



December 20, 2004

Monthly Update to Customers, Employees, Suppliers, and Friends of Kaiser Aluminum:

In Today's Hearing

The Court considered our request for approval of two disclosure statements on the liquidating plans for the Kaiser subsidiaries that sold (or are in the process of selling) their interests in alumina assets in Jamaica and Australia. The two disclosure statements basically describe how the liquidating plans will work, including the proposed allocation of cash proceeds among creditors, mainly bondholders and the Pension Benefit Guaranty Corporation (PBGC). Several parties to the cases filed objections to these plans, which were not unexpected, and the Court heard everyone out on these issues. Because today's hearing did not result in any definitive resolution of these objections, the Court said it would consider the arguments and have another hearing on these two plans on February 23, 2005.

Timing of Kaiser's Plan of Reorganization

We are working to complete a consensus on the principal elements of the reorganization with the major creditors so that we can file the Kaiser Plan of Reorganization and Disclosure Statement with the Court within the next month or so. (As a reminder, we currently have exclusivity through the end of February.) These documents will include proposed terms of settlement with various classes of creditors and a description of the capital structure and financial projections for Kaiser Aluminum upon its emergence from Chapter 11. Once these documents are filed, they will be posted on Kaiser's web site for easy access by all concerned parties. The Court typically schedules an initial hearing on the Plan and Disclosure statement within 45 days of their filing. Following that hearing, additional time must be allowed for the solicitation of votes on the plan. There are always many complex variables in a Chapter 11 timeline that make exact predictions of emergence difficult. As more fully discussed below, we hope many of these issues will be resolved before or during the hearings scheduled for January and early February of 2005, so that the company can remain on track to emerge from bankruptcy by the middle of 2005.

Court Calendar

January promises to be a busy month Kaiser. We are scheduled for a series of hearings on the following matters:

- January 18 -- Seeking formal approval of our agreement with the PBGC,

- January 24 – Attending the regularly scheduled monthly hearing,
- January 31 – Beginning three days of hearings on the Intercompany Settlement Agreement, which is particularly important because, among other things, it specifies the amount of cash from asset sales that the company would receive to help fund our exit costs from Chapter 11.

Headquarters to Be Consolidated in Southern California

As the company prepares to emerge from Chapter 11, it will be smaller and primarily focused on its fabricated products business, which is already headquartered in Southern California. In order to best achieve cost efficiency and take advantage of the staffing and expertise in the fabricated products headquarters, we are transitioning existing corporate headquarters functions from Houston to Southern California and consolidating the corporate headquarters there. The move will occur in stages, generally over the first half of 2005. We expect these changes to have no impact on our dealings with customers and vendors

Liquidity

Liquidity - defined as cash and borrowing availability - continues to be adequate. As I have said previously, we expect that the amount of the borrowing base available under our Credit Agreement will decline as we complete commodity asset sales (ie, we expect the sale of our interests in the QAL alumina refinery to close in the first quarter of 2005). However, with reduced exposure to the variability of the commodity business, we also expect that the remaining availability will be adequate to support our liquidity requirements through the remainder of our Chapter 11. Based on recent primary aluminum prices and recent market conditions for fabricated aluminum products, we currently expect availability under the Credit Agreement to remain near or above the \$100 million range.

Jack A. Hockema
President and Chief Executive Officer