.2 million, respectively. These non-cash, lower of cost or market adjustments were recorded in cost of sales in the accompanying consolidated statements of operations.
If all inventories had been valued at period-end market values, inventories would have been approximately $262.5 million, $280.1 million and $309.8 million at June 30, 2015, December 31, 2014 and June 30, 2014, respectively.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were as follows:

(in millions)	As of June 30, 2015	December 31, 2014	June 30, 2014
Workers' compensation plan deposits	$7.2	$6.2	$6.2
Deferred cost of sales - toll customers	6.2	12.7	8.6
Prepaid insurance	3.8	2.8	5.2
Derivative contract assets	1.7	1.3	1.5
Prepaid tooling	0.7	1.2	1.1
Other	2.7	2.0	3.1
Total prepaid expenses and other current assets	$22.3	$26.2	$25.7

4. Investment in Joint Venture

During the six months ended June 30, 2015, we received cash dividends from Dowa Olin Metal Corporation (the "Dowa Joint Venture") of $0.4 million, which were recorded as a reduction in our investment in the Dowa Joint Venture. No dividends were received during the six months ended June 30, 2014.

On April 3, 2015, we sold our 50% share of the Dowa Joint Venture to our joint venture partner, DOWA Metaltech Co. Ltd. for $8.0 million. Thus, we no longer own any portion of the Dowa Joint Venture. During the three months ended June 30, 2015, we recognized a gain of $6.3 million and related tax expense of $1.5 million on the sale.

5. Accrued Liabilities

Accrued liabilities consisted of the following:

(in millions)	As of June 30, 2015	December 31, 2014	June 30, 2014
Compensation and benefits	$18.5	$18.1	$14.4
Workers' compensation	13.7	14.2	15.6
Deferred sales revenue - toll customers	6.3	12.7	8.6
Insurance	2.8	2.5	2.3
Professional fees	1.9	2.1	1.6
Utilities	1.9	1.5	2.2
Taxes	1.5	1.7	0.7
Tooling	0.5	0.8	0.6
Other	4.6	3.7	3.3
Total accrued liabilities	$51.7	$57.3	$49.3

Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

6. Financing

Long-term debt consisted of the following:

(in millions)	As of June 30, 2015	December 31, 2014	June 30, 2014
Senior Secured Notes	$375.0	$375.0	$375.0
ABL Facility	—	—	16.5
Obligations under capital lease	5.3	5.8	6.0
Total debt	380.3	380.8	397.5
Less: Current portion of capital lease obligations	1.0	1.0	0.7
Non-current portion of debt	$379.3	$379.8	$396.8

Senior Secured Notes

We have $375.0 million of senior secured notes outstanding that mature on June 1, 2019 (the “Senior Secured Notes”) and are guaranteed by Holdings. Interest on the Senior Secured Notes accrues at the rate of 9.50% per annum and is payable semiannually in arrears on June 1 and December 1.

The credit agreement governing the ABL Facility (hereinafter defined) and the indenture governing the Senior Secured Notes (the “Indenture”) limit the ability of GBC and its subsidiaries to pay dividends or distribute cash to Holdings and to its equityholders, although ordinary course dividends and distributions to meet the limited holding company expenses and related obligations at Holdings of up to $5.0 million per year are permitted under those agreements. Under the terms of the Indenture, GBC is also permitted to pay dividends or distribute to Holdings and its equityholders up to 50% of its “Consolidated Net Income” (as such term is used in the Indenture) from April 1, 2012 to the end of GBC’s most recently ended fiscal quarter. As of June 30, 2015, all of the net assets of the subsidiaries are restricted except for $73.6 million, which are permitted for dividend distributions under the Indenture. As of June 30, 2015, we were in compliance with all of the covenants relating to the Indenture.

ABL Facility

Available borrowings under our asset-based revolving loan facility (the “ABL Facility”) were $200.0 million, $199.5 million and $183.0 million as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively. As of June 30, 2015, December 31, 2014 and June 30, 2014, amounts outstanding, if any, under the ABL Facility accrued interest at a rate of 4.25%. Unused amounts under the ABL Facility incur an unused line fee of 0.50% per annum, payable in full on a quarterly basis.

The ABL Facility has an expiration date of June 1, 2017 and contains various debt covenants to which we are subject on an ongoing basis. As of June 30, 2015, we were in compliance with all of the covenants under the ABL Facility.

7. Income Taxes

The effective income tax rate, which is the provision for income taxes as a percentage of income before provision for income taxes and equity income, was 31.6% and 38.2% for the three months ended June 30, 2015 and 2014, respectively. The effective income tax rate was 33.2% and 37.0% for the six months ended June 30, 2015 and 2014, respectively. The effective tax rates for the three and six months ended June 30, 2015 and 2014 differed from the U.S. Federal statutory rate of 35% primarily due to state income taxes, utilization of foreign tax credits in 2015 due to the sale of our share of the Dowa Joint Venture, the domestic manufacturing deduction, and discrete tax items that impacted the provision for income taxes in these periods.

As of June 30, 2015, December 31, 2014 and June 30, 2014, we had $25.2 million, $25.2 million and $25.7 million, respectively, of unrecognized tax benefits, none of which would impact the effective tax rate, if recognized. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of provision for income taxes. There were no such estimated amounts for the three and six months ended June 30, 2015 or June 30, 2014. Accrued interest and penalties as of June 30, 2015, December 31, 2014 and June 30, 2014 was $0.1 million. Our liability for uncertain tax positions of $25.3 million, $25.3 million and $25.8 million at June 30, 2015, December 31,

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

2014 and June 30, 2014, respectively, is presented in other noncurrent liabilities in the accompanying unaudited consolidated balance sheets.

Our U.S. federal returns for the period ended December 31, 2011 and all subsequent periods remain open for audit. The majority of state returns for the period ended December 31, 2010 and all subsequent periods remain open for audit.

8. Derivative Contracts

We maintain a metal, natural gas and electricity pricing risk-management strategy that uses commodity derivative contracts to minimize significant, unanticipated gains or losses that may arise from volatility of the commodity indices.

By using derivative contracts to limit exposures to fluctuations in metal, natural gas and electricity prices, we are exposed to credit risk and market risk. Credit risk is the risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. Market risk is the risk that the value of a derivative instrument might be adversely affected by a change in commodity price. We manage the market risk associated with derivative contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

We manage credit risk associated with derivative contracts by only executing derivative instruments with counterparties with investment-grade credit ratings. The amount of such credit risk is limited to the fair value of the derivative contract plus the unpaid portion of amounts due to the Company pursuant to terms of the derivative contracts, if any. If a downgrade in the credit rating of these counterparties occurs, management believes that this exposure is mitigated by provisions in the derivative arrangements which allow for the legal right of offset of any amounts due to the Company from the counterparties, if any, with any amounts payable to the counterparties by the Company.

The following tables provide a summary of our outstanding commodity derivative contracts:

(in millions, except for number of contracts)	As of June 30, 2015		December 31, 2014		June 30, 2014	
	Net Notional Amount	# of Contracts	Net Notional Amount	# of Contracts	Net Notional Amount	# of Contracts
Metal	$13.3	585	$13.4	400	$12.6	421
Natural Gas	2.2	68	2.6	78	2.7	73
Electricity	2.5	35	5.9	77	2.7	38
Total	$18.0	688	$21.9	555	$18.0	532

(in millions)	As of June 30, 2015	December 31, 2014	June 30, 2014
Notional Amount - Long	$31.5	$29.9	$27.9
Notional Amount - Short	(13.5)	(8.0)	(9.9)
Total	$18.0	$21.9	$18.0

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The fair values of derivative contracts in the consolidated balance sheets include the impact of netting derivative assets and liabilities when a legally enforceable master netting arrangement exists. The following tables summarize the gross amounts of open derivative contracts, the net amounts presented in the consolidated balance sheets, and the collateral deposited with counterparties:

(in millions)	As of June 30, 2015		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$1.4	$(1.4)	$—
Natural gas	—	—	—
Electricity	—	—	—
Collateral on deposit	2.8	(1.1)	1.7
Total	$4.2	$(2.5)	$1.7
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$1.7
Total			$1.7

(in millions)	As of June 30, 2015		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Liabilities Presented in Consolidated Balance Sheet
Metal	$1.7	$(1.7)	$—
Natural gas	0.4	(0.4)	—
Electricity	0.4	(0.4)	—
Total	$2.5	$(2.5)	$—

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	As of December 31, 2014		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$0.5	$(0.5)	$—
Natural gas	—	—	—
Electricity	0.2	(0.2)	—
Collateral on deposit	3.3	(2.0)	1.3
Total	$4.0	$(2.7)	$1.3
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$1.3
Total			$1.3

(in millions)	As of December 31, 2014		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Liabilities Presented in Consolidated Balance Sheet
Metal	$1.4	$(1.4)	$—
Natural gas	0.7	(0.7)	—
Electricity	0.6	(0.6)	—
Total	$2.7	$(2.7)	$—

(in millions)	As of June 30, 2014		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$0.9	$(0.8)	$0.1
Natural gas	0.1	—	0.1
Electricity	0.4	(0.1)	0.3
Collateral on deposit	1.0	—	1.0
Total	$2.4	$(0.9)	$1.5
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$1.5
Total			$1.5

(in millions)	As of June 30, 2014		
	Gross Amounts of	Gross Amounts Offset in	Net Amounts of Liabilities

	Recognized Liabilities	Consolidated Balance Sheet	Presented in Consolidated Balance Sheet
Metal	$0.8	$(0.8)	$—
Natural gas	—	—	—
Electricity	0.1	(0.1)	—
Total	$0.9	$(0.9)	$—

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes the effects of derivative contracts in the consolidated statements of operations:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Losses (gains) in cost of sales for:				
Metal	$0.4	$(0.6)	$(0.1)	$(0.5)
Natural gas	—	—	0.1	(0.2)
Electricity	0.3	(0.2)	0.3	(1.6)
Total	$0.7	$(0.8)	$0.3	$(2.3)

9. Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements but does not change existing guidance as to whether or not an instrument is carried at fair value. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- Level 3 - Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

As of June 30, 2015, December 31, 2014 and June 30, 2014, the fair value of our commodity derivative contracts was $1.7 million, $1.3 million and $1.5 million, respectively. In accordance with ASC 820, our metal, natural gas and electricity commodity derivative contracts are considered Level 2, as fair value measurements consist of both quoted price inputs and inputs provided by a third party that are derived principally from or corroborated by observable market data by correlation. These assumptions include, but are not limited to, those concerning interest rates, credit rates, discount rates, default rates and other factors. All of our derivative commodity contracts have a set term of 24 months or less.

We do not hold assets or liabilities requiring a Level 3 measurement and there have not been any transfers between the hierarchy levels during 2015 or 2014.

For purposes of financial reporting, we have determined that the carrying value of cash, accounts receivable, accounts payable, and accrued expenses approximates fair value due to their short term nature. Additionally, given the revolving nature and the variable interest rates, we have determined that the carrying value of the ABL Facility also approximates fair value. As of June 30, 2015, December 31, 2014 and June 30, 2014, the fair value of our Senior Secured Notes approximated $410.6 million, $405.0 million and $428.4 million, respectively. The fair value of the Senior Secured Notes was based upon quotes from financial institutions (Level 2 in the fair value hierarchy as defined by ASC 820).

10. Commitments and Contingencies

Environmental Considerations

We are subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. Although we believe we are in material compliance with all of the various regulations applicable to our business, there can be no assurance that requirements will not change in the future or that we will not incur significant costs to comply with such requirements. We employ responsible personnel at each facility, along with various environmental engineering consultants from time to time to assist with ongoing management of environmental, health and safety requirements. We expense environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Expenditures that extend the

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

life of the related property are capitalized. We determine our liability on a location by location basis and record a liability at the time it is deemed probable and can be reasonably estimated. We are currently not aware of any environmental matters which may have a material impact on our financial position, results of operations, or liquidity. On November 19, 2007 (the date of inception of GBC), we acquired the assets and operations relating to the worldwide metals business of Olin Corporation. Olin Corporation agreed to retain liability arising out of the existing conditions on certain of our properties for any remedial actions required by environmental laws, and agreed to indemnify the Company for all or part of a number of other environmental liabilities. Since 2007, Olin Corporation has been performing remedial actions at the facilities in East Alton, Illinois and Waterbury, Connecticut related to environmental conditions at such facilities, and has been participating in remedial actions at certain other properties as well. If Olin Corporation were to stop its environmental remedial activities at our properties, we could be required to assume responsibility for these activities, the cost of which could be material.

Insurance Coverage

We maintain Comprehensive Medical Plans for employees of GBC and its subsidiaries (the “Plans”) to provide health insurance for eligible employees on a self-insured basis. The Plans are covered by a stop loss policy for those benefits provided on a self-insured basis with a deductible of \$0.3 million per participant for all GBC employees, except for employees of our Chase Brass division, which has a deductible of \$0.1 million per participant and a specific stop loss maximum of \$2.0 million.

We are self-insured for workers’ compensation claims assumed from the predecessor company for activity prior to November 19, 2007. Workers’ compensation claims relating to activity after November 19, 2007 are covered by a loss funding insurance arrangement whereby we make a fixed payment to the insurer which is used to pay submitted claims. We are self-insured for annual workers’ compensation costs relating to activity after November 19, 2007 of up to \$0.5 million per occurrence.

Legal Considerations

We are party to various legal proceedings arising in the ordinary course of business. We believe that none of our lawsuits are individually material or that the aggregate exposure of all of our lawsuits, including those that are probable and those that are only reasonably possible, is material to our financial condition, results of operations or cash flows.

11. Segment Information

Our Chief Operating Decision Maker allocates resources and evaluates performance at the divisional level. As such, we have determined that we have three reportable segments: Olin Brass, Chase Brass and A.J. Oster.

Olin Brass is a leading manufacturer and converter of copper and brass sheet, strip and fabricated products. Olin Brass also rerolls and forms other alloys such as stainless, carbon steel and aluminum. Olin Brass’s products are used in five primary markets: building and housing, munitions, automotive, coinage, and electronics/electrical components.

Chase Brass is a leading manufacturer of brass rod in North America. Chase Brass primarily manufactures brass rod, including round and other shapes, ranging from 1/4 inch to 4.5 inches in diameter. The key attributes of brass rod include its machinability, corrosion resistance and moderate strength, making it especially suitable for forging and machining products such as valves and fittings. Brass rod is generally manufactured from copper or copper-alloy scrap. Chase Brass produces brass rod used in production applications which can be grouped into four primary markets: building and housing, transportation, electronics/electrical components and industrial machinery and equipment.

A.J. Oster is a processor and distributor of primarily copper and copper-alloy sheet, strip and foil. A.J. Oster operates six strategically-located service centers in the United States, Puerto Rico and Mexico. Each A.J. Oster service center reliably provides a broad range of high quality products at quick lead-times in small quantities. These capabilities, combined with A.J. Oster’s operations of precision slitting, hot tinning, traverse winding, cutting, edging and special packaging, provide value to a broad customer base. A.J. Oster’s products are used in three primary markets: building and housing, automotive and electronics/electrical components.

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Global Brass and Copper Holdings, Inc.
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Corporate and Other includes compensation for corporate executives and officers, corporate office and administrative salaries, and professional fees for accounting, tax and legal services. Corporate and Other also includes interest expense, state and Federal income taxes, overhead costs, share-based compensation expense, costs related to other long-term incentive programs, gains and losses associated with certain acquisitions and dispositions and the elimination of intercompany balances.

The Chief Operating Decision Maker evaluates performance and determines resource allocations based on a number of factors, the primary performance measure being Adjusted EBITDA.

Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization (“EBITDA”) adjusted to exclude unrealized gains and losses on derivative contracts in support of our balanced book approach, unrealized gains and losses associated with derivative contracts related to electricity and natural gas costs, non-cash losses due to lower of cost or market adjustments to inventory, non-cash gains and losses due to the depletion of a LIFO layer of metal inventory, share-based compensation expense, non-cash income accretion related to the Dowa Joint Venture, restructuring and other business transformation charges, specified legal and professional expenses and certain other items, each of which are excluded because our management believes they are not indicative of the ongoing performance of our core operations.

Below is a reconciliation of Adjusted EBITDA of segments to income before provision for income taxes and equity income:

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Sales, External Customers				
Olin Brass	$192.8	$212.9	$362.2	$412.6
Chase Brass	141.9	152.7	297.9	315.3
A.J. Oster	80.2	74.9	155.0	156.4
Total net sales, external customers	$414.9	$440.5	$815.1	$884.3
Intersegment Net Sales				
Olin Brass	$15.0	$14.5	$30.3	$27.9
Chase Brass	0.8	—	1.2	—
Total intersegment net sales	$15.8	$14.5	$31.5	$27.9
Adjusted EBITDA				
Olin Brass	$17.7	$10.0	$27.0	$20.1
Chase Brass	17.1	17.7	38.5	36.1
A.J. Oster	4.7	4.0	8.2	8.1
Total Adjusted EBITDA of segments	39.5	31.7	73.7	64.3
Corporate and Other	1.5	(2.1)	(3.4)	(6.0)
Depreciation expense	(3.3)	(3.0)	(6.6)	(5.3)
Interest expense	(9.9)	(9.8)	(19.9)	(19.7)
Net income attributable to noncontrolling interest	0.1	0.1	0.1	0.2
Unrealized (loss) gain on derivative contracts (a)	(0.3)	(0.2)	0.7	(0.4)
Equity method investment income (b)	(0.1)	—	(0.1)	(0.1)
Specified legal/professional expenses (c)	(0.7)	(0.9)	(1.8)	(2.0)
Lower of cost or market adjustment to inventory (d)	(0.6)	(0.1)	(2.5)	(0.2)
Share-based compensation expense (e)	(1.2)	(1.3)	(1.9)	(1.6)
Restructuring and other business transformation charges (f)	—	—	(0.9)	—
Income before provision for income taxes and equity income	$25.0	$14.4	$37.4	$29.2

(a) Represents unrealized gains and losses on derivative contracts.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(b) Excludes accretion income of $0.2 million for the three months ended June 30, 2014. Excludes accretion income of $0.2 million and $0.4 million for the six months ended June 30, 2015 and 2014, respectively. Equity method investment income is exclusive to Olin Brass.

(c) Specified legal/professional expenses for the three and six months ended June 30, 2015 include $0.7 million and $1.8 million, respectively, of professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company.

Specified legal/professional expenses for the three months ended June 30, 2014 include $0.9 million of professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company. Specified legal/professional expenses for the six months ended June 30, 2014 include $2.0 million of professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company, including follow-on offering costs.

(d) Represents non-cash lower of cost or market charges for the write down of domestic non-copper metal inventory.

(e) Represents share-based compensation expense resulting from the grant of non-qualified stock options, restricted stock and performance-based shares to certain employees, members of our management and our Board of Directors.

(f) Restructuring and other business transformation charges for the six months ended June 30, 2015 represent severance charges at Olin Brass.

12. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of common shares outstanding and diluted earnings per share is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include nonvested share awards and stock options for which the exercise price was less than the average market price of our outstanding common stock. Nonvested performance-based share awards are included in the average diluted shares outstanding for each period if established performance criteria have been met at the end of the respective periods.

The following table sets forth the computation of basic and diluted earnings per share:

(in millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator				
Net income attributable to Global Brass and Copper Holdings, Inc.	$17.1	$9.0	$25.2	$18.7
Denominator				
Weighted-average common shares outstanding	21.3	21.2	21.2	21.1
Effect of potentially dilutive securities:				
Stock options and nonvested share awards	0.1	0.1	0.1	0.1
Weighted-average common shares outstanding, assuming dilution	21.4	21.3	21.3	21.2
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:				
Basic	$0.80	$0.42	$1.19	$0.89
Diluted	$0.80	$0.42	$1.18	$0.88

The computation of weighted-average common shares outstanding, assuming dilution, for the periods presented, includes the average common shares outstanding that would result from the assumed exercise of outstanding stock options and vesting of restricted stock awards and vesting of the portion of performance-based shares for which the established performance criterion has been met. Weighted-average common shares outstanding, assuming dilution, for the three months ended June 30, 2015 and 2014 excludes 253,639 shares and 147,136 shares awarded under our equity incentive plan, respectively, because they were anti-dilutive. Weighted-average common shares outstanding, assuming dilution, for the six months ended June 30, 2015 and 2014 excludes 253,639 shares and 147,136 shares awarded under our equity incentive plan, respectively, because they were anti-dilutive.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

13. Condensed Consolidating Financial Information

In June 2012, Holdings (presented as "Parent" in the following tables), through its wholly-owned principal operating subsidiary, GBC (presented as "Issuer" in the following tables), issued the Senior Secured Notes as further described in note 6, "Financing". The Senior Secured Notes are jointly and severally guaranteed on a senior secured basis by Holdings and substantially all existing 100%-owned U.S. subsidiaries of GBC and any future restricted subsidiaries who guarantee or incur certain types of Permitted Debt, as such term is defined under the Indenture (individually, a "Guarantor" and collectively, the "Guarantors"). The guarantees are full and unconditional, except that a Guarantor can be automatically released and relieved of its obligations under certain customary provisions contained in the Indenture. Under these customary provisions, a Guarantor is automatically released from its obligations as a guarantor upon the sale of the Guarantor or substantially all of its assets to a third party, the designation of the Guarantor as an unrestricted subsidiary in accordance with the terms of the Indenture, the release or discharge of all guarantees by such Guarantor and the repayment of all indebtedness, or upon the Issuer's exercise of its legal defeasance option or covenant defeasance option or if the obligations under the Indenture are discharged in accordance with the terms of the Indenture. All other subsidiaries of GBC, whether direct or indirect, do not guarantee the Senior Secured Notes (collectively, the "Non-Guarantors").

Holdings is also a guarantor of the ABL Facility and substantially all of its 100%-owned U.S. subsidiaries are borrowers under, or guarantors of, the ABL Facility on a senior secured basis.

The following condensed consolidating financial information presents the financial position, results of operations, comprehensive income and cash flows of (1) the Parent, (2) the Issuer, (3) the Guarantors, (4) the Non-Guarantors and (5) eliminations to arrive at the information for the Company on a consolidated basis. The condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations, comprehensive income or cash flows of the Parent, the Issuer, the Guarantors or the Non-Guarantors on a stand-alone basis.

As discussed in note 1, the Company's consolidated statement of cash flows for the six months ended June 30, 2014 reflects revisions to correct errors related to the treatment of purchases of property, plant and equipment for which cash had not yet been paid. The revision resulted in an increase of $1.8 million to the Company's and Guarantor Subsidiaries "net cash provided by operating activities" for the six months ended June 30, 2014, with a corresponding increase to "net cash used in investing activities".

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$71.1	$2.1	$6.3	$(1.1)	$78.4
Accounts receivable, net of allowance	—	2.8	146.9	15.1	—	164.8
Inventories	—	—	180.2	18.7	(3.3)	195.6
Prepaid expenses and other current assets	—	12.8	8.7	0.8	—	22.3
Deferred income taxes	—	31.3	—	—	—	31.3
Income tax receivable	—	1.0	—	—	(0.4)	0.6
Total current assets	—	119.0	337.9	40.9	(4.8)	493.0
Property, plant and equipment, net	—	0.6	101.9	0.4	—	102.9
Investment in subsidiaries	55.2	822.9	23.0	—	(901.1)	—
Intercompany accounts	—	—	492.3	—	(492.3)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.6	—	—	0.6
Deferred income taxes	—	1.6	—	—	—	1.6
Other noncurrent assets	—	11.0	2.3	—	—	13.3
Total assets	$55.2	$955.1	$962.4	$41.3	$(1,398.2)	$615.8
Liabilities and equity / (deficit)						
Current liabilities:						
Current maturities of long-term debt	$—	$—	$1.0	$—	$—	$1.0
Accounts payable	—	4.0	100.8	3.7	(4.4)	104.1
Accrued liabilities	—	17.9	33.2	0.6	—	51.7
Accrued interest	—	3.2	—	—	—	3.2
Income tax payable	—	—	0.1	0.4	(0.4)	0.1
Total current liabilities	—	25.1	135.1	4.7	(4.8)	160.1
Long-term debt	—	375.0	4.3	—	—	379.3
Other noncurrent liabilities	—	25.3	0.1	—	—	25.4
Intercompany accounts	8.6	474.5	—	9.2	(492.3)	—
Total liabilities	8.6	899.9	139.5	13.9	(497.1)	564.8
Global Brass and Copper Holdings, Inc. stockholders' equity / (deficit)	46.6	55.2	822.9	23.0	(901.1)	46.6
Noncontrolling interest	—	—	—	4.4	—	4.4
Total equity / (deficit)	46.6	55.2	822.9	27.4	(901.1)	51.0
Total liabilities and equity / (deficit)	$55.2	$955.1	$962.4	$41.3	$(1,398.2)	$615.8

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of December 31, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$37.6	$3.8	$4.6	$(1.4)	$44.6
Accounts receivable, net of allowance	—	2.6	131.6	18.1	—	152.3
Inventories	—	—	173.5	15.8	(0.3)	189.0
Prepaid expenses and other current assets	—	10.1	16.0	0.1	—	26.2
Deferred income taxes	—	30.1	—	—	—	30.1
Income tax receivable	—	8.4	—	—	(0.1)	8.3
Total current assets	—	88.8	324.9	38.6	(1.8)	450.5
Property, plant and equipment, net	—	0.7	102.4	0.4	—	103.5
Investment in joint venture	—	—	2.0	—	—	2.0
Investment in subsidiaries	29.8	752.5	23.1	—	(805.4)	—
Intercompany accounts	—	—	419.3	—	(419.3)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.6	—	—	0.6
Deferred income taxes	—	0.8	—	—	—	0.8
Other noncurrent assets	—	12.5	2.2	—	—	14.7
Total assets	$29.8	$855.3	$878.9	$39.0	$(1,226.5)	$576.5
Liabilities and equity / (deficit)						
Current liabilities:						
Current maturities of long-term debt	$—	$—	$1.0	$—	$—	$1.0
Accounts payable	—	0.6	82.0	1.6	(1.7)	82.5
Accrued liabilities	—	18.4	38.3	0.6	—	57.3
Accrued interest	—	3.2	—	—	—	3.2
Income tax payable	—	—	0.2	0.4	(0.1)	0.5
Total current liabilities	—	22.2	121.5	2.6	(1.8)	144.5
Long-term debt	—	375.0	4.8	—	—	379.8
Deferred income taxes	—	0.8	—	—	—	0.8
Other noncurrent liabilities	—	25.3	0.1	—	—	25.4
Intercompany accounts	8.2	402.2	—	8.9	(419.3)	—
Total liabilities	8.2	825.5	126.4	11.5	(421.1)	550.5
Global Brass and Copper Holdings, Inc. stockholders' equity / (deficit)	21.6	29.8	752.5	23.1	(805.4)	21.6
Noncontrolling interest	—	—	—	4.4	—	4.4
Total equity / (deficit)	21.6	29.8	752.5	27.5	(805.4)	26.0
Total liabilities and equity / (deficit)	$29.8	$855.3	$878.9	$39.0	$(1,226.5)	$576.5

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$14.7	$2.6	$4.8	$(2.7)	$19.4
Accounts receivable, net of allowance	—	2.7	177.9	15.0	—	195.6
Inventories	—	—	174.3	18.9	(0.9)	192.3
Prepaid expenses and other current assets	—	12.8	12.4	0.5	—	25.7
Deferred income taxes	—	33.0	—	—	—	33.0
Income tax receivable	—	6.7	—	—	(0.4)	6.3
Total current assets	—	69.9	367.2	39.2	(4.0)	472.3
Property, plant and equipment, net	—	0.9	98.7	0.4	—	100.0
Investment in joint venture	—	—	2.8	—	—	2.8
Investment in subsidiaries	19.0	705.4	23.3	—	(747.7)	—
Intercompany accounts	—	—	351.1	—	(351.1)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.7	—	—	0.7
Deferred income taxes	—	2.9	—	—	—	2.9
Other noncurrent assets	—	13.9	1.9	—	—	15.8
Total assets	$19.0	$793.0	$850.1	$39.6	$(1,102.8)	$598.9
Liabilities and equity / (deficit)						
Current liabilities:						
Current maturities of long-term debt	$—	$—	$0.7	$—	$—	$0.7
Accounts payable	—	1.2	107.5	2.5	(3.6)	107.6
Accrued liabilities	—	17.8	31.0	0.5	—	49.3
Accrued interest	—	3.3	—	—	—	3.3
Income tax payable	—	—	0.1	0.3	(0.4)	—
Total current liabilities	—	22.3	139.3	3.3	(4.0)	160.9
Long-term debt	—	391.5	5.3	—	—	396.8
Other noncurrent liabilities	—	25.8	0.1	—	—	25.9
Intercompany accounts	7.9	334.4	—	8.8	(351.1)	—
Total liabilities	7.9	774.0	144.7	12.1	(355.1)	583.6
Global Brass and Copper Holdings, Inc. stockholders' equity / (deficit)	11.1	19.0	705.4	23.3	(747.7)	11.1
Noncontrolling interest	—	—	—	4.2	—	4.2
Total equity / (deficit)	11.1	19.0	705.4	27.5	(747.7)	15.3
Total liabilities and equity / (deficit)	$19.0	$793.0	$850.1	$39.6	$(1,102.8)	$598.9

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Operations Three Months Ended June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$ 398.9	$ 23.3	$ (7.3)	$ 414.9
Cost of sales	—	1.0	350.2	20.7	(7.3)	364.6
Gross profit (loss)	—	(1.0)	48.7	2.6	—	50.3
Selling, general and administrative expenses	0.3	5.9	14.8	0.9	—	21.9
Operating income (loss)	(0.3)	(6.9)	33.9	1.7	—	28.4
Interest expense	—	9.8	0.1	—	—	9.9
Gain on sale of investment in joint venture	—	—	(6.3)	—	—	(6.3)
Other expense (income), net	—	—	(0.2)	—	—	(0.2)
Income (loss) before provision for (benefit from) income taxes and equity income	(0.3)	(16.7)	40.3	1.7	—	25.0
Provision for (benefit from) income taxes	(0.1)	(5.1)	12.6	0.5	—	7.9
Income (loss) before equity income	(0.2)	(11.6)	27.7	1.2	—	17.1
Equity income (loss), net of tax	17.3	28.9	1.2	—	(47.3)	0.1
Net income (loss)	17.1	17.3	28.9	1.2	(47.3)	17.2
Less: Net income attributable to noncontrolling interest	—	—	—	0.1	—	0.1
Net income (loss) attributable to Global Brass and Copper Holdings, Inc.	$ 17.1	$ 17.3	$ 28.9	$ 1.1	$ (47.3)	$ 17.1

(in millions)	Condensed Consolidating Statement of Operations Three Months Ended June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$ 424.1	$ 22.3	$ (5.9)	$ 440.5
Cost of sales	—	(1.4)	383.3	20.3	(5.9)	396.3
Gross profit (loss)	—	1.4	40.8	2.0	—	44.2
Selling, general and administrative expenses	0.3	4.9	14.0	0.7	—	19.9
Operating income (loss)	(0.3)	(3.5)	26.8	1.3	—	24.3
Interest expense	—	9.8	—	—	—	9.8
Other expense (income), net	—	0.1	—	—	—	0.1
Income (loss) before provision for (benefit from) income taxes and equity income	(0.3)	(13.4)	26.8	1.3	—	14.4
	(0.1)	(5.2)	10.3	0.5	—	5.5

Provision for (benefit from) income taxes						
Income (loss) before equity income	(0.2)	(8.2)	16.5	0.8	—	8.9
Equity income (loss), net of tax	9.2	17.4	0.9	—	(27.3)	0.2
Net income (loss)	9.0	9.2	17.4	0.8	(27.3)	9.1
Less: Net income attributable to noncontrolling interest	—	—	—	0.1	—	0.1
Net income (loss) attributable to Global Brass and Copper Holdings, Inc.	$9.0	$9.2	$17.4	$0.7	$(27.3)	$9.0

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Operations Six Months Ended June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$785.6	$45.0	$(15.5)	$815.1
Cost of sales	—	2.4	693.1	40.9	(15.5)	720.9
Gross profit (loss)	—	(2.4)	92.5	4.1	—	94.2
Selling, general and administrative expenses	0.6	11.5	29.5	1.7	—	43.3
Operating income (loss)	(0.6)	(13.9)	63.0	2.4	—	50.9
Interest expense	—	19.7	0.2	—	—	19.9
Gain on sale of investment in joint venture	—	—	(6.3)	—	—	(6.3)
Other expense (income), net	—	0.1	—	(0.2)	—	(0.1)
Income (loss) before provision for (benefit from) income taxes and equity income	(0.6)	(33.7)	69.1	2.6	—	37.4
Provision for (benefit from) income taxes	(0.2)	(11.1)	22.8	0.9	—	12.4
Income (loss) before equity income	(0.4)	(22.6)	46.3	1.7	—	25.0
Equity income (loss), net of tax	25.6	48.2	1.9	—	(75.4)	0.3
Net income (loss)	25.2	25.6	48.2	1.7	(75.4)	25.3
Less: Net income attributable to noncontrolling interest	—	—	—	0.1	—	0.1
Net income (loss) attributable to Global Brass and Copper Holdings, Inc.	$25.2	$25.6	$48.2	$1.6	$(75.4)	$25.2

(in millions)	Condensed Consolidating Statement of Operations Six Months Ended June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$850.2	$47.4	$(13.3)	$884.3
Cost of sales	—	(0.6)	767.3	43.1	(13.3)	796.5
Gross profit (loss)	—	0.6	82.9	4.3	—	87.8
Selling, general and administrative expenses	0.6	9.2	27.4	1.5	—	38.7
Operating income (loss)	(0.6)	(8.6)	55.5	2.8	—	49.1
Interest expense	—	19.7	—	—	—	19.7
Other expense (income), net	—	0.2	0.1	(0.1)	—	0.2
Income (loss) before provision for (benefit from) income taxes and equity income	(0.6)	(28.5)	55.4	2.9	—	29.2
	(0.2)	(11.0)	21.3	0.7	—	10.8

Provision for (benefit from) income taxes						
Income (loss) before equity income	(0.4)	(17.5)	34.1	2.2	—	18.4
Equity income (loss), net of tax	19.1	36.6	2.5	—	(57.7)	0.5
Net income (loss)	18.7	19.1	36.6	2.2	(57.7)	18.9
Less: Net income attributable to noncontrolling interest	—	—	—	0.2	—	0.2
Net income (loss) attributable to Global Brass and Copper Holdings, Inc.	$ 18.7	$ 19.1	$ 36.6	$ 2.0	$ (57.7)	$ 18.7

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Comprehensive Income Three Months Ended June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$17.1	$17.3	$28.9	$1.2	$(47.3)	$17.2
Foreign currency translation adjustment, net of tax	(0.2)	(0.2)	(0.3)	(0.2)	0.7	(0.2)
Comprehensive income (loss)	16.9	17.1	28.6	1.0	(46.6)	17.0
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	0.1	—	0.1
Comprehensive income (loss) attributable to Global Brass and Copper Holdings, Inc.	$16.9	$17.1	$28.6	$0.9	$(46.6)	$16.9

(in millions)	Condensed Consolidating Statement of Comprehensive Income Three Months Ended June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$9.0	$9.2	$17.4	$0.8	$(27.3)	$9.1
Foreign currency translation adjustment, net of tax	—	—	0.1	—	(0.1)	—
Comprehensive income (loss)	9.0	9.2	17.5	0.8	(27.4)	9.1
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	0.1	—	0.1
Comprehensive income (loss) attributable to Global Brass and Copper Holdings, Inc.	$9.0	$9.2	$17.5	$0.7	$(27.4)	$9.0

(in millions)	Condensed Consolidating Statement of Comprehensive Income Six Months Ended June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$25.2	$25.6	$48.2	$1.7	$(75.4)	$25.3
Foreign currency translation adjustment, net of tax	(0.4)	(0.4)	(0.6)	(0.4)	1.5	(0.3)
Comprehensive income (loss)	24.8	25.2	47.6	1.3	(73.9)	25.0
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	0.2	—	0.2
Comprehensive income (loss) attributable to Global Brass and Copper Holdings, Inc.	$24.8	$25.2	$47.6	$1.1	$(73.9)	$24.8

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Comprehensive Income Six Months Ended June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$18.7	$19.1	$36.6	$2.2	$(57.7)	$18.9
Foreign currency translation adjustment, net of tax	(0.1)	(0.1)	(0.1)	(0.2)	0.4	(0.1)
Comprehensive income (loss)	18.6	19.0	36.5	2.0	(57.3)	18.8
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	0.2	—	0.2
Comprehensive income (loss) attributable to Global Brass and Copper Holdings, Inc.	$18.6	$19.0	$36.5	$1.8	$(57.3)	$18.6

(in millions)	Condensed Consolidating Statement of Cash Flows Six Months Ended June 30, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$1.7	$35.1	$(1.6)	$2.4	$(1.9)	$35.7
Cash flows from investing activities						
Capital expenditures	—	—	(7.6)	—	—	(7.6)
Proceeds from sale of investment in joint venture	—	—	8.0		—	8.0
Net cash provided by (used in) investing activities	—	—	0.4	—	—	0.4
Cash flows from financing activities						
Borrowings on ABL Facility	—	0.6	—	—	—	0.6
Payments on ABL Facility	—	(0.6)	—	—	—	(0.6)
Principal payments under capital lease obligation	—	—	(0.5)	—	—	(0.5)
Dividends paid	(1.6)	(1.6)	—	(0.6)	2.2	(1.6)
Distributions to noncontrolling interest owners	—	—	—	(0.2)	—	(0.2)
Proceeds from exercise of stock options	0.1	—	—	—	—	0.1
Excess tax benefit from share-based compensation	0.1	—	—	—	—	0.1
Share repurchases	(0.3)	—	—	—	—	(0.3)
Net cash provided by (used in) financing activities	(1.7)	(1.6)	(0.5)	(0.8)	2.2	(2.4)
	—	—	—	0.1	—	0.1

Effect of foreign currency exchange rates						
Net increase (decrease) in cash	—	33.5	(1.7)	1.7	0.3	33.8
Cash at beginning of period	—	37.6	3.8	4.6	(1.4)	44.6
Cash at end of period	$—	$71.1	$2.1	$6.3	$(1.1)	$78.4

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Cash Flows Six Months Ended June 30, 2014					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$1.7	$2.1	$12.5	$1.4	$(4.3)	$13.4
Cash flows from investing activities						
Capital expenditures	—	(0.1)	(13.9)	(0.1)	—	(14.1)
Proceed from sale of property, plant, and equipment			0.1		—	0.1
Net cash provided by (used in) investing activities	—	(0.1)	(13.8)	(0.1)	—	(14.0)
Cash flows from financing activities						
Borrowings on ABL Facility	—	174.2	—	—	—	174.2
Payments on ABL Facility	—	(163.2)	—	—	—	(163.2)
Dividends paid	(1.6)	(1.6)	—	—	1.6	(1.6)
Proceeds from exercise of stock options	0.1	—	—	—	—	0.1
Excess tax benefit from share-based compensation	0.2	—	—	—	—	0.2
Share repurchases	(0.4)				—	(0.4)
Net cash provided by (used in) financing activities	(1.7)	9.4	—	—	1.6	9.3
Effect of foreign currency exchange rates	—	—	—	(0.1)	—	(0.1)
Net increase (decrease) in cash	—	11.4	(1.3)	1.2	(2.7)	8.6
Cash at beginning of period	—	3.3	3.9	3.6	—	10.8
Cash at end of period	$—	$14.7	$2.6	$4.8	$(2.7)	$19.4

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “projects,” “may,” “would,” “should,” “seeks,” “approxi “intends,” “plans,” “estimates,” “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make or may make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements contained in this report are based upon information available to us on the date of this report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as “cautionary statements”, are disclosed under the “Risk Factors” section in Item 1A of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 16, 2015, and subsequent Reports on Form 10-Q, including, without limitation, in conjunction with the forward-looking statements included in this Report on Form 10-Q and in our other SEC filings. All forward-looking information in this report and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include, but are not limited to:

- the impact of our substantial indebtedness, including the effect of our ability to borrow money, fund working capital and operations and make new investments;
- general economic conditions affecting the markets in which our products are sold;
- our ability to implement our business strategies, including acquisition activities;
- our ability to continue implementing our balanced book approach to substantially reduce the impact of fluctuations in metal prices on our earnings and operating margins;
- shrinkage from processing operations and metal price fluctuations, particularly copper;
- the condition of various markets in which our customers operate, including the housing and commercial construction industries;
- our ability to maintain business relationships with our customers on favorable terms;
- the impact of a loss in customer volume or demand or a shift by customers of their manufacturing or sourcing offshore;
- our ability to compete effectively with existing and new competitors;
- limitations on our ability to purchase raw materials, particularly copper;
- fluctuations in commodity and energy prices and costs;
- our ability to maintain sufficient liquidity as commodity and energy prices rise;
- the effects of industry consolidation or competition in our business lines;
- operational factors affecting the ongoing commercial operations of our facilities, including technology failures, catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs or unanticipated changes in energy costs;
- operational factors affecting the ongoing commercial operations of our facilities resulting from inclement weather conditions;
- supply, demand, prices and other market conditions for our products;
- our ability to accommodate increases in production to meet demand for our products;
- our ability to continue our operations internationally and the risks applicable to international operations;

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- government regulations relating to our products and services, including new legislation relating to derivatives and the elimination of the dollar bill and EPA regulations regarding the registration and marketing of bactericidal copper products;
- our ability to maintain effective internal control over financial reporting;
- our ability to realize the planned cost savings and efficiency gains as part of our various initiatives;
- our ability to successfully execute acquisitions and joint ventures;
- workplace safety issues;
- our ability to retain key employees;
- adverse developments in our relationship with our employees or the future terms of our collective bargaining agreements;
- rising employee medical costs;
- environmental costs and our exposure to environmental claims;
- our exposure to product liability claims;
- our ability to successfully manage litigation;
- our ability to maintain cost-effective insurance policies;
- our ability to maintain the confidentiality of our proprietary information, to protect the validity, enforceability or scope of our intellectual property rights and manage litigation regarding our intellectual property rights;
- litigation regarding our intellectual property rights could affect us and harm our business;
- our limited experience managing and operating as an SEC reporting company;
- our ability to service our substantial indebtedness;
- fluctuations in interest rates; and
- restrictive covenants in our indebtedness that may adversely affect our operational flexibility.

We caution you that the foregoing list of factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2014. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q.

Overview

Our Company

Global Brass and Copper Holdings, Inc. ("Holdings," the "Company," "we," "us," or "our") was incorporated in Delaware on October 10, 2007. Holdings, through its wholly-owned principal operating subsidiary, Global Brass and Copper, Inc. ("GBC"), commenced commercial operations on November 19, 2007 through the acquisition of the metals business from Olin Corporation. Holdings, through GBC, is operated and managed through three reportable segments: GBC Metals, LLC ("Olin Brass"), Chase Brass and Copper Company, LLC ("Chase Brass") and A.J. Oster, LLC ("A.J. Oster"). Corporate and Other includes certain administrative costs and expenses and the elimination of intercompany balances.

We are a leading value-added converter, fabricator, processor and distributor of specialized copper and brass products including a wide range of sheet, strip, foil, rod, tube and fabricated metal component products. While we primarily process copper and copper-alloys, we also reroll and form certain other metals such as stainless steel, carbon steel and aluminum. Using processed scrap, copper cathode and other refined metals, we engage in metal melting and casting, rolling, drawing, extruding, welding and stamping to fabricate finished and semi-finished alloy products.

Our products are used in a variety of applications across diversified markets, including the building and housing, munitions, automotive, transportation, coinage, electronics/electrical components, industrial machinery and equipment and general consumer markets. We access these markets through direct mill sales, our captive distribution network and third-party distributors. We hold the exclusive production and distribution rights in North America for a free machining, lead-free brass rod product, which we sell under the Green Dot™ and Eco Brass® brand names. The vertical integration of the manufacturing capabilities of Olin Brass and the distribution capabilities of A.J. Oster allows us to access a wide variety of customers with both high and low volume demand for our products.

Unlike traditional metals companies, including those that engage in mining, smelting and refining activities, we are purely a metal converter, fabricator, processor and distributor and do not attempt to generate profits from fluctuations in metal prices. Our financial performance is primarily driven by metal conversion economics, not by the underlying movements in the price of copper and the other metals we use. Through our "balanced book" approach, we strive to match the timing, quantity and price of our metal sales with the timing, quantity and price of our replacement metal purchases. This practice substantially reduces the financial impact of metal price movements on our earnings and operating margins.

For a discussion of Key Factors Affecting our Results of Operations, including the "balanced book" approach, refer to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015.

Non-GAAP Measures

In addition to the results reported in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), we also report "Adjusted EBITDA" and "Adjusted sales", which are non-GAAP financial measures as defined below.

Adjusted EBITDA is not intended as an alternative to net income (loss), as an indicator of our operating performance, as an alternative to any other measure of performance in conformity with U.S. GAAP or as an alternative to cash flow provided by (used in) operating activities as a measure of liquidity. Adjusted sales may not be comparable to similarly titled measures presented by other companies and is not a measure of operating performance or liquidity defined by U.S. GAAP.

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You should therefore not place undue reliance on Adjusted EBITDA, Adjusted sales, or any ratios calculated using them. Our U.S. GAAP-based measures can be found in our consolidated financial statements and the related notes thereto included elsewhere in this report.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted to exclude the following: unrealized gains and losses on derivative contracts in support of our balanced book approach, unrealized gains and losses associated with derivative contracts related to electricity and natural gas costs, non-cash losses due to lower of cost or market adjustments to inventory, non-cash gains and losses due to the depletion of a LIFO layer of metal inventory, share-based compensation expense, non-cash income accretion related to Dowa-Olin Metal Corporation (the "Dowa Joint Venture"), restructuring and other business transformation charges, specified legal and professional expenses and certain other items.

We believe Adjusted EBITDA represents a meaningful presentation of the financial performance of our core operations, without the impact of the various items excluded, in order to provide period-to-period comparisons that are more consistent and more easily understood. We also believe it is an important supplemental measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted EBITDA is the key metric used by our Chief Operating Decision Maker to evaluate the business performance of our segments in comparison to budgets, forecasts and prior-year financial results, providing a measure that management believes reflects our core operating performance. For example, we use Adjusted EBITDA per pound in order to measure the effectiveness of the balanced book approach in reducing the financial impact of metal price volatility on earnings and operating margins, and to measure the effectiveness of our business transformation initiatives in improving earnings and operating margins. In addition, measures similar to Adjusted EBITDA are defined and used in the agreements governing our asset-based revolving loan facility (the "ABL Facility") and our 9.50% senior secured notes due 2019 (the "Senior Secured Notes") to determine compliance with various financial covenants and tests.

However, our Adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. In addition, it has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are that Adjusted EBITDA:

- does not reflect every expenditure, future requirements for capital expenditures or contractual commitments;
- does not reflect the significant interest expense or the amounts necessary to service interest or principal payments on our debt;
- does not reflect income tax expense and therefore the cost of complying with applicable laws;
- is an imperfect substitute for cash flow as it eliminates depreciation and amortization expense but does not include cash expended for capital expenditures required to operate our business;
- does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and
- does not reflect limitations on our costs related to transferring earnings from our subsidiaries to us;

We compensate for these limitations by using Adjusted EBITDA along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. Such U.S. GAAP measurements include operating income (loss), net income (loss), cash flows from operations and other cash flow data. We have significant uses of cash, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in Adjusted EBITDA.

Adjusted sales

Adjusted sales is defined as net sales less the metal component of net sales. Net sales is the most directly comparable U.S. GAAP measure to adjusted sales. Adjusted sales represents the value-added premium we earn over our conversion and fabrication costs. We use adjusted sales on a consolidated basis to monitor the revenues that are generated from our value-added conversion and fabrication processes excluding the effects of fluctuations in metal costs. We believe that adjusted sales supplements our U.S. GAAP results to provide a more complete understanding of the results of our business, and we believe it is useful to our investors and other parties for these same reasons.

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Results of Operations

Consolidated Results of Operations for the Three Months Ended June 30, 2015, Compared to the Three Months Ended June 30, 2014.

The following discussions present an analysis of our results operations for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

(in millions)	Three Months Ended June 30, 2015	% of Net Sales		2014	% of Net Sales		Change: 2015 vs. 2014 Amount		Percent	
Net sales	$414.9	100.0	%	$440.5	100.0	%	$(25.6	)	(5.8	)%
Cost of sales	364.6	87.9	%	396.3	90.0	%	(31.7	)	(8.0	)%
Gross profit	50.3	12.1	%	44.2	10.0	%	6.1		13.8	%
Selling, general and administrative expenses	21.9	5.3	%	19.9	4.5	%	2.0		10.1	%
Operating income	28.4	6.8	%	24.3	5.5	%	4.1		16.9	%
Interest expense	9.9	2.4	%	9.8	2.2	%	0.1		1.0	%
Gain on sale of investment in joint venture	(6.3)	(1.5	)%	—	—	%	(6.3	)	N/A	
Other (income) expense, net	(0.2)	—	%	0.1	—	%	(0.3	)	N/M	
Income before provision for income taxes and equity income	25.0	6.0	%	14.4	3.3	%	10.6		73.6	%
Provision for income taxes	7.9	1.9	%	5.5	1.2	%	2.4		43.6	%
Income before equity income	17.1	4.1	%	8.9	2.0	%	8.2		92.1	%
Equity income, net of tax	0.1	—	%	0.2	—	%	(0.1	)	(50.0	)%
Net income	17.2	4.1	%	9.1	2.1	%	8.1		89.0	%
Less: Net income attributable to noncontrolling interest	0.1	—	%	0.1	—	%	—		—	%
Net income attributable to Global Brass and Copper Holdings, Inc.	$17.1	4.1	%	$9.0	2.0	%	$8.1		90.0	%
Adjusted EBITDA (a)	$41.0	9.9	%	$29.6	6.7	%	$11.4		38.5	%

(a) See "—Non-GAAP Measures—Adjusted EBITDA" and the reconciliation included elsewhere in this report.

N/A - not applicable

N/M - not meaningful

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Adjusted sales is a non-GAAP financial measure. See "—Non-GAAP Measures—Adjusted sales". The following table presents a reconciliation of net sales to adjusted sales and net sales per pound to adjusted sales per pound:

	Three Months Ended June 30,		Change: 2015 vs. 2014	
(in millions, except per pound values)	2015	2014	Amount	Percent
Pounds shipped (a)	132.8	134.8	(2.0)	(1.5)%
Net sales	$414.9	$440.5	$(25.6)	(5.8)%
Metal component of net sales	274.3	302.9	(28.6)	(9.4)%
Adjusted sales	$140.6	$137.6	$3.0	2.2%
$ per pound shipped				
Net sales per pound	$3.12	$3.27	$(0.15)	(4.6)%
Metal component of net sales per pound	2.06	2.25	(0.19)	(8.4)%
Adjusted sales per pound	$1.06	$1.02	$0.04	3.9%
Average copper price per pound (b)	$2.77	$3.10	$(0.33)	(10.6)%

(a) Amounts exclude quantity of unprocessed metal sold.
(b) Copper prices reported by the Commodity Exchange ("COMEX").

Net sales

Net sales decreased by $25.6 million, or 5.8%, and is comprised of a metal cost recovery component and adjusted sales. As shown in the table above, the metal cost recovery component decreased by $28.6 million due to decreased metal prices and product mix ($16.9 million), lower sales of unprocessed metals ($10.5 million), with the remainder attributable to volume. Although net sales decreased, adjusted sales actually increased by $3.0 million, comprised of a $2.2 million favorable impact from pricing and product mix, with the remainder attributable to volume. The 3.9% increase in adjusted sales per pound is similarly split between the aforementioned increase in average selling prices and product mix, but is also due to an increased concentration of sales in A.J. Oster, which has higher selling prices. Volume decreased by 2.0 million pounds, or 1.5%, due primarily to lower demand in the munitions market with its continued destocking in the supply chain. The decrease in volume was partially offset by higher demand in the coinage market as a result of increased volume from the U.S. Mint, as well as increased demand in the building and housing market as this market has strengthened in both new residential housing and existing home sales.

Gross profit

Gross profit increased by $6.1 million, or 13.8%, from $44.2 million to $50.3 million.

The following table presents the items within gross profit that are excluded from the calculation of Adjusted EBITDA, as well as the remaining gross profit for the periods presented. For further information regarding the items that are excluded from the calculation of Adjusted EBITDA, see "—Non-GAAP Measures—Adjusted EBITDA", as well as the reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA presented elsewhere in this report.

	Three Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Unrealized loss on derivative contracts	$(0.3)	$(0.2)	$(0.1)
Lower of cost or market adjustment to inventory	(0.6)	(0.1)	(0.5)
Depreciation expense	(3.0)	(2.4)	(0.6)
Remaining gross profit	54.2	46.9	7.3
Total gross profit	$50.3	$44.2	$6.1

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The “remaining gross profit” above increased by $7.3 million, $4.8 million of which is due to reduced manufacturing conversion costs and $2.2 million is due to the net effect of an increase in average selling prices and changes in product mix. The remainder is due to several other individually insignificant factors.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $2.0 million, or 10.1%, from $19.9 million to $21.9 million. The following table presents the items within selling, general and administrative expenses that are excluded from the calculation of Adjusted EBITDA, as well as the remaining selling, general and administrative expenses for the periods presented. For further information regarding the items that are excluded from the calculation of Adjusted EBITDA, see “—Non-GAAP Measures—Adjusted EBITDA”, as well as the reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA presented elsewhere in this report.

	Three Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Specified legal/professional expenses	$0.7	$0.9	$(0.2)
Share-based compensation expense	1.2	1.3	(0.1)
Depreciation expense	0.3	0.6	(0.3)
Remaining selling, general and administrative expenses	19.7	17.1	2.6
Total selling, general and administrative expenses	$21.9	$19.9	$2.0

The “remaining selling, general and administrative expenses” above increased by $2.6 million as employee and related costs increased by $2.0 million and bad debt expense increased by $0.6 million.

Interest expense

The following table summarizes the components of interest expense:

	Three Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Interest on principal	$9.0	$9.0	$—
Amortization of debt issuance costs	0.7	0.7	—
Capitalized interest	—	(0.1)	0.1
Other borrowing costs (a)	0.2	0.2	—
Total interest expense	$9.9	$9.8	$0.1

(a) Includes fees related to letters of credit and unused line of credit fees.

Gain on sale of investment in joint venture

In April 2015, we sold our 50% share of the Dowa Joint Venture to our joint venture partner, DOWA Metaltech Co. Ltd. (“Dowa Co.”) for $8.0 million. Thus, we no longer own any portion of the Dowa Joint Venture. During the three months ended June 30, 2015, we recognized a gain of $6.3 million and related tax expense of $1.5 million on the sale.

Provision for income taxes

The provision for income taxes increased by $2.4 million, or 43.6%, from $5.5 million to $7.9 million. The change in the provision for income taxes was due primarily to an increase in taxable income. The effective income tax rate decreased from 38.2% to 31.6%. The effective tax rate differed from the U.S. Federal statutory rate of 35% primarily due to state income taxes, utilization of foreign tax credits in 2015 due to the sale of our share of the Dowa Joint Venture, the domestic manufacturing deduction, and discrete tax items that impacted the provision for income taxes in these periods.

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Net income attributable to Global Brass and Copper Holdings, Inc.

Net income attributable to Global Brass and Copper Holdings, Inc. increased by $8.1 million, or 90.0%, from $9.0 million to $17.1 million mainly due to an increase in gross profit and the gain on the sale of our share in the Dowa Joint Venture, partially offset by an increase in selling, general and administrative expenses and an increase in the provision for income taxes, which are described above.

Adjusted EBITDA

Adjusted EBITDA increased by $11.4 million, or 38.5%, from $29.6 million to $41.0 million, due mostly to the gain of $6.3 million on the sale of our investment in joint venture and a decrease in manufacturing conversion costs of $4.8 million.

Below is a reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA:

	Three Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Net income attributable to Global Brass and Copper Holdings, Inc.	$17.1	$9.0	$8.1
Interest expense	9.9	9.8	0.1
Provision for income taxes	7.9	5.5	2.4
Depreciation expense	3.3	3.0	0.3
Amortization expense	—	—	—
Unrealized loss on derivative contracts (a)	0.3	0.2	0.1
Non-cash accretion of income of Dowa Joint Venture (b)	—	(0.2)	0.2
Specified legal/professional expenses (c)	0.7	0.9	(0.2)
Lower of cost or market adjustment to inventory (d)	0.6	0.1	0.5
Share-based compensation expense (e)	1.2	1.3	(0.1)
Adjusted EBITDA	$41.0	$29.6	$11.4

(a) Represents unrealized gains and losses on derivative contracts.

(b) As a result of the application of purchase accounting in connection with the November 2007 acquisition, no carrying value was initially assigned to our equity investment in our Dowa Joint Venture. This adjustment represents the accretion of equity in our Dowa Joint Venture at the date of the acquisition over a 13-year period (which represents the estimated useful life of the technology and patents of the joint venture). See note 4 ("Investment in Joint Venture") to our unaudited consolidated financial statements, which are included elsewhere in this report.

(c) Represents professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company.

(d) Represents non-cash lower of cost or market charges for the write down of domestic non-copper metal inventory.

(e) Represents share-based compensation expense resulting from the grant of non-qualified stock options, restricted stock and performance-based shares to certain employees, members of our management and our Board of Directors.

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Segment Results of Operations

Segment Results of Operations for the Three Months Ended June 30, 2015, Compared to the Three Months Ended June 30, 2014.

The following discussions present an analysis of our results by segment for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

(in millions)	Three Months Ended June 30, 2015	2014	Change 2015 vs. 2014 Amount	Percent
Pounds shipped (a)				
Olin Brass	71.0	72.2	(1.2)	(1.7)%
Chase Brass	53.8	56.8	(3.0)	(5.3)%
A.J. Oster	19.2	16.6	2.6	15.7%
Corporate and other (b)	(11.2)	(10.8)	(0.4)	(3.7)%
Total	132.8	134.8	(2.0)	(1.5)%
Net sales				
Olin Brass	$207.8	$227.4	$(19.6)	(8.6)%
Chase Brass	142.7	152.7	(10.0)	(6.5)%
A.J. Oster	80.2	74.9	5.3	7.1%
Corporate and other (b)	(15.8)	(14.5)	(1.3)	(9.0)%
Total	$414.9	$440.5	$(25.6)	(5.8)%
Adjusted EBITDA				
Olin Brass	$17.7	$10.0	$7.7	77.0%
Chase Brass	17.1	17.7	(0.6)	(3.4)%
A.J. Oster	4.7	4.0	0.7	17.5%
Total Adjusted EBITDA of operating segments	$39.5	$31.7	$7.8	24.6%

(a) Amounts exclude quantity of unprocessed metal sold.
(b) Amounts represent intercompany eliminations.

See note 11 ("Segment Information") of our unaudited consolidated financial statements, which are included elsewhere in this report, for a reconciliation of Adjusted EBITDA of segments to income before provision for income taxes and equity income.

Olin Brass

Net sales decreased by $19.6 million as the metal cost recovery component decreased $18.1 million due to lower sales of unprocessed metal, decreased metal prices and unfavorable product mix fluctuations. While adjusted sales did not change materially, it does include benefits from our focused initiatives on managing prices to provide appropriate returns on our product portfolio.

While overall volume was only down 1.7%, we did have several notable fluctuations by market. For example, volume in the munitions market continues to be depressed due to destocking within the channel, while volume in the coinage market has increased due to demand from the U.S. Mint. Volume in the automotive market also decreased due to specific customer trends rather than overall market dynamics.

Adjusted EBITDA increased by $7.7 million, the primary driver of which was a $7.2 million decrease in variable manufacturing conversion costs due to increased productivity and yields, especially considering the abnormally low results in the comparative period of 2014.

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Chase Brass

Net sales decreased by $10.0 million due primarily to a $10.4 million decrease in the metal cost recovery component of net sales, partially offset by a $0.4 million increase in adjusted sales. The metal cost recovery component is comprised of a $6.2 million decrease in volume and a $4.2 million decrease from the net effect of lower metal prices and favorable product mix fluctuations. While the adjusted sales did not change materially, it is comprised of a $2.2 million increase in product mix, partially offset by a $1.8 million decrease in volume.

Volume decreased by 5.3% due to decreased demand in the transportation, industrial and machinery equipment and electronics/electrical components markets. We believe demand has decreased due to inventory corrections within Chase Brass' customer base due to the port strike that occurred in the first quarter of 2015 and customer expectations for growth in the U.S. economy, which has not occurred as anticipated. Volume in Chase Brass' largest market, building and housing, increased due to strength in new residential housing and existing home sales.

Adjusted EBITDA decreased by $0.6 million as favorable product mix fluctuations in net sales could not overcome the decrease in volume and increased manufacturing conversion costs.

A.J. Oster

Net sales increased by $5.3 million, of which $11.5 million resulted from increased volume and was partially offset by $6.2 million of decreased metal prices and unfavorable product mix fluctuations. Volume increased by 2.6 million pounds, or 15.7%, due to overall economic growth and progress in achieving its commercial growth initiatives, including expanding its product portfolio into other metals. The markets showing the most growth include building and housing and automotive. Metal prices have decreased due to a reduction in volume of high performance alloys and overall market prices for metal.

Adjusted EBITDA increased by $0.7 million primarily due to the aforementioned increase in volume; however, Adjusted EBITDA was also negatively impacted by increased prices on product purchased from Olin Brass that resulted in increased conversion costs (which are eliminated in our consolidated results).

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Results of Operations

Consolidated Results of Operations for the Six Months Ended June 30, 2015, Compared to the Six Months Ended June 30, 2014.

The following discussions present an analysis of our results operations for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

	Six Months Ended June 30,				Change: 2015 vs. 2014	
(in millions)	2015	% of Net Sales	2014	% of Net Sales	Amount	Percent
Net sales	$815.1	100.0 %	$884.3	100.0 %	$(69.2)	(7.8)%
Cost of sales	720.9	88.4 %	796.5	90.1 %	(75.6)	(9.5)%
Gross profit	94.2	11.6 %	87.8	9.9 %	6.4	7.3 %
Selling, general and administrative expenses	43.3	5.3 %	38.7	4.4 %	4.6	11.9 %
Operating income	50.9	6.2 %	49.1	5.6 %	1.8	3.7 %
Interest expense	19.9	2.4 %	19.7	2.2 %	0.2	1.0 %
Gain on sale of investment in joint venture	(6.3)	(0.8)%	—	— %	(6.3)	N/A
Other (income) expense, net	(0.1)	— %	0.2	— %	(0.3)	N/M
Income before provision for income taxes and equity income	37.4	4.6 %	29.2	3.3 %	8.2	28.1 %
Provision for income taxes	12.4	1.5 %	10.8	1.2 %	1.6	14.8 %
Income before equity income	25.0	3.1 %	18.4	2.1 %	6.6	35.9 %
Equity income, net of tax	0.3	— %	0.5	0.1 %	(0.2)	(40.0)%
Net income	25.3	3.1 %	18.9	2.1 %	6.4	33.9 %
Less: Net income attributable to noncontrolling interest	0.1	— %	0.2	— %	(0.1)	(50.0)%
Net income attributable to Global Brass and Copper Holdings, Inc.	$25.2	3.1 %	$18.7	2.1 %	$6.5	34.8 %
Adjusted EBITDA (a)	$70.3	8.6 %	$58.3	6.6 %	$12.0	20.6 %

(a) See “—Non-GAAP Measures—Adjusted EBITDA” and the reconciliation included elsewhere in this report.

N/A - not applicable

N/M - not meaningful

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Adjusted sales is a non-GAAP financial measure. See "—Non-GAAP Measures—Adjusted sales". The following table presents a reconciliation of net sales to adjusted sales and net sales per pound to adjusted sales per pound:

	Six Months Ended June 30,		Change: 2015 vs. 2014	
(in millions, except per pound values)	2015	2014	Amount	Percent
Pounds shipped (a)	261.4	269.0	(7.6)	(2.8)%
Net sales	$815.1	$884.3	$(69.2)	(7.8)%
Metal component of net sales	539.7	605.5	(65.8)	(10.9)%
Adjusted sales	$275.4	$278.8	$(3.4)	(1.2)%
$ per pound shipped				
Net sales per pound	$3.12	$3.29	$(0.17)	(5.2)%
Metal component of net sales per pound	2.07	2.25	(0.18)	(8.0)%
Adjusted sales per pound	$1.05	$1.04	$0.01	1.0%
Average copper price per pound (b)	$2.72	$3.17	$(0.45)	(14.2)%

(a) Amounts exclude quantity of unprocessed metal sold.
(b) Copper prices reported by the COMEX.

Net sales

Net sales decreased by $69.2 million, or 7.8%, and is comprised of a metal cost recovery component and adjusted sales. As shown in the table above, the metal cost recovery component decreased by $65.8 million due to decreased metal prices and product mix ($37.2 million), lower sales of unprocessed metals ($22.8 million) and lower volume ($5.8 million). While adjusted sales decreased by $3.4 million, this is comprised of a $7.1 million decrease in volume, partially offset by a $3.7 million favorable impact from product mix and price fluctuations. The 1.0% increase in adjusted sales per pound is similarly split between the aforementioned favorable impact from product mix and price fluctuations, but is also due to an increased concentration of sales in A.J. Oster, which has higher selling prices. Volume decreased by 7.6 million pounds, or 2.8% due to inventory corrections within our munitions channel partially offset by increased volume from the U.S. Mint.

Gross profit

Gross profit increased by $6.4 million, or 7.3%, from $87.8 million to $94.2 million.

The following table presents the items within gross profit that are excluded from the calculation of Adjusted EBITDA, as well as the remaining gross profit for the periods presented. For further information regarding the items that are excluded from the calculation of Adjusted EBITDA, see "—Non-GAAP Measures—Adjusted EBITDA", as well as the reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA presented elsewhere in this report.

	Six Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Unrealized gain (loss) on derivative contracts	$0.7	$(0.4)	$1.1
Lower of cost or market adjustment to inventory	(2.5)	(0.2)	(2.3)
Restructuring and other business transformation charges	(0.4)	—	(0.4)
Depreciation expense	(5.9)	(4.5)	(1.4)
Remaining gross profit	102.3	92.9	9.4
Total gross profit	$94.2	$87.8	$6.4

The "remaining gross profit" above increased by $9.4 million, of which $3.7 million, $6.3 million and $1.4 million resulted from the net effect of an increase in average selling prices and changes in product mix within each segment,

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lower manufacturing conversion costs and a reduction in shrinkage costs due to lower metal prices, respectively. Partially offsetting this increase was $2.0 million from lower volume.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $4.6 million, or 11.9%, from $38.7 million to $43.3 million. The following table presents the items within selling, general and administrative expenses that are excluded from the calculation of Adjusted EBITDA, as well as the remaining selling, general and administrative expenses for the periods presented. For further information regarding the items that are excluded from the calculation of Adjusted EBITDA, see "—Non-GAAP Measures—Adjusted EBITDA", as well as the reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA presented elsewhere in this report.

	Six Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Specified legal/professional expenses	$1.8	$2.0	$(0.2)
Share-based compensation expense	1.9	1.6	0.3
Restructuring and other business transformation charges	0.5	—	0.5
Depreciation expense	0.7	0.8	(0.1)
Remaining selling, general and administrative expenses	38.4	34.3	4.1
Total selling, general and administrative expenses	$43.3	$38.7	$4.6

The "remaining selling, general and administrative expenses" above increased by $4.1 million as employee and related costs increased by $3.6 million and bad debt expense increased by $0.6 million. The remainder is due to several other individually insignificant factors.

Interest expense

The following table summarizes the components of interest expense:

	Six Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Interest on principal	$18.0	$18.0	$—
Amortization of debt issuance costs	1.4	1.3	0.1
Capitalized interest	—	(0.2)	0.2
Other borrowing costs (a)	0.5	0.6	(0.1)
Total interest expense	$19.9	$19.7	$0.2

(a) Includes fees related to letters of credit and unused line of credit fees.

Gain on sale of investment in joint venture

In April 2015, we sold our 50% share of the Dowa Joint Venture to Dowa Co. for $8.0 million. Thus, we no longer own any portion of the Dowa Joint Venture. During the three months ended June 30, 2015, we recognized a gain of $6.3 million and related tax expense of $1.5 million on the sale.

Provision for income taxes

The provision for income taxes increased by $1.6 million, or 14.8%, from $10.8 million to $12.4 million. The change in the provision for income taxes was due primarily to an increase in taxable income. The effective income tax rate decreased from 37.0% to 33.2%. The effective tax rate differed from the U.S. Federal statutory rate of 35% primarily due to state income taxes, utilization of foreign tax credits in 2015 due to the sale of our share of the Dowa Joint Venture, the domestic manufacturing deduction, and discrete tax items that impacted the provision for income taxes in these periods.

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Net income attributable to Global Brass and Copper Holdings, Inc.
Net income attributable to Global Brass and Copper Holdings, Inc. increased by $6.5 million, or 34.8%, from $18.7 million to $25.2 million mainly due to an increase in gross profit and the gain on sale of our share in the Dowa Joint Venture, partially offset by an increase in selling, general and administrative expenses and an increase in the provision for income taxes, which are described above.
Adjusted EBITDA
Adjusted EBITDA increased by $12.0 million, or 20.6%, from $58.3 million to $70.3 million due mostly to the $6.3 million gain on the sale of our investment in joint venture and $6.3 million of decreased manufacturing conversion costs.
Below is a reconciliation of net income attributable to Global Brass and Copper Holdings, Inc. to Adjusted EBITDA:

	Six Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Net income attributable to Global Brass and Copper Holdings, Inc.	$25.2	$18.7	$6.5
Interest expense	19.9	19.7	0.2
Provision for income taxes	12.4	10.8	1.6
Depreciation expense	6.6	5.3	1.3
Amortization expense	—	—	—
Unrealized (gain) loss on derivative contracts (a)	(0.7)	0.4	(1.1)
Non-cash accretion of income of Dowa Joint Venture (b)	(0.2)	(0.4)	0.2
Specified legal/professional expenses (c)	1.8	2.0	(0.2)
Lower of cost or market adjustment to inventory (d)	2.5	0.2	2.3
Share-based compensation expense (e)	1.9	1.6	0.3
Restructuring and other business transformation charges (f)	0.9	—	0.9
Adjusted EBITDA	$70.3	$58.3	$12.0

(a) Represents unrealized gains and losses on derivative contracts.

(b) As a result of the application of purchase accounting in connection with the November 2007 acquisition, no carrying value was initially assigned to our equity investment in our Dowa Joint Venture. This adjustment represents the accretion of equity in our Dowa Joint Venture at the date of the acquisition over a 13-year period (which represents the estimated useful life of the technology and patents of the joint venture). See note 4 ("Investment in Joint Venture") to our unaudited consolidated financial statements, which are included elsewhere in this report.

(c) Specified legal/professional expenses for the six months ended June 30, 2015 include professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company.

Specified legal/professional expenses for the six months ended June 30, 2014 include professional fees for accounting, tax, legal and consulting services related to costs incurred as a publicly traded company, including follow-on offering costs.

(d) Represents non-cash lower of cost or market charges for the write down of domestic non-copper metal inventory.

(e) Represents share-based compensation expense resulting from the grant of non-qualified stock options, restricted stock and performance-based shares to certain employees, members of our management and our Board of Directors.

(f) Restructuring and other business transformation charges for the six months ended June 30, 2015 represent severance charges at Olin Brass.

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Segment Results of Operations

Segment Results of Operations for the Six Months Ended June 30, 2015, Compared to the Six Months Ended June 30, 2014.

The following discussions present an analysis of our results by segment for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

	Six Months Ended June 30,		Change 2015 vs. 2014	
(in millions)	2015	2014	Amount	Percent
Pounds shipped (a)				
Olin Brass	130.9	139.8	(8.9)	(6.4)%
Chase Brass	115.2	115.7	(0.5)	(0.4)%
A.J. Oster	37.3	34.1	3.2	9.4 %
Corporate and other (b)	(22.0)	(20.6)	(1.4)	(6.8)%
Total	261.4	269.0	(7.6)	(2.8)%
Net sales				
Olin Brass	$392.5	$440.5	$(48.0)	(10.9)%
Chase Brass	299.1	315.3	(16.2)	(5.1)%
A.J. Oster	155.0	156.4	(1.4)	(0.9)%
Corporate and other (b)	(31.5)	(27.9)	(3.6)	(12.9)%
Total	$815.1	$884.3	$(69.2)	(7.8)%
Adjusted EBITDA				
Olin Brass	$27.0	$20.1	$6.9	34.3 %
Chase Brass	38.5	36.1	2.4	6.6 %
A.J. Oster	8.2	8.1	0.1	1.2 %
Total Adjusted EBITDA of operating segments	$73.7	$64.3	$9.4	14.6 %

(a) Amounts exclude quantity of unprocessed metal sold.

(b) Amounts represent intercompany eliminations.

See note 11 ("Segment Information") of our unaudited consolidated financial statements, which are included elsewhere in this report, for a reconciliation of Adjusted EBITDA of segments to income before provision for income taxes and equity income.

Olin Brass

Net sales decreased by $48.0 million due to lower volume ($24.2 million). Accounting for the remaining $23.8 million decrease in net sales was lower metal prices, lower sales of unprocessed metals and the net effect of an increase in average selling prices and unfavorable product mix fluctuations. These price increases have been obtained from our focused initiatives on managing prices to provide appropriate returns on our product portfolio. Volume decreased due to inventory corrections within the munitions channel, partially offset by increased coinage volume from the U.S. Mint.

Adjusted EBITDA increased by $6.9 million, which was largely comprised of decreased manufacturing conversion costs of $9.5 million, partially offset by the negative effect of decreased volume and several other individually insignificant factors.

Chase Brass

Net sales decreased by $16.2 million due to lower volume of $1.4 million and the net effect of lower metal prices and favorable product mix fluctuations of $14.8 million, which was largely caused by decreased metal commodity prices. While volume overall did not change significantly, certain markets did experience fluctuations. For example, volume

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in the building and housing market increased, while volume in the transportation, electronics/electrical components markets and industrial machinery and equipment markets decreased due to inventory corrections within our customers, who we believe have been impacted by reduced expectations for the overall growth in the U.S. economy.
Adjusted EBITDA increased by $2.4 million. While overall net sales decreased due to decreased metal prices, our balanced book approach largely ameliorates the effect of changing metal commodity prices. Thus, the increase in Adjusted EBITDA is due mostly to increased conversion price economics.

A.J. Oster

While net sales only decreased by $1.4 million, the decrease is comprised of $14.6 million from an increase in volume, which is offset by $16.0 million from decreased metal prices and unfavorable product mix fluctuations. Volume increased by 3.2 million pounds, or 9.4%, due to A.J. Oster's success in achieving its commercial growth initiatives, including expanding its product portfolio into other metals, as well as increased demand from the building and housing market.

Adjusted EBITDA remained relatively flat, following the pattern in net sales. In addition, A.J. Oster's Adjusted EBITDA was negatively impacted by increased prices on product purchased from Olin Brass that resulted in increased conversion costs (which are eliminated in our consolidated results).

Changes in Financial Condition

The following discussions present an analysis of fluctuations in certain asset, liability and equity components of our consolidated balance sheet as of June 30, 2015 as compared to the amounts as of December 31, 2014 and June 30, 2014. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

June 30, 2015 compared to December 31, 2014

Our total assets increased by $39.3 million, which was primarily driven by an increase in cash of $33.8 million, the drivers of which are detailed in our consolidated statement of cash flows for the six months ended June 30, 2015.
Accounts payable increased $21.6 million, primarily as a result of an increase in our days payable outstanding from 21 days at December 31, 2014 to 26 days at June 30, 2015 due to the timing of inventory receipts.
Our accumulated deficit decreased commensurate with the earnings we generated in the six months ended June 30, 2015 such that we now have a retained earnings balance.

June 30, 2015 compared to June 30, 2014

Compared to the balances at June 30, 2014, our total assets at June 30, 2015 increased by $16.9 million, reflective of a $59.0 million increase in cash and a decrease in accounts receivable of $30.8 million.
The increase in cash was the result of earnings generated in the twelve months ended June 30, 2015.
The decrease in accounts receivable is mainly attributed to the decrease in volume in the second quarter of 2015 compared to the second quarter of 2014, as well as a reduction of 4 days in our days sales outstanding ("DSO") from 41 days at June 30, 2014 to 37 days at June 30, 2015 due to improved collections.
Long-term debt decreased $17.5 million as the debt outstanding under the ABL Facility as of June 30, 2014 was paid off in the fourth quarter of 2014.
Our accumulated deficit decreased commensurate with the earnings we generated in the trailing twelve months ended June 30, 2015 such that we now have a retained earnings balance.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary uses of cash are to fund working capital, operating expenses, debt service and capital expenditures. Historically, our primary sources of short-term liquidity have been cash flow from operations and borrowings under

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our ABL Facility. Holdings derives all of its cash flow from its subsidiaries, including GBC, and receives dividends, distributions and other payments from them to generate the funds necessary to meet its financial obligations. However, Holdings is a holding company with no operations, no employees and no assets other than its investment in GBC. All of our operations are conducted at GBC and its subsidiaries. GBC is also the primary obligor on our indebtedness, and Holdings has no indebtedness other than its guarantee of GBC's indebtedness.

The credit agreement governing the ABL Facility and the indenture governing the Senior Secured Notes (the "Indenture") limit the ability of GBC and its subsidiaries to pay dividends or distribute cash to Holdings and to its equityholders, although ordinary course dividends and distributions to meet the limited holding company expenses and related obligations at Holdings of up to $5.0 million per year are permitted under those agreements. Under the terms of the Indenture, GBC is also permitted to pay dividends or distribute to Holdings and its equityholders up to 50% of its "Consolidated Net Income" (as such term is used in the Indenture) from April 1, 2012 to the end of GBC's most recently ended fiscal quarter. As of June 30, 2015, all of the net assets of the subsidiaries are restricted except for $73.6 million, which are permitted for dividend distributions under the Indenture.

We do not believe that the restrictions on dividends and distributions to Holdings and its equityholders imposed by the terms of our debt agreements have any impact on our liquidity, financial condition or results of operations. We believe that these resources will be sufficient to meet our working capital and debt service needs for the foreseeable future, including costs that we may incur in connection with our growth strategy.

Cash Flows

The following table presents the summary components of net cash provided by (used in) operating, investing and financing activities for the periods indicated. The following discussion presents an analysis of cash flows for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 and should be read in conjunction with our consolidated statements of cash flows in our unaudited consolidated financial statements included elsewhere in this report. Our consolidated statement of cash flows for the six months ended June 30, 2014 reflects revisions discussed in the notes to the unaudited consolidated financial statements included elsewhere in this report.

Cash Flow Analysis	Six Months Ended June 30,		Change: 2015 vs. 2014
(in millions)	2015	2014	Amount
Cash flows provided by operating activities	$35.7	$13.4	$22.3
Cash flows provided by (used in) investing activities	$0.4	$(14.0)	$14.4
Cash flows (used in) provided by financing activities	$(2.4)	$9.3	$(11.7)

Cash flows from operating activities

Net cash provided by operating activities increased by $22.3 million due primarily to a decreased investment in working capital. Approximately $10.5 million of the decreased working capital investment is related to accounts receivable and is due to a four day decrease in DSO in the 2015 period as compared to the 2014 period.

In addition, our income tax receivables net of payables improved and yielded a $9.7 million benefit to cash flow from operations due to the utilization in 2015 of the prior year tax overpayment.

Cash flows from investing activities

Our cash flows from investing activities in 2015 benefited from $8.0 million in proceeds for the sale of our investment in the Dowa Joint Venture and less capital spending. However, we expect full year 2015 capital expenditures to be in line with our historical spend.

Cash flows from financing activities

Net cash used in financing activities was $2.4 million as compared to a $9.3 million provision of cash in the prior year period. The change in net cash flows from financing activities is primarily attributed to a decrease in net borrowings given the strong cash flow from operations.

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Outstanding Indebtedness

We had outstanding long-term debt of $380.3 million at June 30, 2015, $380.8 million at December 31, 2014, and $397.5 million at June 30, 2014, including the current portions of $1.0 million at both June 30, 2015 and December 31, 2014, and $0.7 million at June 30, 2014. We may, from time to time, seek to retire certain of our outstanding debt through open market cash purchases, privately-negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

The ABL Facility and the Indenture contain various covenants to which we are subject to on an ongoing basis. At June 30, 2015, we were in compliance with all of these covenants.

For additional information regarding our ABL Facility, the Indenture governing the Senior Secured Notes and our capital lease obligations, see the notes to our unaudited consolidated financial statements, which are included elsewhere in this report, and our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”.

Recently Issued and Recently Adopted Accounting Pronouncements

For information on recently issued and recently adopted accounting pronouncements, see the notes to our unaudited consolidated financial statements, which are included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There is no material change in the information reported under Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015.

For information regarding derivative contracts that the Company uses to limit its exposure to fluctuations in commodity prices, thereby exposing itself to credit risk and market risk, see the notes to our unaudited consolidated financial statements, which are included elsewhere in this report.

Item 4. Controls and Procedures

(a)Evaluation of disclosure controls and procedures

Under applicable SEC regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the Company’s “disclosure controls and procedures,” which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the SEC (such as this Form 10-Q) is i) recorded, processed, summarized, and reported on a timely basis, and ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

The Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2015. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2015, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved.

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(b)Changes in internal controls

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are currently and from time to time involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business, none of which management currently believes are, or will be, material to our business. For a discussion of risks related to various legal proceedings and claims, see the risk factors described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K under "Item 1A — Risk Factors" filed with the Securities and Exchange Commission on March 16, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

None.

Purchases of Equity Securities

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2015 through April 30, 2015	8,794	$ 15.31	*	*
May 1, 2015 through May 31, 2015	4,756	$ 17.23	*	*
June 1, 2015 through June 30, 2015	—	—	*	*
Total	13,550	$ 15.98	*	*

* These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during three months ended June 30, 2015 represented shares which were surrendered to the Company by participants under share-based compensation plans to satisfy tax withholding obligations relating to the vesting of equity awards.

Limitations Upon the Payment of Dividends

Both the ABL Facility and the Indenture governing the 9.50% Senior Secured Notes due 2019 contain restrictions as to the payment of dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015 for further discussion of these restrictive covenants.

Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith
** Furnished herewith

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL BRASS AND COPPER HOLDINGS, INC

By:	/s/ Robert T. Micchelli
	Robert T. Micchelli
	Chief Financial Officer

Date: August 7, 2015