

Alcan Primary Metal – British Columbia



**“FUTURE MUST BE BUILT ON FACTS”
ADVERTISEMENT SERIES**



Vol. 1, September 2005

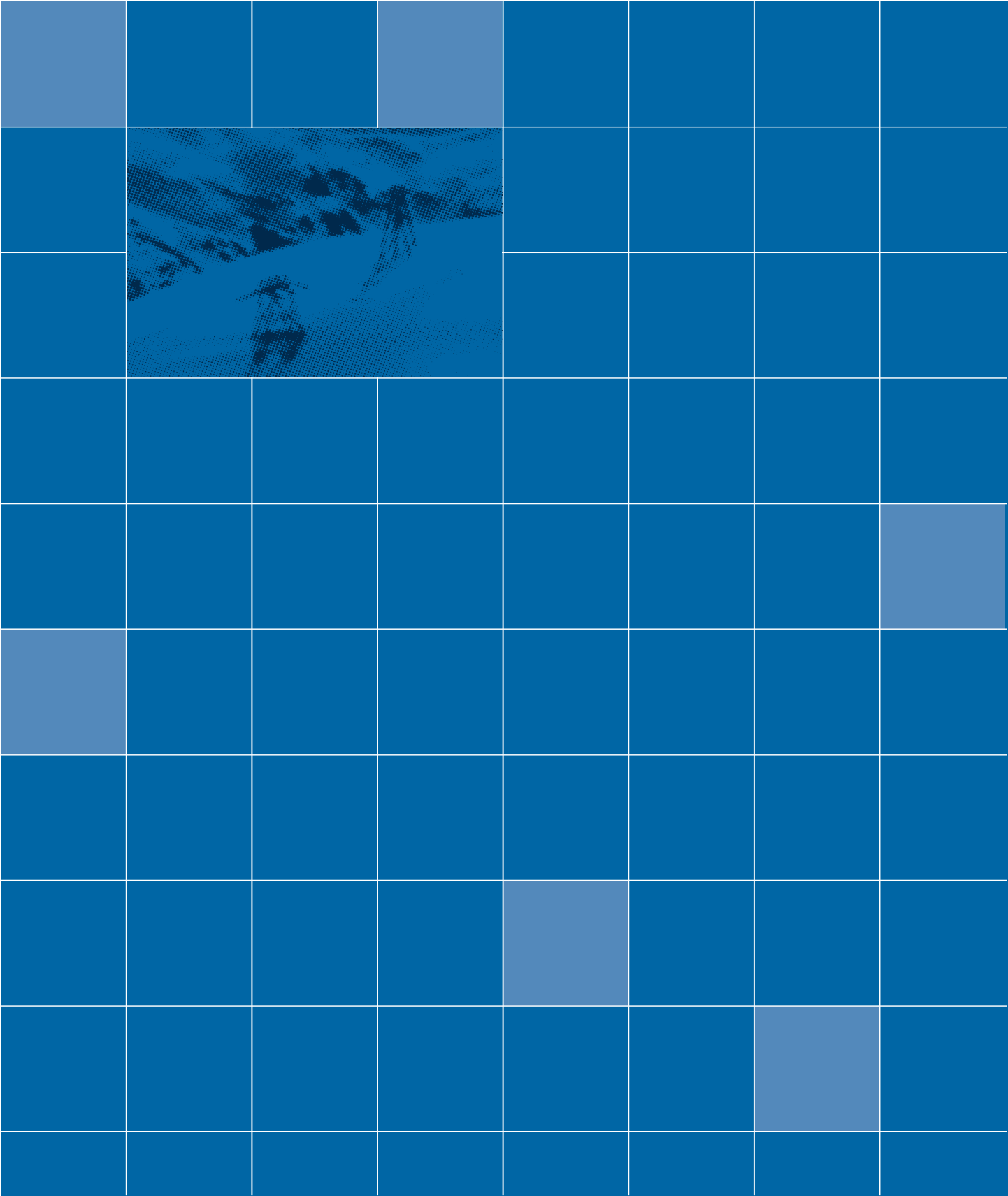
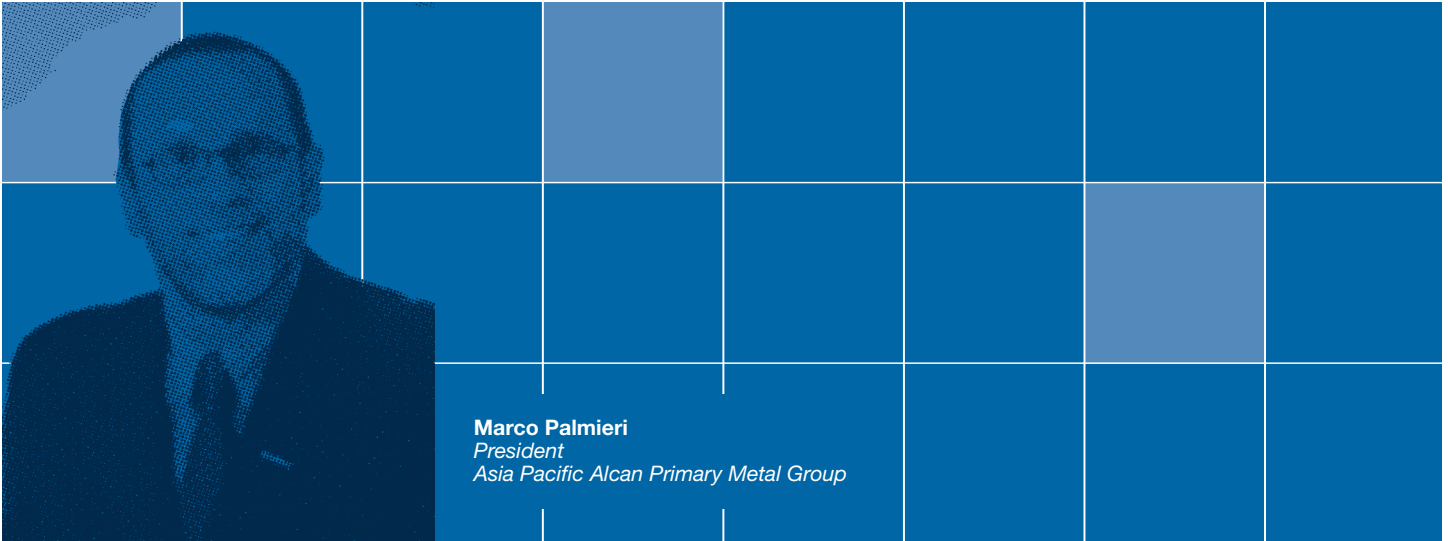


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Marco Palmieri
President
Asia Pacific Alcan Primary Metal Group

Alcan Primary Metal Group, at the corporate level, believes just as strongly as Alcan's local management in British Columbia, that Kitimat must focus on respectful dialogue and collaboration among all parties that have a stake in the community's future.

Alcan has a large stake in Kitimat's future and is certainly a key player in working to identify and advance initiatives that will diversify the local and regional economies. But we can't be the only player in creating sustainable northern communities. We all have to work together to understand and plan for the changes that lie on the horizon if we want our communities to continue to grow and prosper.

The face of our industry is being changed by global competitive forces and technological advances. These influences are improving the industry's performance from economic and environmental, health and safety perspectives, but regrettably, they have a potentially negative social impact in terms of declining employment. Power sales have nothing to do with these drivers of change.

The fact that all aluminum-producing jurisdictions are faced with decreasing employment as a result of new technology doesn't make it any easier to cope with change in Kitimat. Nonetheless, we have to find ways not just to cope with change but to make it work to our advantage. Alcan understands this concern and has found ways to help communities deal with it in many of our operating areas in the world.

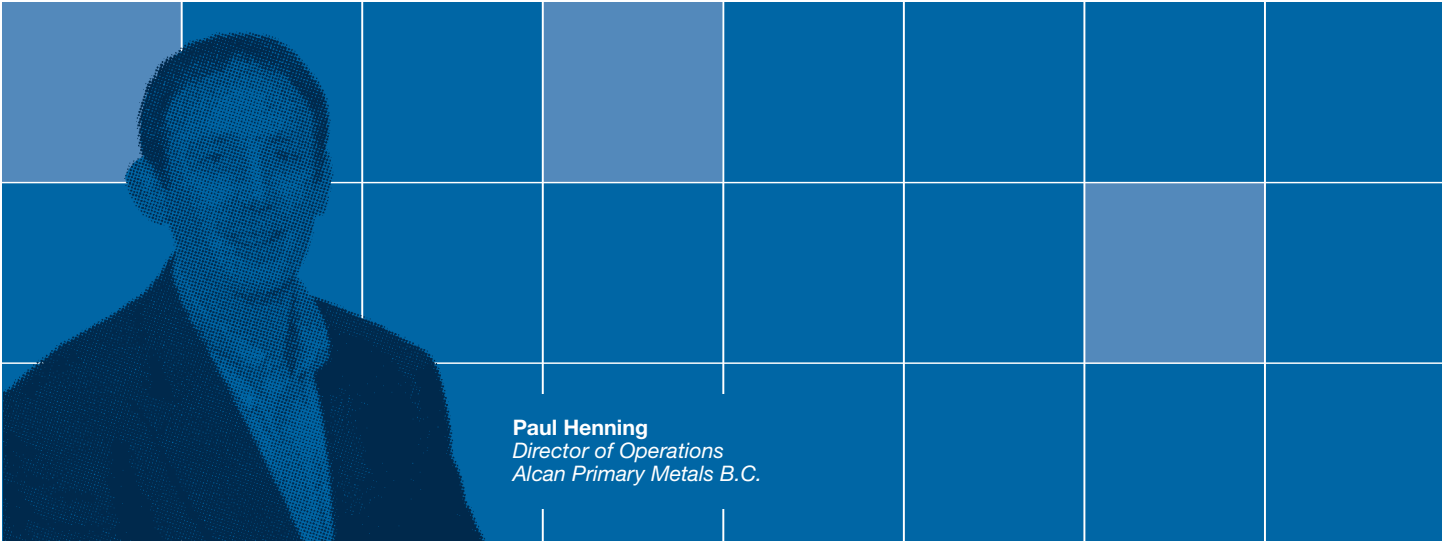
We are just as much committed to the community of Kitimat as we are our other Alcan jurisdictions worldwide. In

fact, Kitimat represents one of the most visionary exploits in Alcan's 104-year history. We are committed to this community within the context of what it takes to operate a successful aluminum business in today's world. Kitimat would not be well served by an anchor company unresponsive to global realities.

Over the past several weeks, Paul Henning and his team have laid out in this series of advertisements a large amount of information about how we run our B.C. business within those realities. While some people may choose to criticize this information, these are the facts as clearly, precisely, and openly as we can present them. Please don't hesitate to contact Alcan to discuss this information further (please see contact information, back cover).

Marco Palmieri
President, Asia Pacific
Alcan Primary Metal Group





This document is a compilation of advertisements placed by Alcan in local (Kitimat-Terrace) newspapers to present the facts concerning Alcan’s business in B.C. Much has been said about the impact of Alcan’s power sales on aluminum production and the perceived effect on the economics of the town of Kitimat. With the facts provided here, we have attempted to correct some of the misinformation to allow you to become more informed and able to draw your own conclusions on the issue.

The major points covered in the ads are:

- **Alcan’s most important business in B.C. has been, is, and will remain aluminum production.** The smelter is operating at about 90% of capacity (unlike most smelters in northwestern North America which are closed down). Over the past seven years, revenue from aluminum sales has accounted for more than 90% of Alcan’s total revenues in B.C., while power sales revenues have accounted for less than 10% of annual revenues. Alcan is committed to northwestern B.C. and continues to examine smelter modernization opportunities in Kitimat.

- **Alcan has sold Kemano power since the 1950s.** Typically, 85% of the power generated at Kemano is used in Kitimat. In low water years, Kitimat consumes 95% or more of the Kemano power and, in high water years

(like 2005), Kitimat consumes about 80-85% of Kemano power. Kemano power that leaves Kitimat is used to support Terrace and other Highway 16 communities from Prince Rupert to Vanderhoof. Alcan does not export any Kemano power to the United States and does not have a permit to do so.

- **The modernization of the Kitimat smelter will mean fewer jobs even if the production capacity of the smelter is significantly increased.** To offset these job reductions, all sectors of our community must work together to develop and diversify Kitimat’s economy to ensure a successful and sustainable community. Alcan is actively engaged with local communities, businesses, and First Nations in working toward this goal.

I hope that you find the compilation of ads informative. If you have any questions, please don’t hesitate to contact us (contact info on back page). Alcan remains committed to seeking ways to help our region and Kitimat, in particular, build a sustainable future.

Sincerely,

Paul Henning, *Director of Operations Alcan Primary Metals B.C.*



FUTURE MUST BE BUILT ON FACTS

A larger, modern smelter would not employ 1,700 - 1,800 people as is being suggested.

Kitimat Works is 50 years old. The introduction of new technology to the smelter would mean fewer jobs, not more

Below are the facts regarding production and employment, as of this date, at various Alcan smelters. At 400,000 tpy, Alma is the largest Alcan-owned smelter in the world. Kitimat is the second largest.

	ABi	Alouette	Alma	Arvida	Beauharnois	Grande-Baie	Kitimat	Laterrière	Sebree	Shawinigan
Start-up	1986	1992	2000	1926	1943	1980	1954	1989	1985 purchase	1942
Technology	AP-18 Prebake	AP-30 Prebake	AP-30 Prebake	Prebake	HS Söderberg	Alcoa P-155 Prebake	VS Söderberg	Alcoa P-155 Prebake	Alcoa P-155 Prebake	HS Söderberg
Capacity/yr	400,000*	550,000*	400,000	161,000	57,000	198,000	245,000	219,000	196,000	93,000
Jobs	1,075	900	813	1,100	236	671	1,600	569	639	502

*partially owned



FUTURE MUST BE BUILT ON FACTS

To compensate for declining employment in primary manufacturing, Kitimat must diversify its economic base and develop new business opportunities.

A sustainable community must have a diversified economy – diversification is key for future of Kitimat

- That's why Alcan has been working with interested parties in the community toward economic development and diversification.
- Examples of our commitment include:
 - Creation of an Economic Resource Officer to work with governments, businesses, communities and First Nations to encourage and foster economic development in Kitimat, Terrace, and around the Nechako Reservoir;
 - Funding of *Unleashing the Potential*, a report that examined the economic potential of Kitimat;
 - Active participation in the KT Industrial Development Society;
 - Active dialogue and participation with the Haisla First Nation in new economic development initiatives in the Kitimat/Kemano region, including the recently announced land agreement;
 - A relationship protocol with the Regional District of Bulkley Nechako and the co-funding of a report on the potential of the local economy; Actively working with businesses, such as Cascadia, to encourage new business opportunities in Kitimat.
 - A \$500 k commitment to UNBC over 7 years to ensure that new doctors stay in the region.
- Alcan believes that respectful dialogue and cooperation are the best ways to ensure a sustainable future for Alcan, our employees, the community of Kitimat, and other stakeholders in the region who depend on our operations.



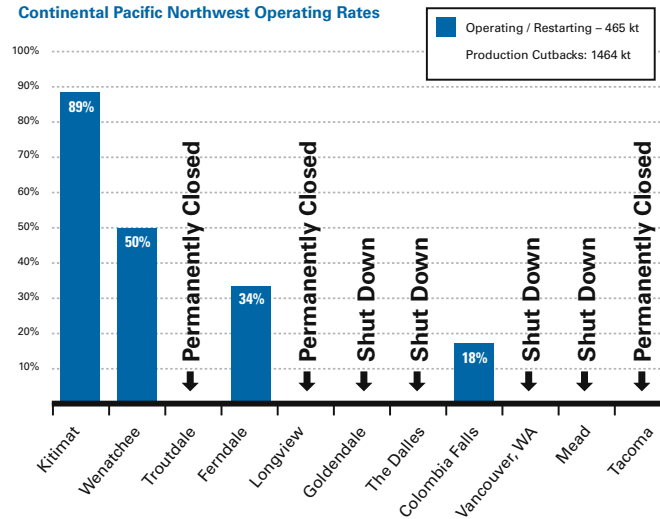
FUTURE MUST BE BUILT ON FACTS

The flexibility of Alcan's operations in B.C., including power sales, has enabled the Kitimat smelter to remain at relatively stable levels of production through many challenging times in the aluminum and energy sectors.

Alcan only producer operating near capacity in continental American Pacific Northwest

Most aluminum smelters in the U.S. Pacific northwest are either shut down, permanently closed or operating at greatly reduced volumes. Alcan's Kitimat smelter is operating at about 90% of its capacity.

Continental Pacific Northwest Operating Rates



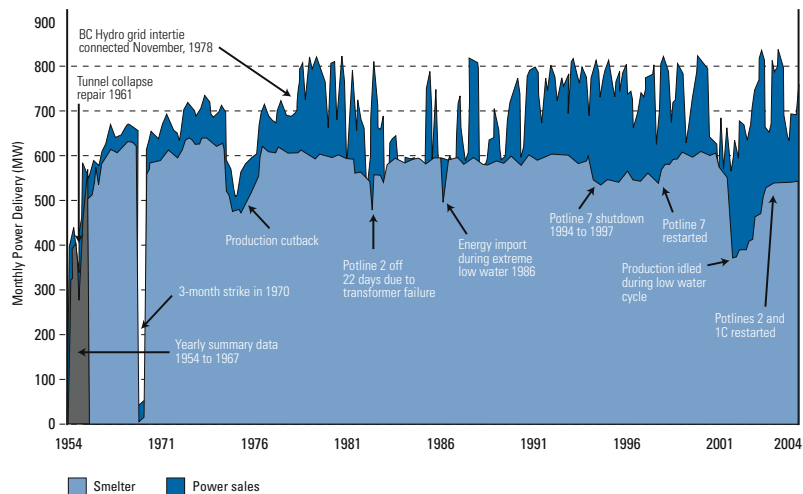
FUTURE MUST BE BUILT ON FACTS

Through the years, power sales have helped to offset downturns in the aluminum industry and have contributed to employment stability.

To ensure stability, Alcan has had and sold surplus Kemanos power in Kitimat since the '50s

Alcan's main product at its Kitimat operations has always been aluminum, and power has been an important secondary product since operations began 50 years ago. Kemanos was built with extra generation to ensure the reliability of power supply to the smelter. Therefore, in a typical year, there is energy available for sale and it has generally been sold.

Alcan Monthly Power Delivery to Smelter and Power Sales: 1954 to 2004



This graph shows that power sales continued when the smelter was operating at full capacity and in the 1970s and 1990s when it was operating below capacity. Periods of minimal power sales indicate low water conditions.

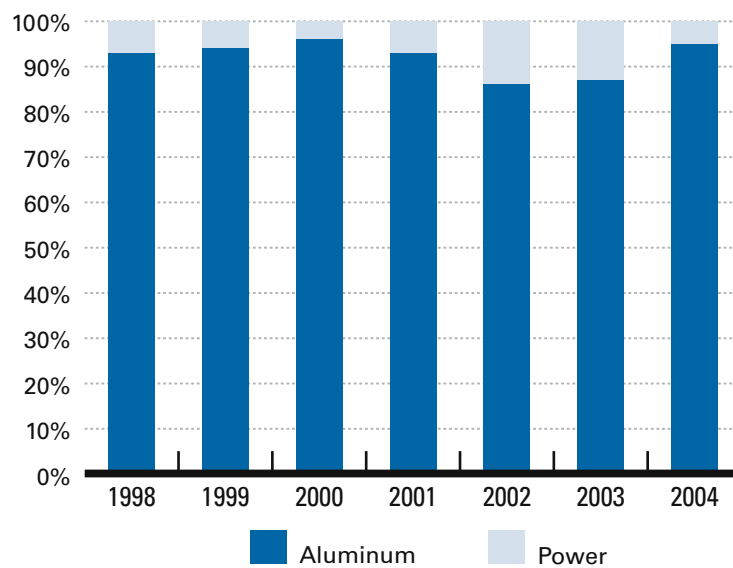


FUTURE MUST BE BUILT ON FACTS

While power sales over the years have contributed to the stability of Alcan's Kitimat operations, aluminum is by far the mainstay of Alcan's business in British Columbia.

POWER SALES IN PERSPECTIVE

Percentage of Alcan B.C. sales revenue by product, 1998 - 2004

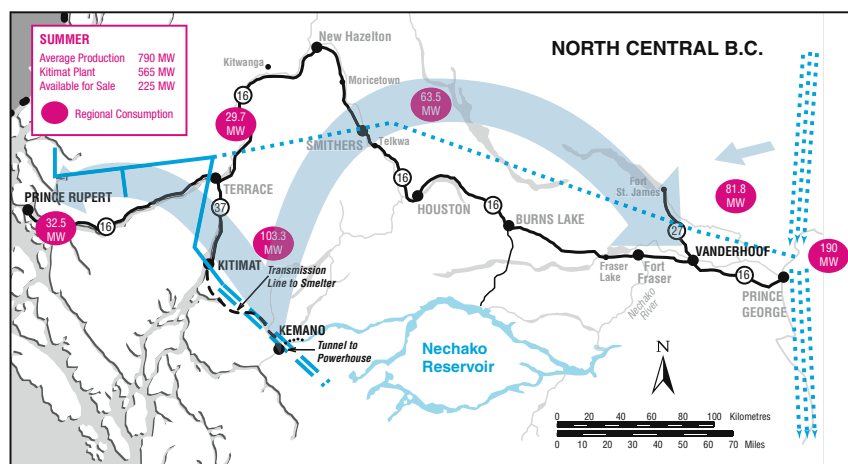


FUTURE MUST BE BUILT ON FACTS

Alcan sells power to BC Hydro and BC Hydro's wholly owned affiliate, Powerex, which benefits all ratepayers in B.C. and ensures safe, reliable power for Kitimat and communities along Highway 16 (Prince Rupert to Vanderhoof).

Alcan power supports Kitimat, other Highway 16 communities

On a typical summer day, as the map below shows, the demand for power in Kitimat and along Highway 16 (Prince Rupert to Vanderhoof) is greater than the amount of power Alcan sells to B.C. Hydro and its affiliate Powerex. Alcan does not export Kemano power to the United States nor does it have a permit to do so. (See www.neb-one.gc.ca for a list of all energy exports from Canada).



Source: B.C. Hydro



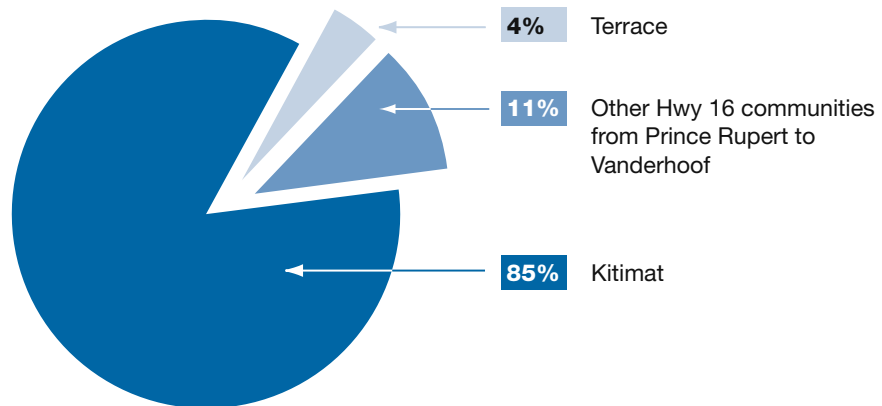
FUTURE MUST BE BUILT ON FACTS

Most of the power generated at Kemano is used in Kitimat by Alcan's aluminum smelter and business, governmental, and residential customers of B.C. Hydro.

Kitimat consumes most Kemano power

The 15 per cent of power not consumed in Kitimat supports Terrace and other Highway 16 communities from Prince Rupert to Vanderhoof.

Kemano Electricity Consumption



Based on a typical summer day's generation of 790 MW



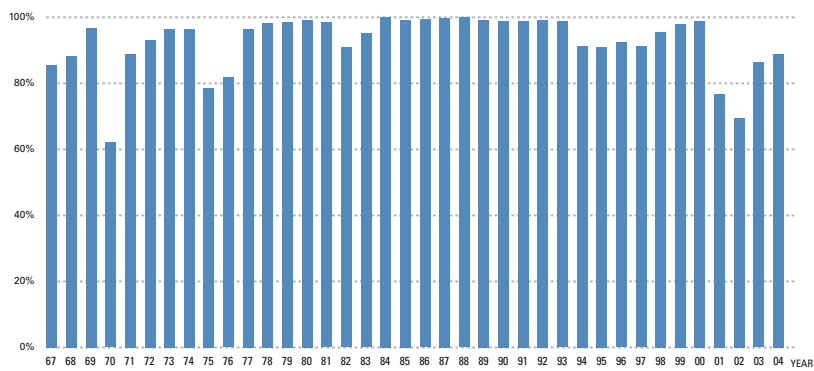
FUTURE MUST BE BUILT ON FACTS

Though relatively stable since completion of Alcan's Kitimat smelter in 1967, aluminum production levels fluctuate with market conditions, water availability, and other factors. Production at 100% of nameplate capacity has only been achieved once, in 1984.

Smelters rarely operate at 100% capacity

The chart below illustrates the percentage of nameplate capacity (275,000 tonnes per year) achieved by the Kitimat smelter annually over the past 38 years.

Hot Metal Production





Note from Alcan



In developing and operating the Kitimat-Kemano project, Alcan has invested the equivalent in today's dollars of about \$5 billion, one of the largest private capital investments in B.C.'s history. Alcan's operations in Kitimat contribute some \$250 million a year to B.C.'s economy, with close to 70 per cent of that total staying in the north, predominantly in Kitimat. Alcan employs 1,600 people in Kitimat and enjoys many important and successful partnerships with First Nations, governments, businesses, and community groups in the region.

Alcan's primary business is aluminum production, which requires a large and reliable supply of power 24 hours a day, 365 days a year. Because of the remote location of our B.C. facilities, the Kemano hydroelectric station was built with extra generating capacity to ensure the supply of reliable, safe, and secure power to the Kitimat smelter.

Alcan has sold extra power generated at Kemano since the 1950s. Our Kemano power station is the only major power facility in northwestern B.C. and has long been considered an important resource by B.C. Hydro. All the power Alcan currently sells is purchased by B.C. Hydro under a long-term agreement and, depending on water and market conditions, by B.C. Hydro's wholly-owned subsidiary, Powerex. These sales benefit all B.C. ratepayers.

On a typical summer day, approximately 85% of Kemano power is used in Kitimat by our aluminum smelter, other businesses, governments, and local residents. Neighbouring Terrace uses about 4%. The remaining 11% is used to support other northwestern communities from Prince Rupert to Vanderhoof.

Alcan does not export Kemano power to the United States nor do we have a permit to do so. Readers can verify this by visiting www.neb-one.gc.ca for a list of all energy exports from Canada.

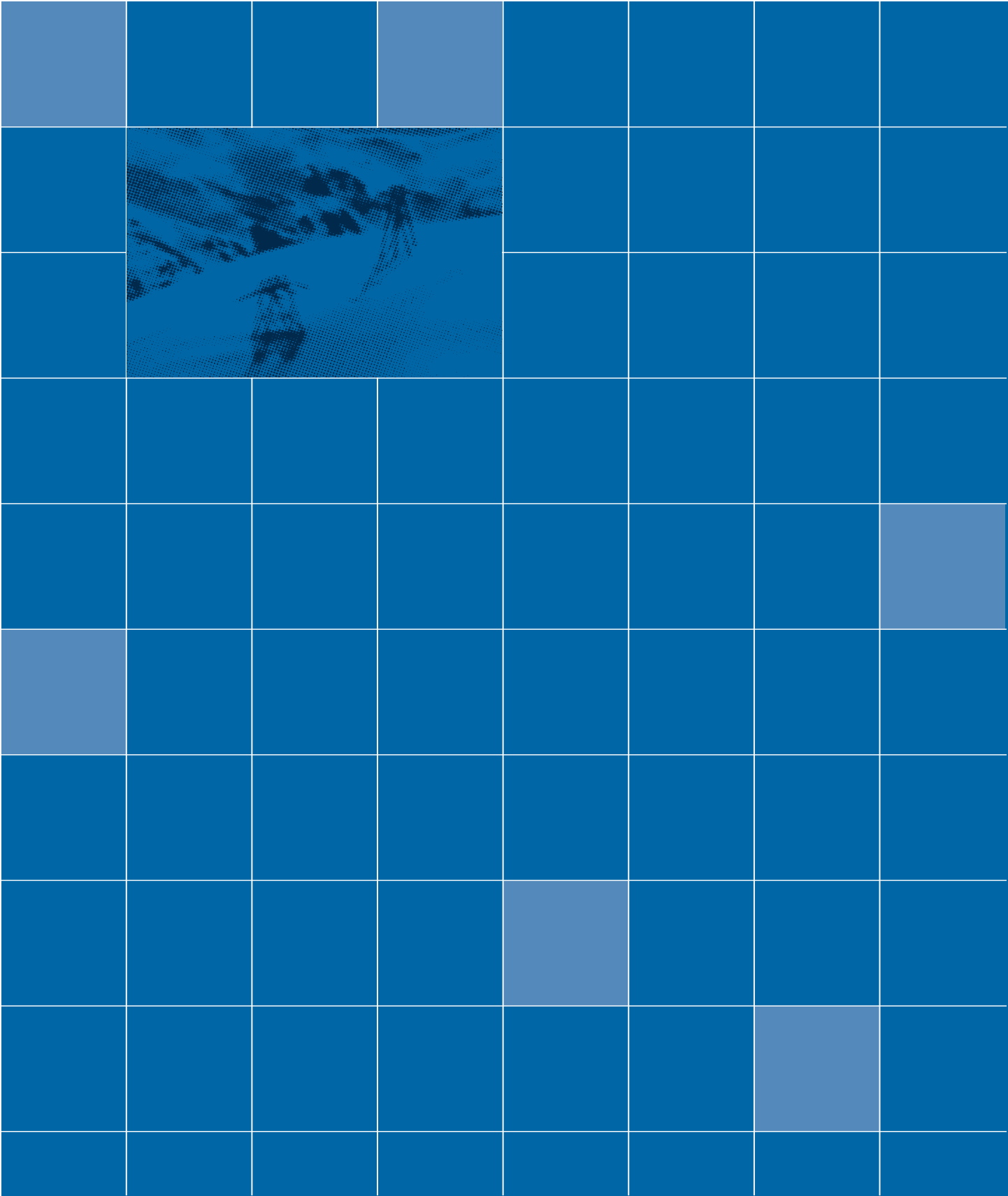
Over the past seven years, our power sales have, on average, accounted for less than 10% of our total sales revenues in British Columbia. More than 90% of our B.C. revenues come from our primary business -- aluminum production. Our Kitimat smelter is currently operating at approximately 90% of capacity, while many of the aluminum smelters in western North America are now ei-

ther permanently closed or operating at greatly reduced volumes due to restricted power availability.

It is being said that Alcan's power sales are the number one economic issue facing Kitimat when, in fact, no jobs have been lost as a result of these sales. Declining employment in the world's primary manufacturing sector, including the aluminum industry, is due to productive new technologies and global competition. Alcan's Kitimat smelter is 50 years old. At some point, it would need to be modernized to enhance its environmental and economic performance. However, the introduction of new technology to the smelter would mean fewer jobs, not more. This reality is a particular challenge for Kitimat, whose economy is heavily dependent on primary manufacturing. To help prepare for the changes ahead, Alcan is actively engaged in working with Kitimat and other communities along the Highway 16 corridor between Prince Rupert and Prince George to stimulate and diversify local economies.

The District of Kitimat has alleged that Alcan is breaching its agreements with the Province. Both the Province and Alcan disagree with this allegation. In 2003 at the request of Kitimat's then MLA, B.C.'s Attorney General carried out a review of Alcan's activities and concluded that "... no information has emerged from this review that causes the government to believe that Alcan's activities have been inconsistent with the various arrangements made with Alcan which led to the development and operation of the Kitimat smelter and the related hydroelectric facilities ..." Despite this conclusion by the Province, the District of Kitimat filed petitions with the B.C. Supreme Court.

We understand the District of Kitimat's concerns about the future. However, we continue to believe that respectful dialogue and cooperation are the best way to ensure a sustainable future for Alcan, our employees, the community of Kitimat, and other stakeholders in the region who depend on our operations. Alcan believes that respectful dialogue and collaboration is the key to the success of Kitimat's future. If you have any questions or comments, please feel free to contact me at Kitimat Works. Thank you.



FOR MORE INFORMATION

PLEASE CONTACT:

COLLEEN NYCE
MANAGER CORPORATE AFFAIRS & COMMUNITY RELATIONS
ALCAN PRIMARY METAL – B.C. OPERATIONS
P.O. Box 1800
KITIMAT, B.C.
V8C 2H2

OFFICE TELEPHONE: 250-639-8760
CELLULAR: 250-615-6574
FAX: 250-639-8192
EMAIL: COLLEEN.NYCE@ALCAN.COM

