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 March 31, 2003

Commission file number 1-9447

KAISER ALUMINUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3030279**
(State of incorporation)	(I.R.S. Employer Identification No.)

5847 San Felipe, Suite 2500, Houston, Texas 77057-3268
(Address of principal executive offices) (Zip Code)

(713) 267-3777
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes /X/ No / /

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes / / No /X/

At April 30, 2003, the registrant had 80,186,095 shares of Common Stock outstanding.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)
PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(In millions of dollars)

	March 31, 2003 (Unaudited)	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 89.7	$ 78.7
Receivables:		
Trade, less allowance for doubtful receivables of $11.0	122.2	103.1
Other	40.5	46.4
Inventories	247.5	254.9
Prepaid expenses and other current assets	33.4	33.5
Total current assets	533.3	516.6
Investments in and advances to unconsolidated affiliates	73.4	69.7
Property, plant, and equipment - net	990.8	1,009.9
Other assets	547.5	629.2
Total	$ 2,145.0	$ 2,225.4
Liabilities & Stockholders' Equity (Deficit)		
Liabilities not subject to compromise -		
Current liabilities:		
Accounts payable	$ 140.1	$ 130.6
Accrued interest	3.5	2.9
Accrued salaries, wages, and related expenses	43.9	46.7
Accrued postretirement medical benefit obligation - current portion	60.2	60.2
Other accrued liabilities	49.6	64.2
Payable to affiliates	31.2	28.1
Long-term debt - current portion	1.0	.9
Total current liabilities	329.5	333.6
Long-term liabilities	83.3	86.9
Long-term debt	42.6	42.7
	455.4	463.2
Liabilities subject to compromise	2,719.8	2,726.0
Minority interests	122.2	121.8
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock	.8	.8
Additional capital	539.5	539.9
Accumulated deficit	(1,447.5)	(1,382.4)
Accumulated other comprehensive income (loss)	(245.2)	(243.9)
Total stockholders' equity (deficit)	(1,152.4)	(1,085.6)
Total	$ 2,145.0	$ 2,225.4

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

STATEMENTS OF CONSOLIDATED INCOME (LOSS)
(Unaudited)
(In millions of dollars, except share and per share amounts)

	Quarter Ended March 31, 2003	Quarter Ended March 31, 2002
Net sales	$ 339.4	$ 370.6
Costs and expenses:		
Cost of products sold	353.3	340.2
Depreciation and amortization	19.3	22.5
Selling, administrative, research and development, and general	24.6	41.2
Non-recurring operating charges	1.3	1.6
Total costs and expenses	398.5	405.5
Operating loss	(59.1)	(34.9)
Other income (expense):		
Interest expense (excluding unrecorded contractual interest expense of $23.7 and $12.8, respectively)	(2.6)	(13.5)
Reorganization items	(7.4)	(9.6)
Other - net	(1.3)	2.1
Loss from continuing operations before income taxes, minority interests and discontinued operations	(70.4)	(55.9)
Provision for income taxes	(4.7)	(8.0)
Minority interests	1.9	1.5
Loss from continuing operations	(73.2)	(62.4)
Discontinued operations:		
Loss from operations of curtailed Tacoma facility	(1.4)	(1.7)
Gain from sale of Tacoma facility	9.5	–
Income (loss) from discontinued operations	8.1	(1.7)
Net loss	$ (65.1)	$ (64.1)
Earnings (loss) per share - Basic/Diluted:		
Loss from continuing operations	$ (.91)	$ (.77)
Income (loss) from discontinued operations	$ .10	$ (.02)
Net loss	$ (.81)	$ (.79)
Weighted average shares outstanding (000):		
Basic	80,311	80,723
Diluted	80,311	80,723

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In millions of dollars)

For the Quarter Ended March 31, 2003

	Common Stock	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2002	$ .8	$ 539.9	$ (1,382.4)	$ (243.9)	$ (1,085.6)
Net loss	–	–	(65.1)	–	(65.1)
Unrealized net decrease in value of derivative instruments arising during the period	–	–	–	(1.0)	(1.0)
Reclassification adjustment for net realized gains on derivative instruments included in net loss	–	–	–	(.3)	(.3)
Comprehensive income (loss)	–	–	–	–	(66.4)
Restricted stock cancellations	–	(.6)	–	–	(.6)
Restricted stock accretion	–	.2	–	–	.2
BALANCE, March 31, 2003	$ .8	$ 539.5	$ (1,447.5)	$ (245.2)	$ (1,152.4)

For the Quarter Ended March 31, 2002

	Common Stock	Additional Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2001	$ .8	$ 539.1	$ (913.7)	$ (67.3)	$ (441.1)
Net loss	–	–	(64.1)	–	(64.1)
Unrealized net decrease in value of derivative instruments arising during the period prior to settlement	–	–	–	(12.1)	(12.1)
Reclassification adjustment for net realized gains on derivative instruments included in net loss	–	–	–	(8.4)	(8.4)
Comprehensive income (loss)					(84.6)
Incentive plan and restricted stock accretion	–	.3	–	–	.3
BALANCE, March 31, 2002	$ .8	$ 539.4	$ (977.8)	$ (87.8)	$ (525.4)

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)
(In millions of dollars)

	Quarter Ended March 31, 2003	Quarter Ended March 31, 2002
Cash flows from operating activities:		
Net loss	$ (65.1)	$ (64.1)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization (including deferred financing costs of $1.2 and $.7, respectively)	20.5	23.2
Non-cash charges for restructuring charges in 2003 and reorganization items in 2002	.8	5.5
Gain on sale of Tacoma facility in 2003 and real estate in 2002	(9.5)	(4.0)
Equity in (earnings) loss of unconsolidated affiliates, net of distributions	(4.1)	(1.5)
Minority interests	(1.9)	(1.5)
(Increase) decrease in trade and other receivables	(13.3)	5.0
Decrease in inventories	7.3	13.5
(Increase) decrease in prepaid expenses and other current assets	(1.2)	51.1
Increase in accounts payable and accrued interest	12.6	41.6
Increase (decrease) in payable to affiliates and other accrued liabilities	8.5	(35.9)
Decrease in accrued and deferred income taxes	(24.0)	(1.5)
Net cash impact of changes in long-term assets and liabilities	12.0	(22.4)
Other	3.2	(1.3)
Net cash (used) provided by operating activities	(54.2)	7.7
Cash flows from investing activities:		
Capital expenditures	(9.0)	(9.5)
Net proceeds from dispositions: primarily Tacoma facility and interests in office building complex in 2003; miscellaneous real estate in 2002	74.4	4.7
Net cash provided (used) by investing activities	65.4	(4.8)
Cash flows from financing activities:		
Incurrence of financing costs	(.2)	(7.3)
Net cash used by financing activities	(.2)	(7.3)
Net increase (decrease) in cash and cash equivalents during the period	11.0	(4.4)
Cash and cash equivalents at beginning of period	78.7	153.3
Cash and cash equivalents at end of period	$ 89.7	$ 148.9
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest of $.4 and $.3, respectively	$ .7	$ 1.9
Income taxes paid	28.6	9.1

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

1. Reorganization Proceedings

Kaiser Aluminum Corporation ("Kaiser" or the "Company"), its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), and 24 of KACC's subsidiaries have filed separate voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"); the Company, KACC and 15 of KACC's subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional KACC subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entities are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

Original Debtors. During the first quarter of 2002, the Original Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries of KACC included in such filings were: Kaiser Bellwood Corporation, Kaiser Aluminium International, Inc., Kaiser Aluminum Technical Services, Inc., Kaiser Alumina Australia Corporation (and its wholly owned subsidiary, Kaiser Finance Corporation) and ten other entities with limited balances or activities.

The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company and its subsidiaries arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by asbestos litigation (see Note 7) and growing legacy obligations for retiree medical and pension costs. The confluence of these factors created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets.

The outstanding principal of, and accrued interest on, all debt of the Original Debtors became immediately due and payable upon commencement of the Cases. However, the vast majority of the claims in existence at the Filing Date (including claims for principal and accrued interest and substantially all legal proceedings) are stayed (deferred) during the pendency of the Cases. In connection with the filing of the Original Debtors' Cases, the Court, upon motion by the Original Debtors, authorized the Original Debtors to pay or otherwise honor certain unsecured pre-Filing Date claims, including employee wages and benefits and customer claims in the ordinary course of business, subject to certain limitations. In July 2002, the Court also issued a final order authorizing the Company to fund the cash requirements of its foreign joint ventures in the ordinary course of business and to continue using the Company's existing cash management systems. The Original Debtors also have the right to assume or reject executory contracts existing prior to the Filing Date, subject to Court approval and certain other limitations. In this context, "assumption" means that the Original Debtors agree to perform their obligations and cure certain existing defaults under an executory contract and "rejection" means that the Original Debtors are relieved from their obligations to perform further under an executory contract and are subject only to a claim for damages for the breach thereof. Any claim for damages resulting from the rejection of an executory contract is treated as a general unsecured claim in the Cases.

Generally, pre-Filing Date claims, including certain contingent or unliquidated claims, against the Original Debtors will fall into two categories: secured and unsecured. Under the Code, a creditor's claim is treated as secured only to the extent of the value of the collateral securing such claim, with the balance of such claim being treated as unsecured. Unsecured and partially secured claims do not accrue interest after the Filing Date. A fully secured claim, however, does accrue interest after the Filing Date until the amount due and owing to the secured creditor, including interest accrued after the Filing Date, is equal to the value of the collateral securing such claim. The amount and validity of pre-Filing Date contingent or unliquidated claims, although presently unknown, ultimately may be established by the Court or by agreement of the parties. As a result of the Cases, additional pre-Filing Date claims and liabilities may be asserted, some of which may be significant.

In October 2002, the Court set January 31, 2003 as the last date by which holders of pre-Filing Date claims against the Original Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) could file their claims. Any holder of a claim that was required to file a claim by such date and did not do so may be barred from asserting such claim against any of the Original Debtors and, accordingly, may not be able to participate in any distribution in any of the Cases on account of such claim. Because the Company has not had sufficient time to analyze the proofs of claim to determine their validity, no provision has been included in the accompanying financial statements for claims that have been filed. The January 31, 2003 bar date does not apply to asbestos-related personal injury claims, for which the Original Debtors reserve the right to establish a separate bar date at a later time. A separate bar date of June 30, 2003 has been set for certain hearing loss claims.

Additional Debtors. On January 14, 2003, the Additional Debtors filed separate voluntary petitions for reorganization. The wholly owned subsidiaries included in such filings were: Kaiser Bauxite Company, Kaiser Jamaica Corporation, Alpart Jamaica Inc., Kaiser Aluminum & Chemical of Canada Limited and five other entities with limited balances or activities.

The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that may arise and be enforced by the Pension Benefit Guaranty Corporation ("PBGC") primarily as a result of the Company's failure to meet a $17.0 accelerated funding requirement to its salaried employee retirement plan in January 2003 (see Note 10 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for additional information regarding the accelerated funding requirement). From an operating perspective, the filing of the Cases by the additional Debtors had no impact on the Company's day-to-day operations.

In connection with the Additional Debtors' filings, the Court authorized the Additional Debtors to continue to make payments in the normal course of business (including payments of pre-Filing Date amounts), including payments of wages and benefits, payments for items such as materials, supplies and freight and payments of taxes. The Court also approved the continuation of the Company's existing cash management systems and routine intercompany transactions involving, among other transactions, the transfer of materials and supplies among affiliates.

In March 2003, the Court set May 15, 2003, as the last date by which holders of pre-Filing Date claims against the Additional Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) must file their claims.

All Debtors. The Debtors' objective is to achieve the highest possible recoveries for all creditors and stockholders, consistent with the Debtors' abilities to pay, and to continue the operations of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or achieve a successful reorganization. While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

Under the Code, the rights of and ultimate payments to pre-Filing Date creditors and stockholders may be substantially altered. At this time, it is not possible to predict the outcome of the Cases, in general, or the effect of the Cases on the businesses of the Debtors.

Two creditors' committees, one representing the unsecured creditors and the other representing the asbestos claimants, have been appointed as official committees in the Cases and, in accordance with the provisions of the Code, will have the right to be heard on all matters that come before the Court. The Debtors expect that the appointed committees, together with the legal representative for potential future asbestos claimants that has been appointed in the Cases, will play important roles in the Cases and the negotiation of the terms of any plan or plans of reorganization. The Debtors are required to bear certain costs and expenses for the committees and the legal representative for potential future asbestos claimants, including those of their counsel and other advisors.

The Debtors anticipate that substantially all liabilities of the Debtors as of the date of the Filing will be resolved under one or more plans of reorganization to be proposed and voted on in the Cases in accordance with the provisions of the Code. Although the Debtors intend to file and seek confirmation of such a plan or plans, there can be no assurance as to when the Debtors will file such a plan or plans, or that such plan or plans will be confirmed by the Court and consummated.

As provided by the Code, the Original Debtors had the exclusive right to propose a plan of reorganization for 120 days following the initial Filing Date. The Court has subsequently approved several extensions of the exclusivity period for all Debtors, the most recent of which was set to expire April 30, 2003. A motion to extend the exclusivity period through July 31, 2003, was filed by the Debtors in late April 2003. By filing the motion to extend the exclusivity period, the period is automatically extended until the June 17, 2003 Court hearing date. As the Debtors' motion to extend the exclusivity period through July 31, 2003 was agreed with by the two creditors' committees in advance of the filing, the Debtors expect the motion to be approved by the Court. Additional extensions are likely to be sought. However, no assurance can be given that such future extension requests will be granted by the Court. If the Debtors fail to file a plan of reorganization during the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the Cases may be permitted to propose their own plan(s) of reorganization for the Debtors.

The Company expects that, when the Debtors ultimately file a plan of reorganization, it will reflect the Company's strategic vision for emergence from Chapter 11: (a) a standalone going concern with manageable leverage, improved cost structure and competitive strength; (b) a company positioned to execute its long-standing vision of market leadership and growth in fabricated products specifically with a financial structure that provides financial flexibility, including access to capital markets, for accretive acquisitions; (c) a company that delivers a broad product offering and leadership in service and quality for its customers and distributors; and (d) a company with continued presence in those commodities markets that have the potential to generate significant cash at steady-state metal prices. The Company's advisors have developed a preliminary timeline that, assuming the current pace of the Cases continues, could allow the Company to emerge from Chapter 11 in 2004. While no assurances can be given in this regard, the Company's management continues to push for an aggressive pace in advancing the Cases. Continued sales of non-core assets and facilities that are ultimately determined not to be an important part of the reorganized entity are likely. In light of the Company's stated strategy of market leadership and growth in fabricated products and to further the Company's ultimate planned emergence from Chapter 11, the Company has determined that it is appropriate to explore the possible disposition of one or more of its commodities assets. Any sale of assets would be subject to various prior approvals including, but not limited to, approvals by the Company's Board of Directors, the Court and the DIP Facility lenders and no assurances can be given that acceptable offers will be received for any assets or that any assets will ultimately be sold. The Company's strategic vision is subject to continuing review in consultation with the Company's stakeholders and may also be modified from time to time as the Cases proceed due to changes in such items as changes in the global markets, changes in the economics of the Company's facilities or changing financial circumstances.

Financial Statement Presentation. The accompanying consolidated financial statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, and on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. However, as a result of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties.

Financial Information. Condensed consolidating financial statements of the Debtors and non-Debtors are set forth below:

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

Condensed Consolidating Balance Sheets
March 31, 2003

	Original Debtors	Additional Debtors	Non-Debtors	Consolidation/ Elimination Entries	Consolidated
Current assets	$ 373.6	$ 39.2	$ 120.5	$ –	$ 533.3
Investments in subsidiaries and affiliates	1,428.0	202.9	.1	(1,557.6)	73.4
Intercompany receivables (payables)	(976.8)	887.4	89.4	–	–
Property and equipment, net	592.6	18.5	379.7	–	990.8
Deferred income taxes	(81.9)	81.9	–	–	–
Other assets	538.6	.5	8.4	–	547.5
	$ 1,874.1	$ 1,230.4	$ 598.1	$ (1,557.6)	$ 2,145.0
Liabilities not subject to compromise -					
Current liabilities	$ 232.0	$ 24.2	$ 86.8	$ (13.5)	$ 329.5
Long-term liabilities	74.0	16.4	35.5	–	125.9
Liabilities subject to compromise	2,719.8	–	–	–	2,719.8
Minority interests	.7	–	103.1	18.4	122.2
Stockholders' equity (deficit)	(1,152.4)	1,189.8	372.7	(1,562.5)	(1,152.4)
	$ 1,874.1	$ 1,230.4	$ 598.1	$ (1,557.6)	$ 2,145.0

For condensed consolidating balance sheets of the Debtors and non-Debtors as of December 31, 2002, see Note 1 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002.

Condensed Consolidating Statements of Income (Loss)
For the Quarter Ended March 31, 2003

	Original Debtors	Additional Debtors	Non-Debtors	Consolidation/ Elimination Entries	Consolidated
Net sales	$ 302.9	$ 12.4	$ 33.7	$ (9.6)	$ 339.4
Costs and expenses -					
Operating costs and expenses	354.4	7.4	45.0	(9.6)	397.2
Non-recurring operating charges	1.3	–	–	–	1.3
	355.7	7.4	45.0	(9.6)	398.5
Operating income (loss)	(52.8)	5.0	(11.3)	–	(59.1)
Interest expense	(2.3)	–	(.3)	–	(2.6)
All other income (expense), net	(11.0)	(.8)	.4	2.7	(8.7)
Provision for income tax and minority interests	(1.8)	(5.2)	4.2	–	(2.8)
Equity in income of subsidiaries	(5.3)	–	–	5.3	–
Income (loss) from continuing operations	(73.2)	(1.0)	(7.0)	8.0	(73.2)
Discontinued operations	8.1	–	–	–	8.1
Net income (loss)	$ (65.1)	$ (1.0)	$ (7.0)	$ 8.0	$ (65.1)

Condensed Consolidating Statements of Income (Loss)
For the Quarter Ended March 31, 2002

	Original Debtors	Additional Debtors	Non-Debtors	Consolidation/ Elimination Entries	Consolidated
Net sales	$ 335.8	$ 11.9	$ 54.3	$ (31.4)	$ 370.6
Costs and expenses -					
Operating costs and expenses	375.2	(.2)	60.3	(31.4)	403.9
Non-recurring operating charges	1.6	–	–	–	1.6
	376.8	(.2)	60.3	(31.4)	405.5
Operating income (loss)	(41.0)	12.1	(6.0)	–	(34.9)
Interest expense	(13.1)	–	(.4)	–	(13.5)
All other income (expense), net	(7.4)	(2.8)	.1	2.6	(7.5)
Provision for income tax and minority interests	(2.8)	(5.9)	2.2	–	(6.5)
Equity in income of subsidiaries	1.9	–	–	(1.9)	–
Income (loss) from continuing operations	(62.4)	3.4	(4.1)	.7	(62.4)
Discontinued operations	(1.7)	–	–	–	(1.7)
Net income (loss)	$ (64.1)	$ 3.4	$ (4.1)	$ .7	$ (64.1)

Condensed Consolidating Statements of Cash Flows
For the Quarter Ended March 31, 2003

	Original Debtors	Additional Debtors	Non-Debtors	Consolidation/ Elimination Entries	Consolidated
Net cash provided (used) by:					
Operating activities	$ (61.3)	$ –	$ 7.1	$ –	$ (54.2)
Investing activities	72.1	–	(6.7)	–	65.4
Financing activities	(.2)	–	–	–	(.2)
Net (decrease) increase in cash and cash equivalents	10.6	–	.4	–	11.0
Cash and cash equivalents at beginning of period	75.5	2.1	1.1	–	78.7
Cash and cash equivalents at end of period	$ 86.1	$ 2.1	$ 1.5	$ –	$ 89.7

Condensed Consolidating Statements of Cash Flows
For the Quarter Ended March 31, 2002

	Original Debtors	Additional Debtors	Non-Debtors	Consolidation/ Elimination Entries	Consolidated
Net cash provided (used) by:					
Operating activities	$ (1.8)	$ 2.0	$ 7.5	$ –	$ 7.7
Investing activities	2.2	(.1)	(6.9)	–	(4.8)
Financing activities	(7.3)	–	–	–	(7.3)
Net (decrease) increase in cash and cash equivalents	(6.9)	1.9	.6	–	(4.4)
Cash and cash equivalents at beginning of period	151.6	1.4	.3	–	153.3
Cash and cash equivalents at end of period	$ 144.7	$ 3.3	$ .9	$ –	$ 148.9

Classification of Liabilities as "Liabilities Not Subject to Compromise" Versus "Liabilities Subject to Compromise." Liabilities not subject to compromise include: (1) liabilities incurred after the Filing Date of the Cases; (2) pre-Filing Date liabilities that the Debtors expect to pay in full, including priority tax and employee claims and certain environmental liabilities, even though certain of these amounts may not be paid until a plan of reorganization is approved; and (3) pre-Filing Date liabilities that have been approved for payment by the Court and that the Debtors expect to pay (in advance of a plan of reorganization) over the next twelve-month period in the ordinary course of business, including certain employee related items (salaries, vacation and medical benefits), claims subject to a currently existing collective bargaining agreement, and postretirement medical and other costs associated with retirees.

Liabilities subject to compromise refer to all other pre-Filing Date liabilities of the Debtors. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimates of known or probable pre-Filing Date claims that are likely to be resolved in connection with the Cases. Such claims remain subject to future adjustments. There can be no assurance that the liabilities of the Debtors will not be found in the Cases to exceed the fair value of their assets. This could result in claims being paid at less than 100% of their face value and the equity of the Company's stockholders being diluted or cancelled.

The amounts subject to compromise at March 31, 2003 and December 31, 2002 consisted of the following items:

	March 31, 2003	December 31, 2002
Items, absent the Cases, that would have been considered current:		
Accounts payable	$ 49.3	$ 47.6
Accrued interest	44.0	44.0
Accrued salaries, wages and related expenses[(1)]	159.0	59.0
Other accrued liabilities (including asbestos liability of $130.0 - Note 7)	149.5	150.6
Items, absent the Cases, that would have been considered long-term:		
Accrued pension benefits	275.2	362.7
Accrued postretirement medical obligation	668.7	672.4
Long-term liabilities[(2)]	543.9	559.5
Debt (Note 5)	830.2	830.2
	$ 2,719.8	$ 2,726.0

(1) Accrued salaries, wages and related expenses represent estimated minimum pension contributions that, absent the Cases, would have otherwise been payable. Amounts for the period ended March 31, 2003 include approximately $100.0 associated with special liquidity payment requirements for January 2003 and April 2003 that were not made. As previously disclosed, the Company does not currently expect to make any pension contributions in respect of its domestic pension plans. See Note 10 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for additional information about non-payment of pension contributions.

(2) Long-term liabilities include environmental liabilities of $22.7 at March 31, 2003 and $21.7 at December 31, 2002 (Note 7) and asbestos liabilities of $480.1 at March 31, 2003 and December 31, 2002 (Note 7).

The classification of liabilities "not subject to compromise" versus liabilities "subject to compromise" is based on currently available information and analysis. As the Cases proceed and additional information and analysis is completed or, as the Court rules on relevant matters, the classification of amounts between these two categories may change. The amount of any such changes could be significant. Additionally, as the Company evaluates the proofs of claim filed in the Cases, adjustments will be made for those claims that the Company believes will probably be allowed by the Court. The amount of such claims could be significant.

Reorganization Items. Reorganization items under the Cases are expense or income items that are incurred or realized by the Company because it is in reorganization. These items include, but are not limited to, professional fees and similar types of expenses incurred directly related to the Cases, loss accruals or gains or losses resulting from activities of the reorganization process, and interest earned on cash accumulated by the Debtors because they are not paying their pre-Filing Date liabilities. For the quarters ended March 31, 2003 and 2002, reorganization items were as follows:

	2003	2002
Professional fees	$ 7.6	$ 3.7
Accelerated amortization of certain deferred financing costs	–	4.5
Interest income	(.2)	(.4)
Other	–	1.8
	$ 7.4	$ 9.6

As required by SOP 90-7, in the first quarter of 2002, the Company recorded the Debtors' pre-Filing Date debt that is subject to compromise at the allowed amount. Accordingly, the Company accelerated the amortization of debt-related premium, discount and costs attributable to this debt and recorded a net expense of approximately $4.5 in Reorganization items during the first quarter of 2002.

Trust Fund. During the first quarter of 2002, KACC paid $5.8 into a trust fund in respect of potential liability obligations of directors and officers.

2. General

This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Going Concern. The interim consolidated financial statements of the Company have been prepared on a "going concern" basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the commencement of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. Specifically, the interim consolidated financial statements do not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liabilities, (b) the amount which will ultimately be paid to settle liabilities and contingencies which may be allowed in the Cases, or (c) the effect of any changes which may occur in connection with the Debtors' capitalizations or operations of the Debtors as a result of a plan of reorganization. Because of the ongoing nature of the Cases, the discussions and consolidated financial statements contained herein are subject to material uncertainties.

Principles of Consolidation. The Company is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM and one of its wholly owned subsidiaries together own approximately 62% of the Company's Common Stock, with the remaining approximately 38% publicly held. The Company operates through its subsidiary, KACC.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature unless otherwise noted, necessary for a fair statement of the results for the interim periods presented.

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

Operating results for the quarter ended March 31, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Earnings per Share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding during the period including the weighted average impact of the shares of Common Stock issued during the year from the date(s) of issuance. However, earnings (loss) per share may not be meaningful, because as a part of a plan of reorganization, it is likely that the interests of the Company's existing stockholders will be diluted or cancelled.

Derivative Financial Instruments. Hedging transactions using derivative financial instruments are primarily designed to mitigate KACC's exposure to changes in prices for certain of the products which KACC sells and consumes and, to a lesser extent, to mitigate KACC's exposure to change in foreign currency exchange rates. KACC does not utilize derivative financial instruments for trading or other speculative purposes. KACC's derivative activities are initiated within guidelines established by management and approved by KACC's and the Company's boards of directors.

Hedging transactions are executed centrally on behalf of all of KACC's business segments to minimize transaction costs, monitor consolidated net exposure and allow for increased responsiveness to changes in market factors.

See Note 2 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 and Note 8 for additional information regarding derivative financial instruments.

3. Inventories

The classification of inventories is as follows:

	March 31, 2003	December 31, 2002
Finished fabricated aluminum products	$ 25.2	$ 28.1
Primary aluminum and work in process	77.6	71.2
Bauxite and alumina	62.6	72.9
Operating supplies and repair and maintenance parts	82.1	82.7
Total	$ 247.5	$ 254.9

Substantially all product inventories are stated at last-in, first-out (LIFO) cost, not in excess of market. Replacement cost is not in excess of LIFO cost.

4. Pacific Northwest Smelter Curtailments and Related Power Matters

Future Power Supply and its Impact on Future Operating Rate. During October 2000, KACC signed a new power contract with the Bonneville Power Administration ("BPA") under which the BPA, starting October 1, 2001, was to provide KACC's operations in the State of Washington with approximately 290 megawatts of power through September 2006. The contract provided KACC with sufficient power to fully operate KACC's Trentwood facility (which requires up to an approximate 40 megawatts), as well as approximately 40% of the combined capacity of KACC's Mead and Tacoma aluminum smelting operations which have been curtailed since the last half of 2000.

As a part of the reorganization process, the Company concluded that it was in its best interest to reject the BPA contract as permitted by the Code. As such, with the authorization of the Court, the Company rejected the BPA contract on September 30, 2002. The contract rejection gives rise to a pre-petition claim (see Note 1). The BPA has filed a proof of claim for approximately $75.0 in connection with the Cases in respect of the contract rejection. The claim is expected to be settled in the overall context of the Debtors' plan of reorganization. Accordingly, any payments that may be required as a result of the rejection of the BPA contract are expected to only be made pursuant to a plan of reorganization and upon the Company's emergence from the Cases. The amount of the BPA claim will be determined either through a negotiated settlement, litigation or a computation of prevailing power prices over the contract period. As the amount of the BPA's claim in respect of the contract rejection has not been determined, no provision has been made for the claim in the accompanying financial statements. KACC has entered into a rolling short-term contract with an alternate supplier to provide the power necessary to operate its Trentwood facility.

In January 2003, the Company announced the indefinite curtailment of the Mead facility. The curtailment of the Mead facility was due to the continuing unfavorable market dynamics, specifically unattractive long-term power prices and weak primary aluminum prices - both of which are significant impediments for an older smelter with higher-than-average operating costs. The Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. The restart of a portion of KACC's Mead facility would require the purchase of additional power from available sources. For KACC to make such a decision, it would have to be able to purchase such power at a reasonable price in relation to current and expected market conditions for a sufficient term to justify its restart costs, which could be significant depending on the number of lines restarted and the length of time between the shutdown and restart. Given recent primary aluminum prices and the forward price of power in the Northwest, it is unlikely that KACC will operate the Mead facility in the near future. If KACC were to restart all or a portion of its Mead facility, it would take between three to six months to reach the full operating rate for such operations, depending upon the number of lines restarted. Even after achieving the full operating rate, operating only a portion of the Mead facility would result in production/cost inefficiencies such that operating results would, at best, be breakeven to modestly negative at long-term primary aluminum prices. See Note 5 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002, for a discussion of the Northwest smelters 2002 impairment charge.

In January 2003, the Court approved the sale of the Tacoma facility to the Port of Tacoma. The sale closed in February 2003. See Note 9 for additional discussion on the sale of the Tacoma facility.

5. Long-Term Debt

Debt consists of the following:

	March 31, 2003	December 31, 2002
Secured:		
Post-Petition Credit Agreement	$ –	$ –
8 ¼% Alpart CARIFA Loans due 2007	22.0	22.0
7.6% Solid Waste Disposal Revenue Bonds due 2027	19.0	19.0
Other borrowings (fixed rate)	2.6	2.6
Unsecured (reflected as Liabilities Subject to Compromise):		
9 ⅞% Senior Notes due 2002, net	172.8	172.8
10 ⅞% Senior Notes due 2006, net	225.0	225.0
12 ¾% Senior Subordinated Notes due 2003	400.0	400.0
Other borrowings (fixed and variable rates)	32.4	32.4
Total	873.8	873.8
Less - Current portion	1.0	.9
Pre-Filing Date claims included in liabilities subject to compromise (Note 1)	830.2	830.2
Long-term debt	$ 42.6	$ 42.7

DIP Facility. On February 12, 2002, the Company and KACC entered into a post-petition credit agreement with a group of lenders for debtor-in-possession financing (the "DIP Facility"). The Court signed a final order approving the DIP Facility in March 2002. In March 2003, certain of the Additional Debtors were added as co-guarantors and the DIP Facility lenders received super-priority status with respect to certain of the Additional Debtors' assets. The DIP Facility provides for a secured, revolving line of credit through the earlier of February 12, 2004, the effective date of a plan of reorganization or voluntary termination by the Company. Under the DIP Facility, KACC is able to borrow amounts by means of revolving credit advances and to have issued for its benefit letters of credit (up to $125.0) in an aggregate amount equal to the lesser of $300.0 or a borrowing base relating to eligible accounts receivable, eligible inventory and eligible fixed assets reduced by certain reserves, as defined in the DIP Facility agreement. The DIP Facility is guaranteed by the Company and certain significant subsidiaries of KACC. Interest on any outstanding borrowings will bear a spread over either a base rate or LIBOR, at KACC's option. The DIP Facility requires KACC to comply with certain financial covenants and places restrictions on the Company's and KACC's ability to, among other things, incur debt and liens, make investments, pay dividends, undertake transactions with affiliates, make capital expenditures, and enter into unrelated lines of business. As of March 31, 2003, $116.0 was available to the Company under the DIP Facility (of which $73.6 could be used for additional letters of credit) and no borrowings were outstanding under the revolving credit facility. During March 2003, the Company obtained a waiver from the lenders in respect of its compliance with a financial covenant covering the four-quarter period ending March 31, 2003. The waiver was of limited duration and would have lapsed on June 29, 2003. In May 2003, the Company obtained an extension and modification of the March 2003 limited waiver for the financial covenant for the four-quarter period ending June 30, 2003. The May 2003 waiver will lapse on September 30, 2003. The Company is working with the lenders to complete an amendment that would incorporate the May 2003 limited waiver and also modify the financial covenant for periods subsequent to June 30, 2003. As part of this amendment, the Company also plans to request that, among other things, the lenders extend the DIP Facility past its current February 2004 expiration and increase the amount of credit available under the DIP Facility. The Company believes that such an amendment will be agreed with the DIP Facility lenders not later than June 2003. While absolute assurances cannot be given in respect of the Company's ability to successfully obtain the necessary covenant modification, based on discussions with the DIP Facility lenders and the fact that there are currently no outstanding borrowings and only a limited amount of letters of credit outstanding under the DIP facility, the Company believes that acceptable modifications are likely to be obtained.

6. Income Taxes

The income tax provisions of $4.7 and $8.0 for the quarters ended March 31, 2003 and 2002, respectively, relate primarily to foreign income taxes. For the quarters ended March 31, 2003 and 2002, as a result of the Cases, the Company did not recognize any U.S. income tax benefit for the losses incurred from its domestic operations (including temporary differences) or any U.S. income tax benefit for foreign income taxes. Instead, the increases in federal and state deferred tax assets as a result of additional net operating losses and foreign tax credits generated in 2003 and 2002 were fully offset by increases in valuation allowances. See Note 9 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for additional information regarding the Deferred Tax Assets and Valuation Allowances.

In March 2003, the Company paid approximately $22.0 in settlement of certain foreign tax matters in respect of a number of prior periods.

7. Commitments and Contingencies

Impact of Reorganization Proceedings. During the pendency of the Cases, substantially all pending litigation, except certain environmental claims and litigation, against the Debtors is stayed. Generally, claims against a Debtor arising from actions or omissions prior to its Filing Date will be settled in connection with the plan of reorganization.

Commitments. KACC has a variety of financial commitments, including purchase agreements, tolling arrangements, forward foreign exchange and forward sales contracts (see Note 8), letters of credit, and guarantees. Such purchase agreements and tolling arrangements include long-term agreements for the purchase and tolling of bauxite into alumina in Australia by Queensland Alumina Limited ("QAL"). These obligations are scheduled to expire in 2008. Under the agreements, KACC is unconditionally obligated to pay its proportional share of debt, operating costs, and certain other costs of QAL. KACC's share of the aggregate minimum amount of required future principal payments at December 31, 2002, was $49.0 which matures as follows: $32.0 in July 2003 and $17.0 in 2006. During July 2002, KACC made payments of approximately $29.5 to QAL to fund KACC's share of QAL's scheduled debt maturities. KACC's share of payments, including operating costs and certain other expenses under the agreements, has ranged between $95.0 - $103.0 per year over the past three years. KACC also has agreements to supply alumina to and to purchase aluminum from Anglesey Aluminium Limited.

Minimum rental commitments under operating leases at December 31, 2002, are as follows: years ending December 31, 2003 – $15.2; 2004 – $6.2; 2005 – $5.4; 2006 – $3.1; 2007 – $2.4; thereafter – $3.7. Pursuant to the Code, the Debtors may elect to reject or assume unexpired pre-petition leases. At this time, no decisions have been made as to which significant leases will be accepted or rejected (see Note 1).

Rental expenses were $38.3, $41.0 and $42.5 for the years ended December 31, 2002, 2001 and 2000, respectively.

KACC had a long-term liability, net of estimated subleases income, on the Kaiser Center office complex in Oakland, California, in which KACC had not maintained offices for a number of years, but for which it was responsible for lease payments as master tenant through 2008 under a sale-and-leaseback agreement. The Company also held an investment in certain notes issued by the owners of the building (which were included in Other Assets). In October 2002, the Company entered into a contract to sell its interests in the office complex. As the contract amount was less than the asset's net carrying value, the Company recorded a non-cash impairment charge in 2002 of approximately $20.0. The sale was approved by the Court in February 2003 and closed in March 2003. Net cash proceeds were approximately $61.1.

Environmental Contingencies. The Company and KACC are subject to a number of environmental laws, to fines or penalties assessed for alleged breaches of the environmental laws, and to claims and litigation based upon such laws. KACC currently is subject to a number of claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments Reauthorization Act of 1986 ("CERCLA"), and, along with certain other entities, has been named as a potentially responsible party for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA.

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. At March 31, 2003, the balance of such accruals was $59.7 (of which $22.7 was included in Liabilities subject to compromise - see Note 1). These environmental accruals represent the Company's estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, currently available facts, existing technology, and the Company's assessment of the likely remediation action to be taken. The Company expects that these remediation actions will be taken over the next several years and estimates that annual expenditures to be charged to these environmental accruals will be approximately $.6 to $12.3 for the years 2003 through 2007 and an aggregate of approximately $33.3 thereafter.

As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals. The Company believes that it is reasonably possible that costs associated with these environmental matters may exceed current accruals by amounts that could range, in the aggregate, up to an estimated $27.0. As the resolution of these matters is subject to further regulatory review and approval, no specific assurance can be given as to when the factors upon which a substantial portion of this estimate is based can be expected to be resolved. However, the Company is currently working to resolve certain of these matters.

The Company believes that KACC has insurance coverage available to recover certain incurred and future environmental costs and is pursuing claims in this regard. However, no amounts have been accrued in the financial statements with respect to such potential recoveries.

While uncertainties are inherent in the final outcome of these environmental matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Asbestos Contingencies. KACC has been one of many defendants in a number of lawsuits, some of which involve claims of multiple persons, in which the plaintiffs allege that certain of their injuries were caused by, among other things, exposure to asbestos during, and as a result of, their employment or association with KACC or exposure to products containing asbestos produced or sold by KACC. The lawsuits generally relate to products KACC has not sold for more than 20 years. As of the initial Filing Date, approximately 112,000 claims were pending. The lawsuits are currently stayed by the Cases.

Due to the Cases, holders of asbestos claims are stayed from continuing to prosecute pending litigation and from commencing new lawsuits against the Debtors. However, during the pendency of the Cases, KACC expects additional asbestos claims will be filed as part of the claims process. A separate creditors' committee representing the interests of the asbestos claimants has been appointed. The Debtors' obligations with respect to present and future asbestos claims will be resolved pursuant to a plan of reorganization.

The Company has accrued a liability for estimated asbestos-related costs for claims filed to date and an estimate of claims to be filed through 2011. At March 31, 2003, the balance of such accrual was $610.1, all of which was included in Liabilities subject to compromise (see Note 1). The Company's estimate is based on the Company's view, at March 31, 2003, of the current and anticipated number of asbestos-related claims, the timing and amounts of asbestos-related payments, the status of ongoing litigation and settlement initiatives, and the advice of Wharton Levin Ehrmantraut & Klein, P.A., with respect to the current state of the law related to asbestos claims. However, there are inherent uncertainties involved in estimating asbestos-related costs and the Company's actual costs could exceed the Company's estimates due to changes in facts and circumstances after the date of each estimate. Further, while the Company does not presently believe there is a reasonable basis for estimating asbestos-related costs beyond 2011 and, accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011, the Company expects that the plan of reorganization process may require an estimation of KACC's entire asbestos-related liability, which may go beyond 2011, and that such costs could be substantial.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Although the Company has settled asbestos-related coverage matters with certain of its insurance carriers, other carriers have not yet agreed to settlements and disputes with carriers exist. The timing and amount of future recoveries from these insurance carriers will depend on the pendency of the Cases and on the resolution of any disputes regarding coverage under the applicable insurance policies. The Company believes that substantial recoveries from the insurance carriers are probable and additional amounts may be recoverable in the future if additional claims are added. The Company reached this conclusion after considering its prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Heller Ehrman White & McAuliffe LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies. During 2000, KACC filed suit in San Francisco Superior Court against a group of its insurers, which suit was thereafter split into two related actions. Additional insurers were added to the litigation in 2000 and 2002. During October 2001, the court ruled favorably on a number of policy interpretation issues, one of which was affirmed in February 2002 by an intermediate appellate court in response to a petition from the insurers. The rulings did not result in any changes to the Company's estimates of its current or future asbestos-related insurance recoveries. The trial court held a trial on certain policy interpretation issues during March 2003 but has not yet issued its rulings. The trial court may hear additional issues from time to time. Given the expected significance of probable future asbestos-related payments, the receipt of timely and appropriate payments from its insurers is critical to a successful plan of reorganization and KACC's long-term liquidity.

The following tables present historical information regarding KACC's asbestos-related balances and cash flows:

	March 31, 2003	December 31, 2002
Liability	$ 610.1	$ 610.1
Receivable (included in Other assets)[1]	476.9	484.0
	$ 133.2	$ 126.1

[1] The asbestos-related receivable was determined on the same basis as the asbestos-related cost accrual. However, no assurances can be given that KACC will be able to project similar recovery percentages for future asbestos-related claims or that the amounts related to future asbestos-related claims will not exceed KACC's aggregate insurance coverage. As of March 31, 2003 and December 31, 2002, $17.6 and $24.7, respectively, of the receivable amounts relate to costs paid. The remaining receivable amounts relate to costs that are expected to be paid by KACC in the future.

	Quarter Ended March 31, 2003	Inception To Date
Payments made, including related legal costs	$ –	$ 355.7
Insurance recoveries	7.1	252.2
	$ (7.1)	$ 103.5

During the pendency of the Cases, all asbestos litigation is stayed. As a result, the Company does not expect to make any asbestos payments in the near term. Despite the Cases, the Company continues to pursue insurance collections in respect of asbestos-related amounts paid prior to its Filing Date.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative developments, and costs incurred in order to ascertain whether an adjustment to the existing accruals should be made to the extent that historical experience may differ significantly from the Company's underlying assumptions. Additional asbestos-related claims are likely to be asserted as a part of the Chapter 11 process. Management cannot reasonably predict the ultimate number of such claims or the amount of the associated liability. However, it is likely that such amounts could exceed, perhaps significantly, the liability amounts reflected in the Company's consolidated financial statements, which (as previously stated) is only reflective of an estimate of claims through 2011. KACC's obligations in respect of the currently pending and future asbestos-related claims will ultimately be determined (and resolved) as a part of the overall Chapter 11 proceedings. It is anticipated that resolution of these matters will be a lengthy process. Management will continue to periodically reassess its asbestos-related liabilities and estimated insurance recoveries as the Cases proceed. However, absent unanticipated developments such as asbestos-related legislation, material developments in other asbestos-related proceedings or in the Company's or KACC's Chapter 11 proceedings, it is not anticipated that the Company will have sufficient information to reevaluate its asbestos-related obligations and estimated insurance recoveries until much later in the Cases. Any adjustments ultimately deemed to be required as a result of the reevaluation of KACC's asbestos-related liabilities or estimated insurance recoveries could have a material impact on the Company's future financial statements.

Labor Matters. In connection with the United Steelworkers of America ("USWA") strike and subsequent lock-out by KACC, which was settled in September 2000, certain allegations of unfair labor practices ("ULPs") were filed with the National Labor Relations Board ("NLRB") by the USWA. As previously disclosed, KACC has responded to all such allegations and believes that they were without merit. Twenty-two of twenty-four allegations of ULPs previously brought against KACC by the USWA have been dismissed. A trial before an administrative law judge for the two remaining allegations concluded in September 2001. In May 2002, the administrative law judge ruled against KACC in respect of the two remaining ULP allegations and recommended that the NLRB award back wages, plus interest, less any earnings of the workers during the period of the lockout. The administrative law judge's ruling did not contain any specific amount of proposed award and is not self-executing. The USWA has filed a proof of claim for $240.0 in the Cases in respect of this matter. The NLRB also filed a proof of claim in respect of this matter. The NLRB claim was for $117.0, including interest of approximately $18.0. Depending on the ultimate amount of any interest due and amount of offsetting employee earnings and other factors, if the USWA ultimately were to prevail it is possible that the amount of the award could exceed $100.0. It is also possible that the Company may ultimately prevail on appeal and that no loss will occur.

The Company continues to believe that the allegations are without merit and will vigorously defend its position. KACC has appealed the ruling of the administrative law judge to the full NLRB. The general counsel of the NLRB and the USWA have cross-appealed. Any outcome from the NLRB appeal would be subject to additional appeals in a United States Circuit Court of Appeals by the general counsel of the NLRB, the USWA or KACC. This process could take several years. Because the Company believes that it may prevail in the appeals process, the Company has not recognized a charge in response to the adverse ruling. However, it is possible that, if the Company's appeal(s) are not ultimately successful, a charge in respect of this matter may be required in one or more future periods and the amount of such charge(s) could be significant.

This matter is not currently stayed by the Cases. However, as previously stated, seeing this matter to its ultimate outcome could take several years. Further, any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would only be paid upon or after the Company's emergence from the Cases.

Other Contingencies. The Company or KACC is involved in various other claims, lawsuits, and other proceedings relating to a wide variety of matters related to past or present operations. While uncertainties are inherent in the final outcome of such matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

8. Derivative Financial Instruments and Related Hedging Programs

In conducting its business, KACC uses various instruments, including forward contracts and options, to manage the risks arising from fluctuations in aluminum prices, energy prices and exchange rates. KACC enters into hedging transactions from time to time to limit its exposure resulting from (1) its anticipated sales of alumina, primary aluminum, and fabricated aluminum products, net of expected purchase costs for items that fluctuate with aluminum prices, (2) the energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil used in its production process, and (3) foreign currency requirements with respect to its cash commitments with foreign subsidiaries and affiliates. As KACC's hedging activities are generally designed to lock-in a specified price or range of prices, gains or losses on the derivative contracts utilized in the hedging activities (except the impact of those contracts discussed below which have been marked to market) generally offset at least a portion of any losses or gains, respectively, on the transactions being hedged.

2003. The Company has entered into hedging transactions with respect to a portion of its 2003 fuel oil and natural gas requirements. As of March 31, 2003, KACC held option contracts which cap the price that KACC would have to pay for substantially all of KACC's exposure to fuel oil requirements for the second through fourth quarter of 2003 (2.0 million barrels). In addition, as of March 31, 2003, KACC held option contracts for substantially all of its natural gas requirements for May 2003 and June 2003. The carrying/market value as of March 31, 2003 of the fuel oil option contracts was $.8 and natural gas option contracts was $.3 (included in Prepaid expenses and other current assets).

The Company anticipates that, subject to prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

As of March 31, 2003, KACC had sold forward substantially all for 2003 and a vast majority for 2004 of the alumina available to it in excess of its projected internal smelting requirements at prices indexed to future prices of primary aluminum.

2002. Because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate these positions in advance of the Filing Date. Proceeds from the liquidation totaled approximately $42.2. A net gain of $23.3 associated with these liquidated positions was deferred and is being recognized over the period during which the underlying transactions to which the hedges related are expected to occur. The net gain upon liquidation consisted of: gains of $30.2 for aluminum contracts and losses of $5.0 for Australian dollars and $1.9 for energy contracts. As of March 31, 2003, the remaining unamortized amount was approximately a net loss of $1.6.

9. Discontinued Operations

The Company has previously disclosed that, in connection with the development of a plan of reorganization, it conducted a study of the long-term competitive position of the Mead and Tacoma facilities and potential options for these facilities. When the Company received the preliminary results of the study, it analyzed the findings and met with the USWA and other parties prior to making its determination as to the appropriate action(s). The outcome of the study and the Company's ongoing work on developing a plan of reorganization led the Company to conclude that the Tacoma facility, whose aluminum smelting operations had been curtailed since the last half of 2000, could not compete with the much larger, newer and more efficient smelters, generally located outside the United States. As a result, the Company entered into an agreement, which was approved by the Court in January 2003, to sell the Tacoma facility to the Port of Tacoma (the "Port"). Gross proceeds from the sale, before considering approximately $4.0 of proceeds being held in escrow pending the resolution of certain environmental and other issues, were approximately $12.1. The Port also agreed to assume the on-site environmental remediation obligations. The sale closed in February 2003. The sale resulted in a pre-tax gain of approximately $9.5. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), the operating results of the Tacoma facility for the quarters ended March 31, 2003 and 2002 and the gain from the sale of the Tacoma facility have been reported as discontinued operations in the accompanying Statements of Consolidated Income (Loss). The balances and operating results associated with the Tacoma facility were previously included in the Primary Aluminum business segment.

10. Other Income (Expense) and Non-Recurring Items

Non-Recurring Operating Charges. The income (loss) impact associated with non-recurring operating charges for the quarters ended March 31, 2003 and 2002, were related to restructuring activities.

Restructuring charges of $1.3 in 2003 consist of employee benefit costs associated with 17 salaried job eliminations during the first quarter of 2003 resulting from the Mead facility's indefinite curtailment (see Note 4 - Primary Aluminum business unit). The 2002 restructuring charges of $1.6 consisted primarily of third-party costs associated with cost reduction initiatives at the Bauxite and alumina business unit.

Other Income (Expense). Other income (expense), other than interest expense, for the quarter ended March 31, 2003 included approximately $1.7 of adverse foreign currency exchange impacts associated with a foreign tax settlement. Other income (expense), other than interest expense, for the quarter ended March 31, 2002 included a gain of $4.0 from the sale, in the ordinary course of business, of certain non-operating property. Proceeds from the sale totaled $4.5.

11. Valco Related Matters

The amount of power made available to the Company's 90%-owned Volta Aluminium Company ("Valco") by the Volta River Authority ("VRA") depends in large part on the level of the lake that is the primary source for generating the hydroelectric power used to supply the smelter. The level of the lake is primarily a function of the level of annual rainfall and the alternative (non-Valco) uses of the power generated, as directed by the VRA. The Company has previously disclosed that Valco's power allocation was reduced in January 2003 resulting in the curtailment of two of its three operating potlines. In connection with such curtailments, $6.9 million of employee end-of-service benefits were paid resulting in $4.3 million of charges (included in Cost of products sold) in the first quarter of 2003.

As previously disclosed, the lake level has been at or near a record low level. Based on the level of the lake and the rate at which it had been declining, the Company believed that curtailment of Valco's last remaining operating potline was inevitable. Accordingly, on May 5, 2003, the Company voluntarily curtailed the last operating potline. Voluntary curtailment of the last operating potline: (1) is expected to provide Valco with an opportunity to run a greater number of potlines later in 2003 once the annual rainy season has replenished the lake level and Valco's 2004 power allocation is known (although no assurances can be provided in this regard) and (2) offers the VRA and the Government of Ghana ("GoG") a contribution toward conservation of the water supply to improve their ability to meet Valco's power needs later in the year as well as meet the near-term needs of the rest of Ghana.

The Company is still evaluating the financial impacts of the curtailment, including potential charges and cash requirements for affected Valco employees. The net cash impact of such curtailment is expected to be offset, in part, by a reduction in working capital. Excluding special items, the impact of the additional curtailment on ongoing operating income is expected to be modest.

Valco has met with the GoG and the VRA and anticipates such discussions will continue in respect of the current and future power situations. Valco has objected to the power curtailments and expects to seek appropriate compensation from the GoG. In addition, Valco and the Company have filed for arbitration with the International Chamber of Commerce in Paris against both the GoG and the VRA. However, no assurances can be given as to the ultimate success of any such actions. Valco and the Company do not expect the voluntary curtailment of the last operating potline to have any adverse impact on the pending arbitrations or negotiations with the VRA and GoG.

12. Interim Operating Segment Information

The Company uses a portion of its bauxite, alumina and primary aluminum production for additional processing at its downstream facilities. Transfers between business units are made at estimated market prices. The accounting policies of the segments are the same as those described in Note 2 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002. Business unit results are evaluated internally by management before any allocation of corporate overhead and without any charge for income taxes or interest expense. See Note 16 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002.

Financial information by operating segment for the quarters ended March 31, 2003 and 2002 is as follows:

	2003	2002
Net Sales:		
Bauxite and Alumina:		
Net sales to unaffiliated customers	$ 135.6	$ 113.6
Intersegment sales	10.3	23.2
	145.9	136.8
Primary Aluminum:		
Net sales to unaffiliated customers	30.8	71.0
Intersegment sales	–	1.7
	30.8	72.7
Flat-Rolled Products	44.1	48.3
Engineered Products	102.9	103.8
Commodities Marketing (Note 8)	2.0	11.0
Minority Interests	24.0	22.9
Eliminations	(10.3)	(24.9)
	$ 339.4	$ 370.6
Operating income (loss):		
Bauxite and Alumina	$ (24.2)	$ (3.2)
Primary Aluminum (Note 9)	(13.6)	(1.4)
Flat-Rolled Products	(4.5)	(9.9)
Engineered Products	(.6)	3.3
Commodities Marketing (Note 8)	1.2	10.7
Eliminations	2.5	.5
Corporate and Other	(18.6)	(33.3)
Non-Recurring Operating Charges (Note 10)	(1.3)	(1.6)
	$ (59.1)	$ (34.9)
Depreciation and amortization:		
Bauxite and Alumina	$ 9.9	$ 9.8
Primary Aluminum	2.2	5.3
Flat-Rolled Products	2.9	3.9
Engineered Products	3.1	3.2
Corporate and Other	1.2	.3
	$ 19.3	$ 22.5

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

This section should be read in conjunction with the response to Part I, Item 1, of this Report.

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this section (see, for example, "Recent Events and Developments," "Results of Operations," and "Liquidity and Capital Resources"). Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates,"
"will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements, and changing prices and market conditions. This section and Part I, Item 1. "*Business – Factors Affecting Future Performance*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, each identify other factors that could cause actual results to vary. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Reorganization Proceedings

The Company, its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), and 24 of KACC's subsidiaries have filed separate voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"); the Company, KACC and 15 of KACC's subsidiaries (the "Original Debtors") filed in the first quarter of 2002 and nine additional KACC subsidiaries (the "Additional Debtors") filed in the first quarter of 2003. The Original Debtors and Additional Debtors are collectively referred to herein as the "Debtors" and the Chapter 11 proceedings of these entities are collectively referred to herein as the "Cases." For purposes of this Report, the term "Filing Date" shall mean, with respect to any particular Debtor, the date on which such Debtor filed its Case. None of KACC's non-U.S. joint ventures are included in the Cases. The Cases are being jointly administered. The Debtors are managing their businesses in the ordinary course as debtors-in-possession subject to the control and administration of the Court.

Original Debtors. The necessity for filing the Cases by the Original Debtors was attributable to the liquidity and cash flow problems of the Company and its subsidiaries arising in late 2001 and early 2002. The Company was facing significant near-term debt maturities at a time of unusually weak aluminum industry business conditions, depressed aluminum prices and a broad economic slowdown that was further exacerbated by the events of September 11, 2001. In addition, the Company had become increasingly burdened by asbestos litigation and growing legacy obligations for retiree medical and pension costs. The confluence of these factors created the prospect of continuing operating losses and negative cash flow, resulting in lower credit ratings and an inability to access the capital markets. In connection with the filing of the Original Debtors' Cases, the Original Debtors are prohibited from paying pre-Filing Date obligations other than those related to certain joint ventures and in certain other limited circumstances approved by the Court.

In October 2002, the Court set January 31, 2003 as the last date by which holders of pre-Filing Date claims against the Original Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) could file their claims. Any holder of a claim that was required to file a claim by such date and did not do so may be barred from asserting such claim against any of the Original Debtors and, accordingly, may not be able to participate in any distribution in any of the Cases on account of such claim. Because the Company has not had sufficient time to analyze the proofs of claim to determine their validity, no provision has been included in the accompanying financial statements for claims that have been filed. The bar date does not apply to asbestos-related claims, for which the Original Debtors reserve the right to establish a separate bar date at a later date. A separate bar date of June 30, 2003 has been set for certain hearing loss claims.

Additional Debtors. The Cases filed by the Additional Debtors were commenced, among other reasons, to protect the assets held by these Debtors against possible statutory liens that might arise and be enforced by the Pension Benefit Guaranty Corporation ("PBGC") primarily as a result of the Company's failure to meet a $17.0 million accelerated funding requirement to its salaried employee retirement plan in January 2003. From an operating perspective, the filing of the Cases by the Additional Debtors had no impact on the Company's day-to-day operations. In contrast to the circumstances of the Original Debtors, the Court authorized the Additional Debtors to continue to make all payments in the normal course of business (including payments of pre-Filing Date amounts) to creditors.

In March 2003, the Court set May 15, 2003 as the last date by which holders of pre-Filing Date claims against the Additional Debtors (other than asbestos-related personal injury claims and certain hearing loss claims) must file their claims.

All Debtors. The Debtors' objective in the Cases is to achieve the highest possible recoveries for all creditors and stockholders and to continue the operation of their businesses. However, there can be no assurance that the Debtors will be able to attain these objectives or to achieve a successful reorganization. While valuation of the Debtors' assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Debtors currently believe that it is likely that their liabilities will be found in the Cases to exceed the fair value of their assets. Therefore, the Debtors currently believe that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

As provided by the Code, the Original Debtors had the exclusive right to propose a plan of reorganization for 120 days following the initial Filing Date. The Court has subsequently approved several extensions of the exclusivity period for all Debtors, the most recent of which was set to expire April 30, 2003. A motion to extend the exclusivity period through July 31, 2003, was filed by the Debtors in late April 2003. By filing the motion to extend the exclusivity period, the period is automatically extended until the June 17, 2003 Court hearing date. As the Debtors' motion to extend the exclusivity period through July 31, 2003 was agreed with by the two creditors' committees in advance of the filing, the Debtors expect the motion to be approved by the Court. Additional extensions are likely to be sought. Extensions of this nature are believed to be routine in complex cases such as the Debtors' Cases. However, no assurance can be given that such future requests will be granted by the Court. If the Debtors fail to file a plan of reorganization during the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the Cases may be permitted to propose their own plan(s) of reorganization for the Debtors.

The Company expects that, when the Debtors ultimately file a plan of reorganization, it will reflect the Company's strategic vision for emergence from Chapter 11: (a) a standalone going concern with manageable leverage, improved cost structure and competitive strength, (b) a company positioned to execute its long-standing vision of market leadership and growth in fabricated products specifically with a financial structure that provides financial flexibility, including access to capital markets, for accretive acquisitions, (c) a company that delivers a broad product offering and leadership in service and quality for its customers and distributors, and (d) a company with continued presence in those commodities markets that have the potential to generate significant cash at steady-state metal prices. The Company's advisors have developed a preliminary timeline that, assuming the current pace of the Cases continues, could allow the Company to emerge from Chapter 11 in 2004. While no assurances can be given in this regard, the Company's management continues to push for an aggressive pace in advancing the Cases. Continued sales of non-core assets and facilities that are ultimately determined not to be an important part of the reorganized entity are likely. In light of the Company's stated strategy of market leadership and growth in fabricated products and to further the Company's ultimate planned emergence from Chapter 11, the Company has determined that it is appropriate to explore the possible disposition of one or more of its commodities assets. Any sale of assets would be subject to various prior approvals including, but not limited to, approvals by the Company's Board of Directors, the Court and the DIP Facility lenders and no assurances can be given that acceptable offers will be received for any assets or that any assets will ultimately be sold. The Company's strategic vision is subject to continuing review in consultation with the Company's stakeholders and may also be modified from time to time as the Cases proceed due to changes in such items as changes in the global markets, changes in the economics of the Company's facilities or changing financial circumstances.

Impact of the Cases on Financial Information. In light of the Cases, the accompanying financial information of the Company and related discussions of financial condition and results of operations are based on the assumption that the Company will continue as a "going concern," which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business; however, as a result of the commencement of the Cases, such realization of assets and liquidation of liabilities are subject to a significant number of uncertainties. Specifically, the financial information for the year ended December 31, 2002, contained herein does not present: (a) the realizable value of assets on a liquidation basis or the availability of such assets to satisfy liabilities, (b) the amount which will ultimately be paid to settle liabilities and contingencies that may be allowed in the Cases, or (c) the effect of any changes that may occur in connection with the Debtors' capitalizations or operations resulting from a plan of reorganization. Because of the ongoing nature of the Cases, the discussions and consolidated financial statements contained herein are subject to material uncertainties.

Recent Events and Developments

Liquidity/Negative Cash Flow. Cash and cash equivalents increased $11.0 million during the first quarter of 2003. The net increase resulted from cash generated from investing activities of $65.4 million (see Notes 7 and 10 of Notes to Interim Consolidated Financial Statements) offset by cash used in operating activities ($54.2 million) and financing activities ($.2 million). The $54.2 million of cash and cash equivalents used by operating activities included the following items not typically considered part of the Company's normal recurring operating rate: (a) asbestos-related insurance recoveries of $7.1 million, (b) a foreign income tax payment related to prior periods of $22.0 million, (c) end of service benefit payments totaling approximately $6.9 million in connection with the Company's 90%-owned Volta Aluminium Company Limited ("Valco") potline curtailments (see below), and (d) net cash outflows for Valco's production costs during the first quarter of 2003 which were not offset by cash receipts from sales as, for logistical reasons, shipments were planned to occur on a quarterly basis, but the first shipment did not occur until early April 2003 (approximately $11.0 million).

During 2002, the Company experienced a net decrease in cash and cash equivalents of $74.6 million; $49.6 million of which was used in operating activities and $25.0 million of which was used in investing and financing activities. The $49.6 million of cash and cash equivalents used in operations included several items not typically considered part of the Company's normal recurring operations including: (a) asbestos-related insurance recoveries of $23.3 million, (b) approximately $30.0 million of funding to Queensland Alumina Limited ("QAL") in respect of QAL's scheduled debt maturities, and (c) foreign income tax payments related to prior year activities of $8.0 million.

The balance of the cash and cash equivalents used in operating activities (approximately $21.4 million during the first quarter of 2003 and $34.9 million during 2002) resulted from a combination of adverse market factors in the business segments in which the Company operates including (a) primary aluminum prices that were below long-term averages, (b) a weak demand for fabricated metal products, particularly aerospace products, and (c) higher than average power, fuel oil and natural gas prices.

Despite the foregoing, the Company's liquidity (cash and cash equivalents plus unused credit availability under the DIP Facility) has remained strong, averaging approximately $200.0 million during the first quarter of 2003. However, no assurances can be given that recent improvements in primary aluminum price and fabricated product demand will be sustained or that the Company's liquidity will not erode for other reasons.

Valco Operating Level. The amount of power made available to Valco by the Volta River Authority ("VRA") depends in large part on the level of the lake that is the primary source for generating the hydroelectric power used to supply the smelter. The level of the lake is primarily a function of the level of annual rainfall and the alternative (non-Valco) uses of the power generated, as directed by the VRA.

During late 2000, Valco, the Government of Ghana ("GoG") and the VRA reached an agreement, subject to Parliamentary approval, that would provide sufficient power for Valco to operate at least three and one-half of its five potlines through 2017. However, Parliamentary approval was not received and, in March 2002, the GoG reduced Valco's power allocation forcing Valco to curtail one of its four operating potlines. Valco's power allocation was further reduced in January 2003 resulting in the curtailment of two additional operating potlines. In connection with such curtailments, $6.9 million of employee end-of-service benefits were paid resulting in $4.3 million of charges (included in Cost of products sold) in the first quarter of 2003. As of April 30, 2003, Valco was operating only one of its five potlines.

Valco has met with the GoG and the VRA and anticipates such discussions will continue in respect of the current and future power situations. Valco has objected to the power curtailments and expects to seek appropriate compensation from the GoG. In addition, Valco and the Company have filed for arbitration with the International Chamber of Commerce in Paris against both the GoG and the VRA. However, no assurances can be given as to the ultimate success of any such actions.

As previously disclosed, the lake level has been at or near a record low level. Based on the level of the lake and the rate at which it had been declining, the Company believed that curtailment of Valco's last remaining operating potline was inevitable. Accordingly, on May 5, 2003, the Company voluntarily curtailed the last operating potline. Voluntary curtailment of the last operating potline: (1) is expected to provide Valco with an opportunity to run a greater number of potlines later in 2003 once the annual rainy season has replenished the lake level and Valco's 2004 power allocation is known (although no assurances can be provided in this regard) and (2) offers the VRA and GoG a contribution toward conservation of the water supply to improve their ability to meet Valco's power needs later in the year as well as meet the near-term needs of the rest of Ghana. Valco and the Company do not expect the voluntary curtailment of the last operating potline to have any adverse impact on the pending arbitrations or negotiations with the VRA and GoG.

The Company is still evaluating the financial impacts of the curtailment, including potential charges and cash requirements for affected Valco employees. The net cash impact of such curtailment is expected to be offset, in part, by a reduction in working capital. Excluding special items, the impact of the additional curtailment on ongoing operating income is expected to be modest.

Pension Related Matters. The Company's 2003 operating results are expected to be adversely impacted by substantially higher pension-related expenses than those experienced in 2002 (see Note 10 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for further information regarding higher pension-related expenses in 2003). Before considering any special pension-related charges that may occur in 2003, pension-related expenses for 2003 are expected to be approximately $48.0 million, more than $20.0 million higher than comparable 2002 pension-related expenses. Higher pension-related expenses during the first quarter of 2003 adversely impacted the operating results of all business units. Further, the Company did not make certain accelerated funding payments ($17.0 million in January 2003 and $83.0 million in April 2003) to its salaried employee retirement plan. Nor did the Company make required minimum quarterly contributions in respect of its other domestic pension plans. As previously disclosed, the Company does not currently expect to make any pension contributions in respect to its domestic pension plans during the pendency of the Cases as it believes that virtually all amounts are pre-Filing Date obligations.

As previously announced, the Company has met on several occasions with the PBGC, the government agency that guarantees annuity payments from defined pension plans, to discuss alternative solutions to the pension funding issue that would help the Company's emergence from bankruptcy. These options could include extended amortization periods for payments of unfunded liabilities or the potential termination of the plans.

Indefinite Curtailment of Mead Facility. In January 2003, the Company announced the indefinite curtailment of the Mead facility. The curtailment of the facility was due to the continuing unfavorable market dynamics, specifically unattractive long-term power prices and weak primary aluminum prices, both of which are significant impediments for an older smelter with higher-than-average operating costs. The Mead facility is expected to remain completely curtailed unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs. See Note 4 of Notes to Interim Consolidated Financial Statements and Note 5 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for additional discussion of the Mead curtailment.

Results of Operations

As an integrated aluminum producer, the Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its downstream facilities. Intersegment transfers are valued at estimated market prices. The following table provides selected operational and financial information on a consolidated basis with respect to the Company for the quarters ended March 31, 2003 and 2002. The following data should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto contained elsewhere herein. See Note 16 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002, for further information regarding segments.

Interim results are not necessarily indicative of those for a full year. Average realized prices for the Company's Flat-rolled products and Engineered products segments are not presented in the following table as such prices are subject to fluctuations due to changes in product mix.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

SELECTED OPERATIONAL AND FINANCIAL INFORMATION
(Unaudited)
(In millions of dollars, except shipments and prices)

	Quarter Ended March 31, 2003	Quarter Ended March 31, 2002
Shipments: (000 tons)		
Alumina		
Third Party	750.7	625.2
Intersegment	62.5	134.9
Total Alumina	813.2	760.1
Primary Aluminum		
Third Party	21.6	51.3
Intersegment	–	1.1
Total Primary Aluminum	21.6	52.4
Flat-Rolled Products	10.2	12.5
Engineered Products	30.6	29.3
Average Realized Third Party Sales Price:		
Alumina (per ton)	$ 172	$ 169
Primary Aluminum (per pound)	$ .65	$ .63
Net Sales:		
Bauxite and Alumina		
Third Party (includes net sales of bauxite)	$ 135.6	$ 113.6
Intersegment	10.3	23.2
Total Bauxite and Alumina	145.9	136.8
Primary Aluminum		
Third Party	30.8	71.0
Intersegment	–	1.7
Total Primary Aluminum	30.8	72.7
Flat-Rolled Products	44.1	48.3
Engineered Products	102.9	103.8
Commodities Marketing (Note 8)	2.0	11.0
Minority Interests	24.0	22.9
Eliminations	(10.3)	(24.9)
Total Net Sales	$ 339.4	$ 370.6
Operating Income (Loss):		
Bauxite and Alumina	$ (24.2)	$ (3.2)
Primary Aluminum (Note 9)	(13.6)	(1.4)
Flat-Rolled Products	(4.5)	(9.9)
Engineered Products	(.6)	3.3
Commodities Marketing (Note 8)	1.2	10.7
Eliminations	2.5	.5
Corporate and Other	(18.6)	(33.3)
Non-Recurring Operating Charges (Note 10)	(1.3)	(1.6)
Total Operating Income (Loss)	$ (59.1)	$ (34.9)
Net Loss	$ (65.1)	$ (64.1)
Capital Expenditures	$ 9.0	$ 9.5

Overview

The Company's operating results are sensitive to changes in prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree on the volume and mix of all products sold and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical price fluctuations. See Notes 2 and 8 of Notes to Interim Consolidated Financial Statements for a discussion of KACC's hedging activities.

Changes in global, regional, or country-specific economic conditions can have a significant impact on overall demand for aluminum-intensive fabricated products in the transportation, distribution, packaging, and other markets. Such changes in demand can directly affect the Company's earnings by impacting the overall volume and mix of such products sold. To the extent that these end-use markets weaken, demand can also diminish for what the Company sometimes refers to as the "upstream" products: alumina and primary aluminum.

During the quarter ended March 31, 2002, the average London Metal Exchange transaction price ("LME price") per pound of primary aluminum was $.63 per pound. During the quarter ended March 31, 2003, the average LME price was $.63 per pound. The average LME price for primary aluminum for the week ended April 25, 2003 was $.61 per pound.

Quarter Ended March 31, 2003, Compared to Quarter Ended March 31, 2002

Summary

The Company reported a net loss of $65.1 million, or $.81 of basic loss per common share, for the quarter ended March 31, 2003, compared to a net loss of $64.1 million, or $.79 of basic loss per common share, for the same period of 2002.

Net sales in the first quarter of 2003 totaled $339.4 million compared to $370.6 million in the first quarter of 2002.

Bauxite and Alumina. Third party net sales of alumina for the quarter ended March 31, 2003, increased 22% as compared to the same period in 2002, due to a 20% increase in third party shipments and a 2% increase in third party average realized prices. Third party shipments were up primarily due to reduced intersegment requirements resulting from Valco's curtailment of two additional potlines during January 2003 (see "Recent Events and Developments — Valco Operating Level" above). The increase in average realized prices was due to an increase in primary aluminum market prices to which the Company's third-party alumina sales contracts are linked.

Intersegment net sales of alumina for the quarter ended March 31, 2003 decreased 56% as compared to the same period in 2002 primarily as the result of reduced shipments to the Primary aluminum business unit caused by Valco's potline curtailments discussed above.

Segment operating loss (before non-recurring items) for the quarter ended March 31, 2003 was worse than the comparable period in 2002. The primary reason for the period-to-period decrease in operating income was approximately $20.0 million of higher energy costs during the first quarter of 2003. This impact was only partially offset by the net increase in shipments and increase in average realized prices discussed above. Segment operating loss for 2002 excluded non-recurring restructuring charges of $1.6 million resulting from cost reduction initiatives.

Primary Aluminum. Third party net sales of primary aluminum decreased 57% for the first quarter of 2003 as compared to the same period in 2002 as a result of a 58% decrease in third party shipments offset by a 3% increase in third party average realized prices. The decrease in third party shipments is primarily due to the curtailment of the Valco operating potlines discussed above as well as the fact that for logistical reasons, while operating at a one potline rate, Valco only planned to ship materials on a quarterly basis, however, the first shipment in 2003 did not occur until early April 2003. The increase in the average realized prices was primarily due to the increase in primary aluminum market prices.

Segment operating loss (before non-recurring items) for the quarter ended March 31, 2003, was worse than the comparable period in 2002. The primary reasons for the decrease were the decrease in net shipments discussed above and approximately $4.3 million of charges for end-of-service benefits at Valco associated with the January 2003 potline curtailments discussed above. The foregoing was only partially offset by the increase in average realized prices and lower depreciation expense (approximately $3.0 million) resulting from the 2002 year-end impairment of the Mead smelter assets. Segment operating loss for 2003 excludes non-recurring restructuring charges of $1.3 million resulting from the Mead facility indefinite curtailment (see Note 10 of Notes to Interim Consolidated Financial Statements).

Flat-Rolled Products. Net sales of flat-rolled products decreased by 9% during the first quarter 2003 as compared to 2002, as an 18% decrease in shipments was offset partially by a 12% increase in average realized prices. Current period shipments were lower than first quarter 2002 shipments as a result of the exit of the can lid and tab stock and brazing sheet products in the second quarter of 2002 offset, in part, by increased demand for general engineering and aerospace heat-treat products. The increase in the average realized prices was primarily due to the impact of the shift in product mix in mid-2002 (i.e. to higher value-added product lines).

Segment operating loss for the quarter ended March 31, 2003, was lower than the comparable period in 2002 primarily due to reductions in overhead and other operating costs as a result of cost cutting initiatives offset in part by the decrease in shipments and approximately $1.0 million of higher energy costs.

Engineered Products. Net sales of engineered products were essentially unchanged during the first quarter 2003 as compared to 2002, as a 5% decrease in average realized prices was offset by a 4% increase in product shipments. The decrease in average realized prices was primarily due to erosion in overall product prices resulting from continuing weak overall market conditions. The increase in product shipments was primarily the result of increased ground transportation shipments (other than auto) and general engineering shipments due to modest improvement in market demand.

The decrease in segment operating income for the quarter ended March 31, 2003, as compared to the comparable period in 2002 was primarily due to the price and volume factors discussed above and increased energy costs of approximately $2.0 million.

Commodities Marketing. In 2003, net sales for this segment represents net settlements with third-party brokers for maturing derivative positions. In 2002, net sales for this segment primarily represents recognition of deferred gains from hedges closed prior to the commencement of the Cases. Gains or losses associated with these liquidated positions were deferred in Other comprehensive income and are being recognized as income and costs over the original hedging periods as the underlying purchases/sales occur.

Segment operating income for the quarter ended March 31, 2003, decreased compared to the comparable period in 2002 due to the prevailing market prices during the first quarter of 2003 versus the higher prices implicit in the liquidation of the positions in January 2002.

Eliminations. Eliminations of intersegment profit vary from period to period depending on fluctuations in market prices as well as the amount and timing of the affected segments' production and sales.

Corporate and Other. Corporate operating expenses represent corporate general and administrative expenses which are not allocated to the Company's business segments. Corporate operating expenses in 2003 were lower than in 2002 due in part to a decrease in payroll-related costs resulting from 2002 salaried job eliminations. Also, corporate expenses in 2002 included special pension settlement charges of approximately $10.6 million. See Note 10 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for a discussion of the special pension settlement charges in 2002.

Liquidity and Capital Resources

As a result of the filing of the Cases, claims against the Debtors for principal and accrued interest on secured and unsecured indebtedness existing on the Filing Date are stayed while the Debtors continue business operations as debtors-in-possession, subject to the control and supervision of the Court. See Note 1 of Notes to Interim Consolidated Financial Statements for additional discussion of the Cases. At this time, it is not possible to predict the effect of the Cases on the businesses of the Debtors.

Operating Activities. Operating activities used $54.2 million of cash during the quarter ended March 31, 2003. This compares with the quarter ended March 31, 2002, when operating activities provided cash of $7.7 million. The $54.2 million of cash and cash equivalents used in operations in the quarter ended March 31, 2003 included several items not typically considered part of the Company's normal recurring operating rate: (a) asbestos-related insurance recoveries of $7.1 million, (b) a foreign income tax payment related to prior periods of $22.0 million, (c) end of service benefits payments totaling approximately $6.9 million in connection with the Valco potline curtailments and (d) net cash outflows for Valco's production costs which were not offset by cash receipts from sales as, for logistical reasons, shipments were planned to occur on a quarterly basis, but the first shipment did not occur until early April 2003 (approximately $11.0

million). The balance of the cash and cash equivalents ($21.4 million) resulted from a combination of adverse market factors in the business segments in which the Company operates including: (a) primary aluminum prices that are below long-term averages, (b) a weak demand for fabricated metal products, particularly aerospace products, and (c) higher than average power, fuel oil and natural gas prices. The cash and cash equivalents provided by operations in the quarter ended March 31, 2002 resulted primarily from the timing of payments due to the Cases.

Investing Activities. Capital expenditures during the quarter ended March 31, 2003 were $9.0 million. The 2003 capital expenditures were incurred to improve production efficiency and reduce operating costs at the Company's facilities. Total consolidated capital expenditures are expected to be between $35.0 and $80.0 million per annum in each of 2003 and 2004 (of which approximately 20% is expected to be funded by the Company's minority partners in certain foreign joint ventures). The level of capital expenditures may be adjusted from time to time depending on the Company's price outlook for primary aluminum and other products, the Company's ability to assure future cash flows through hedging or other means, the Company's financial position and other factors.

Financing Activities and Liquidity. On February 12, 2002, the Company and KACC entered into the DIP Facility which provides for a secured, revolving line of credit through the earlier of February 12, 2004, the effective date of a plan of reorganization or voluntary termination by the Company. The Court signed a final order approving the DIP Facility in March 2002. In March 2003, certain of the Additional Debtors were added as co-guarantors and the DIP Facility lenders received super priority status with respect to certain of the Additional Debtors' assets. KACC is able to borrow under the DIP Facility by means of revolving credit advances and to issue letters of credit (up to $125.0 million) in an aggregate amount equal to the lesser of $300.0 million or a borrowing base relating to eligible accounts receivable, eligible inventory and eligible fixed assets reduced by certain reserves, as defined in the DIP Facility agreement. The DIP Facility is guaranteed by the Company and certain significant subsidiaries of KACC. Interest on any outstanding borrowings will bear a spread over either a base rate or LIBOR, at KACC's option. During March 2003, the Company obtained a waiver from the lenders in respect of its compliance with a financial covenant covering the four-quarter period ending March 31, 2003. The waiver was of limited duration and would have lapsed on June 29, 2003. In May 2003, the Company obtained an extension and modification of the March 2003 limited waiver for the financial covenant for the four-quarter period ending June 30, 2003. The May 2003 waiver will lapse on September 30, 2003. The Company is working with the lenders to complete an amendment that would incorporate the May 2003 limited waiver and also modify the financial covenant for periods subsequent to June 30, 2003. As a part of this amendment, the Company also plans to request that, among other things, the lenders extend the DIP Facility past its current February 2004 expiration and increase the amount of credit available under the DIP Facility. The Company believes that such an amendment will be agreed with the DIP Facility lenders not later than June 2003. While absolute assurances cannot be given in respect of the Company's ability to successfully obtain the necessary covenant modification, based on discussions with the DIP Facility lenders and the fact that there are currently no outstanding borrowings and only a limited amount of letters of credit outstanding under the DIP Facility, the Company believes that acceptable modifications are likely to be obtained.

The Company and KACC currently believe that the cash and cash equivalents of $89.7 million at March 31, 2003, cash flows from operations, cash proceeds from the sale of assets that are ultimately determined not to be an important part of the reorganized entity and cash available from the DIP Facility will provide sufficient working capital to allow the Company to meet its obligations during the pendency of the Cases. At April 30, 2003, there were no outstanding borrowings under the revolving credit facility and there were outstanding letters of credit of approximately $51.3 million. As of April 30, 2003, $116.2 million (of which $73.7 million could be used for additional letters of credit) was available to the Company under the DIP Facility and cash and cash equivalents were approximately $99.5 million.

Capital Structure

MAXXAM Inc. ("MAXXAM") and one of its wholly owned subsidiaries collectively own approximately 62% of the Company's Common Stock, with the remaining approximately 38% of the Company's Common Stock being publicly held. At this time, it is not possible to predict the outcome of the Cases, in general, or the effect of the Cases on the interests of the stockholders. However, it is likely that all or a portion of MAXXAM's interests will be diluted or cancelled as a part of a plan of reorganization.

In accordance with the Code and the DIP Facility, the Company and KACC are not permitted to pay any dividends or purchase any of their common or preference stock.

Critical Accounting Policies

Critical accounting policies are those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective, and/or complex judgments. Typically, the circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. While the Company believes that all aspect of its financial statements should be studied and understood in assessing its current (and expected future) financial condition and results, the Company believes that the accounting policies that warrant additional attention include:

1. The fact that the consolidated financial statements as of (and for the quarter ending) March 31, 2003 have been prepared on a "going concern" basis in accordance with Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, and do not include possible impacts arising in respect of the Cases.

   The consolidated financial statements included elsewhere in this Report do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or the effect on existing stockholders' equity that may result from any plans, arrangements or other actions arising from the Cases, or the possible inability of the Company to continue in existence. Adjustments necessitated by such plans, arrangements or other actions could materially change the consolidated financial statements included elsewhere in this Report. For example,

   a. If the Company were to decide to sell certain assets not deemed a critical part of a reorganized Kaiser, such asset sales could result in gains or losses (depending on the asset sold) and such gains or losses could be significant. This is because, under generally accepted accounting principles ("GAAP"), assets to be held and used are evaluated for recoverability differently than assets to be sold or disposed of. Assets to be held and used are evaluated based on their expected undiscounted future net revenues. So long as the Company reasonably expects that such undiscounted future net revenues for each asset will exceed the recorded value of the asset being evaluated, no impairment is required. However, if possible or probable plans to sell or dispose of an asset or group of assets meet a number of specific criteria, then, under GAAP, such assets should be considered held for sale/disposition and their recoverability should be evaluated, for each asset, based on expected consideration to be received upon disposition. Sales or dispositions at a particular time will be affected by, among other things, the existing industry and general economic circumstances as well as the Company's own circumstances, including whether or not assets will (or must) be sold on an accelerated or more extended timetable. Such circumstances may cause the expected value in a sale or disposition scenario to differ materially from the realizable value over the normal operating life of assets, which would likely be evaluated on long-term industry trends.

   b. Additional pre-Filing Date claims may be identified through the proof of claim reconciliation process and may arise in connection with actions taken by the Debtors in the Cases. For example, while the Debtors consider rejection of the Bonneville Power Administration ("BPA") contract to be in the Company's best long-term interests, such rejection may increase the amount of pre-Filing Date claims by approximately $75.0 million based on the BPA's proof of claim filed in connection with the Cases in respect of the contract rejection.

   c. As more fully discussed below, the amount of pre-Filing Date claims ultimately allowed by the Court in respect of contingent claims and benefit obligations may be materially different from the amounts reflected in the Interim Consolidated Financial Statements.

   While valuation of the Company's assets and pre-Filing Date claims at this stage of the Cases is subject to inherent uncertainties, the Company currently believes that it is likely that its liabilities will be found in the Cases to exceed the fair value of its assets. Therefore, the Company currently believes that it is likely that pre-Filing Date claims will be paid at less than 100% of their face value and the equity of the Company's stockholders will be diluted or cancelled. Because of such possibility, the value of the Common Stock is speculative and any investment in the Common Stock would pose a high degree of risk.

2. The Company's judgments and estimates with respect to commitments and contingencies; in particular: (a) future asbestos related costs and obligations as well as estimated insurance recoveries, and (b) possible liability in respect of claims of unfair labor practices ("ULPs") which were not resolved as a part of the Company's September 2000 labor settlement.

Valuation of legal and other contingent claims is subject to a great deal of judgment and substantial uncertainty. Under GAAP, companies are required to accrue for contingent matters in their financial statements only if the amount of any potential loss is both "probable" and the amount (or a range) of possible loss is "estimatable." In reaching a determination of the probability of an adverse ruling in respect of a matter, the Company typically consults outside experts. However, any such judgments reached regarding probability are subject to significant uncertainty. The Company may, in fact, obtain an adverse ruling in a matter that it did not consider a "probable" loss and which, therefore, was not accrued for in its financial statements. Further, in estimating the amount of any loss, in many instances a single estimation of the loss may not be possible. Rather, the Company may only be able to estimate a range for possible losses. In such event, GAAP requires that a liability be established for at least the minimum end of the range.

The Company has two potentially material contingent obligations that are subject to significant uncertainty and variability in their outcome: (a) the United Steelworkers of America's ("USWA") ULP claim, and (b) the net obligation in respect of asbestos-related matters. Both of these matters are discussed in Note 7 of Notes to Interim Consolidated Financial Statements and it is important that you read this note.

As more fully discussed in Note 7, we have not accrued any amount in our March 31, 2003 financial statements in respect of the USWA ULP matter as we do not consider the contingent loss to be "probable." The possible range of loss in this matter is in the $100.0 million to $250.0 million range based on the proof of claims filed by the National Labor Relations Board ("NLRB") and USWA in connection with the Company's and KACC's reorganization proceedings. This matter is not currently stayed by the Cases. However, as previously stated, seeing this matter to its ultimate outcome could take several years. Further, any amounts ultimately determined by a court to be payable in this matter will be dealt with in the overall context of the Debtors' plan of reorganization and will be subject to compromise. Accordingly, any payments that may ultimately be required in respect of this matter would only be paid upon or after the Company's emergence from the Cases.

Also, as more fully discussed in Note 7, KACC is one of many defendants in personal injury claims by large number of persons who assert that their injuries were caused by, among other things, exposure to asbestos during their employment or association with KACC or by exposure to products containing asbestos last produced or sold by KACC more than 20 years ago. It is difficult to predict the number of claims that will ultimately be made against KACC or the settlement value of such claims. As of March 31, 2003, KACC had recorded an obligation for approximately $610.1 million in respect of pending and an estimate of possible future asbestos claims through 2011. The Company did not accrue for amounts past 2011 because the Company believed that significant uncertainty existed in trying to estimate any such amounts. However, it is possible that a different number of claims will be made through 2011 and that the settlement amounts during this period may differ and that this will cause the actual amounts to differ materially from the Company's estimate. Further, the Company expects that, during its reorganization process, an estimate will have to be made in respect of its exposure to asbestos-related claims after 2011 and that such amounts could be substantial. Due to the Cases, holders of asbestos claims are stayed from continuing to prosecute pending litigation and from commencing new lawsuits against the Debtors. However, during the pendency of the Cases, KACC expects additional asbestos claims will be asserted as part of the claims process. A separate creditors' committee representing the interests of the asbestos claimants has been appointed. The Debtors' obligations with respect to present and future asbestos claims will be resolved pursuant to a plan of reorganization.

The Company believes that KACC has insurance coverage in respect of its asbestos-related exposures and that substantial recoveries in this regard are probable. At March 31, 2003, KACC had recorded a receivable for approximately $476.9 million in respect of expected insurance recoveries related to existing claims and the estimate future claims through 2011. However, the actual amount of insurance recoveries may differ from the amount recorded and the amount of such differences could be material. Further, depending on the amount of asbestos-related claims ultimately determined to exist (including those in the periods after 2011), it is possible that the amount of such claims could exceed the amount of additional insurance recoveries available.

See Note 7 of Notes to Interim Consolidated Financial Statements for a more complete discussion of these matters.

3. The Company's judgments and estimates in respect of its employee benefit plans.

Pension and post-retirement medical obligations included in the consolidated balance sheet are based on assumptions that are subject to variation from year-to-year. Such variations can cause the Company's estimate of such obligations to vary significantly. Restructuring actions (such as the indefinite curtailment of the Mead smelter) can also have a significant impact on such amounts.

For pension obligations, the most significant assumptions used in determining the estimated year-end obligation are the assumed discount rate and long-term rate of return ("LTRR") on pension assets. Since recorded pension obligations represent the present value of expected pension payments over the life of the plans, decreases in the discount rate (used to compute the present value of the payments) will cause the estimated obligations to increase. Conversely, an increase in the discount rate will cause the estimated present value of the obligations to decline. The LTRR on pension assets reflects the Company's assumption regarding what the amount of earnings will be on existing plan assets (before considering any future contributions to the plans). Increases in the assumed LTRR will cause the projected value of plan assets available to satisfy pension obligations to increase, yielding a reduced net pension obligation. A reduction in the LTRR reduces the amount of projected net assets available to satisfy pension obligations and, thus, causes the net pension obligation to increase.

For post-retirement obligations, the key assumptions used to estimate the year-end obligations are the discount rate and the assumptions regarding future medical costs increases. The discount rate affects the post-retirement obligations in a similar fashion to that described above for pension obligations. As the assumed rate of increase in medical costs goes up, so does the net projected obligation. Conversely, if the rate of increase is assumed to be smaller, the projected obligation will decline.

Please refer to Note 10 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002 for information regarding the Company's pension and post-retirement obligations. Actual results may differ from the assumptions made in computing the estimated March 31, 2003 obligations and such differences may be material.

4. The Company's judgment and estimates in respect to environmental commitments and contingencies.

The Company and KACC are subject to a number of environmental laws and regulations ("environmental laws"), to fines or penalties assessed for alleged breaches of the environmental laws, and to claims and litigation based upon such laws. KACC currently is subject to a number of claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments Reauthorization Act of 1986 ("CERCLA"), and, along with certain other entities, has been named as a potentially responsible party for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA.

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals, primarily related to potential solid waste disposal and soil and groundwater remediation matters. These environmental accruals represent the Company's estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, currently available facts, existing technology, and the Company's assessment of the likely remediation action to be taken. However, making estimates of possible environmental remediation costs is subject to inherent uncertainties. As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals.

An example of how environmental accruals could change is the current situation of KACC's Mead smelter. KACC announced the indefinite curtailment of the Mead smelter in January 2003. The Mead smelter is expected to remain curtailed indefinitely unless and until an appropriate combination of reduced power prices, higher primary aluminum prices and other factors occurs to make a restart commercially feasible. However, at some point in the future, the Company may decide, due to economic conditions, foreign competition or other factors, to dispose of the facility. If, in connection with such hypothetical disposition the Company were required to dismantle, demolish or otherwise permanently close the Mead facility, the demolition and environmental remediation costs could be significant. While proceeds of a disposition might offset such costs, no assurances can be provided that receipts would fully or substantially offset the total costs of the environmental remediation costs.

Contractual Obligations and Commercial Commitments

In a new regulation issued in January 2003, the Securities and Exchange Commission adopted amendments to existing rules requiring disclosure of all material off-balance sheet contractual arrangements. The amendments require the Company to provide explanations of its off-balance sheet arrangements in a separately captioned subsection of the Management's Discussion and Analysis ("MD&A") section of the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Although such items are already fully disclosed in the Company's Commitments and Contingencies notes (see Note 7 of Notes to Interim Consolidated Financial Statements and Note 12 of Notes to Consolidated Financial Statements in the Company's Form 10-K for the year ended December 31, 2002), the principle of the amendments is that the Company should disclose, in a single section, information regarding: (1) its obligations and commitments to make future payments, such as debt and lease agreements and (2) material off-balance sheet arrangements and their material effects on the Company's financial condition, results of operations, liquidity, etc. in a tabular format.

The following summarizes the Company's significant contractual obligations at March 31, 2003 (dollars in millions):

		Payments due in			
Contractual Obligations	Total	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 years
Long-term debt, including capital lease of $2.6[a]	$ 43.6	$ 1.0	$ 1.0	$ 22.6	$ 19.0
Operating leases	32.4	9.7	10.2	6.6	5.9
Total cash contractual obligations	$ 76.0	$ 10.7	$ 11.2	$ 29.2	$ 24.9

(a) See Note 5 of Notes to Interim Consolidated Financial Statements for information in respect of long-term debt. Long-term debt obligations exclude debt subject to compromise of approximately $830.2 million which amounts will be dealt with in connection with a plan of reorganization. See Notes 1 and 5 of Notes to Interim Consolidated Financial Statements for additional information about debt subject to compromise.

The following paragraphs summarize the Company's off-balance sheet arrangements.

KACC owns a 20% interest in QAL, which owns one of the largest and most competitive alumina refineries in the world, located in Queensland, Australia. QAL refines bauxite into alumina, essentially on a cost basis, for the account of its shareholders under long-term tolling contracts. KACC currently sells its share of QAL's production to third parties. The shareholders, including KACC, purchase bauxite from another QAL shareholder under long-term purchase contracts. These tolling and purchase contracts are scheduled to expire in 2008. Under the agreements, KACC is unconditionally obligated to pay its proportional share of debt, operating costs and certain other costs of QAL. KACC's share of the aggregate minimum amount of future principal payments at March 31, 2003 is $49.0 million, which matures as follows: $32.0 million in 2003 and $17.0 million in 2006. KACC's share of payments, including operating costs and certain other expenses under the agreements, has ranged between $95.0 million and $103.0 million per year over the past three years.

The Company has agreements to supply alumina to and to purchase aluminum from Anglesey Aluminium Limited, a 49.0% owned aluminum smelter in Holyhead, Wales.

As of March 31, 2003, outstanding letters of credit under the DIP Facility were approximately $51.4 million, all which expire within the next twelve months. The letters of credit relate to environmental, insurance, trade credit and other activities. Approximately $15.3 million of the letters of credit are in respect of the Company's 65% share of the $22.0 million Alpart CARIFA financing (see Note 5 of Notes to Interim Consolidated Financial Statements) which are reflected in the debt maturities table above. As such, that portion of the letters of credit is duplicative of the obligation reflected in the table above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. As discussed more fully in Notes 2 and 8 of Notes to Interim Consolidated Financial Statements, KACC historically has utilized hedging transactions to lock-in a specified price or range of prices for certain products which it sells or consumes in its production process and to mitigate KACC's exposure to changes in foreign currency exchange rates. However, because the agreements underlying KACC's hedging positions provided that the counterparties to the hedging contracts could liquidate KACC's hedging positions if KACC filed for reorganization, KACC chose to liquidate these positions in advance of the initial Filing Date. KACC has only completed limited hedging activities since the Filing Date (see below). The Company anticipates that, subject to prevailing economic conditions, it may enter into additional hedging transactions with respect to primary aluminum prices, natural gas and fuel oil prices and foreign currency values to protect the interests of its constituents. However, no assurance can be given as to when or if the Company will enter into such additional hedging activities.

Sensitivity

Alumina and Primary Aluminum. Alumina and primary aluminum production in excess of internal requirements is sold in domestic and international markets, exposing the Company to commodity price opportunities and risks. KACC's hedging transactions are intended to provide price risk management in respect of the net exposure of earnings resulting from (i) anticipated sales of alumina, primary aluminum and fabricated aluminum products, less (ii) expected purchases of certain items, such as aluminum scrap, rolling ingot, and bauxite, whose prices fluctuate with the price of primary aluminum. On average, before consideration of hedging activities, any fixed price contracts with fabricated aluminum products customers, variations in production and shipment levels, and timing issues related to price changes, the Company estimates that during 2003 each $.01 increase (decrease) in the market price per price-equivalent pound of primary aluminum increases (decreases) the Company's annual pre-tax earnings by approximately $5.0 million, based on recent operating levels. This decrease in pre-tax earnings from prior periods of approximately $10.0 million per each $.01 change in market price per price-equivalent is due to the Valco potline curtailments.

Foreign Currency. KACC enters into forward exchange contracts to hedge material cash commitments for foreign currencies. KACC's primary foreign exchange exposure is related to KACC's Australian Dollar (A$) commitments in respect of activities associated with its 20.0%-owned affiliate, QAL. The Company estimates that, before consideration of any hedging activities, a US $0.01 increase (decrease) in the value of the A$ results in an approximate $1.5 million (decrease) increase in the Company's annual pre-tax operating income.

Energy. KACC is exposed to energy price risk from fluctuating prices for natural gas, fuel oil and diesel oil consumed in the production process. The Company estimates that each $1.00 change in natural gas prices (per mcf) impacts the Company's annual pre-tax operating results by approximately $20.0 million. Further, the Company estimates that each $1.00 change in fuel oil prices (per barrel) impacts the Company's pre-tax operating results by approximately $3.0 million.

KACC from time to time in the ordinary course of business enters into hedging transactions with major suppliers of energy and energy related financial instruments. During December 2002 and the first quarter of 2003, KACC entered into hedging transactions with respect to a portion of its 2003 fuel oil and natural gas requirements. As of March 31, 2003, KACC held option contracts which cap the price that KACC would have to pay for 2.0 million barrels of fuel oil in 2003. This amount of fuel oil represents substantially all of KACC's exposure to fuel oil requirements for the second through fourth quarter of 2003. In addition, as of March 31, 2003, KACC held option contracts hedging substantially all of its May 2003 and June 2003 natural gas requirements.

Based on an average April 2003 fuel oil price (per barrel) of approximately $19.59, the Company estimates the fuel oil hedges will have a modest adverse impact on pre-tax operating income in the second quarter of 2003.

Based on an average April 2003 natural gas settlement price (per mcf) of approximately $5.12, the natural gas hedges will have a modest adverse impact on pretax operating income for May and June 2003.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was performed within 90 days of the filing date of this Report under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3. "LEGAL PROCEEDINGS" in the Company's Form 10-K for the year ended December 31, 2002 for information concerning material legal proceedings with respect to the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

*4.1 Waiver Letter with Respect to Post-Petition Credit Agreement, dated March 24, 2003, among Kaiser Aluminum & Chemical Corporation , Kaiser Aluminum Corporation, the financial institutions party to the Post-Petition Credit Agreement, dated as of February 12, 2002, as amended, and Bank of America, N.A., as Agent.

*99.1 Certification of Jack A. Hockema pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*99.2 Certification of John T. La Duc pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

On January 14, 2003, under Item 5, "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting that its Mead, Washington, aluminum smelter had been indefinitely curtailed.

On January 14, 2003, under Item 5, "Other Events" of Form 8-K, the Company filed a Current Report on Form 8-K reporting that nine additional wholly owned subsidiaries of KACC had filed voluntary petitions with the U.S. Bankruptcy Court for the District of Delaware under Chapter 11 of the Federal Bankruptcy Code.

No other Reports on Form 8-K were filed by the Company during the quarter ended March 31, 2003.

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* Filed 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, who have signed this report on behalf of the registrant as the principal financial officer and principal accounting officer of the registrant, respectively.

KAISER ALUMINUM CORPORATION

By: /s/ John T. La Duc
John T. La Duc
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

KAISER ALUMINUM CORPORATION

By: /s/ Daniel D. Maddox
Daniel D. Maddox
Vice President and Controller
(Principal Accounting Officer)

Dated: May 14, 2003

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
(Debtor-in-Possession)

CERTIFICATIONS

I, Jack A. Hockema, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kaiser Aluminum Corporation;

2. Based on my knowledge, this quarterly 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 circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Jack A. Hockema
Jack A. Hockema
Chief Executive Officer

I, John T. La Duc, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kaiser Aluminum Corporation;

2. Based on my knowledge, this quarterly 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 circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13 a- 14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ John T. La Duc
John T. La Duc
Chief Financial Officer