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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017
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	**06-1826563**
(State or other jurisdiction of incorporation or organization)	**(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 ☒ 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 ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

On October 26, 2017, there were 21,903,792 shares of common stock outstanding.

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

	As of	
(in millions, except share and par value data)	**September 30, 2017**	**December 31, 2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 91.4	$ 88.2
Accounts receivable (net of allowance of $0.9 and $0.5 at September 30, 2017 and December 31, 2016, respectively)	162.9	134.0
Inventories	178.0	163.7
Prepaid expenses and other current assets	21.4	18.3
Income tax receivable	8.0	5.4
Total current assets	461.7	409.6
Property, plant and equipment	207.3	191.7
Less: Accumulated depreciation	(74.6)	(61.3)
Property, plant and equipment, net	132.7	130.4
Goodwill	4.4	4.4
Intangible assets, net	0.3	0.4
Deferred income taxes	22.0	34.1
Other noncurrent assets	6.5	3.7
Total assets	$ 627.6	$ 582.6
Liabilities and equity		
Current liabilities:		
Current portion of debt	$ 4.6	$ 4.5
Accounts payable	95.2	88.9
Accrued liabilities	41.8	45.0
Accrued interest	0.1	0.2
Income tax payable	—	1.3
Total current liabilities	141.7	139.9
Noncurrent portion of debt	308.8	311.5
Other noncurrent liabilities	35.9	36.0
Total liabilities	486.4	487.4
Commitments and Contingencies (Note 11)		
Global Brass and Copper Holdings, Inc. stockholders' equity:		
Common stock - $0.01 par value; 80,000,000 shares authorized; 22,130,368 and 21,712,216 shares issued at September 30, 2017 and December 31, 2016, respectively	0.2	0.2
Additional paid-in capital	52.5	45.0
Retained earnings	93.1	51.2
Treasury stock - 226,576 and 79,149 shares at September 30, 2017 and December 31, 2016, respectively	(6.6)	(1.5)
Accumulated other comprehensive loss	(3.0)	(4.1)
Total Global Brass and Copper Holdings, Inc. stockholders' equity	136.2	90.8
Noncontrolling interest	5.0	4.4
Total equity	141.2	95.2
Total liabilities and equity	$ 627.6	$ 582.6

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	**2017**	**2016**	**2017**	**2016**
Net sales	$ 378.6	$ 349.1	$ 1,149.3	$ 1,015.9
Cost of sales	(334.8)	(296.9)	(1,010.9)	(872.9)
Gross profit	43.8	52.2	138.4	143.0
Selling, general and administrative expenses	(19.4)	(21.9)	(61.6)	(61.4)
Operating income	24.4	30.3	76.8	81.6
Interest expense	(4.4)	(5.2)	(13.9)	(21.5)
Loss on extinguishment of debt	(0.2)	(20.1)	(0.2)	(23.4)
Other income (expense), net	(0.6)	(0.2)	3.6	0.2
Income before provision for income taxes	19.2	4.8	66.3	36.9
Provision for income taxes	(6.7)	(0.7)	(20.4)	(12.0)
Net income	12.5	4.1	45.9	24.9
Net income attributable to noncontrolling interest	(0.1)	(0.2)	(0.4)	(0.4)
Net income attributable to Global Brass and Copper Holdings, Inc.	$ 12.4	$ 3.9	$ 45.5	$ 24.5
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:				
Basic	$ 0.57	$ 0.18	$ 2.10	$ 1.15
Diluted	$ 0.56	$ 0.18	$ 2.06	$ 1.14
Weighted average common shares outstanding:				
Basic	21.8	21.4	21.7	21.3
Diluted	22.1	21.6	22.1	21.5
Dividends declared per common share	$ 0.0600	$ 0.0375	$ 0.1350	$ 0.1125

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

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

(in millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income	$ 12.5	$ 4.1	$ 45.9	$ 24.9
Other comprehensive income (loss):				
Foreign currency translation adjustment	0.2	(0.3)	1.5	(1.3)
Income tax (expense) benefit on foreign currency translation adjustment	—	0.1	(0.2)	0.5
Comprehensive income	12.7	3.9	47.2	24.1
Comprehensive (income) loss attributable to noncontrolling interest	(0.2)	(0.2)	(0.6)	(0.3)
Comprehensive income attributable to Global Brass and Copper Holdings, Inc.	$ 12.5	$ 3.7	$ 46.6	$ 23.8

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

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

(in millions, except share data)	Shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total Global Brass and Copper Holdings, Inc. stockholders' equity	Noncontrolling interest	Total equity
Balance at December 31, 2015	21,507,154	$ 0.2	$ 36.9	$ 22.3	$ (0.7)	$ (2.3)	$ 56.4	$ 4.3	$ 60.7
Share-based compensation	118,751	—	4.9	—	—	—	4.9	—	4.9
Exercise of stock options	21,552	—	0.2	—	—	—	0.2	—	0.2
Share repurchases	(32,420)	—	—	—	(0.8)	—	(0.8)	—	(0.8)
Excess tax benefit on share-based compensation	—	—	0.6	—	—	—	0.6	—	0.6
Dividends declared	—	—	—	(2.4)	—	—	(2.4)	—	(2.4)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(0.2)	(0.2)
Net income	—	—	—	24.5	—	—	24.5	0.4	24.9
Other comprehensive income (loss), net of tax	—	—	—	—	—	(0.7)	(0.7)	(0.1)	(0.8)
Balance at September 30, 2016	21,615,037	$ 0.2	$ 42.6	$ 44.4	$ (1.5)	$ (3.0)	$ 82.7	$ 4.4	$ 87.1
Balance at December 31, 2016	21,633,067	$ 0.2	$ 45.0	$ 51.2	$ (1.5)	$ (4.1)	$ 90.8	$ 4.4	$ 95.2
Share-based compensation	379,771	—	6.3	—	—	—	6.3	—	6.3
Exercise of stock options	38,381	—	0.7	—	—	—	0.7	—	0.7
Share repurchases	(147,427)	—	—	—	(5.1)	—	(5.1)	—	(5.1)
Adoption of ASU 2016-09	—	—	0.5	(0.5)	—	—	—	—	—
Dividends declared	—	—	—	(3.1)	—	—	(3.1)	—	(3.1)
Net income	—	—	—	45.5	—	—	45.5	0.4	45.9
Other comprehensive income (loss), net of tax	—	—	—	—	—	1.1	1.1	0.2	1.3
Balance at September 30, 2017	21,903,792	$ 0.2	$ 52.5	$ 93.1	$ (6.6)	$ (3.0)	$ 136.2	$ 5.0	$ 141.2

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

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

	Nine Months Ended September 30,	
(in millions)	**2017**	**2016**
Cash flows from operating activities		
Net income	$ 45.9	$ 24.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Lower of cost or market adjustment to inventory	(0.8)	(2.1)
Unrealized (gain) loss on derivatives	1.1	(2.2)
Depreciation	13.5	11.0
Amortization of intangible assets	0.1	0.1
Amortization of debt discount and issuance costs	1.0	1.7
Loss on extinguishment of debt	0.2	23.4
Share-based compensation expense	6.3	4.9
Provision for bad debts, net of reductions	0.3	(0.4)
Deferred income taxes	11.7	2.0
Loss on disposal of property, plant and equipment	—	0.1
Change in assets and liabilities:		
Accounts receivable	(31.2)	(27.1)
Inventories	(12.5)	11.1
Prepaid expenses and other current assets	(4.1)	4.6
Accounts payable	8.6	7.9
Accrued liabilities	(3.0)	(8.8)
Accrued interest	—	0.6
Income taxes, net	(3.8)	(1.9)
Other, net	(0.4)	(0.1)
Net cash provided by (used in) operating activities	32.9	49.7
Cash flows from investing activities		
Capital expenditures	(18.4)	(22.8)
Net cash used in investing activities	(18.4)	(22.8)
Cash flows from financing activities		
Borrowings on ABL Facility	0.6	1.0
Payments on ABL Facility	(0.6)	(1.0)
Retirement of Senior Secured Notes	—	(345.3)
Premium payment on extinguishment of debt	—	(17.0)
Payments of debt issuance costs	(0.2)	(5.4)
Proceeds from term loan, net of discount	8.7	316.8
Payments on term loan	(11.1)	—
Principal payments under capital lease obligation	(0.9)	(0.8)
Dividends paid	(3.0)	(2.4)
Distribution to noncontrolling interest owner	—	(0.2)
Proceeds from exercise of stock options	0.7	0.2
Share repurchases	(5.1)	(0.8)
Net cash used in financing activities	(10.9)	(54.9)
Effect of foreign currency exchange rates	(0.4)	(0.1)
Net increase (decrease) in cash	3.2	(28.1)
Cash and cash equivalents at beginning of period	88.2	83.5
Cash and cash equivalents at end of period	$ 91.4	$ 55.4
Noncash investing and financing activities		
Purchases of property, plant and equipment not yet paid	$ 1.5	$ 4.3

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

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 principal operating subsidiary, Global Brass and Copper, Inc. ("GBC"), is operated and managed through three reportable segments: Olin Brass, Chase Brass and 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 accompanying unaudited interim consolidated financial statements include all normal recurring adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The December 31, 2016 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 ("US GAAP"). Certain information and disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted.

The preparation of financial statements in conformity with US 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 nine months ended September 30, 2017. 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, 2016.

Recently Issued and Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation-Stock Compensation (Topic 718)* ("ASU 2016-09"). ASU 2016-09 simplifies various aspects of the accounting for share-based payment transactions, including income tax consequences, presentation of awards as either equity or liabilities, presentation in the statement of cash flows and accounting for forfeitures. The provisions of ASU 2016-09 are effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2016. As allowed under the new guidance, we have elected to change our accounting policy to now recognize forfeitures as they occur. As of January 1, 2017, the date we adopted this ASU, the $0.5 million cumulative effect of that change in accounting policy resulted in a decrease to retained earnings and increase to additional paid-in capital. Additionally, ASU 2016-09 eliminates the requirement to report excess tax benefits and certain tax deficiencies related to share-based payment transactions in additional paid-in capital. In accordance with the new standard and prospectively since the date we adopted this ASU, we are recording excess tax benefits and tax deficiencies as an income tax benefit or provision in the consolidated statements of operations. The guidance also requires excess tax benefits to be reported as operating activities in the statement of cash flows rather than as a financing activity. We have elected to retrospectively adjust the cash flow classification, resulting in an increase of $0.6 million in cash from operating activities for the nine months ended September 30, 2016, with a corresponding decrease to cash from financing activities.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease effectively finances a purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method (finance lease) or on a straight line basis over the term of the lease (operating lease). A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. ASU 2016-02 supersedes the existing guidance on accounting for leases in "*Leases (Topic 840).*" The provisions of ASU 2016-02 are effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2018.

Early adoption is permitted and the provisions are to be applied using a modified retrospective approach. We are in the process of evaluating the impact of adoption on our consolidated financial statements. As disclosed in our Annual Report on Form 10-K as of December 31, 2016, we have approximately $7.5 million of future minimum lease payments on non-cancelable operating leases.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The guidance supersedes most of the existing authoritative literature for revenue recognition and prescribes a five-step model for recognizing revenue from contracts with customers. In July 2015, the FASB deferred the effective date of this ASU by one year, which results in the new standard being effective January 1, 2018. In addition, the FASB issued several amendments to the standard during 2016. The new standard requires expanded disclosures pertaining to revenues from contracts with customers in the notes to the financial statements.

We expect to adopt the new revenue standard on January 1, 2018. We established a cross-functional implementation team to assess all potential impacts of this standard. We determined key factors from the five-step process to recognize revenue as prescribed by the new standard that may be applicable to each of our business units that roll up into our three segments. Significant customers and contracts from each business unit were identified. We substantially completed the review of these contracts by the end of the third quarter. Evaluation of the provisions of these contracts, and the comparison of historical accounting policies and practices to the requirements of the new standard (including the related qualitative disclosures regarding the potential impact of the effects of the accounting policies we expect to apply and a comparison to our current revenue recognition policies), is in process. We will complete this process and the assessment of any impact to our internal control environment before the filing of our first quarter 10-Q in 2018.

Our work to date indicates that certain transactions with customers may require a change in the timing of when revenue and related expense is recognized. We are currently in the process of determining the expected quantitative impact that the adoption of Topic 606 will have on our financial statements. Once this determination is made, we will update our disclosure. Our assessment to date, which is still incomplete, has not resulted in any material changes.

The standard allows for either a full retrospective or a modified retrospective adoption approach. We have not yet selected a transition method, as this decision will be dependent on the completion of our analysis as discussed above. We expect to make this determination prior to filing of, and make disclosure of that determination in, the fiscal 2017 Form 10-K.

2. 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.

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

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

(in millions, except per share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Numerator				
Net income attributable to Global Brass and Copper Holdings, Inc.	$ 12.4	$ 3.9	$ 45.5	$ 24.5
Denominator				
Weighted-average common shares outstanding	21.8	21.4	21.7	21.3
Effect of potentially dilutive securities:				
Stock options and nonvested share awards	0.3	0.2	0.4	0.2
Weighted-average common shares outstanding, assuming dilution	22.1	21.6	22.1	21.5
Anti-dilutive shares excluded from above	0.2	0.1	0.2	0.1
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:				
Basic	$ 0.57	$ 0.18	$ 2.10	$ 1.15
Diluted	$ 0.56	$ 0.18	$ 2.06	$ 1.14

3. 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, fabricator and converter of non-ferrous products, including sheet, strip, foil, tube and fabricated products. Olin Brass also rerolls and forms other alloys such as stainless steel, carbon steel and aluminum. Sheet and strip is generally manufactured from copper and copper-alloy scrap. 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 solid brass rod in North America. Chase Brass primarily manufactures solid rod in 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 for 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 primarily processes and distributes copper, copper-alloy and aluminum sheet, strip and foil through 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 products with high quality, short lead-times, and in small quantities. These capabilities, combined with A.J. Oster's operations of precision slitting, hot tinning, traverse winding, cutting 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.

Corporate includes compensation for corporate executives and staff, and professional fees for accounting, tax and legal services. Corporate also includes interest expense, state and federal income taxes, overhead costs, all share-based compensation expense, gains and losses associated with certain acquisitions and dispositions, unrealized gains and losses on hedging activities and the elimination of intercompany balances and transactions.

The Chief Operating Decision Maker evaluates performance and determines resource allocations based on a number of factors, the primary performance measure being adjusted EBITDA (as defined below), a non-GAAP measure.

Adjusted EBITDA is defined as net income attributable to Global Brass and Copper Holdings, Inc., plus 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 energy and utility costs;
- impact associated with lower of cost or market adjustments to inventory;
- gains and losses due to the depletion of a last-in, first out ("LIFO") layer of metal inventory;
- share-based compensation expense;
- refinancing costs;
- restructuring and other business transformation charges;
- specified legal and professional expenses; and
- certain other items.

Each of these items 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2017	2016	2017	2016
Net Sales, External Customers				
Olin Brass	$ 156.9	$ 152.9	$ 483.0	$ 421.9
Chase Brass	144.8	124.1	439.8	381.5
A.J. Oster	76.9	72.1	226.5	212.5
Total net sales, external customers	$ 378.6	$ 349.1	$ 1,149.3	$ 1,015.9
Intersegment Net Sales				
Olin Brass	$ 17.6	$ 16.8	$ 61.6	$ 54.6
Chase Brass	—	0.2	0.1	0.8
A.J. Oster	—	—	0.1	—
Total intersegment net sales	$ 17.6	$ 17.0	$ 61.8	$ 55.4
Adjusted EBITDA				
Olin Brass	$ 12.0	$ 18.6	$ 38.7	$ 39.7
Chase Brass	18.3	16.2	56.6	53.4
A.J. Oster	3.6	4.7	10.4	14.4
Total adjusted EBITDA of operating segments	33.9	39.5	105.7	107.5
Corporate	(3.6)	(4.9)	(4.6)	(13.3)
Depreciation expense	(4.5)	(3.7)	(13.5)	(11.0)
Amortization expense	(0.1)	(0.1)	(0.1)	(0.1)
Interest expense	(4.4)	(5.2)	(13.9)	(21.5)
Interest income	0.2	—	0.3	—
Net income attributable to noncontrolling interest	0.1	0.2	0.4	0.4
Unrealized (loss) gain on derivative contracts (a)	0.3	(0.4)	(1.1)	2.2
Refinancing costs (b)	(0.9)	(20.1)	(0.9)	(23.4)
Specified legal / professional expenses (c)	(0.5)	(0.5)	(0.5)	(1.1)
Lower of cost or market adjustment to inventory (d)	0.7	2.2	0.8	2.1
Share-based compensation expense (e)	(2.0)	(2.2)	(6.3)	(4.9)
Income before provision for income taxes	$ 19.2	$ 4.8	$ 66.3	$ 36.9

(a) Represents unrealized gains / losses on derivative contracts.
(b) Represents the loss on extinguishment of debt and other expenses associated with our refinancing activities.
(c) Represents selected professional fees for accounting, tax, legal and consulting services for merger and acquisition activity or incurred as a public company that exceed our expected long-term requirements.
(d) Represents the impact of lower of cost or market adjustments to domestic metal inventory.
(e) Represents compensation expense resulting from stock compensation awards to certain employees and our Board of Directors.

4. Inventories

Inventories were as follows:

	As of	
(in millions)	September 30, 2017	December 31, 2016
Raw materials and supplies	$ 23.5	$ 22.7
Work-in-process	73.0	65.6
Finished goods	81.5	75.4
Total inventories	$ 178.0	$ 163.7

Inventories include costs attributable to direct labor and manufacturing overhead, but are primarily comprised of metal costs. The metals component of inventories that is valued on a LIFO basis comprised approximately 67% and 70% of total inventory at September 30, 2017 and December 31, 2016, respectively. Other manufactured inventories, including the direct labor and manufacturing overhead components and certain non-U.S. inventories, are valued on a first-in, first-out ("FIFO") basis.

During the three and nine months ended September 30, 2017 and 2016, we recorded adjustments for certain domestic metal inventory from the fluctuations in market value of these metals. For the three months ended September 30, 2017 and 2016, these adjustments decreased cost of sales by $0.7 million and $2.2 million, respectively. For the nine months ended September 30, 2017 and 2016, these adjustments decreased cost of sales by $0.8 million and $2.1 million, respectively.

Below is a summary of inventories valued at period-end market values compared to the as reported values:

	As of	
(in millions)	September 30, 2017	December 31, 2016
Market value	$ 273.0	$ 232.9
As reported	178.0	163.7
Excess of market over reported value	$ 95.0	$ 69.2

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were as follows:

	As of	
(in millions)	September 30, 2017	December 31, 2016
Deferred cost of sales - toll customers	$ 8.3	$ 4.0
Workers' compensation plan deposits	4.1	6.3
Derivative contract assets	3.4	2.8
Prepaid insurance	1.9	1.7
Other	3.7	3.5
Total prepaid expenses and other current assets	$ 21.4	$ 18.3

6. Accrued Liabilities

Accrued liabilities consisted of the following:

	As of	
(in millions)	September 30, 2017	December 31, 2016
Compensation and benefits	$ 13.7	$ 25.1
Deferred sales revenue - toll customers	8.3	4.0
Workers' compensation	3.0	3.0
Utilities	2.5	2.0
Professional fees	2.3	1.8
Insurance	2.0	3.1
Taxes	1.1	1.3
Other	8.9	4.7
Total accrued liabilities	$ 41.8	$ 45.0

7. Financing

Long-term debt consisted of the following:

	As of	
(in millions)	September 30, 2017	December 31, 2016
Term Loan B Facility	$ 316.8	$ 319.2
Deferred financing fees and discount on debt	(6.1)	(6.9)
Obligations under capital lease	2.7	3.7
Total debt	313.4	316.0
Less: Current portion of debt	(4.6)	(4.5)
Noncurrent portion of debt	$ 308.8	$ 311.5

Term Loan B Facility

At September 30, 2017, we had $316.8 million outstanding under our long-term credit facility that matures on July 18, 2023 ("Term Loan B Facility"), which accrued interest at a rate of 4.50%.

ABL Facility

Our asset-based revolving loan facility that expires on July 19, 2021 ("ABL Facility") provides for borrowings of up to the lesser of $200.0 million or the borrowing base. As of September 30, 2017, we had no borrowings outstanding under the ABL Facility and available borrowings under the facility were $197.9 million after giving effect to the $2.1 million of letters of credit outstanding.

The Credit Agreements

The ABL Credit Agreement and the Term Loan B Credit Agreement (together, the "Credit Agreements") contain various covenants consistent with debt agreements of this kind, such as restrictions on the amounts of dividends we can pay. As of September 30, 2017, we were in compliance with all of the covenants relating to the Credit Agreements.

Refinancing

On July 18, 2017, we amended the credit agreements governing our Term Loan B Facility (“Amended Term Loan B Credit Agreement”) and our ABL Facility (“Amended ABL Credit Agreement”). The amendments resulted in the below changes.

- A 100 basis point reduction in our interest rate on our Term Loan B Facility. Amounts outstanding under this facility now bear interest at a rate per annum equal to, at our option, either (1) 2.25% plus an Alternate Base Rate (as defined in the Amended Term Loan B Credit Agreement) or (2) 3.25% plus the Adjusted LIBO Rate (as defined in the Amended Term Loan B Credit Agreement);
- The removal of the net leverage financial maintenance covenant in the Term Loan B Credit Agreement;
- A Term Loan B Facility prepayment penalty of 1.0% for six months after the refinancing date; and
- An increased capacity to make certain restricted payments.

The refinancing resulted in expense of $0.9 million related to fees and the write-off of unamortized debt issuance costs.

Discussion of Historical Debt Facilities

For part of 2016, our debt included Senior Secured Notes. During the nine months ended September 30, 2016, we bought back and redeemed an aggregate of $345.3 million principal amount of our Senior Secured Notes, for an aggregate purchase price of $362.3 million, plus accrued interest.

As a result of these purchases and the redemption, we recognized a loss on the extinguishment of debt in the three months ended September 30, 2016 of $20.1 million, which included a premium of $14.5 million and the write-off of $5.6 million of unamortized debt issuance costs for both the Senior Secured Notes and the former ABL Facility. We recognized a loss on the extinguishment of debt for the nine months ended September 30, 2016 of $23.4 million, which includes a premium of $17.0 million and the write-off of $6.4 million of unamortized debt issuance costs for both the Senior Secured Notes and the former ABL Facility.

8. Income Taxes

The effective income tax rate, which is the provision for income taxes as a percentage of income before provision for income taxes, was 34.9% and 14.6% for the three months ended September 30, 2017 and 2016, respectively, and 30.8% and 32.5% for the nine months ended September 30, 2017 and 2016, respectively. The lower effective income tax rate for the three months ended September 30, 2016 relates to the release of the valuation allowance on our foreign tax credits. In addition, due to the impact of share-based compensation, primarily the adoption of ASU 2016-09, in the nine months ended September 30, 2017, we recorded $3.1 million of tax benefit related to share award vestings and option exercises, reducing the effective tax rate by 470 basis points. The effective income tax rates for the three and nine months ended September 30, 2017 and 2016 also differed from the U.S. Federal statutory rate of 35% due to state income taxes, utilization of foreign tax credits, and the domestic manufacturing deduction.

As of both September 30, 2017 and December 31, 2016, we had $25.2 million of unrecognized tax benefits, none of which would impact the effective tax rate, if recognized, which are presented in other noncurrent liabilities in the accompanying unaudited consolidated balance sheets.

Our U.S. federal returns for the period ended December 31, 2014 and all subsequent periods remain open for audit. In addition, the majority of state returns for the period ended December 31, 2013 and all subsequent periods remain open for audit.

9. Derivative Contracts

We maintain a metal, energy and utility risk-management strategy that uses commodity derivative contracts to minimize significant, unanticipated gains or losses that may arise from the volatility of commodity prices.

We are also 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 executing derivative instruments with counterparties that we believe are credit-worthy. The amount of such credit risk is limited to the fair value of the derivative contract plus the unpaid portion of amounts due to us pursuant to terms of the derivative contracts, if any. If the credit-worthiness of these counterparties deteriorates, we believe the exposure is mitigated by provisions in the derivative arrangements which allow for the legal right of offset of amounts due to us from the counterparties, if any, with any amounts payable to the counterparties.

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

	As of			
	September 30, 2017		December 31, 2016	
(in millions)	Net Notional Amount		Net Notional Amount	
Metal	$	4.1	$	6.7
Energy and utilities		4.4		1.2
Total	$	8.5	$	7.9

	As of			
(in millions)	September 30, 2017		December 31, 2016	
Notional amount - long	$	40.4	$	24.4
Notional amount - (short)		(31.9)		(16.5)
Net long / (short)	$	8.5	$	7.9

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 unaudited consolidated balance sheets, and the collateral deposited with counterparties:

	As of September 30, 2017		
(in millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$ 3.1	$ (1.8)	$ 1.3
Energy and utilities	0.1	(0.1)	—
Collateral on deposit	2.1	—	2.1
Total	$ 5.3	$ (1.9)	$ 3.4
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$ 3.4

	As of September 30, 2017		
(in millions)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Liabilities Presented in Consolidated Balance Sheet
Metal	$ 1.8	$ (1.8)	$ —
Energy and utilities	0.2	(0.1)	0.1
Total	$ 2.0	$ (1.9)	$ 0.1
Consolidated balance sheet location:			
Other noncurrent liabilities			$ 0.1

	As of December 31, 2016		
(in millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$ 3.6	$ (1.4)	$ 2.2
Energy and utilities	0.2	—	0.2
Collateral on deposit	0.4	—	0.4
Total	$ 4.2	$ (1.4)	$ 2.8
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$ 2.8

	As of December 31, 2016		
(in millions)	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)	$ —
Energy and utilities	—	—	—
Total	$ 1.4	$ (1.4)	$ —

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2017	2016	2017	2016
Losses (gains) in cost of sales for:				
Metal	$ (2.2)	$ (0.2)	$ (2.4)	$ (2.2)
Energy and utilities	(0.2)	—	0.3	0.1
Total	$ (2.4)	$ (0.2)	$ (2.1)	$ (2.1)

10. Fair Value Measurements

ASC 820 specifies a fair value framework and 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 September 30, 2017 and December 31, 2016, the fair value of our commodity derivative contracts was $3.3 million and $2.8 million, respectively. In accordance with ASC 820, our metal, energy and utility 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 2017 or 2016.

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. As of September 30, 2017, the fair value of our money market funds, which are presented in cash and cash equivalents, was $65.1 million. These cash equivalents are valued using quoted market prices at the respective balance sheet dates and are Level 1 fair value measurements. We had no money market funds at December 31, 2016.

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 September 30, 2017, the fair value and carrying value of our Term Loan B Facility were $316.8 million. As of December 31, 2016, the fair value of our Term Loan B Facility approximated $325.6 million compared to a carrying value of $319.2 million. The fair values of the Term Loan B Facility were based upon quotes from financial institutions (Level 2 in the fair value hierarchy as defined by ASC 820).

11. 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 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 us 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.

Legal Considerations

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

Insurance Recoveries

In May 2016, the East Alton facility of our Olin Brass segment temporarily reduced production due to an equipment failure impacting an intermediate segment of the production process. The disruption resulted in a temporary reduction in customer shipments and in Olin Brass securing support via toll processing from other strip industry participants.

We sustained losses from this event, and the equipment remained out of service for several weeks and resumed production in mid-June 2016. We are insured for property and business interruption losses related to these events subject to a deductible of up to $2.5 million per incident. We filed a claim with our insurance carrier to recover these losses. For the nine months ended September 30, 2017, we recorded total recoveries of $7.4 million related to the claim as a reduction to cost of goods sold of $3.5 million and an increase to other income of $3.9 million. All proceeds from the insurance recoveries have been received as of September 30, 2017.

12. Subsequent Events

On November 1, 2017, we acquired certain net assets of Unimet Metal Supply, Inc. and Alliance Service Centers, Inc. (“Alumet”) for an aggregate purchase price of approximately $40 million, which was paid in cash. Alumet is an aluminum, copper, and brass distribution business with headquarters in New Jersey and five strategically located branches across the United States. The acquisition will be accounted for using the acquisition method of business combination under ASC 805, Business Combinations. The initial accounting for the business combination is incomplete due to the timing of the acquisition. Therefore, we are unable to disclose certain information required by ASC 805. We will provide preliminary purchase price allocation information in our Annual Report on Form 10-K for year ending December 31, 2017.

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,” “approximately,” “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, include general economic conditions, market demand, pricing and competitive factors, the ability to implement business and acquisition strategies, the ability to address unexpected operational issues and the ability to continue to implement our balanced book approach, among others, which 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 7, 2017, 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.

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.

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, 2016. 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. The majority of our operations are managed through three reportable operating segments: Olin Brass, Chase Brass and A.J. Oster. We also have a Corporate entity which 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 non-ferrous 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, virgin metals 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. Key attributes of copper and copper alloys are conductivity, corrosion resistance, strength, malleability, cosmetic appearance and bactericidal properties.

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 lead-free brass rod product, which we sell under the Green Dot® and Eco Brass® brand names. The vertical integration of Olin Brass's manufacturing capabilities and A.J. Oster's distribution capabilities allows us to access customers with a wide variety of volume and service needs.

Unlike traditional metals companies, particularly those that engage in mining, smelting and refining activities, we are purely a metal converter, fabricator, processor and distributor, and we 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, along with our toll processing operations, 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 ("SEC") on March 7, 2017.

Management's View of Performance

In addition to the results reported in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), we also report "adjusted sales," "adjusted gross profit," "adjusted selling, general and administrative expenses," "adjusted EBITDA" and "adjusted diluted earnings per common share" which are non-GAAP financial measures as defined below.

Adjusted sales, adjusted gross profit, adjusted selling, general and administrative expenses, adjusted EBITDA and adjusted diluted earnings per common share may not be comparable to similarly titled measures presented by other companies and are not intended as alternatives to any other measure of performance in conformity with US GAAP.

You should therefore not place undue reliance on adjusted sales, adjusted gross profit, adjusted selling, general and administrative expenses, adjusted EBITDA, adjusted diluted earnings per common share, or any ratios calculated using them. The most comparable US GAAP-based measure for each respective non-GAAP financial measure can be found in our unaudited consolidated financial statements and the related notes thereto included elsewhere in this report.

The following discussions present an analysis of certain US GAAP and non-GAAP measures for the three and nine months ended September 30, 2017 as compared to the three and nine months ended September 30, 2016. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

Net sales and adjusted sales

Net sales is the most directly comparable US GAAP measure to adjusted sales, which represents the value-added premium we earn over our conversion and fabrication costs. Adjusted sales is defined as net sales less the metal cost of products sold. 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 US 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.

Net sales is reconciled to adjusted sales as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		2017 vs. 2016			
					QTR Change:		YTD Change:	
(in millions, except per pound values)	2017	2016	2017	2016	Amount	Percent	Amount	Percent
Pounds shipped (a)	119.4	137.0	379.6	400.1	(17.6)	(12.8)%	(20.5)	(5.1)%
Net sales	$ 378.6	$ 349.1	$ 1,149.3	$ 1,015.9	$ 29.5	8.5 %	$ 133.4	13.1 %
Metal component of net sales	(250.2)	(206.3)	(750.4)	(600.9)	(43.9)	21.3 %	(149.5)	24.9 %
Adjusted sales	$ 128.4	$ 142.8	$ 398.9	$ 415.0	$ (14.4)	(10.1)%	$ (16.1)	(3.9)%
Net sales per pound	$ 3.17	$ 2.55	$ 3.03	$ 2.54	$ 0.62	24.3 %	$ 0.49	19.3 %
Less: Metal component of net sales per pound	2.09	1.51	1.98	1.50	0.58	38.4 %	0.48	32.0 %
Adjusted sales per pound	$ 1.08	$ 1.04	$ 1.05	$ 1.04	$ 0.04	3.8 %	$ 0.01	1.0 %
Average copper price per pound (b)	$ 2.89	$ 2.16	$ 2.71	$ 2.13	$ 0.73	33.8 %	$ 0.58	27.2 %

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

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Net sales increased by $29.5 million, or 8.5%, primarily as the result of a $43.9 million increase in the metal cost recovery component resulting from increased metal prices and greater sales of unprocessed metals. Adjusted sales decreased by $14.4 million due to decreased volumes, primarily in the munitions market resulting from less demand and a customer production outage. To a lesser extent, demand also decreased in the coinage and building and housing markets, but was partially offset by increased demand in the reroll market.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Net sales increased by $133.4 million, or 13.1%, due to the $149.5 million increase in the metal cost recovery component stemming from increased metal prices and greater sales of unprocessed metals. Adjusted sales decreased by $16.1 million, or 3.9% due to lower demand, largely in the munitions market.

Gross profit and adjusted gross profit

Gross profit is the most directly comparable US GAAP measure to adjusted gross profit. Adjusted gross profit is defined as gross profit less items excluded from the calculation of adjusted EBITDA, as detailed in the following table. We believe that adjusted gross profit supplements our US GAAP results to provide a more complete understanding of the results of our business as it provides period-to-period comparisons of our core operations that are more consistent and more easily understood.

Gross profit is reconciled to adjusted gross profit as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		2017 vs. 2016	
(in millions)	2017	2016	2017	2016	QTR change:	YTD Change:
Total gross profit	$ 43.8	$ 52.2	$ 138.4	$ 143.0	$ (8.4)	$ (4.6)
Unrealized loss (gain) on derivative contracts (a)	(0.3)	0.4	1.1	(2.2)	(0.7)	3.3
Lower of cost or market adjustment to inventory (b)	(0.7)	(2.2)	(0.8)	(2.1)	1.5	1.3
Depreciation expense	3.7	3.4	11.0	9.7	0.3	1.3
Adjusted gross profit	$ 46.5	$ 53.8	$ 149.7	$ 148.4	$ (7.3)	$ 1.3

(a) We use our balanced book approach, supported, where required, by derivative contracts, to substantially reduce the impact of metal price fluctuations on operating margins. We also use derivative contracts to reduce uncertainty and volatility related to energy and utility costs.

(b) Represents the impact of lower of cost or market adjustments to domestic metal inventory.

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Gross profit decreased by $8.4 million (16.1%) and was impacted by the decrease in adjusted gross profit, reduced lower of cost or market adjustments to inventory, and favorable fluctuations in unrealized gains / losses on derivative contracts. Adjusted gross profit decreased by $7.3 million (13.6%) due to the combination of decreased volumes, increased production costs and increased customer pricing.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Gross profit decreased by $4.6 million (3.2%) and was impacted by increased depreciation expense and unfavorable fluctuations in both unrealized gains / losses on derivative contracts and lower of cost of market adjustments to inventory, partially offset by the increase in adjusted gross profit. Adjusted gross profit increased by $1.3 million (0.9%) due to a combination of four main factors: volumes, the 2016 production outage at Olin Brass, increased shrinkage costs, and a few specific decisions discussed below.

Volumes have decreased most significantly in our munitions market due to both depletion of inventory levels throughout the channel following the 2016 Presidential election and a production outage at one of our larger customers. Our building and housing volumes have suffered as our customers have lost pieces of their business. Volumes have fallen in our stamping and automotive markets due to underlying demand. In addition, volumes earlier in the year were hampered by the implementation of a new ERP system, which later led to customer service issues at one of our facilities.

In the second quarter of 2016, Olin Brass suffered a production outage for which we recorded, in 2017, $7.4 million of proceeds ($3.5 million recorded in cost of sales) from insurance policies related to this outage. In 2016, we also incurred increased production expenses to toll process inventory to meet customer needs during the outage. These costs were not incurred again in 2017.

As metal prices, especially copper, have increased, the cost of shrinkage, which is a normal part of production, has increased and unfavorably impacted the comparison of gross profit to the prior year amounts.

In 2017, we also made certain specific decisions which negatively impacted our gross profit by $1.8 million. These relate to transitioning to a health savings account (“HSA”) medical program for our employees, reducing inventory levels at Olin Brass to generate increased cash flow without commensurate reductions in production overhead costs, and costs incurred to help launch a fully integrated Enterprise Resource Planning (“ERP”) system at A.J. Oster.

Selling, general and administrative expenses and adjusted selling, general and administrative expenses

Selling, general and administrative expenses are the most directly comparable US GAAP measure to adjusted selling, general and administrative expenses. Adjusted selling, general and administrative expenses are defined as selling, general and administrative expenses less items excluded from the calculation of adjusted EBITDA. We believe that adjusted selling, general and administrative expenses supplement our US GAAP results and provides us and our investors with a more complete understanding of the results of our business as it provides period-to-period comparisons of our core operations that are more consistent and more easily understood.

Selling, general and administrative expenses are reconciled to adjusted selling, general and administrative expenses as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		2017 vs. 2016	
(in millions)	2017	2016	2017	2016	QTR change:	YTD Change:
Total selling, general and administrative expenses	$ 19.4	$ 21.9	$ 61.6	$ 61.4	$ (2.5)	$ 0.2
Specified legal / professional expenses	(0.5)	(0.5)	(0.5)	(1.1)	—	0.6
Share-based compensation expense	(2.0)	(2.2)	(6.3)	(4.9)	0.2	(1.4)
Depreciation and amortization expense	(0.9)	(0.4)	(2.6)	(1.4)	(0.5)	(1.2)
Adjusted selling, general and administrative expenses	$ 16.0	$ 18.8	$ 52.2	$ 54.0	$ (2.8)	$ (1.8)

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Selling, general and administrative expenses decreased by $2.5 million (11.4%) and adjusted selling, general and administrative expenses decreased by $2.8 million (14.9%) due to decreased employee and employee-related costs.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Selling, general and administrative expenses increased by $0.2 million (0.3%) and were unfavorably impacted by an increase in share-based compensation and depreciation expenses and favorably impacted by the change in adjusted selling, general and administrative expenses which decreased by $1.8 million (3.3%). Adjusted selling, general and administrative expenses declined due to decreased employee and employee-related costs, partially offset by the combined costs of approximately $1.1 million associated with transitioning to the HSA medical plan and consulting fees associated with the implementation of A.J. Oster's ERP system. Additionally, adjusted selling, general and administrative costs in 2017 increased due to favorable bad debt recoveries in 2016.

Net income and adjusted EBITDA

Net income attributable to Global Brass and Copper Holdings, Inc. is the most directly comparable US GAAP measure to adjusted EBITDA. Adjusted EBITDA is defined as net income attributable to Global Brass and Copper Holdings, Inc., plus 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 energy and utility costs;
- impact associated with lower of cost or market adjustments to inventory;
- gains and losses due to the depletion of a last-in, first-out ("LIFO") layer of metal inventory;
- share-based compensation expense;
- refinancing costs;
- 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 because it provides 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 evaluating companies in our industry.

Adjusted EBITDA is the key metric used by our Chief Operating Decision Maker to evaluate segment performance in a way that we believe reflects our core operating performance, and in turn, incentivizes members of management and certain employees. 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.

Adjusted EBITDA 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 US GAAP. We compensate for these limitations by using adjusted EBITDA along with other comparative tools, together with US GAAP measurements, to assist in the evaluation of operating performance. Such US GAAP measurements include operating income and net income.

Net income attributable to Global Brass and Copper Holdings, Inc. is reconciled to adjusted EBITDA as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		2017 vs. 2016	
(in millions)	**2017**	**2016**	**2017**	**2016**	**QTR change:**	**YTD Change:**
Net income attributable to Global Brass and Copper Holdings, Inc.	$ 12.4	$ 3.9	$ 45.5	$ 24.5	$ 8.5	$ 21.0
Interest expense	4.4	5.2	13.9	21.5	(0.8)	(7.6)
Interest income	(0.2)	—	(0.3)	—	(0.2)	(0.3)
Provision for income taxes	6.7	0.7	20.4	12.0	6.0	8.4
Depreciation expense	4.5	3.7	13.5	11.0	0.8	2.5
Amortization expense	0.1	0.1	0.1	0.1	—	—
Unrealized loss (gain) on derivative contracts (a)	(0.3)	0.4	1.1	(2.2)	(0.7)	3.3
Refinancing costs (b)	0.9	20.1	0.9	23.4	(19.2)	(22.5)
Specified legal / professional expenses (c)	0.5	0.5	0.5	1.1	—	(0.6)
Lower of cost or market adjustment to inventory (d)	(0.7)	(2.2)	(0.8)	(2.1)	1.5	1.3
Share-based compensation expense (e)	2.0	2.2	6.3	4.9	(0.2)	1.4
Adjusted EBITDA	$ 30.3	$ 34.6	$ 101.1	$ 94.2	$ (4.3)	$ 6.9

(a) Represents unrealized (gains) losses on derivative contracts.
(b) Represents the loss on extinguishment of debt and other expenses associated with our refinancing activities.
(c) Represents selected professional fees for accounting, tax, legal and consulting services for merger and acquisition activity or incurred as a public company that exceed our expected long-term requirements.
(d) Represents the impact of lower of cost or market adjustments to domestic metal inventory.
(e) Represents compensation expense resulting from stock compensation awards to certain employees and our Board of Directors.

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Net income attributable to Global Brass and Copper Holdings, Inc. increased by $8.5 million mainly due to less losses on debt extinguishments and lower of cost or market adjustments to inventory. Other notable impacts include decreased volume, partly arising from the third quarter 2016 volume benefit from the second quarter 2016 Olin Brass production outage, unfavorable fluctuations in unrealized gains / losses on derivative contracts and an increase in the provision for income taxes.

Adjusted EBITDA decreased by $4.3 million, or 12.4%, due to the decrease in gross profit, partially offset by the favorable reduction in selling, general and administrative expenses.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Net income attributable to Global Brass and Copper Holdings, Inc. increased by $21.0 million mainly due to decreased interest expense, the $7.4 million of income resulting from the recovery of insurance proceeds, the absence of a loss on extinguishment of debt as was incurred in the first nine months of 2016 and less lower of cost or market adjustments to inventory and the fact that the prior year includes expenses resulting from the Olin Brass production outage. These favorable fluctuations were partially offset by unfavorable fluctuations in unrealized gains / losses on derivative contracts and an increase in the provision for income taxes.

Adjusted EBITDA increased by $6.9 million, or 7.3%, primarily due to $7.4 million of income resulting from the insurance recovery and the absence of costs related to the production outage from the prior year, partially offset by the costs incurred in the early part of the current year as result of the HSA transition, increased cost of goods due to inventory reductions at Olin Brass and additional costs incurred related to the A.J. Oster ERP implementation. The negative effect of reduced volumes was offset by favorable customer pricing and reduced employee and related compensation costs.

Diluted income per common share and adjusted diluted earnings per common share

Diluted income per common share increased by $0.38 and $0.92 for the three and nine months ended September 30, 2017 as compared to the same periods in 2016, respectively, for the same reasons driving the fluctuations in net income. Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share is the most directly comparable US GAAP measure to adjusted diluted earnings per common share.

Adjusted diluted earnings per common share is defined as diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share adjusted to remove the per share impact of the add backs to EBITDA in calculating adjusted EBITDA. Adjusted diluted earnings per common share decreased by $0.17 and increased by $0.26 for the three and nine months ended September 30, 2017 as compared to the same periods in 2016, respectively, for the same reasons driving the fluctuations in adjusted EBITDA. Additionally, our weighted-average common shares outstanding increased 2.8% due to the issuance and vesting of stock compensation awards. The increase reduced our diluted earnings per share by $0.02 and $0.06 for the three and nine months ended September 30, 2017, respectively.

We believe adjusted diluted earnings per common share represents a meaningful presentation of the financial performance of our consolidated results because it provides period-to-period comparisons that are more consistent, and more easily understood, and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted diluted earnings per share is a key metric used to evaluate the Company's performance, and in turn, incentivize members of management and certain employees.

We believe that adjusted diluted earnings per common share supplements our US 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.

Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share is reconciled to adjusted diluted earnings per common share as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		2017 vs. 2016	
	2017	2016	2017	2016	QTR change:	YTD Change:
Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share	$ 0.56	$ 0.18	$ 2.06	$ 1.14	$ 0.38	$ 0.92
Unrealized loss (gain) on derivative contracts	(0.01)	0.02	0.05	(0.10)	(0.03)	0.15
Refinancing costs	0.04	0.93	0.04	1.09	(0.89)	(1.05)
Specified legal / professional expenses	0.02	0.02	0.02	0.05	—	(0.03)
Lower of cost or market adjustment to inventory	(0.03)	(0.10)	(0.03)	(0.10)	0.07	0.07
Share-based compensation expense	0.09	0.10	0.28	0.23	(0.01)	0.05
Tax impact on above adjustments (a)	(0.03)	(0.34)	(0.26)	(0.41)	0.31	0.15
Adjusted diluted earnings per common share	$ 0.64	$ 0.81	$ 2.16	$ 1.90	$ (0.17)	$ 0.26

(a) Calculated based on our estimated tax rate, including tax benefits related to share award vestings and option exercises, as described more fully in Note 8, "Income Taxes."

Results of Operations

Consolidated Results of Operations for the Three Months Ended September 30, 2017, Compared to the Three Months Ended September 30, 2016.

	Three Months Ended September 30,				Change: 2017 vs. 2016	
(in millions)	2017	% of Net Sales	2016	% of Net Sales	Amount	Percent
Net sales	$ 378.6	100.0%	$ 349.1	100.0%	$ 29.5	8.5 %
Cost of sales	(334.8)	88.4%	(296.9)	85.0%	(37.9)	12.8 %
Gross profit	43.8	11.6%	52.2	15.0%	(8.4)	(16.1)%
Selling, general and administrative expenses	(19.4)	5.1%	(21.9)	6.3%	2.5	(11.4)%
Operating income	24.4	6.4%	30.3	8.7%	(5.9)	(19.5)%
Interest expense	(4.4)	1.2%	(5.2)	1.5%	0.8	(15.4)%
Loss on extinguishment of debt	(0.2)	0.1%	(20.1)	5.8%	19.9	(99.0)%
Other (expense) income, net	(0.6)	0.2%	(0.2)	0.1%	(0.4)	N/M
Income before provision for income taxes	19.2	5.1%	4.8	1.4%	14.4	N/M
Provision for income taxes	(6.7)	1.8%	(0.7)	0.2%	(6.0)	N/M
Net income	12.5	3.3%	4.1	1.2%	8.4	N/M
Net income attributable to noncontrolling interest	(0.1)	—%	(0.2)	0.1%	0.1	(50.0)%
Net income attributable to Global Brass and Copper Holdings, Inc.	$ 12.4	3.3%	$ 3.9	1.1%	$ 8.5	N/M
Adjusted EBITDA (a)	$ 30.3	8.0%	$ 34.6	9.9%	$ (4.3)	(12.4)%

(a) See "Management's View of Performance —Net income and adjusted EBITDA."

N/M - not meaningful

The following discussions present an analysis of our results of operations for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. See "Management's View of Performance" for discussions of net sales, adjusted sales, gross profit, adjusted gross profit, selling, general and administrative expenses, adjusted selling, general and administrative expenses, net income attributable to Global Brass and Copper Holdings, Inc., adjusted EBITDA, diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share and adjusted diluted earnings per common share. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

Interest expense

Interest expense decreased by $0.8 million primarily due to lower average interest rates resulting from debt refinancings in both July 2016 and July 2017. Our average interest rate on our debt principal decreased from 6.0% to 4.7%.

The following table summarizes the components of interest expense:

	Three Months Ended September 30,		Amount change:
(in millions)	2017	2016	2017 vs. 2016
Interest on principal	$ 3.8	$ 4.9	$ (1.1)
Amortization of debt discount and issuance costs	0.4	0.4	—
Capitalized interest	—	(0.3)	0.3
Other borrowing costs (a)	0.2	0.2	—
Total interest expense	$ 4.4	$ 5.2	$ (0.8)

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

Loss on extinguishment of debt

In the third quarter ended September 30, 2017, we amended our ABL facility and long-term credit agreement, which resulted in expense of $0.2 million related to the write-off of unamortized debt issuance costs. In the third quarter ended September 30, 2016, we bought back an aggregate of $305.3 million principal amount of our Senior Secured Notes for an aggregate purchase price of $319.8 million, plus accrued interest. As a result of these purchases, we recognized a loss on the extinguishment of debt of $20.1 million, which includes a premium of $14.5 million and the $5.6 million write-off of unamortized debt issuance costs.

Provision for income taxes

The provision for income taxes increased by $6.0 million, due primarily to an increase in income before provision for income taxes and equity income, the components of which are discussed elsewhere in this report. The effective tax rate increased from 14.6% to 34.9% due primarily to the release of our valuation allowance recorded against our foreign tax credits in the prior year, resulting in a one-time reduction in income tax expense of approximately $1.0 million.

Segment Results of Operations

Segment Results of Operations for the Three Months Ended September 30, 2017, Compared to the Three Months Ended September 30, 2016.

The following discussions present an analysis of our results by segment for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

	Three Months Ended September 30,		Change: 2017 vs. 2016	
(in millions)	2017	2016	Amount	Percent
Pounds shipped (a)				
Olin Brass	56.5	72.6	(16.1)	(22.2)%
Chase Brass	53.0	54.5	(1.5)	(2.8)%
A.J. Oster	18.1	19.5	(1.4)	(7.2)%
Corporate and other (b)	(8.2)	(9.6)	1.4	14.6 %
Total	119.4	137.0	(17.6)	(12.8)%
Net sales				
Olin Brass	$ 174.5	$ 169.7	$ 4.8	2.8 %
Chase Brass	144.8	124.3	20.5	16.5 %
A.J. Oster	76.9	72.1	4.8	6.7 %
Corporate and other (b)	(17.6)	(17.0)	(0.6)	(3.5)%
Total	$ 378.6	$ 349.1	$ 29.5	8.5 %
Adjusted EBITDA				
Olin Brass	$ 12.0	$ 18.6	$ (6.6)	(35.5)%
Chase Brass	18.3	16.2	2.1	13.0 %
A.J. Oster	3.6	4.7	(1.1)	(23.4)%
Total adjusted EBITDA of operating segments	$ 33.9	$ 39.5	$ (5.6)	(14.2)%
Corporate and other	(3.6)	(4.9)	1.3	26.5 %
Total consolidated adjusted EBITDA	$ 30.3	$ 34.6	$ (4.3)	(12.4)%

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

See Note 3, “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 increased by $4.8 million due mostly to greater sales of unprocessed metals and increased metal prices ($40.1 million), partially offset by decreased volumes ($35.3 million). Adjusted EBITDA decreased by $6.6 million from the prior year period due primarily to decreased volumes (mostly in munitions and coinage), partially offset by reduced employee and employee compensation expenses. The prior year also benefited from improved productivity and increased volumes as a result of some shipments being shifted from the second quarter into the third quarter due to the production outage.

Chase Brass

Net sales increased by $20.5 million due to increased commodity prices ($20.9 million), as decreased volumes were nearly offset by improved conversion prices to customers. Volumes decreased in the building and housing market, partially offset by increases in the industrial and machinery equipment and electronics / electrical components markets due to fluctuations in demand. Adjusted EBITDA increased by $2.1 million due to favorable product mix and conversion pricing, partially offset by decreased volumes and increased production costs.

A.J. Oster

Net sales increased by $4.8 million due to increased prices ($9.7 million), mostly reflective of increased commodity prices, partially offset by decreased volumes ($4.9 million). Volumes decreased in the building and housing, automotive, distribution and stamping markets due to decreased demand. In addition, one service center location did not meet customers’ service level expectations; remediation actions have been taken and are gaining traction. Adjusted EBITDA decreased by $1.1 million due to a combination of decreased volumes, increased costs to service customer needs, and reduced selling, general and administrative expenses, mostly related to employee compensation and related costs. A.J. Oster also incurred a $0.2 million loss related to assets damaged by Hurricane Maria in our Puerto Rico facility.

Results of Operations

Consolidated Results of Operations for the Nine Months Ended September 30, 2017, Compared to the Nine Months Ended September 30, 2016.

(in millions)	Nine Months Ended September 30, 2017	% of Net Sales	2016	% of Net Sales	Change: 2017 vs. 2016 Amount	Percent
Net sales	$ 1,149.3	100.0%	$ 1,015.9	100.0%	$ 133.4	13.1 %
Cost of sales	(1,010.9)	88.0%	(872.9)	85.9%	(138.0)	15.8 %
Gross profit	138.4	12.0%	143.0	14.1%	(4.6)	(3.2)%
Selling, general and administrative expenses	(61.6)	5.4%	(61.4)	6.0%	(0.2)	0.3 %
Operating income	76.8	6.7%	81.6	8.0%	(4.8)	(5.9)%
Interest expense	(13.9)	1.2%	(21.5)	2.1%	7.6	(35.3)%
Loss on extinguishment of debt	(0.2)	—%	(23.4)	2.3%	23.2	(99.1)%
Other income, net	3.6	0.3%	0.2	—%	3.4	N/M
Income before provision for income taxes	66.3	5.8%	36.9	3.6%	29.4	79.7 %
Provision for income taxes	(20.4)	1.8%	(12.0)	1.2%	(8.4)	70.0 %
Net income	45.9	4.0%	24.9	2.5%	21.0	84.3 %
Net income attributable to noncontrolling interest	(0.4)	—%	(0.4)	—%	—	— %
Net income attributable to Global Brass and Copper Holdings, Inc.	$ 45.5	4.0%	$ 24.5	2.4%	$ 21.0	85.7 %
Adjusted EBITDA (a)	$ 101.1	8.8%	$ 94.2	9.3%	$ 6.9	7.3 %

(a) See "Management's View of Performance—Net income and adjusted EBITDA."

N/M - not meaningful

The following discussions present an analysis of our results of operations for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. See "Management's View of Performance" for discussions of net sales, adjusted sales, gross profit, adjusted gross profit, selling, general and administrative expenses, adjusted selling, general and administrative expenses, net income attributable to Global Brass and Copper Holdings, Inc., adjusted EBITDA, diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share and adjusted diluted earnings per common share. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

Interest expense

Interest expense decreased by $7.6 million primarily due to lower average interest rates resulting from our July 2016 and July 2017 refinancings. Our average interest rate on our debt principal decreased from 8.3% to 5.1%.

The following table summarizes the components of interest expense:

(in millions)	Nine Months Ended September 30, 2017	2016	Amount change: 2017 vs. 2016
Interest on principal	$ 12.4	$ 20.0	$ (7.6)
Amortization of debt discount and issuance costs	1.0	1.7	(0.7)
Capitalized interest	(0.1)	(0.9)	0.8
Other borrowing costs (a)	0.6	0.7	(0.1)
Total interest expense	$ 13.9	$ 21.5	$ (7.6)

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

Loss on extinguishment of debt

In the third quarter ended September 30, 2017, we amended our ABL facility and long-term credit agreement, which resulted in expense of $0.2 million related to the write-off of unamortized debt issuance costs. During the nine months ended September 30, 2016, we bought back and redeemed all of our Senior Secured Notes for an aggregate purchase price of $362.3 million, plus accrued interest. As a result of these purchases, we recognized a loss on the extinguishment of debt of $23.4 million, which includes a premium of $17.0 million and the write-off of $6.4 million of unamortized debt issuance costs related to both the Senior Secured Notes and the former asset-based loan facility.

Other income (expense), net

Other income (expense), net increased favorably by $3.4 million, due primarily to the recovery of insurance proceeds related to the temporary Olin Brass production outage in 2016, of which $3.9 million was recorded as other income in the nine months ended September 30, 2017. For additional information regarding these insurance recoveries, see Note 11, “Commitments and Contingencies.”

Provision for income taxes

The provision for income taxes increased by $8.4 million due primarily to an increase in income before provision for income taxes, the components of which are discussed elsewhere in this report. The effective tax rate decreased to 30.8% from 32.5% primarily due to the adoption of a new accounting standard covering stock compensation in 2017. As a result of the adoption of the new standard, we recorded $3.1 million of tax benefit related to share award vestings and option exercises during the nine months ended September 30, 2017, reducing the effective tax rate by 470 basis points. The prior year effective tax rate benefited from the release of our valuation allowance recorded against our foreign tax credits in the prior year, resulting in a one-time reduction in income tax expense of approximately $1.0 million or 266 basis points.

Segment Results of Operations

Segment Results of Operations for the Nine Months Ended September 30, 2017, Compared to the Nine Months Ended September 30, 2016.

The following discussions present an analysis of our results by segment for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

	Nine Months Ended September 30,		Change: 2017 vs. 2016	
(in millions)	2017	2016	Amount	Percent
Pounds shipped (a)				
Olin Brass	186.8	198.8	(12.0)	(6.0)%
Chase Brass	167.0	171.8	(4.8)	(2.8)%
A.J. Oster	55.2	57.7	(2.5)	(4.3)%
Corporate and other (b)	(29.4)	(28.2)	(1.2)	(4.3)%
Total	379.6	400.1	(20.5)	(5.1)%
Net sales				
Olin Brass	$ 544.6	$ 476.5	$ 68.1	14.3 %
Chase Brass	439.9	382.3	57.6	15.1 %
A.J. Oster	226.6	212.5	14.1	6.6 %
Corporate and other (b)	(61.8)	(55.4)	(6.4)	(11.6)%
Total	$ 1,149.3	$ 1,015.9	$ 133.4	13.1 %
Adjusted EBITDA				
Olin Brass	$ 38.7	$ 39.7	$ (1.0)	(2.5)%
Chase Brass	56.6	53.4	3.2	6.0 %
A.J. Oster	10.4	14.4	(4.0)	(27.8)%
Total adjusted EBITDA of operating segments	$ 105.7	$ 107.5	$ (1.8)	(1.7)%
Corporate and other (c)	(4.6)	(13.3)	8.7	65.4 %
Total consolidated adjusted EBITDA	$ 101.1	$ 94.2	$ 6.9	7.3 %

(a) Amounts exclude quantity of unprocessed metal sold.
(b) Amounts represent intercompany eliminations.
(c) For the nine months ended September 30, 2017, includes $7.4 million insurance recovery from the prior year production outage at Olin Brass.

See Note 3, “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 increased by $68.1 million primarily as a result of an increase in the metal cost recovery component ($84.4 million) stemming from increased metal prices along with increased sales of unprocessed metals ($97.6 million), partially offset by decreased volumes ($13.2 million). Adjusted sales decreased by $16.3 million due to the combination of unfavorable product mix changes ($2.5 million) and decreased volumes ($13.8 million). Volumes decreased in the munitions market due to decreased demand and a production outage at one of our main customer’s facilities, as well as in the coinage market due to underlying demand.

Adjusted EBITDA decreased by $1.0 million, mostly due to lower volumes, partially offset by improved productivity and reduced selling, general and administrative expenses stemming from less consulting expenses in 2017 than were incurred in 2016 given the software upgrades undertaken at that time, as well as reduced employee compensation and related costs. In the first quarter of 2017, Olin Brass also incurred increased benefit costs associated with transitioning to a HSA medical plan and increased cost of goods sold due to a reduction in inventories.

Chase Brass

Net sales increased by $57.6 million due to increased prices ($68.4 million), mostly due to increased metal prices, partially offset by decreased volumes ($10.8 million). Volumes decreased in the building and housing market, electronics / electrical components and industrial machinery and equipment markets due to underlying demand from our customers.

Adjusted EBITDA increased by $3.2 million predominantly due to increased pricing on metal conversion activities partially offset by decreased volumes and increased costs of conversion activities.

A.J. Oster

Net sales increased by $14.1 million due to increased prices ($23.2 million), mostly from increased commodity prices, partially offset by decreased volumes ($9.1 million). Volumes decreased in the automotive, stamping and distribution markets, partially offset by increased volumes in the electronics / electrical components market due to underlying demand. In addition, volumes earlier in the year were hampered by the implementation of a new ERP system, which later led to a customer service issue at one of our facilities, where remediation activities are underway and yielding improvement.

Adjusted EBITDA decreased by $4.0 million, due to the transition costs incurred related to the implementation of the new ERP system in the first quarter, decreased volumes, and additional benefit costs associated with transitioning to a HSA medical plan. These were partially offset by decreased employee compensation and related costs.

Changes in Financial Condition

The following discussion presents an analysis of fluctuations in certain asset, liability and equity components of our consolidated balance sheet as of September 30, 2017 as compared to the amounts as of December 31, 2016. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

September 30, 2017 compared to December 31, 2016

Accounts receivable increased by $28.9 million and accounts payable increased by $6.3 million mostly due to increased metal prices.

Deferred income tax assets decreased by $12.1 million as we changed to the Inventory Price Index Computation method of inventory valuation on our 2016 tax return, which qualified for automatic approval with the Internal Revenue Service. This change resulted in approximately $6.9 million of cash tax savings and an $8.5 million reduction to deferred income taxes. In addition, as a result of our refinancing in July 2017, we wrote off the 2016 deferred financing fees of $5.6 million for tax purposes as the refinancing qualified as a significant modification of the old debt.

Liquidity and Capital Resources

Sources and Uses of Cash

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

At September 30, 2017, cash and cash equivalents held by our foreign subsidiaries totaled $9.4 million. We believe cash held by our foreign subsidiaries provides these operations with the necessary liquidity to meet future obligations and allows them to reinvest in their operations. We do not expect restrictions on repatriation of cash held outside of the United States for domestic purposes to have a material effect on our overall liquidity, financial condition, or the results of operations for the foreseeable future.

On July 18, 2017, we amended our agreement governing our asset-based revolving facility that matures on July 19, 2021 ("ABL Credit Agreement" and the facility thereunder, the "ABL Facility") and our long-term credit agreement that matures on July 18, 2023 ("Term Loan B Credit Agreement, together, the "Credit Agreements"), as further discussed in Note 7, "Financing." The Credit Agreements contain various customary covenants that limit or prohibit our ability, among other things, to (i) incur or guarantee additional indebtedness; (ii) pay certain dividends on our capital stock or redeem, repurchase, retire or make distributions in respect of our capital stock or subordinated indebtedness or make certain other restricted payments; (iii) make certain loans, acquisitions, capital expenditures or investments; (iv) sell certain assets, including stock of our subsidiaries; (v) enter into certain sale and leaseback transactions; (vi) create or incur certain liens; (vii) consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of our assets; (viii) enter into certain transactions with our affiliates; and (ix) engage in certain business activities.

We do not believe that the restrictions 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 nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 and should be read in conjunction with our consolidated statements of cash flows in our unaudited consolidated financial statements included elsewhere in this report.

Cash Flow Analysis	**Nine Months Ended September 30,**		**Amount change:**
(in millions)	**2017**	**2016**	**2017 vs. 2016**
Cash flows provided by (used in) operating activities	$ 32.9	$ 49.7	$ (16.8)
Cash flows used in investing activities	$ (18.4)	$ (22.8)	$ 4.4
Cash flows used in financing activities	$ (10.9)	$ (54.9)	$ 44.0

Cash flows from operating activities

Net cash provided by operating activities decreased by $16.8 million as changes in working capital resulted in increased cash outflows in 2017. Amongst inventory, accounts receivable and accounts payable, increased metal prices resulted in an estimated $11.3 million decrease in cash outflows, while decreased sales volumes resulted in an estimated $6.1 million favorable change in cash. Additionally, cash from operations was unfavorably impacted by increased inventory quantities and the timing of vendor payments. Increased net income and other adjustments thereto partially offset these unfavorable fluctuations.

Cash flows from financing activities

Net cash used in financing activities improved by $44.0 million because in 2016 we refinanced all of our debt instruments, buying back and redeeming all of our Senior Secured Notes and entering into a new ABL and Term Loan B facility, resulting in a net cash outflow of $50.9 million.

Furthermore, our stock buy-backs increased by $4.3 million as compared to the prior year. Note, we do not have a program authorized by our Board of Directors to buy back our stock on the open market. Accordingly, our stock buy backs are done as an accommodation to employees to satisfy payroll tax withholding obligations on vestings and exercises of share-based compensation awards.

Outstanding Indebtedness

As described more fully in Note 7, "Financing," on July 18, 2016, we refinanced all of our debt instruments and amended the agreements governing these instruments on July 18, 2017.

We may voluntarily prepay outstanding loans under the Term Loan B Facility at any time, subject to a prepayment premium of 1.00% if the voluntary prepayment occurs before January 18, 2018. In addition, starting on December 31, 2017, we are subject to a 50% excess cash flow sweep, subject to step-downs to 25% and 0% depending on the total net leverage ratio from time to time.

Our ABL Facility and Term Loan B Facility contain various covenants to which we are subject to on an ongoing basis. At September 30, 2017, we were in compliance with all of these covenants.

For additional information regarding our ABL Facility, our Term Loan B Facility and our capital lease obligations, see Note 7, "Financing," to our unaudited consolidated financial statements, which are included elsewhere in this report.

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 SEC on March 7, 2017.

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 September 30, 2017. 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 September 30, 2017, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved.

(b) Changes in internal controls

There was no change in our internal controls over financial reporting that occurred during the quarter ended September 30, 2017 that have materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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 SEC on March 7, 2017.

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 SEC on March 7, 2017.

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
July 1, 2017 through July 31, 2017	845	$ 31.70	*	*
August 1, 2017 through August 31, 2017	—	$ —	*	*
September 1, 2017 through September 30, 2017	—	$ —	*	*
Total	845	$ 31.70	*	*

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

(1) Common stock purchased during the three months ended September 30, 2017 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

Our agreements governing the ABL Facility and the Term Loan B Facility both contain restrictions as to the payment of dividends.

Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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

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/ Christopher J. Kodosky*
Christopher J. Kodosky
Chief Financial Officer

Date: November 2, 2017

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, John J. Wasz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Brass and Copper Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstance under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ John J. Wasz
John J. Wasz
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Kodosky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Brass and Copper Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstance under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ Christopher J. Kodosky

Christopher J. Kodosky
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Global Brass and Copper Holdings, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2017, as filed with the Securities and Exchange Commission (the "Report"), and pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned hereby certifies that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

/s/ John J. Wasz
John J. Wasz
Chief Executive Officer

/s/ Christopher J. Kodosky
Christopher J. Kodosky
Chief Financial Officer

This written statement accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.
A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.