

Alcoa to Invest over \$1 Billion to Expand Its Deschambault Aluminum Plant and Create 1,500 Jobs

DESCHAMBAULT---March 5, 2003--Quebec Premier Bernard Landry and Alcoa (NYSE:[AA](#) - [News](#)) Chairman and CEO Alain Belda have signed a memorandum of understanding (MOU) for expanding Alcoa's aluminum plant in Deschambault. This MOU, which is the result of negotiations that began in the fall of 2001, will allow the plant to increase its annual production capacity from 250,000 to 570,000 metric tons.

In attendance at the announcement of the signing were Roger Bertrand, Minister for Health, Social Services and Youth Protection and the MNA for Portneuf, Jacques Brouille, mayor of Deschambault-Grondines and more than 500 plant employees and guests.

The expansion will entail investments of more than \$1 billion (Canadian) and the creation of 6,500 direct and indirect jobs for the length of the construction period. For its part, Alcoa agrees to create a minimum of 1,250 jobs, most of which will be in the Quebec aluminum processing industry and more than 250 jobs for the expansion of the Deschambault plant. It will be assessed heavy penalties if it cannot meet this commitment.

Premier Landry noted: "The goal of the Parti Quebecois government with this MOU is clear- speed up the implementation of a world-class facility for secondary and tertiary aluminum processing and put our hydro-electricity to work for the economic development of Quebec. This innovative approach forms part of our work to implement our Horizon 2005 action plan, through the announcement of a highly structuring project for the National Capital Region that will create thousands of jobs."

When the expansion of Alcoa's Deschambault and Baie-Comeau aluminum plants has been completed, the combined capacity of the company's three plants in Quebec will be 1,400,000 metric tons a year. As a result, Alcoa's Quebec plants will be among the leading aluminum producers in the world.

Mr. Belda noted, "Since the start-up of the Deschambault plant in 1991, its employees have all worked hard to make it a top performer. The investment being announced today offers recognition of their accomplishments. It is also the means that will allow the plant to continue beating its own production records and remain one of the world's most highly-performing aluminum plants, which make excellence their everyday priority."

Alcoa has set January 2006 as the start date for the project, with a production start date of 2008. The new facilities should be ready for full operations no later than 2013.

'We certainly hope that the project will start in 2006, but the overall aluminum market will determine the timing. This agreement will give us the flexibility to start construction as soon as market conditions warrant,' added Mr. Belda.

The project is eligible for tax exemptions available for major projects. It is also eligible for support under the FAIRE program, which will provide financial support in the form of an interest-free loan that could be as much as \$260 million. Hydro-Quebec will provide the 500 MW necessary for the plant's expansion at the regulated industrial power rate, commonly called the "L" rate.

The investment at Deschambault, combined with the one announced in December 2002 for the upgrading and expansion of Alcoa's Baie-Comeau aluminum plant, means the company will be investing more than \$2 billion (Canadian) in Quebec over the next ten years, in addition to its operating costs, investments in environmental protection, and ongoing initiatives to optimize its plants' performance in a world where only the most competitive ones have a future.

With its team of 550 persons, Alcoa's Deschambault aluminum plant produces 250,000 metric tons of aluminum a year. It is part of the Alcoa Primary Metals Northeast Group, which includes the Becancour and Baie-Comeau aluminum plants, and the Becancour aluminum rod production plant.

With its 19 plants and facilities in Canada, 10 of which are in Quebec, Alcoa offers leading-edge products and solutions to several of the country's major markets. Its Quebec aluminum production and processing plants have an annual output of more than 1.3 million metric tons, made up of ingots, castings, billets and rods. Alcoa also manufactures parts for the aerospace and automobile industries, as well as construction and packaging materials.

Alcoa has more than 4,000 employees in Quebec. Its sales in Quebec in 2002 came to \$2.3 billion. Alcoa Inc. is the world's biggest producer of aluminum and aluminum-fabricated products, with worldwide sales in 2002 of \$20.3 billion US.

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