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FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1997
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 2600, HOUSTON, TEXAS 77057-3010
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

As of March 17, 1998, there were 79,142,903 shares of the Common Stock of the registrant outstanding. Based upon New York Stock Exchange closing prices on March 17, 1998, the aggregate market value of the registrant's Common Stock held by non-affiliates was $270.5 million.

Certain portions of the registrant's annual report to shareholders for the fiscal year ended December 31, 1997, are incorporated by reference into Parts I, II, and IV of this Report on Form 10-K. Certain portions of the registrant's definitive proxy statement to be filed not later than 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III of this Report on Form 10-K.

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NOTE

Kaiser Aluminum Corporation's Report on Form 10-K filed with the Securities and Exchange Commission includes all exhibits required to be filed with the Report. Copies of this Report on Form 10-K, including only Exhibit 21 of the exhibits listed on pages 20-24 of this Report, are available without charge upon written request. The registrant will furnish copies of the other exhibits to this Report on Form 10-K upon payment of a fee of 25 cents per page. Please contact the office set forth below to request copies of this Report on Form 10-K and for information as to the number of pages contained in each of the other exhibits and to request copies of such exhibits:

Corporate Secretary
Kaiser Aluminum Corporation
5847 San Felipe, Suite 2600
Houston, Texas 77057-3010

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PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K 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 Report (see, for example, Item 1. "Business - Profit Improvement Program," " - Business Development in Strategic Areas," " - Production Operations," " - Competition," " - Research and Development," and " - Environmental Matters," and Item 3. "Legal Proceedings"). 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 Report and the financial portion of the Company's 1997 Annual Report to Shareholders (see Items 6 through 8 of this Report) identify other factors that could cause such differences. 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.

General

Kaiser Aluminum Corporation (the "Company"), a Delaware corporation organized in 1987, is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM and one of its wholly-owned subsidiaries together own approximately 63% of the Company's Common Stock, with the remaining approximately 37% publicly held. The Company, through its subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), operates in all principal aspects of the aluminum industry - the mining of bauxite, the refining of bauxite into alumina, the production of primary aluminum from alumina, and the manufacture of fabricated (including semi-fabricated) aluminum products. In addition to the production utilized by KACC in its operations, KACC sells significant amounts of alumina and primary aluminum in domestic and international markets. In 1997, KACC produced approximately 2,945,000 tons* of alumina, of which approximately 66% was sold to third parties, and produced approximately 493,000 tons of primary aluminum, of which approximately 67% was sold to third parties. KACC is also a major domestic supplier of fabricated aluminum products. In 1997, KACC shipped approximately 400,000 tons of fabricated aluminum products to third parties, which accounted for approximately 5% of total United States domestic shipments. Note 11 of the Notes to Consolidated Financial Statements contained in the Company's 1997 Annual Report to Shareholders (the "Annual Report") is incorporated herein by reference.

The Company's operations are conducted through KACC's business units which compete throughout the aluminum industry. The following table sets forth total shipments and intracompany transfers of KACC's alumina, primary aluminum, and fabricated aluminum operations:

	Year Ended December 31,		
	1997	1996	1995
	(in thousands of tons)		
ALUMINA:			
Shipments to Third Parties	1,929.8	2,073.7	2,040.1
Intracompany Transfers	968.0	912.4	800.6
PRIMARY ALUMINUM:			
Shipments to Third Parties	327.9	355.6	271.7
Intracompany Transfers	164.2	128.3	217.4
FABRICATED ALUMINUM PRODUCTS:			
Shipments to Third Parties	400.0	327.1	368.2

* All references to tons in this Report refer to metric tons of 2,204.6 pounds.

ITEM 1. BUSINESS (CONTINUED)

Profit Improvement Program

In October 1996, KACC established a goal of achieving $120 million per year of pre-tax cost reductions and other profit improvements, independent of metal price changes, with the full effect planned to be realized in 1998 and beyond, measured against 1996 results. At the end of 1997, KACC had achieved approximately half of the desired profit improvement. This program is being effected through reductions in production costs, decreases in corporate general and administrative expenses, and enhancements to product mix and volume throughput. There can be no assurance that the initiative will result in the desired cost reductions and other profit improvements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Events and Developments" and Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

Business Development in Strategic Areas

KACC's strategic objectives include both improving the financial performance of its existing facilities (see "-Profit Improvement Program") and implementing modifications to its existing portfolio of businesses and assets in an effort to focus its business activities in areas which hold the best potential for improving KACC's financial performance. KACC is actively pursuing opportunities to increase its participation in businesses and assets in targeted areas of its portfolio consistent with its strategic objectives, by internal investment and by acquisition, both domestically and internationally, by using its technical expertise and capital to form joint ventures or to acquire equity in aluminum-related facilities. Recent examples of such activities include the formation with Accuride Corporation of a joint venture to design, manufacture and market heavy duty aluminum wheels for the commercial transportation industry, and the acquisition of an aluminum extrusion plant in Richmond, Virginia, from Reynolds Metals Company, in the second quarter of 1997. See "-Production Operations."

Sensitivity to Prices and Hedging Programs

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 and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical fluctuations. Alumina prices, as well as fabricated aluminum product prices (which vary considerably among products), are significantly influenced by changes in the price of primary aluminum and generally lag behind primary aluminum prices for periods of up to three months. From time to time in the ordinary course of business KACC enters into hedging transactions to provide price risk management in respect of its net exposure 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. Forward sales contracts are used by KACC to effectively lock-in or fix the price that KACC will receive for its shipments. KACC also uses option contracts (i) to establish a minimum price for its product shipments, (ii) to establish a "collar" or range of prices for its anticipated sales, and/or (iii) to permit KACC to realize possible upside price movements. See Notes 1 and 10 of the Notes to Consolidated Financial Statements in the Annual Report.

ITEM 1. BUSINESS (CONTINUED)

Production Operations

- Alumina

The following table lists KACC's bauxite mining and alumina refining facilities as of December 31, 1997:

Activity	Facility	Location	Company Ownership	Annual Production Capacity Available to the Company	Total Annual Production Capacity
				(tons)	(tons)
Bauxite Mining	KJBC(1)	Jamaica	49%	4,500,000	4,500,000
	Alpart(2)	Jamaica	65%	2,275,000	3,500,000
				6,775,000	8,000,000
Alumina Refining	Gramercy	Louisiana	100%	1,050,000	1,050,000
	Alpart	Jamaica	65%	942,500	1,450,000
	QAL	Australia	28.3%	973,500	3,440,000
				2,966,000	5,940,000

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(1) Although KACC owns 49% of Kaiser Jamaica Bauxite Company ("KJBC"), it has the right to receive all of KJBC's output.
(2) Alumina Partners of Jamaica ("Alpart") bauxite is refined into alumina at the Alpart refinery.

Bauxite mined in Jamaica by KJBC is refined into alumina at

KACC's plant at Gramercy, Louisiana, or is sold to third parties. In 1979, the Government of Jamaica granted KACC a mining lease for the mining of bauxite sufficient to supply KACC's then-existing Louisiana alumina refineries at their annual capacities of 1,656,000 tons per year until January 31, 2020. Alumina from the Gramercy plant is sold to third parties.

Alpart holds bauxite reserves and owns a 1,450,000 ton per year alumina plant located in Jamaica. KACC owns a 65% interest in Alpart, and Hydro Aluminium a.s ("Hydro") owns the remaining 35% interest. KACC has management responsibility for the facility on a fee basis. KACC and Hydro have agreed to be responsible for their proportionate shares of Alpart's costs and expenses. The Government of Jamaica has granted Alpart a mining lease and has entered into other agreements with Alpart designed to assure that sufficient reserves of bauxite will be available to Alpart to operate its refinery, as it may be expanded up to a capacity of 2,000,000 tons per year, through the year 2024.

In June 1997, Alpart and JAMALCO, a joint venture between affiliates of Aluminum Company of America and the government of Jamaica, jointly announced that they had signed a non-binding letter of intent agreeing to consolidate their bauxite mining operations in Jamaica, with the objective of optimizing operating and capital costs. The transaction is subject to various conditions, including the negotiation of definitive agreements, third party consents, and board approvals. No assurance can be given that the conditions will be satisfied or that the transaction will be consummated.

KACC owns a 28.3% interest in Queensland Alumina Limited ("QAL"), which owns the largest and one of the 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 stockholders under long-term tolling contracts. The stockholders, including KACC, purchase bauxite from another QAL stockholder under long-term supply contracts. KACC has contracted with QAL to take approximately 792,000 tons per year of capacity or pay standby charges. KACC is unconditionally obligated to pay amounts calculated to service its share ($97.6 million at December 31, 1997) of certain debt of QAL, as well as other QAL costs and expenses, including bauxite shipping costs.

ITEM 1. BUSINESS (CONTINUED)

KACC's principal customers for bauxite and alumina consist of other aluminum producers that purchase bauxite and reduction-grade alumina, trading intermediaries who resell raw materials to end-users, and users of chemical-grade alumina. All of KACC's third-party sales of bauxite in 1997 were made to two customers, the largest of which accounted for approximately 91% of such sales. KACC also sold alumina in 1997 to 29 customers, the largest and top five of which accounted for approximately 24% and 85% of such sales, respectively. See "- Competition." The Company believes that among alumina producers KACC is the world's second largest seller of smelter grade alumina to third parties. KACC's strategy is to sell a substantial portion of the alumina available to it in excess of its internal smelting requirements under multi-year sales contracts with prices linked to the price of primary aluminum. See "- Sensitivity to Prices and Hedging Programs."

- Primary Aluminum Products

The following table lists KACC's primary aluminum smelting facilities as of December 31, 1997:

Location	Facility	Company Ownership	Annual Rated Capacity Available to the Company	Total Annual Rated Capacity	1997 Average Operating Rate

			(tons)	(tons)	
Domestic					
Washington	Mead	100%	200,000	200,000	108%
Washington	Tacoma	100%	73,000	73,000	103%
Subtotal			273,000	273,000	
International					
Ghana	Valco	90%	180,000	200,000	76%
Wales, United Kingdom	Anglesey	49%	55,000	112,000	118%
Subtotal			235,000	312,000	
Total			508,000	585,000	

The Mead facility uses pre-bake technology and produces primary aluminum. Approximately 64% of Mead's 1997 production was used at KACC's Trentwood, Washington, rolling mill, and the balance was sold to third parties. The Tacoma facility uses Soderberg technology and produces primary aluminum and high-grade, continuous-cast, redraw rod, which currently commands a premium price in excess of the price of primary aluminum. Both smelters have achieved significant production efficiencies through retrofit technology and a variety of cost controls, leading to increases in production volume and enhancing their ability to compete with newer smelters.

KACC is modernizing and expanding the carbon baking furnace at its Mead smelter at an estimated cost of approximately $54.5 million. The project will improve the reliability of the carbon baking operations, increase productivity, enhance safety, and improve the environmental performance of the facility. The first stage of this project, the construction of a new $40.0 million 90,000 ton per year furnace, has been completed and is in operation. The remaining modernization work is expected to be completed in late 1998, when an existing furnace will be rebuilt. A portion of this project was financed with the net proceeds (approximately $18.6 million) of 7.6% Solid Waste Disposal Revenue Bonds due 2027 issued in March 1997 by the Industrial Development Corporation of Spokane County, Washington.

Electric power represents an important production cost for KACC at its aluminum smelters. In 1995, KACC successfully restructured electric power purchase agreements for its facilities in the Pacific Northwest, which resulted in significantly lower electric power costs in 1996 for the Mead and Tacoma, Washington, smelters compared to 1995 electric power costs. KACC continued to benefit from savings in electric power costs at those facilities in 1997 and expects to continue to benefit from such savings in future years.

KACC manages, and owns a 90% interest in, the Volta Aluminium Company Limited ("Valco") aluminum smelter in Ghana. The Valco smelter uses pre-bake technology and processes alumina supplied by KACC and the other participant into primary aluminum under tolling contracts which provide for proportionate payments by the participants. KACC's share of the primary aluminum is sold to third parties. Power for the Valco smelter is supplied under an agreement with the Volta River Authority (the "VRA") which expires in 2017. The agreement indexes two-thirds of the price of the contract quantity of power to the market price of primary aluminum. The agreement also provides for a review and adjustment of the base power rate and the price index every five years. The most recent review was completed in April 1994 for the 1994-1998 period.

Effective January 1, 1998, the VRA reduced the allocation of electric power to the Valco smelter. The Company announced that, due to the reduced power allocation, Valco expected to operate three potlines in 1998 compared to the four potlines which were operated throughout 1997. During February 1998, Valco and the VRA reached an agreement whereby Valco agreed to receive compensation in lieu of the power necessary to operate one of its three remaining operating potlines. Compensation under the agreement is expected to substantially offset the financial impact of the curtailment of that potline. As a result of the curtailment, Valco said that it expected to operate two of its five potlines after February 25, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Events and Developments" in the Annual Report.

KACC owns a 49% interest in the Anglesey Aluminium Limited ("Anglesey") aluminum smelter and port facility at Holyhead, Wales. The Anglesey smelter uses pre-bake technology. KACC supplies 49% of Anglesey's alumina requirements and purchases 49% of Anglesey's aluminum output. KACC sells its share of Anglesey's output to third parties. Power for the Anglesey aluminum smelter is supplied under an agreement which expires in 2001.

KACC has developed and installed proprietary retrofit and control technology in all of its smelters, as well as at third party locations. This technology - which includes the redesign of the cathodes, anodes and bus that conduct electricity through reduction cells, improved feed systems that add alumina to the cells, and a computerized process control and energy management system - has significantly contributed to increased and more efficient production of primary aluminum and enhanced KACC's ability to compete more effectively with the industry's newer smelters. KACC is actively engaged in efforts to license this technology and sell technical and managerial assistance to other producers worldwide, and may participate in joint ventures or similar business partnerships which employ KACC's technical and managerial knowledge. See "-Research and Development."

During October 1997, a joint decision was made by a KACC subsidiary and its joint venture partner to terminate and dissolve the Sino-foreign aluminum joint venture formed in 1995. In January 1998, the KACC subsidiary reached an agreement to sell its interests in the venture to its partner. The terms of the agreement are subject to certain governmental approvals by officials of the People's Republic of China.

KACC's principal primary aluminum customers consist of large trading intermediaries and metal brokers, who resell primary aluminum to fabricated product manufacturers, and large and small international aluminum fabricators. In 1997, KACC sold its primary aluminum production not utilized for internal purposes to approximately 52 customers, the largest and top five of which accounted for approximately 13% and 47% of such sales, respectively. See "- Competition." Marketing and sales efforts are conducted by personnel located in Pleasanton, California, Houston, Texas, and Tacoma and Spokane, Washington. A majority of the business unit's sales are based upon long-term relationships with metal merchants and end-users.

- Fabricated Aluminum Products

KACC manufactures and markets fabricated aluminum products for the transportation, packaging, construction, and consumer durables markets in the United States and abroad. Sales in these markets are made directly and through distributors to a large number of customers. KACC's fabricated products compete with those of numerous domestic and foreign producers and with products made of steel, copper, glass, plastic, and other materials. Product quality, price, and availability are the principal competitive factors in the market for fabricated aluminum products. KACC has focused its fabricated products operations on selected products in which KACC has production expertise, high-quality capability, and geographic and other competitive advantages.

Fabricated aluminum products are manufactured by two business units - flat-rolled products and engineered products. The products include heat-treated products; body, lid, and tab stock for beverage containers; sheet and plate products; screw machine stock; redraw rod; forging stock; truck wheels and hubs; air bag canisters; engine manifolds; and other castings, forgings and extruded products, which are manufactured at plants located in principal marketing areas of the United States and Canada. The aluminum utilized in KACC's fabricated products operations is comprised of primary aluminum, obtained both internally and from third parties, and scrap metal purchased from third parties.

Flat-Rolled Products - The flat-rolled products business unit operates the Trentwood, Washington, rolling mill and the Micromill(TM) facility, near Reno, Nevada. The Trentwood facility accounted for approximately 62% of KACC's 1997 fabricated aluminum products shipments. The business unit supplies the aerospace and general engineering markets (producing heat-treat products), the beverage container market (producing body, lid, and tab stock), and the specialty coil markets (producing automotive brazing sheet, wheel, and tread products), both directly and through distributors.

KACC continues to enhance the process and product mix of its Trentwood rolling mill in an effort to maximize its profitability and maintain full utilization of the facility. KACC is implementing a plan to expand its annual production capacity of heat-treated flat-rolled products at the Trentwood facility by approximately one-third over 1996 levels, most of which was achieved in 1997. Implementation of the plan also will enable KACC to improve the reliability of its heat-treated operations, enhance the quality of its heat-treat products, and improve Trentwood's operating efficiency. The project is estimated to cost approximately $22.0 million and is expected to be completed in late 1998. Global sales of KACC's heat-treat products have increased significantly over the last several years and are made primarily to the aerospace and general engineering markets, which have been experiencing growth in demand. In 1997, the business unit shipped products to approximately 141 customers in the aerospace, transportation, and industrial ("ATI") markets, most of which were distributors who sell to a variety of industrial end-users. The top five customers in the ATI markets for flat-rolled products accounted for approximately 17% of the business unit's revenue.

KACC's flat-rolled products are also sold to beverage container manufacturers located in the western United States and in the Asian Pacific Rim countries where the Trentwood plant's location provides KACC with a transportation advantage. Quality of products for the beverage container industry, service, and timeliness of delivery are the primary bases on which KACC competes. In recent years KACC has made significant capital expenditures at Trentwood in rolling technology and process control to improve the metal integrity, shape and gauge control of its products. The Company believes that such improvements have enhanced the quality of KACC's products for the beverage container industry and the capacity and efficiency of KACC's manufacturing operations, and that KACC is one of the highest quality producers of aluminum beverage can stock in the world. In 1997, the business unit had 37 domestic and foreign can stock customers. The largest and top five of such customers accounted for approximately 15% and 27%, respectively, of the business unit's revenue. See "- Competition." The marketing staff for the business unit is located at the Trentwood facility and in Pleasanton, California. Sales are made directly to end-use customers and distributors from four sales offices in the United States, from sales offices in England and Japan, and by independent sales agents in Europe, Asia and Latin America.

The first Micromill(TM) facility, constructed in 1996 as a demonstration and production facility, was in a start-up mode during 1997. Micromill(TM) technology is based on a proprietary thin-strip, high-speed, continuous-belt casting technique linked directly to hot and cold rolling mills. Assuming the successful implementation and commercialization of the Micromill(TM) technology, the capital and conversion costs of Micromill(TM) facilities are expected to be significantly lower than conventional rolling mills. KACC is continuing its efforts to implement the Micromill(TM) technology on a full-scale basis. The facility is currently shipping qualification quantities of product to various customers. However, the Micromill(TM) technology has not yet been fully implemented or commercialized, and there can be no assurance that it will be successfully implemented and commercialized for use at full-scale facilities.

Engineered Products - The engineered products business unit maintains its headquarters and a sales and engineering office in Southfield, Michigan, which works with car makers and other customers, the Company's Center for Technology ("CFT," see "-Research and Development"), and plant personnel to create new automotive component designs and to improve existing products. The business unit operates soft-alloy and hard-alloy extrusion facilities and engineered component (forging and casting) facilities in the United States and in Canada. Soft-alloy extrusion facilities are located in Los Angeles, California; Santa Fe Springs, California; Sherman, Texas; Richmond, Virginia; and London, Ontario, Canada. Each of the soft-alloy extrusion facilities has fabricating capabilities and provides finishing services. The Richmond, Virginia, facility, acquired in mid-1997 by Kaiser Bellwood Corporation, a wholly-owned subsidiary of the Company, increased KACC's extruded products capacity and enhanced its existing extrusion business due to that facility's ability to manufacture seamless tubing and large circular extrusions and to serve the distribution and ground transportation industries. Hard-alloy rod and bar extrusion facilities are located in Newark, Ohio, and Jackson, Tennessee, which produce screw machine stock, redraw rod, forging stock, and billet. A facility located in Richland, Washington, produces seamless tubing in both hard and soft alloys for the automotive, other transportation, export, recreation, agriculture, and other industrial markets. The business unit also operates a cathodic protection business located in Tulsa, Oklahoma, that extrudes both aluminum and magnesium. Major markets for extruded products are in the transportation industry, to which the business unit provides extruded shapes for automobiles, trucks, trailers, cabs, and shipping containers, and in the distribution, durable goods, defense, building and construction, ordnance and electrical markets.

The engineered products business unit operates forging facilities at Oxnard, California, and Greenwood, South Carolina; a machine shop at Greenwood, South Carolina; and a casting facility in Canton, Ohio; and participates in a joint venture with Accuride Corporation, located in Erie, Pennsylvania, and Cuyahoga Falls, Ohio, that designs, manufactures and markets aluminum wheels for the commercial transportation industry. The business unit is one of the largest producers of aluminum forgings in the United States and is a major supplier of high-quality forged parts to customers in the automotive, commercial vehicle and ordnance markets. The high strength-to-weight properties of forged and cast aluminum make it particularly well-suited for automotive applications. The business unit's casting facility manufactures aluminum engine manifolds for the automobile, truck and marine markets.

In 1997, the engineered products business unit had 641 customers, the largest and top five of which accounted for approximately 8% and 18%, respectively, of the business unit's revenue. See "-Competition." Sales are made directly from plants, as well as marketing locations elsewhere in the United States.

Competition

Aluminum competes in many markets with steel, copper, glass, plastic, and other materials. In recent years, plastic containers have increased and glass containers have decreased their respective shares of the soft drink sector of the beverage container market. In the United States, beverage container materials, including aluminum, face increased competition from plastics as increased polyethylene terephthalate ("PET") container capacity is brought on line by plastics manufacturers. Within the aluminum business, KACC competes with both domestic and foreign producers of bauxite, alumina and primary aluminum, and with domestic and foreign fabricators. Many of KACC's competitors have greater financial resources than KACC. KACC's principal competitors in the sale of alumina include Alcoa Alumina & Chemicals L.L.C., Billiton Marketing and Trading BV, and Alcan Aluminium Limited. KACC competes with most aluminum producers in the sale of primary aluminum.

Primary aluminum and, to some degree, alumina are commodities with generally standard qualities, and competition in the sale of these commodities is based primarily upon price, quality and availability. KACC also competes with a wide range of domestic and international fabricators in the sale of fabricated aluminum products. Competition in the sale of fabricated products is based upon quality, availability, price and service, including delivery performance. KACC concentrates its fabricating operations on selected products in which it has production expertise, high-quality capability, and geographic and other competitive advantages. The Company believes that, assuming the current relationship between worldwide supply and demand for alumina and primary aluminum does not change materially, the loss of any one of KACC's customers, including intermediaries, would not have a material adverse effect on the Company's financial condition or results of operations.

Research and Development

KACC conducts research and development activities principally at two facilities - CFT in Pleasanton, California, and the Northwest Engineering Center adjacent to the Mead smelter in Washington. Net expenditures for company-sponsored research and development activities were $19.7 million in 1997, $20.5 million in 1996, and $18.5 million in 1995. KACC's research staff totaled 133 at December 31, 1997. KACC estimates that research and development net expenditures will be approximately $11.6 million in 1998.

CFT performs research and development across a range of aluminum process and product technologies to support KACC's business units and new business opportunities. It also selectively offers technical services to third parties. Significant efforts are directed at product and process technology for the aircraft, automotive, and can sheet markets, and aluminum reduction cell models which are applied to improving cell designs and operating conditions. The Northwest Engineering Center maintains specialized laboratories and a miniature carbon plant where experiments with new anode and cathode technology are performed. The Northwest Engineering Center supports KACC's primary aluminum smelters, and concentrates on the development of cost-effective technical innovations such as equipment and process improvements.

CFT and the Reno, Nevada, facility are continuing their efforts to implement the Micromill(TM) technology for the production of can sheet and other sheet products. See "-Production Operations - Fabricated Aluminum Products - Flat-Rolled Products."

KACC licenses its technology and sells technical and managerial assistance to other producers worldwide. KACC's technology has been installed in alumina refineries, aluminum smelters and rolling mills located in the United States, Jamaica, Sweden, Germany, Russia, India, Australia, Korea, New Zealand, Ghana, United Arab Emirates, Bahrain, Venezuela, Brazil, and the United Kingdom. KACC has technical services contracts with smelters in Wales, Africa, Europe, the Middle East, and India.

Employees

During 1997, KACC employed an average of 9,553 persons, compared with an average of 9,567 employees in 1996, and 9,546 employees in 1995. At December 31, 1997, KACC's work force was 9,597, including a domestic work force of 6,081, of whom 4,118 were paid at an hourly rate. Most hourly paid domestic employees are covered by collective bargaining agreements with various labor unions. Approximately 72% of such employees are covered by a master agreement (the "Labor Contract") with the United Steelworkers of America which expires September 30, 1998. The Labor Contract covers KACC's plants in Spokane (Trentwood and Mead) and Tacoma, Washington; Gramercy, Louisiana; and Newark, Ohio. The Company anticipates that the Labor Contract will be renegotiated during 1998.

The Labor Contract provides for base wages at all covered plants. In addition, workers covered by the Labor Contract may receive quarterly or more frequent bonus payments based on various indices of profitability, productivity, efficiency, and other aspects of specific plant or departmental performance, as well as, in certain cases, the price of alumina or primary aluminum. Pursuant to the Labor Contract, base wage rates were raised effective November 3, 1997, and an amount in respect of the cost of living adjustment under the previous master agreement has been phased into base wages. In the first half of 1998, KACC will acquire up to $4,000 per employee (80 shares) of preference stock held in a stock plan for the benefit of certain employees covered by the Labor Contract. KACC will make comparable acquisitions of preference stock held for the benefit of certain salaried employees.

Management considers KACC's employee relations to be satisfactory.

Environmental Matters

The Company and KACC are subject to a wide variety of international, federal, state and local environmental laws and regulations (the "Environmental Laws"). The Environmental Laws regulate, among other things, air and water emissions and discharges; the generation, storage, treatment, transportation, and disposal of solid and hazardous waste; the release of hazardous or toxic substances, pollutants and contaminants into the environment; and, in certain instances, the environmental condition of industrial property prior to transfer or sale. In addition, the Company and KACC are subject to various federal, state, and local workplace health and safety laws and regulations ("Health Laws").

From time to time, KACC is subject, with respect to its current and former operations, to fines or penalties assessed for alleged breaches of the Environmental and Health Laws and to claims and litigation brought by federal, state or local agencies and by private parties seeking remedial or other enforcement action under the Environmental and Health Laws or damages related to alleged injuries to health or to the environment, including claims with respect to certain waste disposal sites and the remediation of sites presently or formerly operated by KACC. KACC currently is subject to certain lawsuits under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("CERCLA"). See "Legal Proceedings." KACC, along with certain other entities, has been named as a Potentially Responsible Party ("PRP") for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA and, in certain instances, may be exposed to joint and several liability for those costs or damages to natural resources. KACC's Mead, Washington, facility has been listed on the National Priorities List under CERCLA. The Washington State Department of Ecology has advised KACC that there are several options for remediation at the Mead facility that would be acceptable to the Department. KACC expects that one of these remedial options will be agreed upon and incorporated into a Consent Decree. In addition, in connection with certain of its asset sales, KACC has agreed to indemnify the purchasers with respect to certain liabilities (and associated expenses) resulting from acts or omissions arising prior to such dispositions, including environmental liabilities.

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 December 31, 1997, the balance of such accruals, which are primarily included in Long-term liabilities, was $29.7 million. 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 to be performed. The Company expects remediation to occur over the next several years and estimates that annual expenditures to be charged to these environmental accruals will be approximately $3.0 million to $8.0 million per year for the years 1998 through 2002 and an aggregate of approximately $8.0 million thereafter. Cash expenditures of $5.6 million in 1997, $8.8 million in 1996, and $4.5 million in 1995 were charged to previously established accruals relating to environmental costs. Approximately $5.1 million is expected to be charged to such accruals in 1998.

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 $18.0 million. 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, the Company 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. In addition to cash expenditures charged to environmental accruals, environmental capital spending was $6.8 million in 1997, $18.4 million in 1996, and $9.2 million in 1995. Annual operating costs for pollution control, not including corporate overhead or depreciation, were approximately $27.5 million in 1997, $30.1 million in 1996, and $26.0 million in 1995. Legislative, regulatory and economic uncertainties make it difficult to project future spending for these purposes. However, the Company currently anticipates that in the 1998-1999 period, environmental capital spending will be within the range of approximately $5.0 million to $7.0 million per year, and operating costs for pollution control will be approximately $35.0 million per year.

KACC is a defendant 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 manufactured for at least 20 years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental and Asbestos Contingencies" in the Annual Report.

The portion of Note 9 of the Notes to Consolidated Financial Statements in the Annual Report under the headings "Environmental Contingencies" and "Asbestos Contingencies" is incorporated herein by reference.

ITEM 2. PROPERTIES

The locations and general character of the principal plants, mines, and other materially important physical properties relating to KACC's operations are described in "Business - The Company - Production Operations" and those descriptions are incorporated herein by reference. KACC owns in fee or leases all the real estate and facilities used in connection with its business. Plants and equipment and other facilities are generally in good condition and suitable for their intended uses, subject to changing environmental requirements. Although KACC's domestic aluminum smelters and alumina facility were initially designed early in KACC's history, they have been modified frequently over the years to incorporate technological advances in order to improve efficiency, increase capacity, and achieve energy savings. The Company believes that KACC's plants are cost competitive on an international basis.

KACC's obligations under the Credit Agreement entered into on February 15, 1994, as amended (the "Credit Agreement"), are secured by, among other things, mortgages on KACC's major domestic plants (other than the Gramercy alumina refinery and Nevada Micromill(TM)). See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financing Activities and Liquidity" and Note 5 of the Notes to Consolidated Financial Statements in the Annual Report.

ITEM 3. LEGAL PROCEEDINGS

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See Item 1, above, for cautionary information with respect to such forward-looking statements.

Aberdeen Pesticide Dumps Site Matter

The Aberdeen Pesticide Dumps Site, listed on the Superfund National Priorities List, is composed of five separate sites around the town of Aberdeen, North Carolina (collectively, the "Sites"). The Sites are of concern to the United States Environmental Protection Agency (the "EPA") because of their past use as either pesticide formulation facilities or pesticide disposal areas from approximately the mid-1930's through the late-1980's. The EPA issued unilateral Administrative Orders under Section 106(a) of CERCLA ordering the respondents, including KACC, to perform the soil remedial design and remedial action and groundwater remediation for three of the Sites. In March 1997, nine of the corporate respondents, including KACC, entered into a Settlement Agreement and Participation Agreement which allocates one hundred percent of all costs incurred or to be incurred at each of the Sites. Thereafter, the nine respondents entered into a Partial Consent Decree with the United States Department of Justice (the "DOJ") and the EPA regarding the work to be performed by the respondents and their responsibility for past and future response costs incurred by the United States. This Partial Consent Decree was lodged with the United States District Court in December 1997. Based on current estimates of future costs, the Company believes that KACC's aggregate financial exposure at these Sites is less that $2.0 million.

United States of America v. Kaiser Aluminum & Chemical Corporation

In February 1989, a civil action was filed by the DOJ at the request of the EPA against KACC in the United States District Court alleging that emissions from certain stacks at KACC's Trentwood facility in Spokane, Washington, intermittently violated the opacity standard contained in the Washington State Implementation Plan ("SIP"), approved by the EPA under the federal Clean Air Act. KACC and the EPA, without adjudication of any issue of fact or law, and without any admission of the violations alleged in the underlying complaint, have entered into a Consent Decree, which was approved by a Consent Order entered by the United States District Court for the Eastern District of Washington in January 1996. As approved, the Consent Decree settles the underlying disputes and requires KACC to (i) pay a $.5 million civil penalty (which penalty has been paid), (ii) complete a program of plant improvements and operational changes that began in 1990 at its Trentwood facility, including the installation of an emission control system to capture particulate emissions from certain furnaces, and (iii) achieve and maintain furnace compliance with the opacity standard in the Washington SIP. KACC has completed the installation of the emission control system. If the relevant furnaces continue to show compliance through July 15, 1998, KACC intends to request termination of the Consent Decree.

ITEM 3. LEGAL PROCEEDINGS (CONTINUED)

Hammons v. Alcan Aluminum Corp. et al

On March 5, 1996, a class action complaint was filed against the Company, Alcan Aluminum Corp., Aluminum Company of America, Alumax, Inc, Reynolds Metal Company, and the Aluminum Association in the Superior Court of California for the County of Los Angeles, alleging that the defendants conspired, in violation of the California Cartwright Act (Bus. & Prof. Code Section16720 & 16750), in conjunction with a Memorandum of Understanding ("MOU") entered into in 1994 by representatives of Australia, Canada, the European Union, Norway, the Russian Federation and the United States, to restrict the production of primary aluminum resulting in rises in prices for primary aluminum and aluminum products. The complaint seeks certification of a class consisting of persons who at any time between January 1, 1994, and the date of the complaint purchased aluminum or aluminum products manufactured by one or more of the defendants and estimates damages sustained by the class to be $4.4 billion during the year 1994, before trebling. Plaintiff's counsel has estimated damages to be $4.4 billion per year for each of the two years the MOU was active, which when trebled equals $26.4 billion. On April 2, 1996, the case was removed to the United States District Court for the Central District of California. On July 11, 1996, the Court granted summary judgment in favor of the Company and other defendants and dismissed the complaint as to all defendants. On July 18, 1996, the plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. On December 11, 1997, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the District Court. On December 23, 1997, the plaintiff filed a petition for rehearing en banc.

Asbestos-related Litigation

KACC is a defendant 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 manufactured for at least 20 years. Subsequent to December 31, 1997, KACC reached agreements settling approximately 25,000 of the pending asbestos-related claims. Also, subsequent to year-end 1997, KACC reached agreements on asbestos-related coverage matters with two insurance carriers under which KACC collected a total of approximately $17.5 million. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental and Asbestos Contingencies" in the Annual Report. The portion of Note 9 of the Notes to Consolidated Financial Statements in the Annual Report under the heading "Asbestos Contingencies" is incorporated herein by reference.

Other Matters

Various other lawsuits and claims are pending against KACC. 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 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders of the Company during the fourth quarter of 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange under the symbol "KLU". The number of record holders of the Company's Common Stock at March 17, 1998, was 349. Page 51 of the Annual Report, and the information in Note 5 of the Notes to Consolidated Financial Statements under the heading "Loan Covenants and Restrictions" at page 33 of the Annual Report, are incorporated herein by reference. The Company has not paid any dividends on its Common Stock during the two most recent fiscal years.

The Credit Agreement (Exhibits 4.12 through 4.24 to this Report) contains restrictions on the ability of the Company to pay dividends on or make distributions on account of the Company's Common Stock, and the Credit Agreement and the Indentures (Exhibits 4.1 through 4.11 to this Report) contain restrictions on the ability of the Company's subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. Exhibits 4.1 through 4.24 to this Report, Note 5 of the Notes to Consolidated Financial Statements at pages 32-33 of the Annual Report, and the information under the headings "Financing Activities and Liquidity" and "Capital Structure" at page 20 of the Annual Report, are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is incorporated herein by reference to the table at page 1 of this Report, to the table at page 14 of the Annual Report, to Note 1 of the Notes to Consolidated Financial Statements at pages 27-29 of the Annual Report, and to pages 49-50 of the Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pages 14-22 of the Annual Report are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 23-48 and page 51 of the Annual Report are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Information required under PART III (Items 10, 11, 12, and 13) has been omitted from this Report since the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement pursuant to Regulation 14A which involves the election of directors, and such information is incorporated by reference from such definitive proxy statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

1. Financial Statements

The Consolidated Financial Statements of the Company, the Notes to Consolidated Financial Statements, the Report of Independent Public Accountants, and Quarterly Financial Data are included on pages 23-48 and 51 of the Annual Report.

2. Financial Statement Schedules   Page

Report of Independent Public Accountants 14

Schedule I
Condensed Balance Sheets - Parent Company,
Condensed Statements of Income - Parent Company,
Condensed Statements of Cash Flows - Parent Company,
and Notes to Condensed Financial Statements - Parent
Company 15-18

All other schedules are inapplicable or the required information is included in the Consolidated Financial Statements or the Notes thereto.

3. Exhibits

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 20), which index is incorporated herein by reference.

(b) REPORTS ON FORM 8-K

No Report on Form 8-K was filed by the Company during the last quarter of the period covered by this Report.

(c) EXHIBITS

Reference is made to the Index of Exhibits immediately preceding the exhibits hereto (beginning on page 20), which index is incorporated herein by reference.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards, the financial statements included in Kaiser Aluminum Corporation and Subsidiary Companies' annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 16, 1998. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I listed in the index at Item 14(a)2. above is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Houston, Texas
February 16, 1998

SCHEDULE I
CONDENSED BALANCE SHEETS - PARENT COMPANY

(In millions of dollars, except share amounts)

	December 31, 1997	December 31, 1996
ASSETS		
Current assets:		

	1997	1996
Note receivable from KACC	$ -	$ 8.6
Total current assets	-	8.6
Investment in KACC	1,802.8	1,641.2
Total	$ 1,802.8	$ 1,649.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 3.2	$ 2.4
Intercompany note payable to KACC, including accrued interest	1,682.6	1,578.1
Stockholders' equity:		
PRIDES Convertible, par value $.05, issued and outstanding, 8,673,850 in 1996	-	.4
Common stock, par value $.01, authorized 100,000,000 shares: issued and outstanding 78,980,881 and 71,646,789 in 1997 and 1996	.8	.7
Additional capital	533.8	531.1
Accumulated deficit	(417.6)	(460.1)
Additional minimum pension liability	-	(2.8)
Total stockholders' equity	117.0	69.3
Total	$ 1,802.8	$ 1,649.8

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

SCHEDULE I
CONDENSED STATEMENTS OF INCOME - PARENT COMPANY

(In millions of dollars)

	December 31,		
	1997	1996	1995
Equity in income of KACC	$ 154.2	$ 108.7	$ 152.8
Administrative and general expenses	(1.7)	(2.2)	(.4)
Interest expense	(104.5)	(98.3)	(92.1)
Net income	$ 48.0	$ 8.2	$ 60.3

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

SCHEDULE I
CONDENSED STATEMENTS OF CASH FLOWS - PARENT COMPANY

(In millions of dollars)

	December 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income	$ 48.0	$ 8.2	$ 60.3
Adjustments to reconcile net income to net cash used for operating activities:			

Equity in income of KACC	(154.2)	(108.7)	(152.8)
Accrued interest on intercompany note payable to KACC	104.5	98.3	92.1
Increase (decrease) in current liabilities	1.6	(.9)	.2
Net cash used for operating activities	(.1)	(3.1)	(.2)
Cash flows from investing activities:			
Investment in KACC	(.3)	(.1)	(1.2)
Net cash used for investing activities	(.3)	(.1)	(1.2)
Cash flows from financing activities:			
Dividends paid	(4.2)	(10.5)	(20.8)
Capital stock issued	.4	.1	1.2
Intercompany note issued by KACC - net	4.2	13.4	15.5
Net cash provided by (used for) financing activities	.4	3.0	(4.1)
Net (decrease) increase in cash and cash equivalents during the year	-	(.2)	(5.5)
Cash and cash equivalents at beginning of year	-	.2	5.7
Cash and cash equivalents at end of year	$ -	$ -	$ .2
Supplemental disclosure of non-cash investing activities:			
Non-cash investment in KACC	$ 4.4	-	$ 9.9

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

SCHEDULE I

NOTES TO CONDENSED FINANCIAL STATEMENTS - PARENT COMPANY

1. BASIS OF PRESENTATION

Kaiser Aluminum Corporation (the " Company") is a holding company and conducts its operations through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), which is reported herein using the equity method of accounting. The accompanying parent company condensed financial statements of the Company should be read in conjunction with the 1997 consolidated financial statements of Kaiser Aluminum Corporation and Subsidiary Companies ("Kaiser").

2. INTERCOMPANY NOTE PAYABLE

The Intercompany Note to KACC, as amended, provides for a fixed interest rate of 6-5/8%. No interest or principal payments are due until December 31, 2000, after which interest and principal will be payable over a 15-year term pursuant to a predetermined schedule.

3. RESTRICTED NET ASSETS

The investment in KACC is substantially unavailable to the Company pursuant to the terms of certain debt instruments. The obligations of KACC in respect of the credit facilities under the Credit Agreement are guaranteed by the Company and substantially by all significant subsidiaries of KACC. See Note 5 of the Notes to Kaiser's Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

KAISER ALUMINUM CORPORATION

Date: March 26, 1998 By George T. Haymaker, Jr.

George T. Haymaker, Jr.
Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 26, 1998	George T. Haymaker, Jr. George T. Haymaker, Jr. Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: March 26, 1998	John T. La Duc John T. La Duc Vice President and Chief Financial Officer (Principal Financial Officer)
Date: March 26, 1998	Daniel D. Maddox Daniel D. Maddox Controller - Corporate Consolidation and Reporting (Principal Accounting Officer)
Date: March 26, 1998	Robert J. Cruikshank Robert J. Cruikshank Director
Date: March 26, 1998	Charles E. Hurwitz Charles E. Hurwitz Director
Date: March 26, 1998	Ezra G. Levin Ezra G. Levin Director
Date: March 26, 1998	Robert Marcus Robert Marcus Director
Date: March 26, 1998	Robert J. Petris Robert J. Petris Director

INDEX OF EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Kaiser Aluminum Corporation (the "Company" or "KAC"), dated February 21, 1991 (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1, dated June 11, 1991, filed by KAC, Registration No. 33-37895).
3.2	Certificate of Retirement of KAC, dated October 24, 1995 (incorporated by reference to Exhibit 3.2 to the Report on Form 10-K for the period ended December 31, 1995, filed by

KAC, File No. 1-9447).

*3.3 Certificate of Retirement of Kaiser Aluminum Corporation, dated February 12, 1998.

3.4 Amended and Restated By-Laws of Kaiser Aluminum Corporation, dated October 1, 1997 (incorporated by reference to Exhibit 3.3 to the Report on Form 10-Q for the quarterly period ended September 30, 1997, filed by KAC, File No. 1-9447).

4.1 Indenture, dated as of February 1, 1993, among Kaiser Aluminum & Chemical Corporation ("KACC"), as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., and Kaiser Jamaica Corporation, as Subsidiary Guarantors, and The First National Bank of Boston, as Trustee, regarding KACC's 12-3/4% Senior Subordinated Notes Due 2003 (incorporated by reference to Exhibit 4.1 to Form 10-K for the period ended December 31, 1992, filed by KACC, File No. 1-3605).

4.2 First Supplemental Indenture, dated as of May 1, 1993, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).

4.3 Second Supplemental Indenture, dated as of February 1, 1996, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).

4.4 Third Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of February 1, 1993 (incorporated by reference to Exhibit 4.1 to the report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).

4.5 Indenture, dated as of February 17, 1994, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, and Kaiser Finance Corporation, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 9-7/8% Senior Notes Due 2002 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

4.6 First Supplemental Indenture, dated as of February 1, 1996, to the Indenture, dated as of February 17, 1994 (incorporated by reference to Exhibit 4.5 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).

4.7 Second Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of February 17, 1994 (incorporated by reference to Exhibit 4.2 to the report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).

4.8 Indenture, dated as of October 23, 1996, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, Kaiser Finance Corporation, Kaiser Micromill Holdings, LLC, Kaiser Sierra Micromills, LLC, Kaiser Texas Micromill Holdings, LLC and Kaiser Texas Sierra Micromills, LLC, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 10-7/8% Series B Senior Notes Due 2006 (incorporated by reference to Exhibit 4.2 to the Report on Form 10-Q for the quarterly period ended September 30, 1996, filed by KAC, File No. 1-9447).

Exhibit Number	Description

4.9 First Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of October 23, 1996 (incorporated by reference to Exhibit 4.3 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).

4.10 Indenture, dated as of December 23, 1996, among KACC, as Issuer, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc., Kaiser Jamaica Corporation, Kaiser Finance Corporation, Kaiser Micromill Holdings, LLC, Kaiser Sierra Micromills, LLC, Kaiser Texas Micromill Holdings, LLC, and Kaiser Texas Sierra Micromills, LLC, as Subsidiary Guarantors, and First Trust National Association, as Trustee, regarding KACC's 10 7/8% Series D Senior Notes due 2006 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4, dated January 2, 1997, filed by KACC, Registration No. 333-19143).

4.11 First Supplemental Indenture, dated as of July 15, 1997, to the Indenture, dated as of December 23, 1996 (incorporated by reference to Exhibit 4.4 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).

4.12 Credit Agreement, dated as of February 15, 1994, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.4 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

4.13 First Amendment to Credit Agreement, dated as of July 21, 1994, amending the Credit Agreement, dated as of February 15, 1994, among KAC, KACC, the financial institutions party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1994, filed by KAC, File No. 1-9447).

4.14 Second Amendment to Credit Agreement, dated as of March 10, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.6 to the Report on Form 10-K for the period ended December 31, 1994, filed by KAC, File No. 1-9447).

4.15 Third Amendment to Credit Agreement, dated as of July 20, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1995, filed by KAC, File No. 1-9447).

4.16 Fourth Amendment to Credit Agreement, dated as of October 17, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended September 30, 1995, filed by KAC, File No. 1-9447).

4.17 Fifth Amendment to Credit Agreement, dated as of December 11, 1995, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.11 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).

4.18 Sixth Amendment to Credit Agreement, dated as of October 1, 1996, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 10-Q for the quarterly period ended September 30, 1996, filed by KAC, File No. 1-9447).

Exhibit Number	Description
4.19	Seventh Amendment to Credit Agreement, dated as of December 17, 1996, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KAC, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.18 to the Registration Statement on Form S-4, dated January 2, 1997, filed by KACC, Registration No. 333-19143).
4.20	Eighth Amendment to Credit Agreement, dated as of February 24, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, Kaiser, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.16 to the Report on Form 10-K for the period ended December 31, 1996, filed by KAC, File No. 1-9447).
4.21	Ninth Amendment to Credit Agreement, dated as of April 21, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, KAC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.5 to the Report on From 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.22	Tenth amendment to Credit Agreement, dated as of June 25, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, KAC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.6 to the Report on Form 10-Q for the quarterly period ended June 30, 1997, filed by KAC, File No. 1-9447).
4.23	Eleventh Amendment to Credit Agreement, dated as of October 20, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, KAC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent (incorporated by reference to Exhibit 4.7 to the Report on Form 10-Q for the quarterly period ended September 30, 1997, filed by KAC, File No. 1-9447).
*4.24	Twelfth Amendment to Credit Agreement, dated as of January 13, 1998, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, KAC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent.
4.25	Intercompany Note between KAC and KACC (incorporated by reference to Exhibit 10.11 to the Report on Form 10-K for the period ended December 31, 1996, filed by MAXXAM Inc. ("MAXXAM"), File No. 1-3924).
4.26	Confirmation of Amendment of Non-Negotiable Intercompany Note, dated as of October 6, 1993, between KAC and KACC (incorporated by reference to Exhibit 10.12 to the Report on Form 10-K for the period ended

December 31, 1996, filed by MAXXAM, File No. 1-3924).

4.27 Senior Subordinated Intercompany Note between KAC and KACC dated February 15, 1994 (incorporated by reference to Exhibit 4.22 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

4.28 Senior Subordinated Intercompany Note between KAC and KACC dated March 17, 1994 (incorporated by reference to Exhibit 4.23 to the Report on Form 10-K for the period ended December 31, 1993, filed by KAC, File No. 1-9447).

KAC has not filed certain long-term debt instruments not being registered with the Securities and Exchange Commission where the total amount of indebtedness authorized under any such instrument does not exceed 10% of the total assets of KAC and its subsidiaries on a consolidated basis. KAC agrees and undertakes to furnish a copy of any such instrument to the Securities and Exchange Commission upon its request.

10.1 Form of indemnification agreement with officers and directors (incorporated by reference to Exhibit (10)(b) to the Registration Statement of KAC on Form S-4, File No. 33-12836).

Exhibit Number	Description

10.2 Tax Allocation Agreement, dated as of December 21, 1989, between MAXXAM and KACC (incorporated by reference to Exhibit 10.21 to Amendment No. 6 to the Registration Statement on Form S-1, dated December 14, 1989, filed by KACC, Registration No. 33-30645).

10.3 Tax Allocation Agreement, dated as of February 26, 1991, between KAC and MAXXAM (incorporated by reference to Exhibit 10.23 to Amendment No. 2 to the Registration Statement on Form S-1, dated June 11, 1991, filed by KAC, Registration No. 33-37895).

10.4 Tax Allocation Agreement, dated as of June 30, 1993, between KACC and KAC (incorporated by reference to Exhibit 10.3 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).

Executive Compensation Plans and Arrangements
[Exhibits 10.5 - 10.14, inclusive]

10.5 KACC's Bonus Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 6 to the Registration Statement on Form S-1, dated December 14, 1989, filed by KACC, Registration No. 33-30645).

10.6 Kaiser 1993 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended June 30, 1993, filed by KACC, File No. 1-3605).

10.7 Kaiser 1995 Employee Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q for the quarterly period ended March 31, 1995, filed by KAC, File No. 1-9447).

10.8 Kaiser 1995 Executive Incentive Compensation Program (incorporated by reference to Exhibit 99 to the Proxy Statement, dated April 26, 1995, filed by KAC, File No. 1-9447).

10.9 Kaiser 1997 Omnibus Stock Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement, dated April 29, 1997, filed by KAC, File No. 1-9447).

10.10 Employment Agreement, dated April 1, 1993, among KAC, KACC, and George T. Haymaker, Jr. (incorporated by reference to Exhibit 10.2 to the Report on Form 10-Q for the quarterly period ended March 31, 1993, filed by KAC, File No. 1-9447).

10.11 First Amendment to Employment Agreement by and between KACC, KAC and George T. Haymaker, Jr. (incorporated by reference to Exhibit 10 to the Report on Form 10-Q for the quarterly period ended June 30, 1996, filed by KAC, File No. 1-9447).

*10.12 Second Amendment to Employment Agreement, dated as of December 10, 1997, by and between KAC, KACC, and George T. Haymaker, Jr.

10.13 Letter Agreement, dated January 1995, between KAC and Charles E. Hurwitz, granting Mr. Hurwitz stock options under the Kaiser 1993 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.17 to the Report on Form 10-K for the period ended December 31, 1994, filed by KAC, File No. 1-9447).

10.14 Form of letter agreement with persons granted stock options under the Kaiser 1993 Omnibus Stock Incentive Plan to acquire shares of KAC Common Stock (incorporated by reference to Exhibit 10.18 to the Report on Form 10-K for the period ended December 31, 1994, filed by KAC, File No. 1-9447).

*13 The portions of KAC's Annual Report to shareholders for the year ended December 31, 1997, which are incorporated by reference into this Report.

Exhibit Number	Description
*21	Significant Subsidiaries of KAC.
*23.1	Consent of Independent Public Accountants.
*23.2	Consent of Wharton Levin Ehrmantraut Klein & Nash, P.A.
*23.3	Consent of Thelen, Marrin, Johnson & Bridges LLP.
*27	Financial Data Schedule.

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* Filed herewith

Exhibit 21

SUBSIDIARIES

Listed below are the principal subsidiaries of Kaiser Aluminum Corporation, the jurisdiction of their incorporation or organization, and the names under which such subsidiaries do business. Certain subsidiaries are omitted which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Name	Place of Incorporation or Organization
Alpart Jamaica Inc.	Delaware
Alumina Partners of Jamaica (partnership)	Delaware

Anglesey Aluminium Limited	United Kingdom
Kaiser Alumina Australia Corporation	Delaware
Kaiser Aluminium International, Inc.	Delaware
Kaiser Aluminum & Chemical Corporation	Delaware
Kaiser Aluminum & Chemical of Canada Limited	Ontario
Kaiser Bauxite Company	Nevada
Kaiser Finance Corporation	Delaware
Kaiser Jamaica Bauxite Company (partnership)	Jamaica
Kaiser Jamaica Corporation	Delaware
Queensland Alumina Limited	Queensland
Volta Aluminium Company Limited	Ghana

Principal Domestic Operations (Partial List)

California
- Los Angeles (City of Commerce)
  - Engineered Products
- Los Angeles (Santa Fe Springs)
  - Engineered Products Fabricating
- Oxnard
  - Engineered Products
- Pleasanton
  - R&D at the Center for Technology, Administrative Offices

Florida
- Mulberry
  - Sodium Silicofluoride, Potassium Silicofluoride

Louisiana
- Baton Rouge
  - Environmental Offices
- Gramercy
  - Alumina

Michigan
- Detroit (Southfield)
  - Automotive Product Development and Sales

Nevada
- Reno
  - Micromill(TM)

Ohio
- Canton
  - Engineered Products
- Cuyahoga Falls (50%)
  - Engineered Products
- Newark
  - Engineered

Oklahoma
- Tulsa
  - Engineered Products

Pennsylvania
- Erie (50%)
  - Engineered Products

South Carolina
- Greenwood
  - Engineered Products
- Greenwood
  - Engineered Products Machine Shop

Tennessee
- Jackson
  - Engineered Products

Texas
- Houston
  - Kaiser Aluminum Corporation Headquarters
- Sherman
  - Engineered Products

Virginia
- Richmond
  - Engineered Products

Washington
- Mead
  - Primary Aluminum, Northwest Engineering Center
- Richland
  - Engineered Products
- Tacoma
  - Primary Aluminum
- Trentwood
  - Flat-Rolled Products

	Products	
Principal Worldwide Operations (Partial List)	**Australia** Queensland Alumina Limited (28.3%) Alumina **Canada** Kaiser Aluminum & Chemical of Canada Limited (100%) Engineered Products **Ghana** Volta Aluminium Company Limited (90%) Primary Aluminum	**Jamaica** Alumina Partners of Jamaica (65%) Bauxite, Alumina Kaiser Jamaica Bauxite Company (49%) Bauxite **Russia** Kaiser Aluminium Russia, Inc. (100%) International Business Development **Wales, United Kingdom** Anglesey Aluminium Limited (49%) Primary Aluminum

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Kaiser Aluminum Corporation ("Kaiser" or the "Company"), through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), operates in two business segments: bauxite and alumina, and aluminum processing. 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 facilities. Intracompany shipments and sales are excluded from the information set forth in the table below. The table below provides selected operational and financial information on a consolidated basis with respect to the Company for the years ended December 31, 1997, 1996, and 1995. The following should be read in conjunction with the Company's consolidated financial statements and the notes thereto, contained elsewhere herein.

	Year Ended December 31,		
(In millions of dollars, except shipments and prices)	1997	1996	1995
Shipments: (000 tons) (1)			
Alumina	1,929.8	2,073.7	2,040.1
Aluminum products:			
Primary aluminum	327.9	355.6	271.7
Fabricated aluminum products	400.0	327.1	368.2
Total aluminum products	727.9	682.7	639.9
Average realized sales price:			
Alumina (per ton)	$ 198	$ 195	$ 208
Primary aluminum (per pound)	.75	.69	.81
Net sales:			
Bauxite and alumina:			
Alumina	$ 382.1	$ 404.1	$ 424.8
Other (2)(3)	106.5	103.9	89.4
Total bauxite and alumina	488.6	508.0	514.2
Aluminum processing:			
Primary aluminum	543.4	538.3	488.0
Fabricated aluminum products	1,324.3	1,130.4	1,218.6
Other (3)	16.9	13.8	17.0
Total aluminum processing	1,884.6	1,682.5	1,723.6
Total net sales	$ 2,373.2	$ 2,190.5	$ 2,237.8
Operating income (loss):			
Bauxite and alumina	$ 20.0	$ 1.1	$ 54.0
Aluminum processing (4)	222.6	156.5	238.9
Corporate (4)	(74.6)	(59.8)	(82.3)
Total operating income	$ 168.0	$ 97.8	$ 210.6
Net income	$ 48.0	$ 8.2	$ 60.3
Capital expenditures	$ 128.5	$ 161.5	$ 88.4

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(1) All references to tons refer to metric tons of 2,204.6 pounds.
(2) Includes net sales of bauxite.
(3) Includes the portion of net sales attributable to minority interests in consolidated subsidiaries.
(4) Includes pre-tax charges of $15.1 for the Aluminum processing segment and $4.6 for the Corporate segment recorded in the quarter ended June 30, 1997, related to restructuring of operations.

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 "Overview," "Recent Events and Developments," "Results of Operations," "Liquidity and Capital Resources" and "Other Matters"). 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 the Company's Annual Report on Form 10-K each identify other factors that could cause such differences. 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.

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 1 and 10 of the Notes to Consolidated Financial Statements for a discussion of KACC's hedging activities.

During the first eleven months of 1997, the Average Midwest United States transaction price ("AMT Price") for primary aluminum remained relatively stable generally in the $.75 - $.80 per pound range. During December of 1997, the AMT Price fell to the $.70 - $.75 per pound range. However, the average 1997 AMT Price compared favorably to the average 1996 AMT Price which remained fairly stable generally in the $.70 - $.75 range through June and then declined during the second half of the year, reaching a low of approximately $.65 per pound for October 1996, before recovering late in the year. The AMT Price for 1995 was generally in the $.80 - $.90 per pound range. For the week ended February 20, 1998, the AMT Price was $.70 per pound.

RECENT EVENTS AND DEVELOPMENTS

The Company has previously disclosed that it set a goal of achieving $120.0 million of pre-tax cost reductions and other profit improvements, independent of metal price changes, with the full effect planned to be realized in 1998 and beyond, measured against 1996 results. Management believes that recent operating performance has been at a rate which indicates that approximately half of the desired profit improvement was achieved at year-end 1997 and that the remainder should be achieved in the second half of 1998. However, there are inherent uncertainties regarding operating factors and economic and other external forces (such as the Valco power situation discussed below), many of which are outside management's direct control, and, as such, no assurances can be given that the desired benefit of profit improvements will be achieved.

In addition to working to improve the performance of the Company's existing assets, the Company has expended significant efforts on analyzing its current asset portfolio with the intent of focusing its efforts and capital in sectors of the industry that are considered most attractive. The initial steps of this process resulted in the Company recording a $19.7 million pre-tax restructuring charge during June 1997 related to the closing and rationalization of certain businesses and facilities. Additionally, this process led to the Company's acquisition of the Bellwood aluminum extrusion plant in Richmond, Virginia. See Notes 3 and 4 of the Notes to Consolidated Financial Statements.

As discussed more fully in Note 9 of the Notes to Consolidated Financial Statements, at December 31, 1997, there were approximately 77,400 claims pending against KACC pertaining to asbestos-related matters and the Company had accrued approximately $158.8 million related to the litigation and settlement of these claims and estimated future claims. Subsequent to December 31, 1997, KACC reached agreements settling approximately 25,000 of the pending asbestos-related claims. Also, subsequent to year-end 1997, KACC reached agreements on asbestos related coverage matters with two insurance carriers under which the Company will collect a total of approximately $17.5 million during the first quarter of 1998.

The insurance recoveries will reduce the approximately $134.0 million of asbestos related receivable accrued at December 31, 1997. As the amounts related to the claim settlements and insurance recoveries were consistent with the Company's year-end 1997 accrual assumptions, these events are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

The Company has previously disclosed that the Volta River Authority ("VRA") would partially reduce its electric power allocation to the Company's 90%-owned Volta Aluminium Company Limited ("Valco") smelter facility in Ghana in January 1998 and that Valco expected to operate approximately three potlines at the facility in 1998 as compared to the four potlines operated throughout 1997. During February 1998, Valco and the VRA reached an agreement whereby Valco agreed to receive compensation in lieu of the power necessary to run one of the three remaining operating potlines, effective February 25, 1998. Compensation under the agreement is expected to substantially offset the financial impact of the curtailment. As previously disclosed Valco has notified the VRA that it believes it has contractual rights to sufficient energy to run four and one-half potlines in 1998 and Valco continues to seek compensation from the VRA with respect to the January 1998, reduction of its power allocation. Valco and the VRA also are in continuing discussions concerning other matters, including steps that might be taken to reduce the likelihood of such power curtailments beyond 1998. No assurances can be given, however, as to the success of these discussions, the possibility of requests by the VRA for additional curtailments, or the operating level of Valco for the remainder of 1998 or beyond. Valco intends to pursue its legal rights in respect of reduced power allocation and compensation in respect of such reductions.

RESULTS OF OPERATIONS

1997 AS COMPARED TO 1996

Summary - The Company reported net income of $48.0 million, or $.57 per common share, for 1997 compared to net income of $8.2 million, or $.00 per common share, for 1996. Net sales in 1997 totaled $2,373.2 million compared to $2,190.5 million in 1996.

Net income for 1997 includes the effect of certain non-recurring items, including a $19.7 million pre-tax restructuring charge (discussed above), an approximate $12.5 million non-cash tax benefit related to settlement of certain tax matters, and a $5.8 million pre-tax charge related to additional litigation reserves.

Bauxite and Alumina - Net segment sales decreased by 4% in 1997 as a 7% decline in alumina shipments more than offset a 2% increase in average realized alumina prices. Shipment volumes were down as compared to 1996 as a result of the timing of shipments and a slight increase in internal transfers. Segment operating income improved substantially from 1996 to 1997 despite the reduced level of shipments and certain increased costs in part resulting from a slowdown at the Company's 49%-owned Kaiser Jamaican Bauxite Company, prior to the signing of a new labor contract in December 1997, primarily due to lower overall operating costs.

Aluminum Processing - Net sales of primary aluminum in 1997 approximated 1996 net sales figures as a 10% increase in average realized prices offset an 8% decrease in primary aluminum shipments. Net sales of fabricated aluminum products for 1997 were up 17% as compared to 1996 as a 22% increase in shipments more than offset a 4% decrease in average realized prices. The increase in fabricated aluminum product shipments over 1996 was primarily the result of the Company's June 1997 acquisition of an extrusion facility in Richmond, Virginia, and to a lesser extent the result of increased international shipments of can sheet and increased shipments of heat-treated products.

The aluminum processing segment's operating income improved substantially in 1997 as a result of the increases in average realized prices for primary aluminum and shipments of fabricated aluminum product cited above. Additionally, reduced power, raw material and supply costs and improved operating efficiencies also contributed to the improvement in segment operating income. Included in the segment's operating income for the quarter and year ended December 31, 1997, was approximately $2.8 million and $10.3 million of operating income realized during the periods, related to the settlement of certain energy service contract issues. Operating income for the year ended December 31, 1997, also included a $15.1 million second quarter pre-tax charge resulting from the restructuring of operations.

Corporate - Corporate operating expenses represent corporate general and administrative expenses which are not allocated to the Company's business segments. Operating results for 1997 included a second quarter pre-tax charge of approximately $4.6 million associated with the Company's restructuring of operations. Corporate operating expenses for the year ended December 31, 1997, also include consulting and other costs associated with the Company's ongoing profit improvement program and portfolio review initiatives.

1996 AS COMPARED TO 1995

Summary - For the year ended December 31, 1996, the Company's net income was $8.2 million, or $.00 per common share, compared to net income of $60.3 million, or $.69 per common share, in 1995. Net sales for 1996 were $2,190.5 million, compared to $2,237.8 million in 1995. Results for the year ended December 31, 1996, included an after tax benefit of approximately $17.0 million resulting from settlements of certain tax matters in December 1996. Excluding the impact of these non-recurring items, the Company would have reported a net loss for the year ended December 31, 1996.

Results for the year ended December 31, 1996, reflected the substantial reduction in market prices for primary aluminum more fully discussed above. Alumina prices, which are significantly influenced by changes in primary aluminum prices, also declined from period to period. The decrease in product prices more than offset the positive impact of increases in shipments in several segments of the Company's business, as more fully discussed below. Results for 1996 also included approximately $20.5 million in research and development expenses and other costs related to the Company's new Micromill facility as well as additional expenses related to other strategic initiatives.

Results for 1995 included approximately $17.0 million of first quarter 1995 pre-tax expenses associated with an eight-day strike at five major U.S. locations, a six-day strike at the Company's 65% owned Alumina Partners of Jamaica ("Alpart") bauxite mining and alumina refinery in Jamaica, and a four-day disruption of alumina production at Alpart caused by a boiler failure.

Bauxite and Alumina - Net segment sales for 1996 were basically unchanged from 1995 as a nominal decline in the average realized price of alumina was offset by a modest increase in alumina shipments. The reduction in prices realized reflected the substantial decline in primary aluminum prices experienced in 1996 discussed above.

Operating income for this segment of the Company's business declined significantly from prior year periods as a result of reduced gross margins from alumina sales resulting from the previously discussed price declines and increased natural gas costs at the Company's Gramercy, Louisiana, alumina refinery. Operating income for the year ended December 31, 1996, was also unfavorably impacted by high operating costs associated with disruptions in the power supply at the Company's Alpart alumina refinery during the first nine months of 1996, higher manufacturing costs resulting from higher market prices for fuel and caustic soda, and a temporary raw material quality problem experienced at the Company's Gramercy facility during the second quarter of 1996.

Aluminum Processing - An increase in primary aluminum shipments in 1996 of 31% more than offset a 15% decline in the average realized price for primary aluminum from period to period. The increase in shipments during the year ended December 31, 1996, was the result of increased shipments of primary aluminum to third parties as a result of a decline in intracompany transfers.

Net sales of fabricated aluminum products were down 7% for the year ended December 31, 1996, as compared to the prior year as a result of a decrease in shipments (primarily related to can sheet activities) resulting from reduced growth in demand and the reduction of customer inventories. The impact of reduced product shipments was to a limited degree offset by a 4% increase in the average realized price from the sale of fabricated aluminum products, resulting primarily from a shift in product mix to higher value added products.

Operating income for the aluminum processing segment for 1996 was also impacted by approximately $5.6 million of scheduled non-recurring maintenance costs at the Company's Trentwood, Washington, rolling mill facility in the fourth quarter of 1996, offset by $11.5 million ($7.2 on an after-tax basis) of reduced operating costs resulting from the non-cash settlement in December 1996 of certain tax matters.

Corporate - A substantial portion of the 1996 reduction in operating losses of the corporate segment as compared to 1995 was due to reduced incentive compensation accruals resulting from the decline in earnings from the prior year period. Reduced post employment benefit plan and pension plan costs also contributed to the 1996 reduction.

LIQUIDITY AND CAPITAL RESOURCES

See Note 5 of the Notes to Consolidated Financial Statements for a listing of the Company's indebtedness and information concerning certain restrictive debt covenants.

OPERATING ACTIVITIES

Cash provided by operating activities was $45.0, $21.9 and $118.7 million in 1997, 1996 and 1995, respectively. The improvement in cash flows from operating activities between 1996 and 1997 was primarily due to higher earnings resulting from increased product prices and increased sales of fabricated products partially offset by increased investment in working capital. The reduction in cash generated by operating activities from 1995 to 1996 was primarily due to lower earnings resulting from the reduction in prices realized by the Company from the sale of primary aluminum and alumina.

At December 31, 1997, the Company had working capital of $451.5 million, compared with working capital of $414.3 million at

December 31, 1996. The increase in working capital in 1997 was due primarily to an increase in Receivables, offset by a reduction in Cash and cash equivalents.

INVESTING ACTIVITIES
Total consolidated capital expenditures were $128.5, $161.5 and $88.4 million in 1997, 1996 and 1995, respectively (of which $6.6, $7.4, and $8.3 million were funded by the minority partners in certain foreign joint ventures in 1997, 1996, and 1995, respectively), and were made primarily to construct or acquire new facilities, improve production efficiency, reduce operating costs, and expand capacity at existing facilities. Total consolidated capital expenditures are currently expected to be between $75.0 and $125.0 million per annum in each of 1998 through 2000 (of which approximately 8% is expected to be funded by the Company's minority partners in certain foreign joint ventures).

A substantial portion of the increase in capital expenditures in 1996 over the 1995 level was attributable to the development and construction of the Company's proprietary Micromill(TM) technology for the production of can sheet and other sheet products from molten metal. The first Micromill(TM) facility, which was constructed in Nevada during 1996 as a demonstration and production facility, remained in a start-up mode throughout 1997. During January of 1998, the facility commenced trial product shipments to customers. The Company currently anticipates that commercial deliveries from the facility will commence during the first quarter of 1998. However, the Micromill(TM) technology has not yet been fully implemented or commercialized and there can be no assurances that full implementation or commercialization will be successful.

During October 1997, a joint decision was made by a KACC subsidiary and its joint venture partner to terminate and dissolve the Sino-foreign aluminum joint venture formed in 1995. In January 1998, the KACC subsidiary reached an agreement to sell its interests in the venture to its partner. The terms of the agreement are subject to certain governmental approvals by officials of the People's Republic of China. This transaction will not have a material effect on the Company's results of operations or financial position.

Management continues to evaluate numerous projects, all of which would require substantial capital, both in the United States and overseas.

FINANCING ACTIVITIES AND LIQUIDITY
The Company and KACC have a credit agreement (as amended, the "Credit Agreement") under which KACC is able to borrow by means of revolving credit advances and letters of credit (up to $125.0 million) an aggregate amount equal to the lesser of $325.0 million or a borrowing base relating to eligible accounts receivable and eligible inventory. During January 1998, the maturity of the Credit Agreement was extended from February 1999 to August 2001. The Credit Agreement is guaranteed by the Company and by certain significant subsidiaries of KACC. The Credit Agreement also requires KACC to maintain certain financial covenants, places significant restrictions on the Company and KACC and is secured by a substantial majority of the Company's and KACC's assets. KACC's public indebtedness also include various restrictions and a repurchase obligation upon a Change of Control. The Credit Agreement does not permit the Company or KACC to pay any dividends on their common stock.

As of December 31, 1997, the Company's total consolidated indebtedness was $971.7 million, no amounts were outstanding under the revolving credit facility of the Credit Agreement, and after allowances for $51.6 million of outstanding letters of credit, $273.4 million of unused availability remained under the Credit Agreement.

Management believes that the Company's existing cash resources, together with cash flows from operations and borrowings under the Credit Agreement, will be sufficient to satisfy its working capital and capital expenditure requirements for the next year. With respect to long-term liquidity, management believes that operating cash flow, together with the ability to obtain both short and long-term financing, should provide sufficient funds to meet the Company's working capital and capital expenditure requirements.

CAPITAL STRUCTURE

MAXXAM Inc. ("MAXXAM") and one of its wholly owned subsidiaries collectively own approximately 63% of the Company's Common Stock, with the remaining approximately 37% of the Company's Common Stock being publicly held. Certain of the shares of the Company's Common Stock beneficially owned by MAXXAM are subject to certain pledge agreements by MAXXAM and its subsidiaries. See Note 8 of the Notes to Consolidated Financial Statements for a further description of the pledge agreements.

During August 1997, the remaining 8,673,850 shares of outstanding PRIDES were converted into 7,227,848 shares of the Company's Common Stock pursuant to the PRIDES Certificate of Designations. See Note 8 of the Notes to Consolidated Financial Statements.

The Company has an effective "shelf" registration statement covering the offering from time to time of up to $150.0 million of equity securities. Any such offering will only be made by means of a prospectus. The Company also has an effective "shelf" registration statement covering the offering of up to 10,000,000 shares of the Company's Common Stock that are owned by MAXXAM. The Company will not receive any of the net proceeds from any transaction initiated by MAXXAM pursuant to this registration statement.

See Note 8 of the Notes to Consolidated Financial Statements.

ENVIRONMENTAL AND ASBESTOS 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 lawsuits 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 current evaluation of these and other environmental matters, the Company has established environmental accruals of $29.7 million at December 31, 1997. However, the Company believes that it is reasonably possible that changes in various factors could cause costs associated with these environmental matters to exceed current accruals by amounts that could range, in the aggregate, up to an estimated $18.0 million. The Company believes that KACC has insurance coverage available to recover certain incurred and future environmental costs and is actively pursuing claims in this regard. However, no accruals have been made for any such insurance recoveries and no assurances can be given that the Company will be successful in its attempt to recover incurred or future costs.

KACC is also a defendant 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 manufactured for at least 20 years. Based on past experience and reasonably anticipated future activity, the Company has established a $158.8 million accrual for estimated asbestos-related costs for claims filed and estimated to be filed through 2008, before consideration of insurance recoveries. The Company, based on prior insurance related recoveries in respect of asbestos-related claims, existing insurance policies and the advice of outside counsel with respect to applicable insurance coverage law relating to the terms and conditions of these policies, believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs and that substantial insurance recoveries are probable. Accordingly, the Company has recorded an estimated aggregate insurance recovery of $134.0 million (determined on the same basis as the asbestos-related cost accrual) at December 31, 1997. However, claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, which have resulted in delays in recovering costs from the insurance carriers.

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

See note 9 of the Notes to Consolidated Financial Statements for a more detailed discussion of these contingencies and the factors affecting management's beliefs. See also "Recent Events and Developments."

OTHER MATTERS

YEAR 2000

The Company utilizes software and related technologies throughout its business that will be affected by the date change to the year 2000. An internal assessment has been undertaken to determine the scope and the related costs to assure that the Company's systems continue to function adequately to meet the Company's needs and objectives. A detailed implementation plan is being developed from these findings. Spending for related projects, which began in 1997 and will likely continue through 1999, is currently expected to total in the $10 million to $15 million range. System modification costs will be expensed as incurred. Costs associated with new systems will be capitalized and amortized over the life of the product.

RECENT ASIAN ECONOMIC DOWNTURN

The Company has not experienced any significant direct financial, operating or other difficulties to date as a result of the recent Asian economic downturn. Further, no significant direct impact is currently anticipated as direct sales to the region are relatively limited and the Company has taken steps to assure the creditworthiness of customers. No assurance can be given, however, as to any possible indirect impact that the Asian economic downturn may have on the volume of shipments and prices on sales to customers outside the region.

RECENT ACCOUNTING PRONOUNCEMENTS

During June 1997, two new accounting standards were issued that will affect future financial reporting. Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS No. 130"), requires the presentation of an additional income measure (termed "comprehensive income"), which adjusts traditional net income for certain items that previously were only reflected as direct charges to equity (such as minimum pension liabilities). Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information ("SFAS No. 131"), requires that segment reporting for public reporting purposes be conformed to the segment reporting used by management for internal purposes. SFAS No. 131 also adds a requirement for the presentation of certain segment data on a quarterly basis starting in 1999. SFAS No. 130 and SFAS No. 131 must both be adopted in the Company's year-end 1998 reporting. Management is currently evaluating the impact of these two standards on the Company's future financial reporting.

INCOME TAX MATTERS

The Company's net deferred income tax assets as of December 31, 1997, were $351.7 million, net of valuation allowances of $113.3 million. The Company believes a long-term view of profitability is appropriate and has concluded that these net deferred income tax assets will more likely than not be realized. See Note 6 of the Notes to Consolidated Financial Statements for a discussion of these and other income tax matters.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors of Kaiser Aluminum Corporation:

We have audited the accompanying consolidated balance sheets of Kaiser Aluminum Corporation (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1996, and the related statements of consolidated income (loss) and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaiser Aluminum Corporation and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

HOUSTON, TEXAS
February 16, 1998

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
C O N S O L I D A T E D B A L A N C E S H E E T S

	December 31,	
(In millions of dollars, except share amounts)	1997	1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15.8	$ 81.3
Receivables:		
Trade, less allowance for doubtful receivables of $5.8 in 1997 and $4.7 in 1996	232.9	177.9
Other	107.3	74.5
Inventories	568.3	562.2
Prepaid expenses and other current assets	121.3	127.8
Total current assets	1,045.6	1,023.7
Investments in and advances to unconsolidated affiliates	148.6	168.4
Property, plant, and equipment - net	1,171.8	1,168.7
Deferred income taxes	330.6	264.5
Other assets	317.3	308.7
Total	$ 3,013.9	$ 2,934.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 176.2	$ 189.7
Accrued interest	37.6	35.6
Accrued salaries, wages, and related expenses	97.9	95.4
Accrued postretirement medical benefit obligation -		

current portion	45.3	50.1
Other accrued liabilities	145.6	132.7
Payable to affiliates	82.7	97.0
Long-term debt - current portion	8.8	8.9
Total current liabilities	594.1	609.4
Long-term liabilities	491.9	458.1
Accrued postretirement medical benefit obligation	720.3	722.5
Long-term debt	962.9	953.0
Minority interests	127.7	121.7
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $.05, authorized 20,000,000 shares;		
PRIDES Convertible, par value $.05, issued and outstanding, 8,673,850 in 1996.	-	.4
Common stock, par value $.01, authorized 100,000,000 shares; issued and outstanding, 78,980,881 and 71,646,789 in 1997 and 1996	.8	.7
Additional capital	533.8	531.1
Accumulated deficit	(417.6)	(460.1)
Additional minimum pension liability	-	(2.8)
Total stockholders' equity	117.0	69.3
Total	$ 3,013.9	$ 2,934.0

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED INCOME (LOSS)

	Year Ended December 31,		
(In millions of dollars, except share amounts)	1997	1996	1995
Net sales	$ 2,373.2	$ 2,190.5	$ 2,237.8
Costs and expenses:			
Cost of products sold	1,962.6	1,869.1	1,798.4
Depreciation	91.1	96.0	94.3
Selling, administrative, research and development, and general	131.8	127.6	134.5
Restructuring of operations	19.7	-	-
Total costs and expenses	2,205.2	2,092.7	2,027.2
Operating income	168.0	97.8	210.6
Other income (expense):			
Interest expense	(110.7)	(93.4)	(93.9)
Other - net	3.0	(2.7)	(14.1)
Income before income taxes and minority interests	60.3	1.7	102.6
(Provision) credit for income taxes	(8.8)	9.3	(37.2)
Minority interests	(3.5)	(2.8)	(5.1)
Net income	48.0	8.2	60.3
Dividends on preferred stock	(5.5)	(8.4)	(17.6)
Net income (loss) available to common shareholders	$ 42.5	$ (0.2)	$ 42.7
Earnings per common share:			
Basic	$ .57	$ .00	$ .69
Diluted	$ .57	$ .00	$ .69

Weighted average common shares outstanding (000):			
Basic	74,221	71,644	62,000
Diluted	74,382	71,644	62,264

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

S T A T E M E N T S O F C O N S O L I D A T E D C A S H F L O W S

	Year Ended December 31,		
(In millions of dollars)	1997	1996	1995
Cash flows from operating activities:			
Net income	$ 48.0	$ 8.2	$ 60.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	91.1	96.0	94.3
Restructuring of operations	19.7	-	-
Non-cash benefit for income taxes	(12.5)	-	-
Amortization of excess investment over equity in unconsolidated affiliates	11.4	11.6	11.4
Amortization of deferred financing costs and net discount on long-term debt	6.1	5.6	5.4
Undistributed equity in (income) losses of unconsolidated affiliates, net of distributions	7.8	3.0	(19.2)
Minority interests	3.5	2.8	5.1
(Increase) decrease in receivables	(85.9)	51.8	(109.7)
Increase in inventories	(9.3)	(36.5)	(57.7)
Decrease (increase) in prepaid expenses and other assets	1.6	(39.5)	82.9
(Decrease) increase in accounts payable	(13.5)	5.2	32.4
Increase (decrease) in accrued interest	2.0	3.6	(.6)
(Decrease) increase in payable to affiliates and accrued liabilities	(19.6)	(62.9)	10.6
Decrease in accrued and deferred income taxes	(17.4)	(36.5)	(7.4)
Other	12.0	9.5	10.9
Net cash provided by operating activities	45.0	21.9	118.7
Cash flows from investing activities:			
Additions to property, plant, and equipment	(128.5)	(161.5)	(88.4)
Other	19.9	17.2	8.6
Net cash used for investing activities	(108.6)	(144.3)	(79.8)
Cash flows from financing activities:			
Borrowings (repayments) under revolving credit facility, net	-	(13.1)	6.4
Borrowings of long-term debt	19.0	225.9	-
Repayments of long-term debt	(8.8)	(9.0)	(11.8)
Incurrence of financing costs	(.9)	(6.2)	(.8)
Dividends paid	(4.2)	(10.5)	(20.8)
Capital stock issued	.4	-	1.2
Increase in restricted cash, net	(5.3)	-	-
Redemption of minority interests' preference stock	(2.1)	(5.3)	(8.8)
Net cash (used for) provided by financing activities	(1.9)	181.8	(34.6)
Net (decrease) increase in Cash and cash equivalents during the year	(65.5)	59.4	4.3
Cash and cash equivalents at beginning of year	81.3	21.9	17.6
Cash and cash equivalents at end of year	$ 15.8	$ 81.3	$ 21.9
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	$ 102.7	$ 84.2	$ 88.8

Income taxes paid	24.4	22.7	35.7
Tax allocation payments to MAXXAM Inc.	11.8	1.1	-

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of dollars, except share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the statements of Kaiser Aluminum Corporation ("Kaiser" or the "Company") and its majority owned subsidiaries. The Company is a subsidiary of MAXXAM Inc. ("MAXXAM") and conducts its operations through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"). KACC operates in all principal aspects of the aluminum industry-the mining of bauxite (the major aluminum bearing ore), the refining of bauxite into alumina (the intermediate material), the production of primary aluminum, and the manufacture of fabricated and semi-fabricated aluminum products. Kaiser's production levels of alumina and primary aluminum exceed its internal processing needs, which allows it to be a major seller of alumina and primary aluminum to domestic and international third parties (see Note 11).

The preparation of financial statements in accordance with generally accepted accounting principles 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 operation.

Investments in 50%-or-less-owned entities are accounted for primarily by the equity method. Intercompany balances and transactions are eliminated.

Certain reclassifications of prior-year information were made to conform to the current presentation.

CASH AND CASH EQUIVALENTS
The Company considers only those short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents.

INVENTORIES
Substantially all product inventories are stated at last-in, first-out ("LIFO") cost, not in excess of market value. Replacement cost is not in excess of LIFO cost. Other inventories, principally operating supplies and repair and maintenance parts, are stated at the lower of average cost or market. Inventory costs consist of material, labor, and manufacturing overhead, including depreciation. Inventories consist of the following:

	December 31, 1997	1996

Finished fabricated products	$ 103.9	$ 113.5
Primary aluminum and work in process	226.6	200.3
Bauxite and alumina	108.4	110.2
Operating supplies and repair and maintenance parts	129.4	138.2
	$ 568.3	$ 562.2

DEPRECIATION
Depreciation is computed principally by the straight-line method at rates based on the estimated useful lives of the various classes of assets. The principal estimated useful lives of land improvements, buildings, and machinery and equipment are 8 to 25 years, 15 to 45 years, and 10 to 22 years, respectively.

STOCK-BASED COMPENSATION
The Company applies the intrinsic value method to account for a stock-based compensation plan whereby compensation cost is recognized only to the extent that the quoted market price of the stock at the measurement date exceeds the amount an employee must pay to acquire the stock. No compensation cost has been recognized for this plan as the stock options granted in 1997 were at the market price. No stock options were granted in 1996 or 1995. (See Note 7).

OTHER INCOME (EXPENSE)
Other expense in 1997, 1996, and 1995 includes $8.8, $3.1, and $17.8 of pre-tax charges related principally to establishing additional: (i) litigation reserves for asbestos claims, net of estimated aggregate insurance recoveries, and (ii) environmental reserves for potential soil and ground water remediation matters, each pertaining to operations which were discontinued prior to the acquisition of the Company by MAXXAM in 1988.

DEFERRED FINANCING COSTS
Costs incurred to obtain debt financing are deferred and amortized over the estimated term of the related borrowing. Such amortization is included in interest expense.

FOREIGN CURRENCY
The Company uses the United States dollar as the functional currency for its foreign operations.

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 changes 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 exposures and allow for increased responsiveness to changes in market factors.

Most of KACC's hedging activities involve the use of option contracts (which establish a maximum and/or minimum amount to be paid or received) and forward sales contracts (which effectively fix or lock-in the amount KACC will pay or receive). Option contracts typically require the payment of an up-front premium in return for the right to receive the amount (if any) by which the price at the settlement date exceeds the strike price. Any interim fluctuations in prices prior to the settlement date are deferred until the settlement date of the underlying hedged transaction, at which point they are reflected in net sales or cost of sales (as applicable) together with the related premium cost. Forward sales contracts do not require an up-front payment and are settled by the receipt or payment of the amount by which the price at the settlement date varies from the contract price. No accounting recognition is accorded to interim fluctuations in prices of forward sales contracts.

KACC has established margin accounts and credit limits with certain counterparties related to open forward sales and option contracts. When unrealized gains or losses are in excess of such credit limits, KACC is entitled to receive advances from the counterparties on open positions or is required to make margin deposits to counterparties, as the case may be. At December 31, 1997, KACC had neither received nor made any margin deposits. At December 31, 1996, KACC had received $13.0 of margin advances from counterparties. Management considers credit risk related to possible failure of the counterparties to perform their obligations pursuant to the derivative contracts to be minimal.

Deferred gains or losses as of December 31, 1997, are included in Prepaid expenses and other current assets and Other accrued liabilities (See Note 10).

FAIR VALUE OF FINANCIAL INSTRUMENTS
The Company estimates the fair value of its outstanding indebtedness to be $1,020.0 and $1,007.0 at December 31, 1997, and 1996, respectively, based on quoted market prices for KACC's 9-7/8% Senior Notes due 2002 (the "9-7/8% Notes"), 12-3/4% Senior Subordinated Notes due 2003 (the "12-3/4% Notes"), and 10-7/8% Senior Notes due 2006 (the "10-7/8% Notes"), and the discounted future cash flows for all other indebtedness, using the current rate for debt of similar maturities and terms. The Company believes that the carrying amount of other financial instruments is a reasonable estimate of their fair value, unless otherwise noted.

EARNINGS (LOSS) PER SHARE
In the fourth quarter of 1997 the Company adopted Statement of Financial Accounting standards No. 128, Earnings Per Share ("SFAS No. 128") which, among other things, requires the presentation of "Basic" and "Diluted" earnings per share in lieu of "Primary" and "Fully Diluted" earnings per share. Basic differs from Primary earnings per share in that it only includes the weighted average impact of outstanding shares of the Company's Common Stock (i.e., it excludes common stock equivalents and the dilutive effect of stock options, etc.). Diluted earnings per share is substantially similar to Fully diluted earnings per share as previously reported. In accordance with the provision of SFAS No. 128, all earnings per share data for prior periods has been restated to conform to the new computation and presentation guidelines of SFAS No. 128. However, such restatement did not have a significant impact on earnings per share amounts previously reported for any recent prior period.

Basic - Earnings (loss) per share is computed by deducting preferred stock dividends from net income (loss) in order to determine net income (loss) available to common share holders. This amount is then divided by the weighted average number of common shares 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.

Diluted - Diluted earnings per share for the years ended December 31, 1997, and 1995 include the dilutive effect of outstanding stock options (161,000 and 264,000 shares, respectively). The impact of outstanding stock options was excluded from the computation for the year ended December 31, 1996, as its effect would have been antidilutive. The Company's 8.255% PRIDES, Convertible Preferred Stock ("PRIDES") have not been treated "as if" converted for purposes of the Diluted computation in any period presented as such treatment would have been antidilutive. The Company's Mandatory Conversion Premium Dividend Preferred Stock was not treated "as if" converted in the Diluted computation for the year ended December 31, 1995, because such treatment would have been antidilutive.

2. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Summary combined financial information is provided below for unconsolidated aluminum investments, most of which supply and process raw materials. The investees are Queensland Alumina Limited ("QAL") (28.3% owned), Anglesey Aluminium Limited ("Anglesey") (49.0% owned), and Kaiser Jamaica Bauxite Company (49.0% owned). The equity in earnings (losses) before income taxes of such operations is treated as a reduction (increase) in cost of products sold. At December 31, 1997, and 1996, KACC's net receivables from these affiliates were not material.

The summary combined financial information for the year ended December 31, 1997, also contains the balances and results of AKW L.P. (50% owned), an aluminum wheels joint venture formed with a third party during May 1997. (See Note 4)

SUMMARY OF COMBINED FINANCIAL POSITION

	December 31, 1997	December 31, 1996
Current assets	$ 393.0	$ 450.3
Long-term assets (primarily property, plant, and equipment, net)	395.0	364.7
Total assets	$ 788.0	$ 815.0
Current liabilities	$ 117.1	$ 116.9
Long-term liabilities (primarily long-term debt)	400.8	386.7
Stockholders' equity	270.1	311.4
Total liabilities and stockholders' equity	$ 788.0	$ 815.0

SUMMARY OF COMBINED OPERATIONS

	Year Ended December 31, 1997	1996	1995
Net sales	$ 644.1	$ 660.5	$ 685.9
Costs and expenses	(637.8)	(631.5)	(618.7)
Provision for income taxes	(8.2)	(8.7)	(18.7)
Net income (loss)	$ (1.9)	$ 20.3	$ 48.5
Company's equity in income (loss)	$ 2.9	$ 8.8	$ 19.2
Dividends received	$ 10.7	$ 11.8	$ -

The Company's equity in income (loss) differs from the summary net income (loss) due to various percentage ownerships in the entities and equity method accounting adjustments. At December 31, 1997, KACC's investment in its unconsolidated affiliates exceeded its equity in their net assets by approximately $28.8 which amount will be fully amortized over the next three years.

The Company and its affiliates have interrelated operations. KACC provides some of its affiliates with services such as financing, management, and engineering. Significant activities with affiliates include the acquisition and processing of bauxite, alumina, and primary aluminum. Purchases from these affiliates were $245.2, $281.6, and $284.4 in the years ended December 31, 1997, 1996, and 1995, respectively.

3. PROPERTY, PLANT, AND EQUIPMENT

The major classes of property, plant, and equipment are as follows:

	December 31, 1997	December 31, 1996
Land and improvements	$ 163.9	$ 157.5
Buildings	228.3	216.0
Machinery and equipment	1,529.1	1,441.1
Construction in progress	51.2	84.7
	1,972.5	1,899.3
Accumulated depreciation	(800.7)	(730.6)
Property, plant, and equipment, net	$ 1,171.8	$ 1,168.7

During June 1997, Kaiser Bellwood Corporation, a newly formed, wholly owned subsidiary of KACC, completed the acquisition of Reynolds Metals Company's Richmond, Virginia, extrusion plant and its existing inventories for a total purchase price of $41.6, consisting of cash payments of $38.4 and the assumption of approximately $3.2 of employee related and other liabilities. Upon completion of the transaction, Kaiser Bellwood Corporation became a subsidiary guarantor under the indentures in respect of the 9-7/8% Notes, 10-7/8% Notes, and the 12-3/4% Notes. (See Note 5).

4. RESTRUCTURING OF OPERATIONS

The Company has previously disclosed that it set a goal of achieving significant cost reductions and other profit improvements, measured against 1996 results, with the full effect planned to be realized in 1998 and beyond. The initiative is based on the Company's conclusion that the level of performance of its existing facilities and businesses would not achieve the level of profits the Company considers satisfactory based upon historic long-term average prices for primary aluminum and alumina. During the second quarter of 1997, the Company recorded a $19.7 restructuring charge to reflect actions taken and plans initiated to achieve the reduced production costs, decreased corporate selling, general and administrative expenses, and enhanced product mix intended to achieve this goal. The significant components of the restructuring charge are enumerated below.

ERIE PLANT DISPOSITION

During the second quarter of 1997, the Company formed a joint venture with a third party related to the assets and liabilities associated with the wheel manufacturing operations at its Erie, Pennsylvania, fabrication plant. Management subsequently decided to close the remainder of the Erie plant in order to consolidate its aluminum forgings operations at two other facilities for increased efficiency. As a result of the joint venture formation and plant closure, the Company recognized a net pre-tax loss of approximately $1.4.

OTHER ASSET DISPOSITIONS

As a part of the Company's profit enhancement and cost reduction initiative, management made decisions regarding product rationalization and geographical optimization, which led management to decide to dispose of certain assets which had nominal operating contribution. These strategic decisions resulted in the Company recognizing a pre-tax charge of approximately $15.6 associated with such asset dispositions.

EMPLOYEE AND OTHER COSTS

As a part of the Company's profit enhancement and cost reduction initiative, management concluded that certain corporate and other staff functions could be consolidated or eliminated resulting in a second quarter pre-tax charge of approximately $2.7 for the benefit and other costs.

5. LONG-TERM DEBT

Long-term debt and its maturity schedule are as follows:

	1998	1999	2000	2001	2002	2003 and After	December 31, 1997 Total	December 31, 1996 Total
Credit Agreement							-	-
9-7/8% Senior Notes due 2002, net					$ 224.2	$ -	$ 224.2	$ 224.0
10-7/8% Senior Notes due 2006, net						225.8	225.8	225.9
12-3/4% Senior Subordinated Notes due 2003						400.0	400.0	400.0
Alpart CARIFA Loans - (fixed and variable rates) due 2007, 2008						60.0	60.0	60.0
Other borrowings (fixed and variable rates)	$ 8.8	$ .4	$ .3	$ .3	.3	51.6	61.7	52.0
Total	$ 8.8	$ .4	$ .3	$ .3	$ 224.5	$ 737.4	971.7	961.9
Less current portion							8.8	8.9
Long-term debt							$ 962.9	$ 953.0

CREDIT AGREEMENT
In February 1994, the Company and KACC entered into a credit agreement (as amended, the "Credit Agreement") which provides a $325.0 five-year secured, revolving line of credit. KACC is able to borrow under the facility by means of revolving credit advances and letters of credit (up to $125.0) in an aggregate amount equal to the lesser of $325.0 or a borrowing base relating to eligible accounts receivable and eligible inventory. As of December 31, 1997, $273.4 (of which $73.4 could have been used for letters of credit) was available to KACC under the Credit Agreement. The Credit Agreement is unconditionally guaranteed by the Company and by certain significant subsidiaries of KACC. Interest on any outstanding balances will bear a premium (which varies based on the results of a financial test) over either a base rate or LIBOR, at the Company's option.

In January 1998, the term of the Credit Agreement was extended from February 1999 to August 2001.

LOAN COVENANTS AND RESTRICTIONS
The Credit Agreement 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. The Credit Agreement is secured by, among other things, (i) mortgages on KACC's major domestic plants (excluding KACC's Gramercy alumina plant and Nevada Micromill(TM) facility); (ii) subject to certain exceptions, liens on the accounts receivable, inventory, equipment, domestic patents and trademarks, and substantially all other personal property of KACC and certain of its subsidiaries; (iii) a pledge of all the stock of KACC owned by Kaiser; and (iv) pledges of all of the stock of a number of KACC's wholly owned domestic subsidiaries, pledges of a portion of the stock of certain foreign subsidiaries, and pledges of a portion of the stock of certain partially owned foreign affiliates.

The obligations of KACC with respect to its 9-7/8% Notes, its 10-7/8% Notes and its 12-3/4% Notes are guaranteed, jointly and severally, by certain subsidiaries of KACC. The indentures governing the 9-7/8% Notes, the 10-7/8% Notes and the 12-3/4% Notes (collectively, the "Indentures") restrict, among other things, KACC's ability to incur debt, undertake transactions with affiliates, and pay dividends. Further, the Indentures provide that KACC must offer to purchase the 9-7/8% Notes, the 10-7/8%

Notes and the 12-3/4% Notes, respectively, upon the occurrence of a Change of Control (as defined therein), and the Credit Agreement provides that the occurrence of a Change in Control (as defined therein) shall constitute an Event of Default thereunder.

Under the most restrictive of the covenants in the Credit Agreement, neither the Company nor KACC currently is permitted to pay dividends on its common stock.

In December 1991, Alpart entered into a loan agreement with the Caribbean Basin Projects Financing Authority ("CARIFA"). Alpart's obligations under the loan agreement are secured by a $64.2 letter of credit guaranteed by the partners in Alpart (of which $22.5 is guaranteed by the Company's minority partner in Alpart). Alpart has also agreed to indemnify bondholders of CARIFA for certain tax payments that could result from events, as defined, that adversely affect the tax treatment of the interest income on the bonds.

RESTRICTED NET ASSETS OF SUBSIDIARIES
Certain debt instruments restrict the ability of KACC to transfer assets, make loans and advances, and pay dividends to the Company. The restricted net assets of KACC totaled $121.9 and $56.1 at December 31, 1997 and 1996, respectively.

CAPITALIZED INTEREST
Interest capitalized in 1997, 1996, and 1995 was $6.6, $4.9, and $2.8, respectively.

6. INCOME TAXES

Income (loss) before income taxes and minority interests by geographic area is as follows:

	Year Ended December 31,		
	1997	1996	1995
Domestic	$ (112.6)	$ (45.8)	$ (55.9)
Foreign	172.9	47.5	158.5
Total	$ 60.3	$ 1.7	$ 102.6

Income taxes are classified as either domestic or foreign, based on whether payment is made or due to the United States or a foreign country. Certain income classified as foreign is also subject to domestic income taxes.

The (provision) credit for income taxes on income (loss) before income taxes and minority interests consists of:

		Federal	Foreign	State	Total
1997	Current	$ (2.0)	$ (28.7)	$ (.2)	$ (30.9)
	Deferred	30.5	(7.0)	(1.4)	22.1
	Total	$ 28.5	$ (35.7)	$ (1.6)	$ (8.8)
1996	Current	$ (1.6)	$ (21.8)	$ (.1)	$ (23.5)
	Deferred	8.6	7.6	16.6	32.8
	Total	$ 7.0	$ (14.2)	$ 16.5	$ 9.3
1995	Current	$ (4.3)	$ (40.2)	$ (.1)	$ (44.6)

Deferred	15.2	(4.9)	(2.9)	7.4
Total	$ 10.9	$ (45.1)	$ (3.0)	$ (37.2)

A reconciliation between the (provision) credit for income taxes and the amount computed by applying the federal statutory income tax rate to income before income taxes and minority interests is as follows:

	Year Ended December 31,		
	1997	1996	1995
Amount of federal income tax provision based on the statutory rate	$ (21.1)	$ (.6)	$ (35.9)
Revision of prior years' tax estimates and other changes in valuation allowances	12.5	10.0	1.5
Percentage depletion	4.2	3.9	4.2
Foreign taxes, net of federal tax benefit	(3.1)	(5.5)	(5.4)
Other	(1.3)	1.5	(1.6)
(Provision) credit for income taxes	$ (8.8)	$ 9.3	$ (37.2)

Included in revision of prior years' tax estimates and other changes in valuation allowances for 1997 and 1996 shown above are $12.5 and $9.8 related to the resolution of certain income tax matters in the second quarter of 1997 and fourth quarter of 1996, respectively.

The components of the Company's net deferred income tax assets are as follows:

	December 31,	
	1997	1996
Deferred income tax assets:		
Postretirement benefits other than pensions	$ 288.9	$ 290.5
Loss and credit carryforwards	99.3	135.1
Other liabilities	169.3	157.6
Other	102.0	86.7
Valuation allowances	(113.3)	(127.2)
Total deferred income tax assets-net	546.2	542.7
Deferred income tax liabilities:		
Property, plant, and equipment	(139.7)	(160.9)
Other	(54.8)	(72.6)
Total deferred income tax liabilities	(194.5)	(233.5)
Net deferred income tax assets	$ 351.7	$ 309.2

The principal component of the Company's net deferred income tax assets is the tax benefit, net of certain valuation allowances, associated with the accrued liability for postretirement benefits other than pensions. The future tax deductions with respect to the turnaround of this accrual will occur over a 30-to-40-year period. If such deductions create or increase a net operating loss in any year subsequent to 1997, the Company has the ability to carry forward such loss for 20 taxable years. For these reasons, the Company believes that a long-term view of profitability is appropriate and has concluded that this net deferred income tax asset will more likely than not be realized.

A substantial portion of the valuation allowances provided by the Company relates to loss and credit carryforwards. To determine the proper amount of valuation allowances with respect to these carryforwards, the Company evaluated all appropriate factors, including any limitations concerning their use and the year the carryforwards expire, as well as the levels of taxable income necessary for utilization. With regard to future levels of income, the Company believes, based on the cyclical nature of its business, its history of operating earnings, and its expectations for future years, that it will more likely than not generate sufficient taxable income to realize the benefit attributable to the loss and credit carryforwards for which valuation allowances were not provided.

As of December 31, 1997 and 1996, $53.7 and $69.7, respectively, of the net deferred income tax assets listed above are included on the Consolidated Balance Sheets in the caption entitled Prepaid expenses and other current assets. Certain other portions of the deferred income tax liabilities listed above are included on the Consolidated Balance Sheets in the captions entitled Other accrued liabilities and Long-term liabilities.

The Company and its domestic subsidiaries file consolidated federal income tax returns. During the period from October 28, 1988 through June 30, 1993, the Company and its domestic subsidiaries were included in the consolidated federal income tax returns of MAXXAM. During 1997 MAXXAM reached a settlement with the Internal Revenue Service regarding all remaining years where the Company and its subsidiaries were included in the MAXXAM consolidated federal income tax returns. As a result of this settlement, KACC paid $11.8 to MAXXAM in respect of its liabilities pursuant to its tax allocation agreement with MAXXAM. Payments or refunds for periods prior to July 1, 1993, related to other jurisdictions could still be required pursuant to the Company's and KACC's respective tax allocation agreements with MAXXAM. In accordance with the Credit Agreement, any such payments to MAXXAM by KACC would require lender approval, except in certain specific circumstances. The tax allocation agreements of the Company and KACC with MAXXAM terminated pursuant to their terms, effective for taxable periods beginning after June 30, 1993.

At December 31, 1997, the Company had certain tax attributes available to offset regular federal income tax requirements, subject to certain limitations, including net operating loss and general business credit carryforwards of $33.2 and $10.4, respectively, which expire periodically through 2011, foreign tax credit ("FTC") carryforwards of $50.0, which expire periodically through 2002, and alternative minimum tax ("AMT") credit carryforwards of $21.6, which have an indefinite life. The Company also has AMT net operating loss and FTC carryforwards of $17.6 and $74.7, respectively, available, subject to certain limitations, to offset future alternative minimum taxable income, which expire periodically through 2011 and 2002, respectively.

7. EMPLOYEE BENEFIT AND INCENTIVE PLANS

RETIREMENT PLANS

Retirement plans are non-contributory for salaried and hourly employees and generally provide for benefits based on a formula which considers length of service and earnings during years of service. The Company's funding policies meet or exceed all regulatory requirements.

The funded status of the employee pension benefit plans and the corresponding amounts that are included in the Company's Consolidated Balance Sheets are as follows:

	Plans with Accumulated Benefits Exceeding Assets(1) December 31, 1997	1996
Accumulated benefit obligation:		
Vested employees	$ 785.4	$ 737.7
Nonvested employees	41.2	38.5
Accumulated benefit obligation	826.6	776.2
Additional amounts related to projected salary increases	46.4	40.0
Projected benefit obligation	873.0	816.2
Plan assets (principally common stocks and fixed income obligations) at fair value	(756.9)	(662.0)
Plan assets less than projected benefit obligation	116.1	154.2
Unrecognized net gains (losses)	.3	(13.6)
Unrecognized net obligations	(.3)	(.4)
Unrecognized prior-service cost	(22.2)	(26.9)
Adjustment required to recognize minimum liability	5.4	13.7
Accrued pension obligation included in the Consolidated Balance Sheets (principally in Long-term liabilities)	$ 99.3	$ 127.0

(1) Includes accrued pension obligations of approximately $6.3 and $.3 in 1997 and 1996, respectively, related to plans with assets exceeding accumulated benefits.

As required by Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, the Company recorded after-tax credits to equity of $2.8 and $11.0 at December 31, 1997 and 1996, respectively, to reduce the deficit of the minimum liability over the unrecognized net obligation and prior-service cost. These amounts were recorded net of the related income tax provision of $1.3 and $6.5 as of December 31, 1997 and 1996, respectively, which approximated the federal and state statutory rates.

The components of net periodic pension cost are:

	Year Ended December 31, 1997	1996	1995
Service cost - benefits earned during the period	$ 13.4	$ 12.9	$ 10.0
Interest cost on projected benefit obligation	61.6	60.0	59.8
Return on assets:			
Actual gain	(129.9)	(89.8)	(112.2)
Deferred gain	68.1	34.8	64.6
Net amortization and deferral	6.0	5.5	4.2
Net periodic pension cost	$ 19.2	$ 23.4	$ 26.4

Assumptions used to value obligations at year-end, and to determine the net periodic pension cost in the subsequent year are:

	1997	1996	1995
Discount rate	7.25%	7.75%	7.5%
Expected long-term rate of return on assets	9.5%	9.5%	9.5%

Rate of increase in compensation levels	5.0%	5.0%	5.0%

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS
The Company and its subsidiaries provide postretirement health care and life insurance benefits to eligible retired employees and their dependents. Substantially all employees may become eligible for those benefits if they reach retirement age while still working for the Company or its subsidiaries. The Company has not funded the liability for these benefits, which are expected to be paid out of cash generated by operations. The Company reserves the right, subject to applicable collective bargaining agreements, to amend or terminate these benefits.

The Company's accrued postretirement benefit obligation is composed of the following:

	December 31,	
	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$ 446.7	$ 498.7
Active employees eligible for postretirement benefits	35.1	36.7
Active employees not eligible for postretirement benefits	62.7	67.4
Accumulated postretirement benefit obligation	544.5	602.8
Unrecognized net gains	135.0	71.3
Unrecognized gains related to prior-service costs	86.1	98.5
Accrued postretirement benefit obligation	$ 765.6	$ 772.6

The components of net periodic postretirement benefit cost are:

	Year Ended December 31,		
	1997	1996	1995
Service cost	$ 6.1	$ 3.8	$ 4.5
Interest cost	43.9	46.9	52.3
Amortization of prior service cost	(12.4)	(12.4)	(8.9)
Net periodic postretirement benefit cost	$ 37.6	$ 38.3	$ 47.9

In 1997 annual assumed rates of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for non-HMO are 7.5% and 5.5% for retirees under 65 and over 65, respectively, and 4.0% for HMO at all ages. Non-HMO rates are assumed to decrease gradually to 5.35% in 2007 and remain at that level thereafter. The health care cost trend rate has a significant effect on the amounts reported. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1997, by approximately $53.0 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1997 by approximately $6.0. The weighted average discount rate used to determine the accumulated postretirement benefit obligation at December 31, 1997 and 1996, was 7.25% and 7.75%, respectively.

POSTEMPLOYMENT BENEFITS
The Company provides certain benefits to former or inactive employees after employment but before retirement.

INCENTIVE PLANS

The Company has an unfunded incentive compensation program, which provides incentive compensation based on performance against annual plans and over rolling three-year periods. In addition, the Company has a "nonqualified" stock option plan and KACC has a defined contribution plan for salaried employees. The Company's expense for all of these plans was $8.3, $(2.1) and $11.9 for the years ended December 31, 1997, 1996 and 1995, respectively.

The Company has a total of 5,500,000 shares of Common Stock reserved for grant under its incentive compensation programs. At December 31, 1997, 3,536,653 shares of Common Stock remained available for grant after consideration of the 3,000,000 share increase in available shares, approved by shareholders in May 1997, and current year share grants and stock option activity.
Stock options granted pursuant to the Company's nonqualified stock option program are granted at the prevailing market price, generally vest at a rate of 20 - 33% per year, and have a ten year term. Information concerning nonqualified stock option plan activity is shown below. The weighted average price per share for each year is shown parenthetically.

	1997	1996	1995
Outstanding at beginning of year ($10.33, $10.32 and $9.85)	890,395	926,085	1,119,680
Granted ($10.06)	15,092	-	-
Exercised ($8.33, $8.99, and $7.32)	(48,410)	(8,275)	(155,500)
Expired or forfeited ($10.12, $10.45, and $8.88)	(37,325)	(27,415)	(38,095)
Outstanding at end of year ($10.45, $10.33, and $10.32)	819,752	890,395	926,085
Exercisable at end of year ($10.53, $10.47, and $10.73)	601,115	436,195	211,755

In accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation ("SFAS No. 123"), the Company is required to calculate pro forma compensation cost for all stock options granted subsequent to December 31, 1994.
No stock options were granted during 1995 and 1996. However, as shown in the table above, 15,092 options were granted in 1997 which would be subject to the pro forma calculation requirements. For SFAS No. 123 purposes, the fair value of the 1997 stock option grant was estimated using the Black-Scholes option pricing model. The estimated fair value of the 1997 stock options grants of $.1 would result in increased pro forma compensation expense and therefore reduced net income.

8. STOCKHOLDER'S EQUITY AND MINORITY INTERESTS

Changes in stockholders' equity and minority interests were:

	Minority Interests		Stockholders' Equity				
	Redeemable Preference Stock	Other	Preferred Stock	Common Stock	Additional Capital	Accumulated Deficit	Additional Minimum Pension Liability
BALANCE, DECEMBER 31, 1994	$ 29.1	$ 87.1	$ .6	$ .6	$ 527.8	$ (502.6)	$ (9.1)
Net income						60.3	
Redeemable preference stock:							
Accretion	3.9						
Stock redemption	(8.7)						
Stock repurchase	5.4						
Conversions (1,222 preference shares							

into cash)		(.1)					
Common stock issued upon redemption and conversion of preferred stock			(.2)	.1	1.1		
Dividends on preferred stock						(17.6)	
Minority interests		6.0					
Incentive plans accretion					1.4		
Additional minimum pension liability							(4.7)
BALANCE, DECEMBER 31, 1995	29.7	93.0	.4	.7	530.3	(459.9)	(13.8)
Net income						8.2	
Redeemable preference stock:							
Accretion	3.1						
Stock redemption	(5.3)						
Common stock issued upon redemption and conversion of preferred stock					.1		
Dividends on preferred stock						(8.4)	
Minority interests		1.2					
Incentive plan accretion					.7		
Reduction of minimum pension liability							11.0
BALANCE, DECEMBER 31, 1996	27.5	94.2	.4	.7	531.1	(460.1)	(2.8)
Net income						48.0	
Redeemable preference stock:							
Accretion	2.3						
Stock redemption	(2.1)						
Common stock issued upon redemption and conversion of preferred stock			(.4)	.1	1.7		
Stock options exercised					.4		
Dividends on preferred stock						(5.5)	
Minority interests		5.8					
Incentive plan accretion					.6		
Reduction of minimum pension liability							2.8
BALANCE, DECEMBER 31, 1997	$ 27.7	$ 100.0	$ -	$ .8	$ 533.8	$ (417.6)	$ -

REDEEMABLE PREFERENCE STOCK

In 1985, KACC issued its Cumulative (1985 Series A) Preference Stock and its Cumulative (1985 Series B) Preference Stock (together, the "Redeemable Preference Stock") each of which has a par value of $1 per share and a liquidation and redemption value of $50 per share plus accrued dividends, if any. No additional Redeemable Preference Stock is expected to be issued. Holders of the Redeemable Preference Stock are entitled to an annual cash dividend of $5 per share, or an amount based on a formula tied to KACC's pre-tax income from aluminum operations, when and as declared by the Board of Directors.

The carrying values of the Redeemable Preference Stock are increased each year to recognize accretion between the fair value (at which the Redeemable Preference Stock was originally issued) and the redemption value. Changes in Redeemable Preference Stock are shown below.

	1997	1996	1995
Shares:			
Beginning of year	634,684	737,363	912,167
Redeemed	(39,631)	(102,679)	(174,804)
End of year	595,053	634,684	737,363

Redemption fund agreements require KACC to make annual payments by March 31 of the subsequent year based on a formula tied to consolidated net income until the redemption funds are sufficient to redeem all of the Redeemable Preference Stock. On an annual basis, the minimum payment is $4.3 and the maximum payment is $7.3. KACC also has certain additional repurchase requirements which are, among other things, based upon profitability tests.

The Redeemable Preference Stock is entitled to the same voting rights as KACC common stock and to certain additional voting rights under certain circumstances, including the right to elect, along with other KACC preference stockholders, two directors whenever accrued dividends have not been paid on two annual dividend payment dates or when accrued dividends in an amount equivalent to six full quarterly dividends are in arrears. The Redeemable Preference Stock restricts the ability of KACC to redeem or pay dividends on common stock if KACC is in default on any dividends payable on Redeemable Preference Stock.

PREFERENCE STOCK
KACC has four series of $100 par value Cumulative Convertible Preference Stock ("$100 Preference Stock") with annual dividend requirements of between 4-1/8% and 4-3/4%. KACC has the option to redeem the $100 Preference Stock at par value plus accrued dividends. KACC does not intend to issue any additional shares of the $100 Preference Stock.

The $100 Preference Stock can be exchanged for per share cash amounts between $69 - $80. KACC records the $100 Preference Stock at their exchange amounts for financial statement presentation and the Company includes such amounts in minority interests. At December 31, 1997, and 1996, outstanding shares of $100 Preference Stock were 20,543 and 21,630, respectively.

PREFERRED STOCK
PRIDES Convertible - during August 1997, the remaining 8,673,850 outstanding shares of PRIDES were converted into 7,227,848 shares of Common Stock pursuant to the terms of the PRIDES Certificate of Designations. Further, in accordance with the PRIDES Certificate of Designations, no dividends were paid or payable for the period June 30, 1997, to, but not including, the date of conversion. However, in accordance with generally accepted accounting principles, the $1.3 of accrued dividends attributable to the period June 30, 1997, to, but not including, the conversion date is treated as an increase in Additional capital at the date of conversion and must still be reflected as a reduction of Net income available to common shareholders.

Series A Convertible - In September 1995, the Company redeemed all 1,938,295 shares of its Series A Mandatory Conversion Premium Dividend Preferred Stock, which resulted in the simultaneous redemption of all of its $.65 Depositary Shares in exchange for (i) 13,126,521 shares of the Company's Common Stock and (ii) $2.8 in cash in satisfaction of all accrued and unpaid dividends and fractional shares of Common Stock that would have otherwise been issuable.

PLEDGED SHARES
From time to time MAXXAM or certain of its subsidiaries which own the Company's Common Stock may use such stock as collateral under various financing arrangements. At December 31, 1997, 27,938,250 shares of the Company's Common Stock (the "Pledged Shares") beneficially owned by MAXXAM Group Holdings Inc. ("MGHI"), a wholly owned subsidiary of MAXXAM, were pledged as security for debt of MAXXAM Group Inc. ("MGI"), a wholly owned subsidiary of MGHI, consisting of $100.0 aggregate principal amount of 11-1/4% Senior Secured Notes due 2003 and $125.7 aggregate principal amount of 12-1/4% Senior Secured Discount Notes due 2003 (collectively the "MGI Secured Debt"). Additionally, up to 16,055,000 of the Pledged Shares are to be pledged by MGHI as security for $130.0 principal amount of 12% Senior Secured Notes due 2003 issued in December 1996 by MGHI, if any of the Pledged Shares are released as security for the MGI Secured Debt by reason of an early retirement of such indebtedness (other than by a refinancing).

9. COMMITMENTS AND CONTINGENCIES

COMMITMENTS
KACC has a variety of financial commitments, including purchase agreements,

tolling arrangements, forward foreign exchange and forward sales contracts (see Note 10), 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 QAL. These obligations 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. The aggregate minimum amount of required future principal payments at December 31, 1997, is $97.6, of which approximately $12.0 is due in each of 2000 and 2001 with the balance being due thereafter. KACC's share of payments, including operating costs and certain other expenses under the agreements, has ranged between $100.0 - $120.0 over the past three years. KACC also has agreements to supply alumina to and to purchase aluminum from Anglesey.

Minimum rental commitments under operating leases at December 31, 1997, are as follows: years ending December 31, 1998 - $26.5; 1999 - $32.0; 2000 - $28.8; 2001 - $28.1; 2002 - $26.4; thereafter - $134.3. The future minimum rentals receivable under noncancelable subleases was $62.5 at December 31, 1997.

Rental expenses were $30.4, $29.6, and $29.0, for the years ended December 31, 1997, 1996, and 1995, respectively.

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 lawsuits 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. The following table presents the changes in such accruals, which are primarily included in Long-term liabilities, for the years ended December 31, 1997, 1996, and 1995:

	1997	1996	1995
Balance at beginning of period	$ 33.3	$ 38.9	$ 40.1
Additional amounts	2.0	3.2	3.3
Less expenditures	(5.6)	(8.8)	(4.5)
Balance at end of period	$ 29.7	$ 33.3	$ 38.9

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 $3.0 to $8.0 for the years 1998 through 2002 and an aggregate of approximately $8.0 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 $18.0. 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 actively pursuing claims in this regard. However, no accruals have been made for any such insurance recoveries and no assurances can be given that the Company will be successful in its attempt to recover incurred or future costs.

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 is a defendant 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 manufactured for at least 20 years.

The following table presents the changes in number of such claims pending for the years ended December 31, 1997, 1996, and 1995.

	1997	1996	1995
Number of claims at beginning of period	71,100	59,700	25,200
Claims received	15,600	21,100	41,700
Claims settled or dismissed	(9,300)	(9,700)	(7,200)
Number of claims at end of period	77,400	71,100	59,700

Based on past experience and reasonably anticipated future activity, the Company has established an accrual for estimated asbestos-related costs for claims filed and estimated to be filed through 2008. There are inherent uncertainties involved in estimating asbestos-related costs, and the Company's actual costs could exceed these estimates. The Company's accrual was calculated based on the current and anticipated number of asbestos-related claims, the prior timing and amounts of asbestos-related payments, and the advice of Wharton Levin Ehrmantraut Klein & Nash, P.A. with respect to the current state of the law related to asbestos claims. Accordingly, an estimated asbestos-related cost accrual of $158.8, before consideration of insurance recoveries, is included primarily in Long-term liabilities at December 31, 1997. While the Company does not presently believe there is a reasonable basis for estimating such costs beyond 2008 and, accordingly, no accrual has been recorded for such costs which may be incurred beyond 2008, there is a reasonable possibility that such costs may continue beyond 2008, and such costs may be substantial. The Company estimates that annual future cash payments in connection with such litigation will be approximately $13.0 to $20.0 for each of the years 1998 through 2002, and an aggregate of approximately $80.0 thereafter.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, which have resulted in delays in recovering costs from the insurance carriers. The timing and amount of ultimate recoveries from these insurance carriers are dependent upon the resolution of these disputes. The Company believes, based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Thelen, Marrin, Johnson & Bridges LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies, that substantial recoveries from the insurance carriers are probable. Accordingly, an estimated aggregate insurance recovery of $134.0, determined on the same basis as the asbestos-related cost accrual, is recorded primarily in Other assets at December 31, 1997.

Subsequent to December 31, 1997, KACC reached agreements settling approximately 25,000 of the pending asbestos-related claims. Also, subsequent to year-end 1997, KACC reached agreements on asbestos related coverage matters with two insurance carriers under which the Company will collect a total of approximately $17.5 during the first quarter of 1998. The insurance recoveries will reduce the approximately $134.0 of asbestos related receivable accrued at December 31, 1997. As the amounts related to the claim settlements and insurance recoveries were consistent with the Company's year-end 1997 accrual assumptions, these events are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative progress, 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. While uncertainties are inherent in the final outcome of these asbestos matters and it is presently impossible to determine the actual costs that ultimately may be incurred and insurance recoveries that will be received, management currently believes that, based on the factors discussed in the preceding paragraphs, the resolution of asbestos-related uncertainties and the incurrence of asbestos-related costs net of related insurance recoveries should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

OTHER CONTINGENCIES

The Company or KACC is involved in various other claims, lawsuits, and other proceedings relating to a wide variety of matters. 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.

10. DERIVATIVE FINANCIAL INSTRUMENTS AND RELATED HEDGING PROGRAMS

At December 31, 1997, the net unrealized loss on KACC's position in aluminum forward sales and option contracts, (based on an average price of $1,643 per ton ($.75 per pound) of primary aluminum), natural gas and fuel oil forward purchase and option contracts, and forward foreign exchange contracts, was approximately $21.0. Any gains or losses on the derivative contracts utilized in KACC's hedging activities are offset by losses or gains, respectively, on the transactions being hedged.

ALUMINA AND ALUMINUM

The Company's earnings 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. Primary aluminum prices have historically been subject to significant cyclical price fluctuations. Alumina prices as well as fabricated aluminum product prices (which vary considerably among products) are significantly influenced by changes in the price of primary aluminum but generally lag behind primary aluminum price changes by up to three months. Since 1993, the

Average Midwest United States transaction price for primary aluminum has ranged from approximately $.50 to $1.00 per pound.

From time to time in the ordinary course of business, KACC enters into hedging transactions 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. Forward sales contracts are used by KACC to effectively fix the price that KACC will receive for its shipments. KACC also uses option contracts (i) to establish a minimum price for its product shipments, (ii) to establish a "collar" or range of price for KACC's anticipated sales, and/or (iii) to permit KACC to realize possible upside price movements. As of December 31, 1997, KACC had sold forward, at fixed prices, approximately 109,850 and 24,000 tons of primary aluminum with respect to 1998 and 1999, respectively. KACC had also purchased put options to establish a minimum price for approximately 52,000 tons with respect to 1998 and as of December 31, 1997, had entered into option contracts that established a price range for an additional 243,600 and 124,500 tons with respect to 1998 and 1999, respectively. Additionally, at December 31, 1997, KACC also held fixed price purchase contracts for 134,850 tons of primary aluminum with respect to 1998.

As of December 31, 1997, KACC had sold forward virtually all of the alumina available to it in excess of its projected internal smelting requirements for 1998 and 1999 at prices indexed to future prices of primary aluminum.

ENERGY

KACC is exposed to energy price risk from fluctuating prices for fuel oil and natural gas consumed in the production process. Accordingly, 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. As of December 31, 1997, KACC had a combination of fixed price purchase and option contracts for the purchase of approximately 41,000 MMBtu of natural gas per day during 1998. At December 31, 1997, KACC also held a combination of fixed price purchase and option contracts for an average of 232,000 and 25,000 barrels of fuel oil per month for 1998 and 1999, respectively.

FOREIGN CURRENCY

KACC enters into forward exchange contracts to hedge material cash commitments to foreign subsidiaries or affiliates. At December 31, 1997, KACC had net forward foreign exchange contracts totaling approximately $136.6 for the purchase of 180.0 Australian dollars from January 1998 through February 1999, in respect of its commitments for 1998 and 1999 expenditures denominated in Australian dollars.

11. SEGMENT AND GEOGRAPHICAL AREA INFORMATION

The Company's operations are located in many foreign countries, including Australia, Canada, Ghana, Jamaica, and the United Kingdom. Foreign operations in general may be more vulnerable than domestic operations due to a variety of political and other risks. Sales and transfers among geographic areas are made on a basis intended to reflect the market value of products.

The aggregate foreign currency gain included in determining net income was immaterial for the years ended December 31, 1997, 1996, and 1995.

No single customer accounted for sales in excess of 10% of total revenue in 1997, 1996 or 1995.

Export sales were less than 10% of total revenue during the years ended December 31, 1997, 1996, and 1995.

Geographical area information relative to operations is summarized as follows:

	Year Ended December 31,	Domestic	Caribbean	Africa	Other Foreign	Eliminations	Total
Net sales to unaffiliated customers	1997	$ 1,720.3	$ 204.6	$ 234.2	$ 214.1		$ 2,373.2
	1996	1,610.0	201.8	198.3	180.4		2,190.5
	1995	1,589.5	191.7	239.4	217.2		2,237.8
Sales and transfers among geographic areas	1997		$ 121.7		$ 197.3	$ (319.0)	
	1996		116.9		206.0	(322.9)	
	1995		79.6		191.5	(271.1)	
Equity in income (losses) of unconsolidated affiliates	1997	$ 4.8			$ (1.9)		$ 2.9
	1996	.3			8.5		8.8
	1995	(.2)			19.4		19.2
Operating income	1997	$ 18.9	$ 11.6	$ 72.2	$ 65.3		$ 168.0
	1996	4.4	1.6	27.8	64.0		97.8
	1995	32.0	9.8	83.5	85.3		210.6
Investment in and advances to unconsolidated affiliates	1997	$ 15.8	$ 23.9		$ 108.9		$ 148.6
	1996	.5	25.3		142.6		168.4
Identifiable assets	1997	$ 2,274.9	$ 391.2	$ 179.6	$ 168.2		$ 3,013.9
	1996	2,136.7	391.2	194.7	211.4		2,934.0

Financial information by industry segment at December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996, and 1995, is as follows:

	Year Ended December 31,	Bauxite & Alumina	Aluminum Processing	Corporate	Total
Net sales to unaffiliated customers	1997	$ 483.3	$ 1,889.9		$ 2,373.2
	1996	508.0	1,682.5		2,190.5
	1995	514.2	1,723.6		2,237.8
Intersegment sales	1997	$ 193.2			$ 193.2
	1996	181.6			181.6
	1995	159.7			159.7
Equity in income (losses) of unconsolidated affiliates	1997	$ (7.0)	$ 9.9	$ -	$ 2.9
	1996	1.7	6.7	.4	8.8
	1995	3.6	15.8	(.2)	19.2
Operating income (loss)	1997	$ 20.0	$ 222.6	$ (74.6)	$ 168.0
	1996	1.1	156.5	(59.8)	97.8
	1995	54.0	238.9	(82.3)	210.6
Depreciation	1997	$ 29.3	$ 58.7	$ 3.1	$ 91.1
	1996	31.2	61.7	3.1	96.0
	1995	31.1	60.4	2.8	94.3
Capital expenditures	1997	$ 27.8	$ 99.0	$ 1.7	$ 128.5
	1996	29.9	126.9	4.7	161.5
	1995	27.3	53.0	8.1	88.4
Investment in and advances to unconsolidated affiliates	1997	$ 88.6	$ 59.5	$ .5	$ 148.6
	1996	121.3	46.6	.5	168.4
Identifiable assets	1997	$ 735.9	$ 1,510.9	$ 767.1	$ 3,013.9
	1996	784.6	1,408.5	740.9	2,934.0

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

F I V E - Y E A R F I N A N C I A L D A T A

C O N S O L I D A T E D B A L A N C E S H E E T S

(In millions of dollars, except share amounts)	December 31, 1997	1996	1995	1994	1993
ASSETS					
Current assets:					
Cash and cash equivalents	$ 15.8	$ 81.3	$ 21.9	$ 17.6	$ 14.7
Receivables	340.2	252.4	308.6	199.2	234.7
Inventories	568.3	562.2	525.7	468.0	426.9
Prepaid expenses and other current assets	121.3	127.8	76.6	158.0	60.7
Total current assets	1,045.6	1,023.7	932.8	842.8	737.0
Investments in and advances to unconsolidated affiliates	148.6	168.4	178.2	169.7	183.2
Property, plant, and equipment - net	1,171.8	1,168.7	1,109.6	1,133.2	1,163.7
Deferred income taxes	330.6	264.5	269.1	271.2	210.8
Other assets	317.3	308.7	323.5	281.2	233.2

Total	$ 3,013.9	$ 2,934.0	$ 2,813.2	$ 2,698.1	$ 2,527.9
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accruals	$ 457.3	$ 453.4	$ 451.2	$ 439.3	$ 339.7
Accrued postretirement medical benefit obligation - current portion	45.3	50.1	46.8	47.0	47.6
Payable to affiliates	82.7	97.0	94.2	85.3	62.4
Long-term debt - current portion	8.8	8.9	8.9	11.5	8.7
Total current liabilities	594.1	609.4	601.1	583.1	458.4
Long-term liabilities	491.9	458.1	548.5	495.5	501.8
Accrued postretirement medical benefit obligation	720.3	722.5	734.0	734.9	713.1
Long-term debt	962.9	953.0	749.2	751.1	720.2
Minority interests	127.7	121.7	122.7	116.2	105.0
Stockholders' equity:					
Preferred stock	-	.4	.4	.6	.2
Common stock	.8	.7	.7	.6	.6
Additional capital	533.8	531.1	530.3	527.8	425.9
Retained earnings (accumulated deficit)	(417.6)	(460.1)	(459.9)	(502.6)	(375.7)
Additional minimum pension liability	-	(2.8)	(13.8)	(9.1)	(21.6)
Total stockholders' equity	117.0	69.3	57.7	17.3	29.4
Total	$ 3,013.9	$ 2,934.0	$ 2,813.2	$ 2,698.1	$ 2,527.9
Debt-to-capital ratio(1)	77.8	81.2	78.1	82.4	81.3

(1) Total of long-term debt - current portion and long-term debt (collectively "total debt") as a ratio of total debt, deferred income tax liabilities, minority interests, and stockholders' equity.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES
F I V E - Y E A R F I N A N C I A L D A T A
S T A T E M E N T S O F C O N S O L I D A T E D I N C O M E (L O S S)

	Year Ended December 31,				
(In millions of dollars, except share amounts)	1997	1996	1995	1994	1993
Net sales	$ 2,373.2	$ 2,190.5	$ 2,237.8	$ 1,781.5	$ 1,719.1
Costs and expenses:					
Cost of products sold	1,962.6	1,869.1	1,798.4	1,625.5	1,587.7
Depreciation	91.1	96.0	94.3	95.4	97.1
Selling, administrative, research and development, and general	131.8	127.6	134.5	116.8	121.9
Restructuring of operations	19.7	-	-	-	35.8
Total costs and expenses	2,205.2	2,092.7	2,027.2	1,837.7	1,842.5
Operating income (loss)	168.0	97.8	210.6	(56.2)	(123.4)
Other income (expense):					
Interest expense	(110.7)	(93.4)	(93.9)	(88.6)	(84.2)
Other - net	3.0	(2.7)	(14.1)	(7.3)	(.9)
Income (loss) before income taxes, minority interests, extraordinary loss, and cumulative effect of changes in accounting principles	60.3	1.7	102.6	(152.1)	(208.5)
(Provision) credit for income taxes	(8.8)	9.3	(37.2)	53.8	86.9
Minority interests	(3.5)	(2.8)	(5.1)	(3.1)	(1.5)
Income (loss) before extraordinary loss and cumulative effect of changes in accounting principles	48.0	8.2	60.3	(101.4)	(123.1)
Extraordinary loss on early extinguishments of debt, net of tax benefits of $2.9 and $11.2 for 1994 and 1993, respectively	-	-	-	(5.4)	(21.8)
Cumulative effect of changes in accounting principles, net of tax benefit of $237.7	-	-	-	-	(507.3)
Net income (loss)	48.0	8.2	60.3	(106.8)	(652.2)
Preferred stock dividends	(5.5)	(8.4)	(17.6)	(20.1)	(6.3)
Net income (loss) available to common shareholders	$ 42.5	$ (.2)	$ 42.7	$ (126.9)	$ (658.5)
Earnings (loss) per share:					
Basic	$ .57	$ .00	$ .69	$ (2.18)	$ (11.47)
Diluted	$ .57	$ .00	$ .69	$ (2.18)	$ (11.47)
Weighted average shares outstanding:					
Basic	74,221	71,644	62,000	58,139	57,423
Diluted	74,382	71,644	62,264	58,139	57,423

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Q U A R T E R L Y F I N A N C I A L D A T A (U N A U D I T E D)

(In millions of dollars, except share amounts)	Quarter Ended March 31	June 30	September 30	December 31
1997				
Net sales	$ 547.4	$ 597.1	$ 634.1	$ 594.6
Operating income	31.3	35.3 (1)	54.5	46.9
Net income	2.6	13.7 (2)	17.5	14.2
Earnings per share:				
Basic	.01	.16 (2)	.22	.18
Diluted	.01	.16 (2)	.22	.18
Common stock market price:				
High	13-5/8	12-1/4	16	14-7/8
Low	10-7/8	10-1/8	11-5/8	8-3/8
1996				
Net sales	$ 531.1	$ 567.6	$ 553.4	$ 538.4
Operating income	40.3	36.6	10.5	10.4 (3)
Net income (loss)	9.9	8.2	(6.6)	(3.3)(3)
Earnings (loss) per share:				
Basic	.11	.09	(.12)	(.08)(3)
Diluted	.11	.09	(.12)	(.08)(3)
Common stock market price:				
High	16-1/8	15-3/4	12-1/2	12
Low	12	10-7/8	9-3/4	10-1/8

(1) Includes a $19.7 pre-tax charge for restructuring of operations and a $5.8 pre-tax charge for litigation matters.

(2) Includes a $19.7 pre-tax charge for restructuring of operations, an offsetting after-tax benefit of $12.5 related to the settlement of certain tax matters and a $5.8 pre-tax charge for litigation matters.

(3) Includes approximately $17.0 on an after tax basis resulting from settlements of certain tax matters. Excluding these items, basic loss per common share would have been approximately $.32.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included and incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements File No.'s 333-71, 333-16239 and 33-49889.

ARTHUR ANDERSEN LLP

Houston, Texas
March 25, 1998

EXHIBIT 23.2

We hereby consent to (i) any references to our firm, or (ii) any references to advice rendered by our firm contained in Kaiser Aluminum Corporation's Annual Report on Form 10-K for the year ended December 31, 1997, which is incorporated into the Company's previously filed Registration Statements on Form S-3 No.'s 333-16239 and 333-71 and Registration Statement on Form S-8 No. 33-49889.

WHARTON LEVIN EHRMANTRAUT
KLEIN & NASH, P.A.

March 23, 1998

EXHIBIT 23.3

We hereby consent to the incorporation by reference in the Registration Statements on From S-3 (Registration Nos., 333-71 and 333-16239) and Form S-8 (No. 33-49889) of Kaiser Aluminum Corporation, a Delaware corporation (the "Company"), of the references to our name and the advice rendered by our firm that appear in Note 9 of the Notes to the Consolidated Financial Statements for the year ended December 31, 1997, included in the Company's Annual Report on Form 10-K for the year ended 1997.

THELEN, MARRIN, JOHNSON & BRIDGES LLP

March 23, 1998

CERTIFICATE OF RETIREMENT
OF
KAISER ALUMINUM CORPORATION
UNDER
SECTION 243 OF THE GENERAL CORPORATION LAW OF DELAWARE

In accordance with Section 243 of the General Corporation Law of the State of Delaware, Kaiser Aluminum Corporation (the "Corporation"), a Delaware corporation, DOES HEREBY CERTIFY:

FIRST: That the Corporation has redeemed or converted and retired eight million, eight hundred, fifty-five thousand, five hundred fifty (8,855,550) shares of its 8.255% PRIDES, Convertible Preferred Stock, par value $.05 per share, of the Corporation (the "8.255% PRIDES"), which constituted all of the issued and outstanding shares of the 8.255% PRIDES.

SECOND: That the Certificate of Designations of 8.255% PRIDES, Convertible Preferred Stock of Kaiser Aluminum Corporation prohibits the reissuance of the shares of 8.255% PRIDES as shares of 8.255% PRIDES when so retired, but provides that such retired shares shall resume the status of authorized but unissued shares of Preferred Stock, par value $.05 per share, of the Corporation, without designation as to series or class, and that such shares may thereafter be issued, but not as shares of 8.255% PRIDES.

THIRD: That when this Certificate of Retirement becomes effective in accordance with Section 103 of the General Corporation Law of the State of Delaware, it shall have the effect of amending the Restated Certificate of Incorporation of the Corporation so as to reduce accordingly the number of authorized shares of the 8.255% PRIDES.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Retirement to be signed by E. Bruce Butler, a Vice President, and attested by John Wm. Niemand II, its Secretary, this 12th day of February, 1998.

KAISER ALUMINUM CORPORATION

By: /s/ E. Bruce Butler

E. Bruce Butler, Vice President

ATTEST:

/s/ John Wm. Niemand II

John Wm. Niemand II, Secretary

[Corporate Seal]

EXECUTION COPY

TWELFTH AMENDMENT TO CREDIT AGREEMENT

THIS TWELFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of January 13, 1998, is by and between KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation (the "Company"), KAISER ALUMINUM CORPORATION, a Delaware corporation (the "Parent Guarantor"), the various financial institutions that are or may from time to time become parties to the Credit Agreement referred to below (collectively, the "Lenders" and, individually, a "Lender"), and BANKAMERICA BUSINESS CREDIT, INC., a Delaware corporation, as agent (in such capacity, together with its successors and assigns in such capacity, the "Agent") for the Lenders. Capitalized terms used, but not defined, herein shall have the meanings given to such terms in the Credit Agreement, as amended hereby.

W I T N E S S E T H:

WHEREAS, the Company, the Parent Guarantor, the Lenders and the Agent are parties to the Credit Agreement, dated as of February 15, 1994, as amended by the First Amendment to Credit Agreement, dated as of July 21, 1994, the Second Amendment to Credit Agreement, dated as of March 10, 1995, the Third Amendment to Credit Agreement and Acknowledgement, dated as of July 20, 1995, the Fourth Amendment to Credit Agreement, dated as of October 17, 1995, the Fifth Amendment to Credit Agreement dated as of December 11, 1995, the Sixth Amendment to Credit Agreement dated as of October 1, 1996, the Seventh Amendment to Credit Agreement, dated as of December 17, 1996, the Eighth Amendment to Credit Agreement, dated as of February 24, 1997, the Ninth Amendment to Credit Agreement and Acknowledgment, dated as of April 21, 1997, the Tenth Amendment to Credit Agreement and Assignment, dated as of June 25, 1997, and the Eleventh Amendment to Credit Agreement and Limited Waivers, dated as of October 20, 1997 (the "Credit Agreement"); and

WHEREAS, the parties hereto have agreed to amend the Credit Agreement as herein provided;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Amendments to Credit Agreement.

1.1 Amendments to Article I: Definitions.

A. Section 1.1 of the Credit Agreement is hereby amended by amending the following definitions contained therein to read in their entirety as follows:

"`Revolving Commitment Termination Date' means the earliest of

(a) March 31, 1994 (unless the Initial Borrowing Date shall have occurred before the close of business, San Francisco time, on such date);

(b) August 15, 2001;

(c) the date on which the Revolving Commitment Amount is reduced to zero pursuant to Section 2.2; and

(d) the date on which any Commitment Termination Event occurs.

Upon the occurrence of any event described in clause (a), (b), (c), or (d), the Revolving Commitment of each Lender and the Swingline Commitment of Business Credit shall terminate automatically and without any further action."

"`Stated Maturity Date' means (a) in the case of any Revolving Loan, August 15, 2001, and (b) in the case of any Swingline Loan, the earlier of (i) the seventh calendar day following the date such Swingline Loan is made or (ii) August 15, 2001."

1.2 Amendments to Article V: Letters of Credit.

A. Section 5.1 of the Credit Agreement is hereby amended by amending clause (b)(iii) thereof to read in its entirety as follows:

"(iii) such Letter of Credit is not stated to expire on a date (its "Stated Expiry Date") no later than the tenth Business Day immediately preceding August 15, 2001;"

1.3 Amendments to Article IX: Covenants.

A. Section 9.2.2 of the Credit Agreement is hereby amended by deleting the reference to "February 15, 1999" contained in clause (b)(x) thereof and substituting a reference to "August 15, 2001" therefor.

B. Section 9.2.3 of the Credit Agreement is hereby amended by deleting the reference to "February 15, 1999" contained in clause (w) thereof and substituting a reference to "August 15, 2001" therefor.

C. Section 9.2.7 of the Credit Agreement is hereby amended by adding the phrase "and each Fiscal Year thereafter" following the date "1998" contained therein.

Section 2. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof only when the following conditions shall have been satisfied and notice thereof shall have been given by the Agent to the Parent Guarantor, the Company and each Lender (the date of satisfaction of such conditions and the giving of such notice being referred to herein as the "Twelfth Amendment Effective Date"):

A. The Agent shall have received for each Lender counterparts hereof duly executed on behalf of the Parent Guarantor, the Company, the Agent and the Required Lenders (or notice of the approval of this Amendment by the Required Lenders satisfactory to the Agent shall have been received by the Agent).

B. The Agent shall have received:

(1) Resolutions of the Board of Directors or of the Executive Committee of the Board of Directors of the Company and the Parent Guarantor approving and authorizing the execution, delivery and performance of this Amendment, certified by their respective corporate secretaries or assistant secretaries as being in full force and effect without

modification or amendment as of the date of execution hereof by the Company or the Parent Guarantor, as the case may be;

(2) A signature and incumbency certificate of the officers of the Company and the Parent Guarantor executing this Amendment;

(3) For each Lender an opinion, addressed to the Agent and each Lender, from Kramer, Levin, Naftalis & Frankel, in form and substance satisfactory to the Agent; and

(4) Such other information, approvals, opinions, documents, or instruments as the Agent may reasonably request.

Section 3. Company's Representations and Warranties.

In order to induce the Lenders and the Agent to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, the Parent Guarantor and the Company represent and warrant to each Lender and the Agent that, as of the Twelfth Amendment Effective Date after giving effect to the effectiveness of this Amendment, the following statements are true and correct in all material respects:

A. Authorization of Agreements. The execution and delivery of this Amendment by the Company and the Parent Guarantor and the performance of the Credit Agreement as amended by this Amendment (the "Amended Agreement") by the Company and the Parent Guarantor are within such Obligor's corporate powers and have been duly authorized by all necessary corporate action on the part of the Company and the Parent Guarantor, as the case may be.

B. No Conflict. The execution and delivery by the Company and the Parent Guarantor of this Amendment and the performance by the Company and the Parent Guarantor of the Amended Agreement do not:

(1) contravene such Obligor's Organic Documents;

(2) contravene the Senior Indenture, the New Senior Indenture, the Additional New Senior Indentures, or the Subordinated Indenture or contravene any other contractual restriction where such a contravention has a reasonable possibility of having a Materially Adverse Effect or contravene any law or governmental regulation or court decree or order binding on or affecting such Obligor or any of its Subsidiaries; or

(3) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties or any of the properties of any Subsidiary of such Obligor, other than pursuant to the Loan Documents.

C. Binding Obligation. This Amendment has been duly executed and delivered by the Company and the Parent Guarantor and this Amendment and the Amended Agreement constitute the legal, valid and binding obligations of the Company and the Parent Guarantor, enforceable against the Company and the Parent Guarantor in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and by general principles of equity.

D. Governmental Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other Person is required for the due execution, delivery or performance of this Amendment by the Company or the Parent Guarantor.

E. Incorporation of Representations and Warranties from Credit Agreement. Each of the statements set forth in Section 7.2.1 of the Credit Agreement is true and correct.

Section 4. Acknowledgement and Consent.

The Company is a party to the Company Collateral Documents, in each case as amended through the date hereof, pursuant to which the Company has created Liens in favor of the Agent on certain Collateral to secure the Obligations. The Parent Guarantor is a party to the Parent Collateral Documents, in each case as amended through the date hereof, pursuant to which the Parent Guarantor has created Liens in favor of the Agent on certain Collateral and pledged certain Collateral to the Agent to secure the Obligations of the Parent Guarantor. Certain Subsidiaries of the Company are parties to the Subsidiary Guaranty and/or one or more of the Subsidiary Collateral Documents, in each case as amended through the date hereof, pursuant to which such Subsidiaries have (i) guarantied the Obligations and/or (ii) created Liens in favor of the Agent on certain Collateral. The Company, the Parent Guarantor and such Subsidiaries are collectively referred to herein as the "Credit Support Parties", and the Company Collateral Documents, the Parent Collateral Documents, the Subsidiary Guaranty and the Subsidiary Collateral Documents are collectively referred to herein as the "Credit Support Documents".

Each Credit Support Party hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement as amended by this Amendment and consents to the amendment of the Credit Agreement effected as of the date hereof pursuant to this Amendment.

Each Credit Support Party acknowledges and agrees that any of the Credit Support Documents to which it is a party or otherwise bound shall continue in full force and effect. Each Credit Support Party hereby confirms that each Credit Support Document to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be, the payment and performance of all obligations guaranteed or secured thereby, as the case may be.

Each Credit Support Party (other than the Company and the Parent Guarantor) acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Credit Support Party is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Credit Support Party to any future amendments to the Credit Agreement.

Section 5. Miscellaneous.

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(1) On and after the Twelfth Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(2) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

B. Applicable Law. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO SUCH LAWS RELATING TO CONFLICTS OF LAWS.

C. Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provision hereof.

D. Counterparts. This Amendment may be executed by the parties hereto in several counterparts and by the different parties on separate counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

E. Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the day and year first above written.

KAISER ALUMINUM CORPORATION

By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell
Its: Treasurer

KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell
Its: Treasurer

BANKAMERICA BUSINESS CREDIT, INC., as Agent

By: /s/ Michael J. Jasaitis
Name: Michael J. Jasaitis
Its: Vice President

BANKAMERICA BUSINESS CREDIT, INC.

By: /s/ Michael J. Jasaitis
Name: Michael J. Jasaitis
Its: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: /s/James P. Johnson
Name Printed: James P. Johnson
Its: Managing Director

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Timothy S. Culver
Name Printed: Timothy S. Culver
Its: Assistant Vice President

CONGRESS FINANCIAL CORPORATION (WESTERN)

By: /s/ Kristine Metchikian
Name Printed: Kristine Metchikian
Its: Vice President

HELLER FINANCIAL, INC.

By: /s/ Sara Hopkins
Name Printed: Sara Hopkins
Its: Vice President

LA SALLE NATIONAL BANK

By: /s/ Douglas C. Colletti
Name Printed: Douglas C. Colletti
Its: First Vice President

TRANSAMERICA BUSINESS CREDIT CORPORATION

By: /s/ Robert L. Heinz
Name Printed: Robert L. Heinz
Its: Senior Vice President

ABN AMRO BANK N.V.
San Francisco International Branch
by: ABN AMRO North America,
Inc., as agent

By: /s/ Bradford H. Leahy
Name Printed: Bradford H. Leahy
Its: Assistant Vice President

By: /s/ Jeffrey A. French
Name Printed: Jeffrey A. French
Its: Group Vice President & Director

ACKNOWLEDGED AND AGREED TO:

AKRON HOLDING CORPORATION	KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
KAISER ALUMINUM PROPERTIES, INC.	KAISER ALUMINUM TECHNICAL SERVICES, INC.
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
OXNARD FORGE DIE COMPANY, INC.	KAISER ALUMINIUM INTERNATIONAL, INC.
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
KAISER ALUMINA AUSTRALIA CORPORATION	KAISER FINANCE CORPORATION
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
ALPART JAMAICA INC.	KAISER JAMAICA CORPORATION
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
KAISER BAUXITE COMPANY	KAISER EXPORT COMPANY
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
KAISER MICROMILL HOLDINGS, LLC	KAISER SIERRA MICROMILLS, LLC
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer
KAISER TEXAS SIERRA MICROMILLS, LLC	KAISER TEXAS MICROMILL HOLDINGS, LLC
By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer	By: /s/ Karen A. Twitchell Name Printed: Karen A. Twitchell Its: Treasurer

KAISER BELLWOOD CORPORATION

By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell
Its: Treasurer

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement is made and entered into as of December 10, 1997, by and between Kaiser Aluminum Corporation ("KAC") and Kaiser Aluminum & Chemical Corporation ("KACC"), which are collectively referred to herein as the "Company", and George T. Haymaker, Jr., referred to herein as "Haymaker". The Company and Haymaker are collectively referred to herein as the "Parties".

WHEREAS, the Company and Haymaker entered into an Employment Agreement on and as of April 1, 1993 (the "Agreement"); and

WHEREAS, the Parties entered into a First Amendment (the "First Amendment") of said Agreement on and as of November 28, 1995, to clarify and amend certain provisions of the Agreement; and

WHEREAS, the Parties wish to extend the Term of the Agreement including the First Amendment and to amend certain other provisions to recognize events during the passage of time since the First Amendment;

NOW, THEREFORE, the Parties do covenant and agree and amend the Agreement, as amended by the First Amendment, as follows:

1. Section 2 of the Agreement is amended to read in full as follows:

2. TERM AND STARTING DATE

This Agreement and its Amendments shall be binding and effective from and after the date of its execution, April 1, 1993, and shall continue, subject to earlier termination as hereinafter set forth, until December 5, 1999, Haymaker's sixty-second birthday.

2. Section 3 of the First Amendment and the Agreement are amended to read in full as follows:

3. SALARY AND BONUS

Until the last day of January, 1998, Haymaker will be paid a base salary of $504,000. Effective February 1, 1998, Haymaker will be paid a base salary of no less than $569,000. Haymaker is a continuing participant in the Kaiser Executive Compensation Programs which went into effect in 1995, 1996, and 1997, and will participate in future approved Executive Compensation Programs going into effect in 1998 and 1999.

The Total Annual Incentive Target for Haymaker's participation in the Executive Compensation Programs was set at $1,035,000 as of July 30, 1997, and will be increased to $1,315,000 at January 31, 1998, as previously approved by the Compensation Committee. The Total Annual Incentive Target includes both a Short Term Incentive Target for the applicable year and the Long Term Incentive Target for a Performance Period covering three years including the applicable year.

Haymaker's Short Term Incentive Target for 1997 is $311,000, and his Long Term Incentive Targets for the years ending 1997, 1998, and 1999 are: $717,100; $818,500; and $850,000, respectively, such amounts being equal to the Long Term Incentive Targets approved at the beginning of each Long Term Incentive Performance Period adjusted for the amounts and effective dates of subsequent increases approved by the Compensation Committee.

Haymaker's Short Term Incentive Target for 1998 and 1999 will be $387,900 and $395,000, giving effect to the levels previously approved by the Compensation Committee, unless subsequently increased by the Committee; and his Long Term Incentive Targets for the portions of the three year Long Term Incentive Performance Periods ending in the years 2000 and 2001 in which he participates will be $914,600 and $920,000, respectively, also giving effect to the amounts previously approved by the Compensation Committee, unless subsequently increased by the Committee.

3. Section 10(d) of the Agreement is amended to read in full as follows:

d. By the Company Without Cause

This Agreement may also be terminated by the Company without cause upon 30 days advance written notice to Haymaker. However, if the Company terminates this Agreement without cause prior to the full vesting of the SERB, the initial grant of options to Haymaker made in accordance with this Employment Agreement shall fully vest and become exercisable commencing at the time that the notice of termination is provided to Haymaker. KACC shall also pay to Haymaker a severance payment equal to two times the amount of Haymaker's base annual salary at the time of the notice of termination.

IN WITNESS WHEREOF, the Parties have signed this Second Amendment to Employment Agreement as of the date first above written.

Haymaker	The Company
	Kaiser Aluminum Corporation
/s/ George T. Haymaker, Jr.	
George T. Haymaker, Jr.	By /s/ E. Bruce Butler
	E. Bruce Butler Vice President and General Counsel
	Kaiser Aluminum & Chemical Corporation
	By: /s/ E. Bruce Butler
	E. Bruce Butler Vice President and General Counsel

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This schedule contains summary financial information extracted from the consolidated financial statements of the Company for the twelve months ended December 31, 1997, and is qualified in its entirety by reference to such financial statements.
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