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Alcan Aluminium Limited

Highlights and Summary of the Year 1968

- Alcan's consolidated sales of aluminum products rose 10.5 percent to a record 1,219,800 tons.
- Culminating a decade of substantial investment in and aggressive development of worldwide aluminum fabricating operations, consolidated fabricated product sales at 606,200 tons in 1968 were 12 percent above those in 1967 and more than triple 1958's 180,000 tons.
- By the year end, Alcan's Canadian primary aluminum smelters were operating at a new peak annual rate of 960,000 tons, and an important modernization program was under way.
- Completion of all the smelter projects now in various stages of development could take the combined capacities of affiliated smelters outside Canada to about one and one quarter million tons.
- Gross profits advanced in 1968 to an all-time high of \$266 million and pre-tax earnings to within \$6 million of 1966's record level, but the largest amount of income taxes in the Company's history held the increase in 1968's net income to 10 percent.

	Year ending 31 December	
	1968	1967
Sales of aluminum products	1,219,800 tons	1,103,900 tons
Gross revenues	\$1,102 million	\$1,008 million
Net income	\$71.6 million	\$65.1 million
Profit per common share	\$2.14	\$1.94
Dividends per common share	U.S. \$1.025	U.S. \$1.00
Additions to plant and investments	\$146 million	\$190 million
	As at 31 December	
	1968	1967
Total assets	\$1,954 million	\$1,911 million
Long-term debt	\$630 million	\$699 million
Common shareholders' equity	\$730 million	\$696 million
Book value per common share	\$22.61	\$21.58
Number of common shares outstanding	32,280,599	32,270,164
Number of common shareholders	72,873	66,917
Percentage of common shares held		
By residents of Canada	35.9%	39.8%
By residents of U.S.A.	53.6%	51.3%
By residents of other countries	10.5%	8.9%
Number of employees	60,600	63,500

COVER

Syphoning molten aluminum from a "pot", or electrolytic cell, in one of the many modern potlines at the world's largest aluminum smelter, Alcan's Arvida Works in the Saguenay Valley of Quebec.

OPPOSITE PAGE

Open-pit bauxite mining in Jamaica. Alcan mines bauxite also in Guyana, Malaysia, France, India and Brazil, owns a 27% interest in a large new development in the Republic of Guinea, West Africa, and has bauxite reserves in Australia and elsewhere.



Alcan Aluminium Limited

Directors

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THE EARL ALEXANDER OF
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Attorney, Sullivan, Shea and Kenney

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Toronto — President of Brazilian Light
and Power Company Limited

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A. A. HODGSON
Assistant Treasurer

W. E. F. JOHNSON
Assistant Treasurer

The Annual Meeting of the shareholders of
Alcan Aluminium Limited will be held on
Thursday, 3 April 1969, at 11 a.m. in
Place Ville Marie, Montreal.

Terms: In this report, all amounts are in
Canadian dollars and all quantities are in short
tons of 2,000 pounds each, unless
otherwise stated.

"Subsidiary" indicates a company more
than 50 percent-owned whereas "affiliate"
usually indicates a 50 percent or less ownership.
The term "Alcan" refers to the parent
Alcan Aluminium Limited itself, or to one or
more subsidiary companies according to
the context.

On pourra se procurer le texte français de
ce rapport annuel en s'adressant
au secrétariat de la Compagnie,
case postale 6090, Montréal 101, Canada.

ALCAN ALUMINIUM LIMITED

1, Place Ville Marie, Montreal, Canada
Mail: Box 6090, Montreal 101

TRANSFER AGENTS

PREFERRED SHARES
National Trust Company, Limited,
Montreal, Toronto, Vancouver

COMMON SHARES
National Trust Company, Limited,
Montreal, Toronto, Calgary, Vancouver.
Mellon National Bank and Trust
Company, Pittsburgh. First
National City Bank, New York.
Morgan Grenfell & Co. Limited, London

REGISTRARS

PREFERRED SHARES
The Royal Trust Company,
Montreal, Toronto, Vancouver

COMMON SHARES
The Royal Trust Company, Montreal,
Toronto, Calgary, Vancouver, London (Eng.).
Pittsburgh National Bank, Pittsburgh.
Manufacturers Hanover Trust Company,
New York.

Report to the Shareholders

The renewed vigor of the North American and certain Western European economies, as well as a further strong advance in Japan, contributed to above-average growth in aluminum consumption in 1968. Within this improved framework of demand, Alcan's aluminum sales volume reached record levels. However, less than satisfactory prices in certain aluminum product lines, inflationary cost pressures and a much heavier burden of taxes restricted the improvement in profits. The Company earned \$2.14 per common share in 1968 as compared with \$1.94 per share in 1967, some \$0.12 of the increase coming from advantageous debt prepayment. Alcan Aluminium Limited's 1968 consolidated gross revenues totalled \$1,102 million. The \$94 million increase over the previous year reflects a 10.5 percent rise in tonnage sales of aluminum products to 1,219,800 tons and a 24.3 percent gain in sales of products other than aluminum to \$128 million. For the first time, these 1968 revenues and the adjusted figures for 1967 include sales of Alcan Design Homes and Alcan Universal Homes in Canada. Alcan and its subsidiaries effectively contained overhead costs and made significant advances in productivity during the past year. As a consequence, earnings before taxes were up 18.5 percent despite the slight decline in average aluminum product price realizations and generally higher wage and other costs experienced. Apart from rising taxation levels in

many countries to meet the demand for additional social services, certain unusual factors contributed to the sharp increase in the Company's effective 1968 tax rate, as is more fully explained in the Review of the Year. The major affiliates of Alcan in Japan and Norway, namely Nippon Light Metal Company, Ltd. (NKK) and A/S Ardal og Sunndal Verk, turned in satisfactory results for 1968. A separate section at the back of this report highlights NKK's successful participation in the rapidly growing Japanese aluminum industry. The year 1968 marks the completion of a decade of concentrated effort to build up Alcan's aluminum fabricating operations. In the 1958 Annual Report, we stated: "The Company is placing greater emphasis on the establishment and enlargement of fabricating plants whose function it is to broaden the sales and application of aluminum products and to provide larger outlets for the Company's primary aluminum." Since that time, Alcan and consolidated subsidiaries have made capital expenditures and investments exceeding one half billion dollars towards this objective. As a result, fabricated aluminum product sales by consolidated subsidiaries have more than tripled from 180,000 tons in 1958 to 606,200 tons in 1968. Including most of those affiliated companies in which Alcan has a 50 percent or less ownership, the 1968 shipments were 805,000 tons as compared with 230,000 in 1958. The chart on page 7 of this report illustrates the growth since 1950.

This rapid build-up of fabricating activities has involved almost continuous heavy expenses related to the start up of new facilities, the integration of acquired operations and the establishment of market positions. While these facilities have provided growing markets for the Company's primary metal output and thereby contributed substantially to total profits, greater emphasis can now be placed more directly on improving profitability at the fabricating level. This will involve rounding out, rationalizing and achieving fuller utilization of existing facilities. Progress in 1968 towards strengthening fabricating operations took several forms. In Germany, Aluminium Norf's large new cold-rolling mill with a capacity over 75,000 tons started up late in the year. An even larger cold mill at Oswego in the United States is expected to start up in the second quarter of the current year. Two acquisitions and one merger of particular significance were also arranged. In the United Kingdom, Alcan acquired a 50 percent interest in James Booth Aluminium Limited. Coordination of this company's aluminum fabricating operations with those of Alcan should permit savings in capital outlays and improved productivity and profitability for both enterprises. In the United States, Alcan has assured new outlets for its fabricated aluminum products in many major industrial markets through purchasing, effective 3 January 1969, the assets of

Metal Goods Corporation, an important metals distributor. The merger arranged in Spain between Alcan Aluminio Iberico, S.A. and Empresa Nacional del Aluminio, S.A. will give Alcan a 25 percent interest in the largest integrated aluminum smelting and fabricating entity in Spain.

In the field of primary aluminum, construction of the Company's new smelters in Australia and India progressed on schedule during the year with initial operations expected in the second half of 1969. In England, Alcan has begun a smelter project with the first of two 67,000-ton potlines scheduled for completion in about two years. The affiliated companies in Japan and Norway have also initiated major smelting expansion projects as described more fully elsewhere in this report.

The Company's Canadian smelters are now operating at their effective annual capacity of 960,000 tons. Progress with the present modernization program will increase this annual capacity in stages to above one million tons in 1972.

In the raw materials area, the most important single event in 1968 was the completion of negotiations and major financing for the Boké bauxite project in the Republic of Guinea, in West Africa. This project, in which Alcan now has a 27 percent interest, will provide a major new source of bauxite for the Company's aluminum operations, commencing in 1972.

Alcan's consolidated assets before reserves for depreciation and depletion

approached \$3 billion in 1968 for the first time. Long-term debt outstanding was reduced by 10 percent largely as a result of the arrangements entered into with the U.K. Government for the orderly prepayment of \$80 million of debt falling due in 1971. Working capital declined \$86 million in the face of capital expenditures amounting to \$146 million, the \$69 million debt reduction, and increased dividends.

The only significant new financing arranged during 1968 was a ten-year note borrowing outside North America equivalent to U.S. \$19 million. This will finance Alcan's share in the Boké development and other projects.

In the current year, Alcan has arranged a further U.S. \$20 million medium-term credit agreement in Europe and plans financing in the United Kingdom to cover part of the new smelter project's capital cost. As presently contemplated, British investors will be provided with the opportunity to acquire some form of equity interest in Alcan's total operations in that country.

To manage the much enlarged and diversified worldwide activities of Alcan, a new organizational structure was inaugurated at the beginning of 1968. During its first year, the new divisionalized structure has performed well and increasing benefits in the form of better returns should accrue over the coming years.

The year 1969 is opening with a continuing strong demand for aluminum and with the expectation of further growth in free-world consumption. Furthermore, the

list price structure for primary aluminum and various fabricated products has strengthened in recent weeks in many markets, holding promise for better realizations and much needed improvement in return on capital as the year progresses.

During the current quarter, with a high volume of sales reasonably assured, the Company is purchasing abnormal amounts of metal from third parties for resale to meet customers' requirements. As a result, the ratios of profitability measuring dollar sales against cost of sales are being affected. Over the full year, the Company will absorb the start-up charges and initial operating expenses related to the new Australian smelter and the new sheet mills at Oswego, N.Y. and Norf, Germany. The main determinants of profitability will, however, continue to be volume and price realizations, for which the present outlook is encouraging.

During the past year, a number of major labour contracts were renegotiated without disruption to operations. Company personnel at all levels performed effectively and with enthusiasm. On behalf of the directors, I wish to express appreciation to all our colleagues.

Respectfully submitted,

Nathaniel V. Davis
President

Montreal, Canada, 12 February 1969.



Markets and Sales

Free-world aluminum consumption moved strongly ahead in 1968 with preliminary figures indicating a growth of about 13 percent to 9,250,000 tons. Within this total, present estimates place usage of primary metal at 7,500,000 tons, up 825,000 tons over the revised 6,675,000 tons of 1967. Apparent usage of scrap for secondary ingot and direct use at 1,750,000 tons compares with a revised 1,475,000 tons for 1967.

The primary aluminum smelters in the free-world countries produced approximately 7,250,000 tons of metal during the year. This output represents a gain of about 450,000 tons or 6.6 percent over that in 1967. After taking into account the modest amounts of primary metal obtained from the United States government stockpile and other sources, the figures clearly indicate reductions during the year in the amount of metal inventories and in the ratio of inventories to the higher consumption levels.

Sales of aluminum products by Alcan's consolidated subsidiaries rose 10.5 percent to 1,219,800 tons in 1968 from 1,103,900 tons in the prior year. The 606,200 tons sold in semi-fabricated and fabricated forms exceeded the 1967 tonnage by 12.1 percent and represented over two-thirds of aluminum product dollar sales.

The metal sources for Alcan's consolidated sales included primary metal produced by subsidiaries amounting to 872,700 tons in Canada and 72,500 tons in other countries. A further 125,400

tons came from affiliated companies, comprising 61,300 tons received under alumina barter and tolling arrangements and 64,100 tons of purchases made principally from A/S Ardal og Sunndal Verk (ASV) and Alcan Enfield Alloys Limited. Other metal sources included a 37,100-ton reduction in inventories, and 11,100 tons purchased from the United States government stockpile.

Total 1968 third party aluminum product shipments by all Alcan subsidiary and affiliated companies taken together approximated 1,700,000 tons as compared with 1,500,000 tons in 1967 and 1,350,000 tons in 1966. Of the 1968 total, fabricated products represented 805,000 tons, an increase of 14.5 percent over the previous year. The chart on the opposite page clearly portrays the dramatic growth during the last 18 years in the volume of fabricated products sold.

The high level of economic activity in North America, the resurgence of the West German economy, and the sustained rapid advance in Japan contributed to the 1968 growth in free-world aluminum markets.

Apparent aluminum consumption in the United States increased over 11 percent while that in Canada rose about 9 percent. As indicated in the accompanying table, Alcan's 1968 sales of aluminum rose 18.4 percent in the United States and 15.4 percent in Canada. Regarding Alcan's United States sales, it is significant to note that fabricated products accounted for 47 percent of total tonnage in 1968 as compared with 46 percent in 1967 and 42 percent in 1966.

In the United Kingdom, Alcan's sales of fabricated products showed an encouraging 8.8 percent increase. Competitive conditions resulting in a small decline in ingot sales restricted the growth in total sales volume in this market. Most of the tonnage improvement in the European Economic Community countries took place in West Germany.

ALCAN ALUMINIUM LIMITED GEOGRAPHIC DISTRIBUTION OF CONSOLIDATED SALES OF ALUMINUM

	in thousands of tons				
	1964	1965	1966	1967	1968
Canada	101	114	137	130	150
United States	232	342	395	332	393
United Kingdom	174	162	160	172	174
E.E.C.	85	83	97	102	121
All Others	270	292	326	368	382
Total	862	993	1,115	1,104	1,220

Consolidated aluminum sales in all other markets increased 3.8 percent over the 1967 level. As in that year, just over one-quarter of this tonnage represented sales of Canadian ingot in Japan where consumption grew more rapidly than the rising level of Japanese metal production. Elsewhere in the world, Alcan's tonnage sales expanded significantly in Brazil, but declined somewhat in India.

The chart opposite illustrates the rapid growth in Alcan subsidiary and affiliated companies' fabricated aluminum products shipments from 148,000 tons in 1950 to 302,000 tons in 1960 and 805,000 tons in 1968. Exports, except to other Alcan fabricating companies, are included in shipments for the country of origin. For instance, the flat trend in Alcan's U.K. shipments since 1960 reflects a combination of rising shipments to domestic markets and declining export shipments to countries where Alcan has become involved in local fabricating operations.

Alcan's average-per-pound aluminum sales price realizations in 1968 were 23.7 cents on ingot and ingot products and 49.6 cents on semi-fabricated and fabricated products as compared with 24.0 cents and 51.4 cents respectively in 1967. Special factors caused part of these declines. On ingot and ingot products, changes in the method of recording transactions under certain barter arrangements particularly affected 1968 realizations. Contributing to lower average fabricated product realizations as expressed in Canadian dollars was the late 1967 devaluation of the British pound and related currencies. Apart from these special factors, competitive conditions during the year in certain major markets adversely affected price realizations on some products such as aluminum cable in the United States. Effective 1 July 1968, Alcan subsidiaries raised the posted list price on primary aluminum ingot by one cent to U.S. 26 cents per pound in the United States, to Can. 27.5 cents in Canada and to U.S. 25.5 cents in all other major markets. Early in the current year, a further one cent per pound increase in primary aluminum list prices was made. Related adjustments to list prices of semi-fabricated aluminum products are taking place. These increases in list prices should find growing reflection in overall actual sales price realizations as 1969 progresses.

Having passed the developmental phase and reached material size, sales of Alcan Design Homes and ALCAN UNIVERSAL Homes are now included in Alcan's consolidated sales. On the other hand, it has been decided to eliminate from consolidated sales the third party realizations on magnesium received for aluminum sold under a barter arrangement. Reported figures for 1967 and earlier years have been adjusted to conform with these changes. Reflecting the above, Alcan's consolidated sales of products other than aluminum amounted to \$128 million in 1968 as compared with an adjusted \$103 million in 1967. Approximately \$35 million of these 1968 sales and \$15 million of the increase for the year represent sales of residential housing in Canada. Sharply higher alumina sales — including those to affiliated companies' smelters — and 14 percent larger calcined bauxite shipments accounted for over half of the balance of these non-aluminum sales. Sales of industrial chemicals, flakes and powders made from metals besides aluminum, and miscellaneous other products showed little change in total. On a comparable basis, consolidated operating revenues declined slightly to \$61.2 million in 1968. At \$22.7 million, Canadian hydro-electric power sales to third parties approximated the year earlier level. Revenues from providing ocean transportation services to third parties, from wholesale distributorship activities in the Caribbean, and from other miscellaneous services were moderately lower.

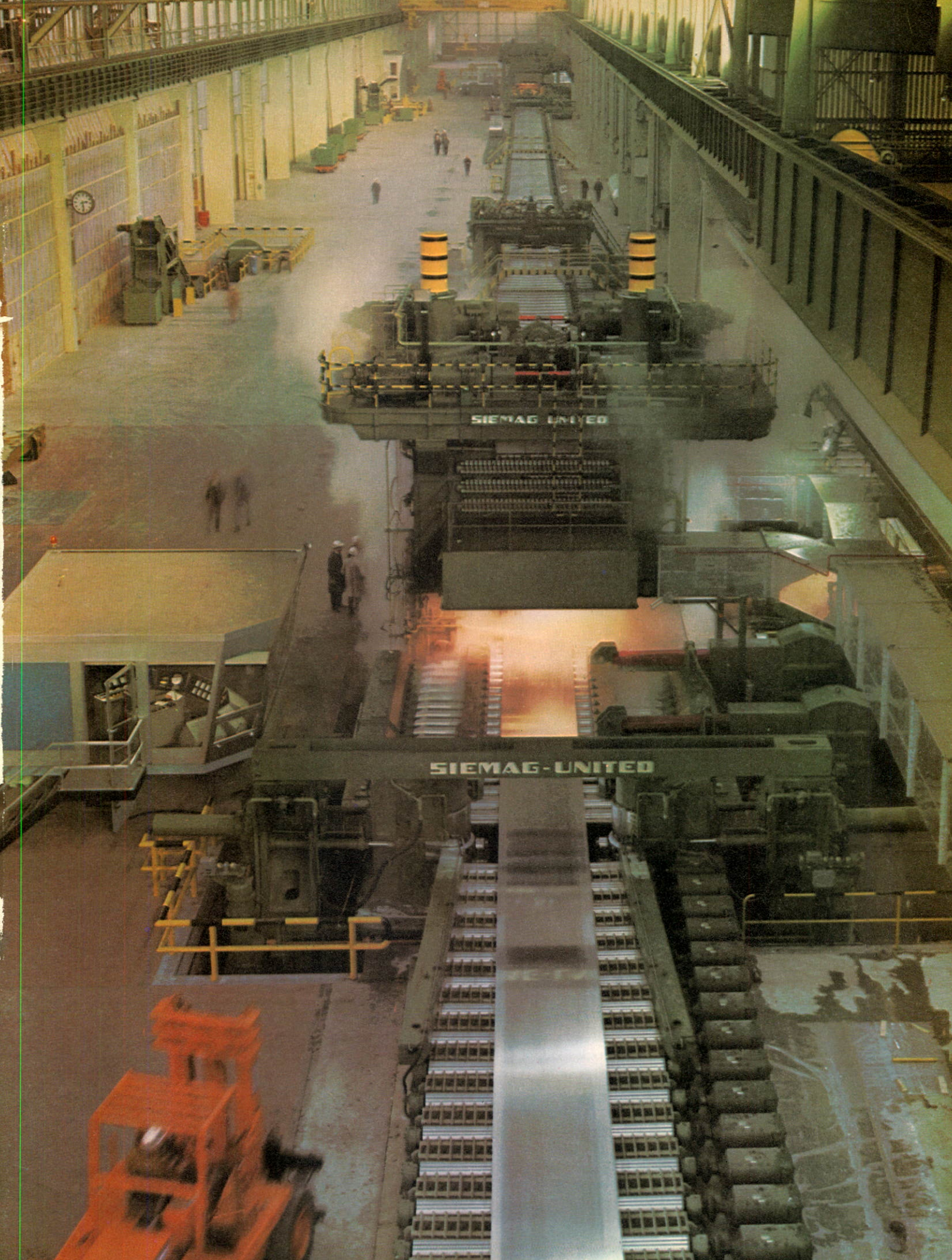
Fabricating

Alcan's aluminum fabricating operations made solid advances in 1968 towards the dual objectives of improved profitability and providing markets for a growing volume of ingot. This involved further heavy capital outlays by Alcan and consolidated subsidiaries on projects designed not only to augment capacity, but also to reduce costs and to make fuller use of existing facilities. These 1968 fixed capital expenditures and investments amounted to \$81 million or almost twice the average amount spent annually during the previous nine years.

The significant gains in fabricated aluminum product sales tonnages achieved in 1968 are noted under the section Markets and Sales. Fuller employment of the heavy capital investments made in recent years and planned for 1969 should permit realization of further sales growth with improved profitability, given the anticipated development of aluminum markets.

In the United States, further progress took place in rationalizing, improving and expanding fabricating operations in order to provide for projected sales growth and to achieve a broader participation in this, the largest of all markets for aluminum products.

Illustration on opposite page: Aluminium Norf GmbH, at Norf, in the German Rhineland, where Alcan and Vereinigte Aluminium-Werke (VAW) are partners, operates Europe's largest and most modern aluminum rolling plant. The 200,000-ton capacity hot mill handles sheet ingots weighing up to 15 tons and includes a tandem finishing train on which coils of reroll stock, ready for further cold-rolling, are produced. In addition, the plant is now equipped with a high-speed, 75,000-ton capacity cold mill to supply European markets.



SIEMAG UNITED

SIEMAG-UNITED

A sizable investment program at Alcan Aluminum Corporation's Oswego plant in upper New York State brought the new 100,000-ton capacity cold-rolling sheet mill towards planned start-up in mid-1969. The program also added to the capacity of existing facilities and provided for the output of a wider range of products. At the Fairmont, West Virginia plant, a new light-gauge sheet mill came into operation and is now mainly producing "finstock" for such applications as radiators and refrigeration systems. The aluminum cable division completed and began operating a new highly automated rod mill with adjoining wire-drawing and cable-stranding equipment in Pennsylvania. The new cable plant in California successfully passed through its start-up phase.

On 3 January 1969 Alcan completed the purchase of the assets of Metal Goods Corporation. This company, with sales over \$100 million dollars, is a major distributor of metals including semi-fabricated forms of aluminum, and has metal warehouse and service facilities in 15 important industrial regions of the United States. These growing, diversified metals distributing operations will provide Alcan Aluminum Corporation with significant new outlets for its output. In Canada, the production of plant-assembled sectionalized ALCAN UNIVERSAL homes, as illustrated on page 15 of this report, was at an annual rate of over 900 units at the 1968 year end. This annual rate could go above 2,000 units in the current year

and should be profitable at this level. Alcan Design Homes Limited raised the number of its conventional dwelling units sold in 1968 by one third to about 850. This subsidiary is an influential factor in the Canadian housing industry and is operating on a profitable basis.

The broad range of other Canadian fabricating operations advanced facility rationalization programs and achieved substantially improved results in 1968. In the current year's second quarter, the new cable mill in Newfoundland will come into operation.

The most significant developments for Alcan in Europe during 1968 took place in Germany. In this country, Alcan's 50 percent-owned affiliate, Aluminium Norf GmbH, completed the first full year of operating its 200,000-ton capacity hot mill and brought into operation an over 75,000-ton capacity cold mill with related finishing equipment. Achieving optimum utilization of Alcan's share in these facilities will require completion of their rationalization with other Alcan facilities in Europe and the carrying out of market development programs now under way. In Spain, the aluminum fabricating subsidiary, Alcan Aluminio Iberico, S.A., arranged to merge with Empresa Nacional del Aluminio, S.A. Alcan will have a 25 percent interest in the combined companies, which will constitute the largest integrated smelter and fabricating operations in this country.

In the United Kingdom, Alcan purchased effective 11 December 1968 a 50 percent equity interest in James

Booth Aluminium Limited. This company's two plants currently produce about 35,000 tons of sheet, plate and extrusions annually.

In Africa, Asia and Latin America, Alcan subsidiaries and affiliates advanced existing projects and initiated new programs for fabricating operations. The South African subsidiary brought into production the largest hot-rolling mill in Africa and a new extrusion press, and will install a further foil finishing mill this year.

Indian Aluminium Company, Limited advanced planning for the 13,000-ton capacity sheet plant which will form part of its integrated smelter operation south of Bombay. In Japan, Toyo Aluminium K.K. added a new foil mill and an atomizing plant for the production of aluminum powder. The section on NKK at the end of this report describes developments within the fabricating operations of this company's subsidiaries and affiliates. In Australia, Alcan's subsidiary will put in a new extrusion press as part of a larger renovation program for its fabricating activities.

The cold-rolling sheet capacities of the Brazilian and Mexican subsidiaries will reach about 19,000 tons and 17,000 tons respectively by the 1969 year end. Also in Brazil, a third extrusion press has been added and the new 5,000-ton capacity cable mill should start up shortly.

Photo: Coiling finished cable for shipment. Combining lightness, high conductivity, and resistance to atmospheric corrosion, aluminum stranded conductors account for some 98 percent of the world's electric power transmission lines. From 14 strategically-located cable mills, Alcan is a major supplier to the growing electric power market.



Smelting

The smelters of Alcan's subsidiaries and affiliates produced a record 1,461,100 tons of primary aluminum in 1968 as compared with 1,399,000 tons in 1967. Output by Aluminum Company of Canada, Ltd was 872,700 tons or some 5,000 tons less than in the previous year, while output by smelters outside Canada was up by 67,100 tons to 588,400 tons. To meet expanding Alcan group metal requirements, the Canadian smelters raised their annual operating rate from an 845,000-ton level at the beginning of 1968 to the present 960,000-ton level. While now operating at effective capacity, further progress in the smelter modernization program will contribute additional tonnage to smelter plant capacity within the next twelve months.

Completion of the current modernization program will raise effective Canadian smelter capacity to at least 1,000,000 tons by 1972 and should result in improved efficiencies. This program is expected to optimize output and costs by better utilization of power, by new techniques for operational control and by application of recent process developments from research. Complementary to this program are projects under way to rationalize and enhance metal casting and distribution operations.

The smelters of Alcan's subsidiaries and affiliates outside Canada operated close to effective capacity throughout 1968. NKK in Japan, ASV in Norway, and A/B Svenska Metallverken in Sweden accounted for most of the tonnage increase in aluminum production although all companies raised their output.

The approximate annual capacity of non-Canadian smelters totalled 660,000 tons at the 1968 year end. Over half of the 120,000-ton gain for the year represents the raising of ASV's capacity by 73,000 tons to 290,000 tons through modernizations and completion late in the year of a new 66,000-ton potline. NKK expanded its capacity 24,000 tons to 185,000 tons mainly by a 21,000-ton addition to the Niigata smelter. A/B Svenska Metallverken's capacity rose 16,000 tons to 71,000 tons through extension of one potline and amperage increases.

During 1969, Alcan's overseas subsidiaries and affiliates plan to complete new smelter capacity amounting to 145,000 tons. This is in addition to the present 46,000-ton capacity of Empresa Nacional del Aluminio, S.A. being contributed by the merger in Spain of this company with Alcan Aluminio Iberico, S.A. Alcan Australia Limited expects to start up its new smelter about mid-year and to achieve full operation of the initial 30,000-ton capacity by year end. Construction work on Indian Aluminium Company, Limited's integrated bauxite, alumina and smelter project located south of

Bombay has progressed satisfactorily with completion of the smelter's first 33,000-ton stage scheduled for around the year end.

Due to upward revisions in metal requirements, NKK has advanced the completion date of the new Tomakomai smelter's initial 64,000-ton potline to late 1969 from the spring of 1970. To satisfy the growth in Brazilian aluminum markets, Aluminio Minas Gerais S.A. has almost continuously added to smelter capacity. In the current year, further additions to and modernization of existing potlines should add about 5,000 tons to bring capacity to approximately 30,000 tons. Empresa Nacional del Aluminio, S.A. plans to increase capacity by some 13,000 tons. Looking beyond the current year, completion of all the smelter projects now in various stages of development would take the combined annual smelter capacity of Alcan's subsidiaries and affiliates outside Canada to about one and one quarter million tons. All of these long-range plans contemplate a flexible matching of capacity additions to market conditions.

Opposite page: Coils of aluminum sheet. Of the estimated 9,250,000 tons of aluminum consumed in the free world in 1968, the largest portion — some 40 percent — was in the form of sheet and sheet products. Alcan's subsidiaries and affiliates operate sheet-rolling plants on six continents and last year produced more than 500,000 tons of aluminum sheet and sheet products. Expansion of sheet capacity is part of the Company's intensive program of forward integration designed to serve growing markets.



Raw Materials • Transportation

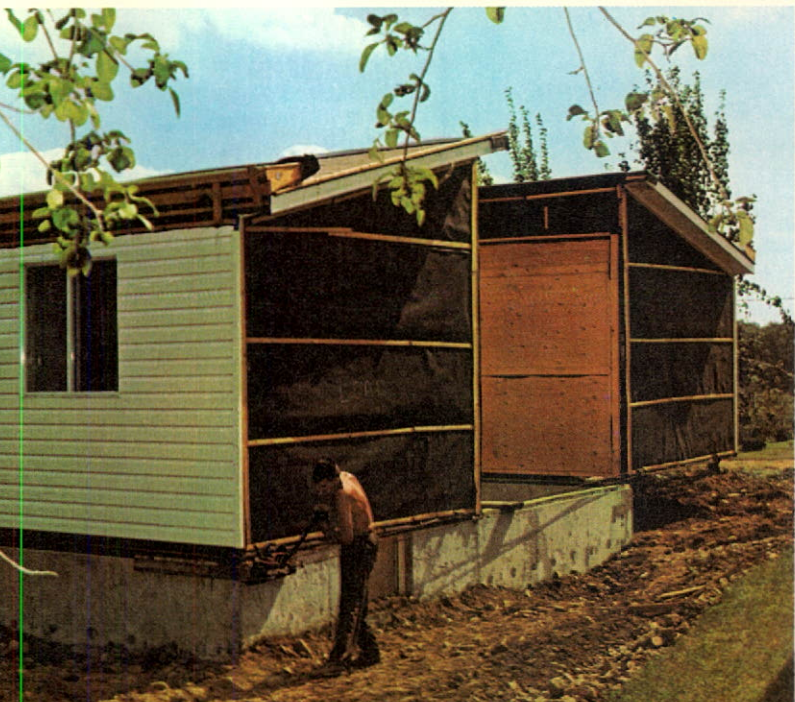
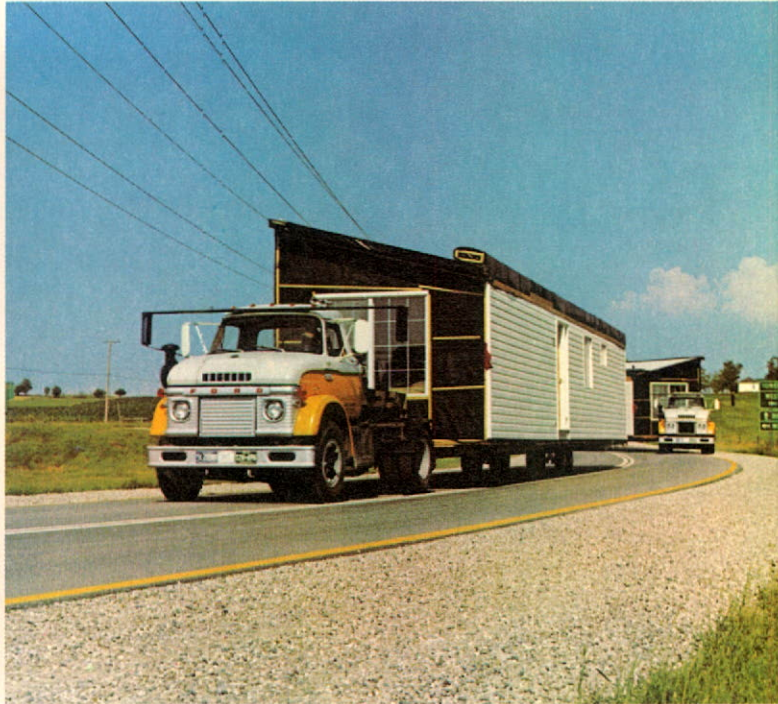
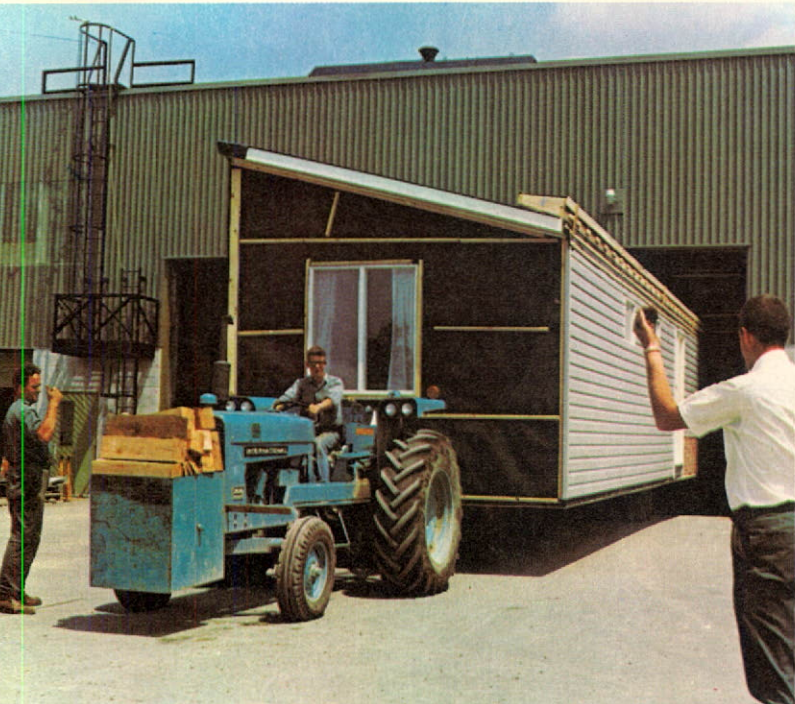
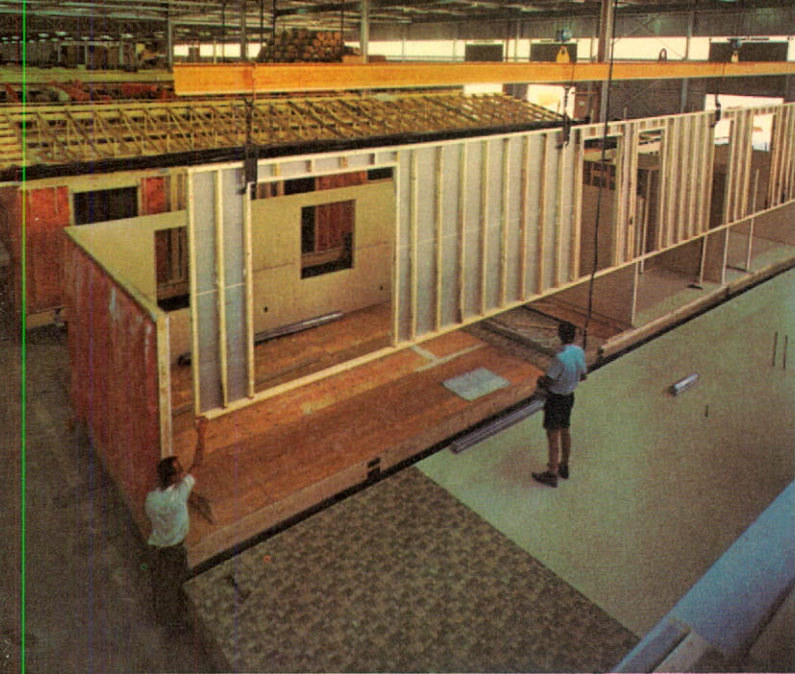
In England, engineering and site preparation for the new smelter and coal-fired power plant at Lynemouth are well under way. The first of two planned 67,000-ton potlines is scheduled for completion in about two years. In Norway, ASV has embarked on a modernization of its smelters designed to contribute 70,000 tons to effective capacity when finished around the end of 1971. The second stage of NKK's new Tomakomai smelter and other contemplated projects would add about 134,000 tons to this company's capacity. Alcan's major hydro-electric installations in Canada were operating at capacity in Quebec and close to capacity in British Columbia by the end of 1968. During the year, the first of these power stations was made fully automatic and work will continue on this program in 1969. As in past years, electric power for the smelters of Alcan's overseas subsidiaries and affiliates continues to come from a combination of wholly- and partially-owned generating facilities and other sources.

Expanded raw materials activities in 1968 accommodated the higher aluminum production by the smelters of Alcan's subsidiaries and affiliates as well as the larger third party sales of bauxite and alumina and their derivatives. The year also witnessed important progress towards providing for the requirements of anticipated future growth.

Alcan Jamaica Limited completed the expansion of its annual alumina capacity to the planned 1,225,000 tons. Despite certain operating difficulties, actual 1968 alumina production was approximately 1,060,000 tons or over 140,000 tons more than in the previous year. As in the past, this alumina went mainly to the smelters in Western Canada and Scandinavia. Full utilization of existing alumina capacity is expected in the year now under way.

In Guyana, Demerara Bauxite Company, Ltd. also completed a significant expansion program involving additions to bauxite mining and bauxite calcining capacity. Initial output from the new facilities permitted raising metal grade bauxite shipments to the Arvida alumina plant in Eastern Canada, enlarging calcined bauxite sales by 14 percent to 585,000 tons, and producing approximately the same 300,000 tons of alumina as in 1967. Substantially higher metal grade bauxite and calcined bauxite production and a modest increase in alumina output are planned for the current year. Moderate capital expenditures on reinforcement of the Guyana alumina plant could add 20 percent to the

rated capacity of this facility by 1971. Alumina output in 1968 from the Arvida plant approximated the 1,100,000 tons of the year earlier. Bauxite purchases for this facility from traditional sources again supplemented supplies from Alcan's own mines. By December 1968, Queensland Alumina Limited had placed in full operation the first 336,000-ton expansion to its Australian alumina plant, thereby raising rated capacity to just over one million tons. A further substantial expansion is now being planned for completion in early 1971. Alcan has a 20 percent interest in present capacity including the first expansion, but should have a somewhat higher interest in total capacity when the second expansion is completed. Construction work on the alumina plant for Indian Aluminium Company, Limited's integrated smelter project south of Bombay is proceeding towards planned start up in 1970. In Brazil, Aluminio Minas Gerais S.A. has additions to bauxite-alumina capacity under way to meet its growing metal production requirements. In Japan, NKK is expanding its existing alumina plant and undertaking construction of a second plant at Tomakomai. During 1968, the partners in Halco (Mining) Inc. and the government of the Republic of Guinea completed the necessary negotiations and Assembly-line production of moderately-priced, high-quality homes is being pioneered in Canada by ALCAN UNIVERSAL Homes at a modern plant in Woodstock, Ontario. The furnished homes, in a variety of models and sizes, are transported in two halves to the prepared foundation for rapid installation by franchised builders.



Research & Development

arranged the major financing for bringing the Boké bauxite deposits into production. Alcan has a 27 percent ownership interest in Halco, which in turn is the 51 percent partner with the Republic of Guinea in Compagnie des Bauxites de Guinée. This latter company will develop and operate bauxite production facilities having an initial capacity of 6.6 million tons annually. Alcan has agreed to purchase 1.32 million tons of bauxite in each of the first five years of operation and 1.54 million tons in each of the subsequent 15 years. Southeast Asia Bauxites Limited shipped 450,000 tons of metal grade bauxite in 1968 as compared with 464,000 tons in 1967, these tonnages going largely to NKK. The 1968 bauxite output for third party sales by Société Anonyme des Bauxites et Alumines de Provence amounted to 454,000 tons or slightly less than 1967 production of 475,000 tons. Saguenay Shipping Limited handled a somewhat larger tonnage for Alcan group companies in 1968. Revenues from providing bulk and general cargo services to other customers declined as a result of efforts to maximize profits by curtailing lower-margined business. As a further step in this direction, general cargo service from Eastern Canada to the U.K. and Northern Europe has now terminated. Other parts of the profit improvement program include the enhancing of ocean port facilities in Jamaica to handle larger bulk carriers and the continued upgrading of the fleet.

The temporary drop in research and development expenditures, which resulted from cessation of work on the direct reduction process, is being offset by increases in other areas of important interest. Outlays in 1969 should exceed \$15 million. Much of this spending will concentrate on cost reduction through improvement in process efficiencies and operating techniques, but increasing attention is focusing on product-oriented research and related profit opportunities.

Alcan research has developed a continuous electrochemical pre-treatment process for lacquered coiled sheet to be used in can-making. The first commercial unit is now in operation with three others being designed, one of which will run at speeds considerably faster than conventional chemical treatment lines.

In another area, a patent has been granted for a unique self-damping cable for use in overhead transmission lines. Field testing has successfully proven the value of such a system in preventing Aeolian vibration and several power utilities are currently making line installations.

Research conducted on lubricating oils has made possible the production of coiled sheet and foil at significantly increased speeds and with greatly improved surface appearance. Another phase of this broad process improvement program was the development of a continuous monitoring system for control of flatness during rolling. All of this work contributes to higher rolling productivity with improved quality.

Employee Relations

The number of employees in consolidated group companies stands at approximately 60,600 as compared with 63,500 a year ago.

Continued progress has been made with regard to productivity improvements and our forward planning includes further efforts in this regard.

An unusual accomplishment took place in Canada during the year by which new contracts were signed covering virtually all hourly-paid group employees. The number of employees encompassed is nearly 12,000.

Duration of these contracts varies between two and three years. Alcan Jamaica Limited completed negotiations for a new three-year contract covering 1,800 employees. The major raw materials and smelting operations should therefore be protected against major industrial disputes beyond 1969.

During the year, time lost through industrial disputes was at a lower level than in 1967, dropping by 0.1 percent to 0.3 percent of total hours worked. Safety results showed a 10 percent improvement over last year but further work is required.

Opposite page: Gala Placidia Building in Barcelona, Spain, uses 35 tons of aluminum. Building and construction account for some 20 percent of the free world's aluminum consumption. In this field, end uses of the versatile metal range from curtain walls in commercial buildings to industrial, residential and farm roofing and siding, awnings, screens, louvers and venetian blinds, bridge and highway railings, traffic signs and lighting poles.



Financial

EARNINGS AND DIVIDENDS

Consolidated net income for 1968 at \$71.6 million was the second highest in Alcan's history and 9.9 percent above the \$65.1 million of 1967. After provision for dividends on the Company's preferred stock, earnings per common share amounted to \$2.14 in 1968 as compared with \$1.94 in 1967. This is based on the average number of common shares outstanding in each year.

In the final quarter of 1968, the quarterly dividend rate on the common shares was raised by 10 percent to U.S. \$0.275 per share. The actual per share disbursement in 1968 was U.S. \$1.025 as compared with U.S. \$1.00 in 1967. Total 1968 common share dividend disbursements amounted to \$35.7 million.

SALES AND REVENUES

Total consolidated revenues reached a record \$1,102.1 million in 1968. On a comparable basis, Alcan's 1967 revenues amounted to \$1,008.2 million. For the first time, these revenues include the sales of Alcan Design Homes Limited and ALCAN UNIVERSAL Homes. With the consolidation of these sales and their related cost of sales, gross profits of these operations are eliminated from "Operating revenues" where they were formerly recorded. In addition to the above changes, receipts for and attributed costs of magnesium obtained in exchange for aluminum sold under a barter arrangement are now excluded from consolidation.

Alcan has reported equity in income of companies 50 percent-owned amounting to \$6.8 million in 1968 as compared with \$6.9 million in 1967. This is after re-classifying to "Cost of sales" at year end some \$1.7 million of losses recorded for Aluminium Norf GmbH during 1968's first three quarters. ASV's 1968 net income fell slightly below the year earlier level due to charges related to the smelter expansion and less satisfactory results in aluminum fabricating. With higher volume more than offsetting cost increases, the earnings of NKK advanced once again in 1968. The combined 1968 profits of Alcan's other 50 percent-owned companies were little changed.

"Other income" includes a \$4 million non-taxable gain which arose when \$43 million in redeemable notes owing to the U.K. Government were prepaid at a discount from maturity value.

COSTS AND EXPENSES

Reflecting inflationary cost pressures, somewhat lower average sales price realizations for aluminum products, and operating difficulties with certain facilities, Alcan's gross profit margin on operations narrowed slightly in 1968. In the Caribbean, a temporary water shortage in Jamaica and technical difficulties prevented attainment of full production and related cost benefits from the expanded alumina and calcined bauxite facilities.

Productivity improvement held costs of converting alumina to aluminum at the Canadian smelters essentially unchanged.

Total 1968 gross profit including equity accounting and other income was a record \$265.7 million. The charts on page 31 of this report illustrate the composition of and trends in both the sources and disposition of Alcan's gross profits over the last ten years. Particularly evident from the sources of profit chart is the growing contribution made by fabricated aluminum product sales on an integrated back to raw materials basis. The flat trend since 1965 in gross profits on sales of ingot products indicates the effects of moderate volume growth without adequate price improvement to fully offset rising costs. Factors affecting the disposition of gross profits in 1968 are commented on below.

Alcan and consolidated subsidiaries achieved a \$4.8 million reduction in 1968 selling, research and administrative expenses. This improvement mainly reflects benefits from organizational changes made to improve efficiencies and curtailed outlays on direct reduction process research. It is significant that these 1968 expenses are only 17.5 percent above the 1965 level while aluminum sales volume has increased 22.9 percent and total consolidated revenues 22.2 percent over the same period. While the total amount of long-term debt outstanding declined during 1968, applicable interest costs rose significantly. This reflects the high interest rates on the new local

financings for certain overseas projects and the gradual replacement at current interest rates of funds borrowed at low historic rates.

A particularly sharp rise in the required provision for income taxes reduced the 18.5 percent gain in 1968 consolidated pre-tax income to the previously noted 9.9 percent rise in net income. Several factors account for the 5.1 percentage point increase in the effective tax rate and one-third rise in provision for taxes. These include the surcharge on corporate income taxes in Canada, reduced tax credits available from past research outlays in Canada and current capital expenditures in Jamaica, the impact of applying historical exchange rates when providing for depreciation, abnormal non-deductible costs and expenses in consolidation, and larger losses in Germany without tax offsets.

CAPITAL EXPENDITURES AND FINANCING

Alcan and consolidated subsidiaries spent \$146 million in 1968 on new plant and investments. Outlays in 1967 including the \$44.5 million stated value of shares issued for ASV shares amounted to \$190 million. Of these 1968 expenditures, \$81 million went towards the further development of aluminum fabricating operations. The major projects of the United States operations accounted for 40 percent of this amount. The acquisition of a 50 percent interest in James Booth Aluminium

Limited represented another \$15 million. Half of the remainder took place in Continental Europe through spending by subsidiaries and investments in affiliates.

Major capital expenditures on the new smelter projects in India and Australia, plus moderate outlays on the Canadian and Brazilian smelters and initial spending for the U.K. smelter totalled approximately \$37 million. Investment in Halco (Mining) Inc., completion of the expansions in Jamaica and Guyana, and other improvements to raw material facilities accounted for most of the balance of 1968 spending.

Cash generation, including an \$84.8 million provision for depreciation and depletion, and after a \$1.7 million reduction in the provision for deferred taxes, totalled \$154.7 million. This is \$5.8 million above the \$148.9 million of 1967.

After providing for dividends and a \$69 million net reduction in long-term debt outstanding, there was an \$86 million decline in working capital. A major portion of the debt reduction and working capital decline reflects the actual 1968 and scheduled 1969 prepayments of notes owing to the U.K. Government. Funds for the \$43 million repaid in 1968 came essentially out of reserves built up for this purpose in the form of short-term investments. The 1969 payments are included in current liabilities.

To provide funds for investment in Halco (Mining) Inc. and other purposes, Alcan (Bermuda) Limited arranged in mid-1968 a borrowing outside North America equivalent to

U.S. \$19 million. Alcan Industries Limited in the United Kingdom issued promissory notes in payment for the 50 percent interest acquired in James Booth Aluminium Limited. These notes mature in annual installments from 1968 through 1973. As planned for 1968, Indian Aluminium Company, Limited made local financing arrangements for its integrated smelter project south of Bombay, and Alcan Australia Limited received the first funds under the previously arranged debenture stock and ordinary shares financing. Plans with a degree of flexibility contemplate 1969 capital outlays estimated at \$150 million excluding acquisitions paid for by share issues. A wide range of projects related to aluminum fabricating activities should account for nearly one-half of this amount. Expected outlays on the various smelter projects now under way are also substantial. On 3 January 1969, 654,807 Alcan common shares with a stated value of \$16.4 million were issued for the assets of Metal Goods Corporation.

Alcan Aluminium Limited and Subsidiary Companies

Source and Application of Funds

year ending 31 December 1968

	in millions of Canadian dollars	
	<u>1968</u>	<u>1967</u>
Working Capital — beginning of year	<u>\$ 431</u>	<u>\$ 332</u>
SOURCE OF FUNDS		
Net income	72	65
Depreciation and depletion	85	80
Deferred income taxes	(2)	4
Cash generation from operations	<u>155</u>	<u>149</u>
Alcan Aluminium Limited common shares	—	44
Other	<u>15</u>	<u>14</u>
	<u>170</u>	<u>207</u>
APPLICATION OF FUNDS		
Plant and equipment	104	127
Investments	42	63
Net decrease (increase) in debt	69	(120)
Aluminum Company of Canada, Ltd preferred share redemptions	3	1
Alcan Aluminium Limited preferred dividends	2	2
Alcan Aluminium Limited common dividends	<u>36</u>	<u>35</u>
	256	108
Increase (decrease) in Working Capital	<u>(86)</u>	<u>99</u>
	<u>170</u>	<u>207</u>
Working Capital — end of year	<u>\$ 345</u>	<u>\$ 431</u>

Alcan Aluminium Limited and Subsidiary Companies

Consolidated Statement of Income

year ending 31 December 1968	in Canadian dollars	
	1968	*1967
REVENUES		
Sales	\$ 1,020,268,033	\$ 929,362,580
Operating revenues	61,181,773	64,332,082
Equity in income of companies 50% owned (notes 1 and 3)	6,802,900	6,856,000
Other income (note 14)	13,887,040	7,699,287
	<u>1,102,139,746</u>	<u>1,008,249,949</u>
COSTS AND EXPENSES		
Cost of sales and operating expenses	751,695,960	684,662,249
Provision for depreciation and depletion (note 9)	84,792,623	79,475,863
Selling, research and administrative expenses	80,663,768	85,457,015
Interest on debt not maturing within one year	34,224,747	31,323,375
Other interest	8,162,565	7,234,358
Other expenses (note 15)	3,793,223	2,922,861
	<u>963,332,886</u>	<u>891,075,721</u>
Income before income taxes	138,806,860	117,174,228
Provision for income taxes		
Current	65,506,625	43,667,146
Deferred (note 9)	(1,658,266)	4,268,141
	<u>63,848,359</u>	<u>47,935,287</u>
Income after income taxes	74,958,501	69,238,941
Dividends on preferred shares of subsidiaries and other minority interests	3,381,307	4,116,125
NET INCOME	<u>\$ 71,577,194</u>	<u>\$ 65,122,816</u>
Profit per common share (after preferred dividends)	\$ 2.14	\$ 1.94

*Certain items reclassified for purposes of comparability with 1968.

Consolidated Statement of Earned Surplus

year ending 31 December 1968	in Canadian dollars	
	1968	1967
Earned surplus — beginning of year	\$ 495,359,802	\$ 467,548,897
Net income for the year	71,577,194	65,122,816
	<u>566,936,996</u>	<u>532,671,713</u>
Alcan Aluminium Limited dividends		
Preferred	2,550,000	2,550,000
Common	35,677,306	34,761,911
	<u>38,227,306</u>	<u>37,311,911</u>
Earned surplus — end of year (note 8)	<u>\$ 528,709,690</u>	<u>\$ 495,359,802</u>

Alcan Aluminium Limited and Subsidiary Companies

Consolidated Balance Sheet • Assets

31 December 1968	in Canadian dollars	
	<u>1968</u>	<u>1967</u>
Current assets		
Cash	\$ 48,015,404	\$ 53,959,804
Time deposits and Government of Canada securities, at cost	45,521,160	73,339,140
Receivables	222,216,862	197,800,645
Inventories of aluminum and other materials (note 2)	330,352,828	329,694,261
	<u>646,106,254</u>	<u>654,793,850</u>
Deferred receivables	11,425,610	15,842,064
Deferred charges	12,545,792	11,669,750
Investments in companies not consolidated (notes 1 and 3)	163,544,506	121,661,700
Property, plant and equipment, at cost (note 4)	2,148,735,875	2,063,949,976
Less: Accumulated depreciation and depletion (note 9)	1,028,325,411	957,391,290
	<u>1,120,410,464</u>	<u>1,106,558,686</u>
	<u>\$ 1,954,032,626</u>	<u>\$ 1,910,526,050</u>

Alcan Aluminium Limited and Subsidiary Companies

Consolidated Balance Sheet • Liabilities

31 December 1968	in Canadian dollars	
	1968	1967
Current liabilities		
Payables	\$ 120,909,866	\$ 110,818,815
Short-term bank borrowings (principally in foreign currencies)	86,053,825	60,801,015
Income and other taxes	51,758,055	35,827,943
Debt maturing within one year (note 5)	42,118,179	16,265,094
	<u>300,839,925</u>	<u>223,712,867</u>
Debt not maturing within one year (note 5)	629,981,444	698,947,733
Deferred income taxes (note 9)	148,116,138	149,774,404
Preferred shares of subsidiaries and other minority interests (note 10)	85,095,265	81,724,822
Capital stock and surplus		
4¼% Cumulative redeemable convertible preferred shares, par \$40 (note 6)		
Authorized — 1,500,000 shares		
Outstanding — 1,500,000 shares	60,000,000	60,000,000
Common shares, without nominal or par value (note 6)		
Authorized — 60,000,000 shares		
Outstanding — 32,280,599 shares (1967 — 32,270,164)	201,290,164	201,006,422
Earned surplus (note 8)	528,709,690	495,359,802
	<u>789,999,854</u>	<u>756,366,224</u>
	<u>\$1,954,032,626</u>	<u>\$1,910,526,050</u>

Approved by the Board
Nathanael V. Davis, Director

Dana T. Bartholomew, Director

Alcan Aluminium Limited and Subsidiary Companies

Notes to Financial Statements — in millions of Canadian dollars

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies more than 50% owned. In addition, under the equity accounting principle, consolidated net income includes the Company's equity in the aggregate net income of all companies 50% owned and the investments in these companies have been increased by 50% of their undistributed net income since acquisition (see note 3).

When the cost of an investment exceeds the book value of the Company's equity therein at date of acquisition, the excess is amortized over the estimated useful life of the related fixed assets. All intercompany items and transactions between subsidiaries, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31 December 1968, except that (a) certain fixed bank deposits, inventories, investments and fixed assets with related provisions for depreciation and depletion are at rates current at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except provisions for depreciation and depletion, are translated at average exchange rates prevailing during the year.

2. INVENTORIES OF ALUMINUM AND OTHER MATERIALS

	1968	1967
Inventories, as summarized opposite, are stated at cost (determined for the most part on the monthly average method) or market, whichever is the lower.		
Aluminum	\$ 190	\$ 196
Raw materials	76	74
Other	64	60
	<u>\$ 330</u>	<u>\$ 330</u>

3. INVESTMENTS IN COMPANIES NOT CONSOLIDATED

	1968	1967
Companies 50% owned — cost (1968 — \$98 million; 1967 — \$76) plus equity in undistributed net income since acquisition (note 1)	\$ 128	\$ 102
Companies less than 50% owned, at cost	36	20
	<u>\$ 164</u>	<u>\$ 122</u>

The Company's share in the net income of the companies 50% owned amounted to \$6.8 million in 1968 (\$6.9 in 1967); dividends received from these companies amounted to \$3.0 million in 1968 (\$2.6 in 1967).

The following is a summary of the assets and liabilities of the companies 50% owned, located principally in Germany, Japan, Norway and the United Kingdom.

ASSETS		LIABILITIES	
Current assets	\$ 212	Current liabilities	\$ 189
Investments	52	Debt	180
Fixed assets	592	Deferred income taxes	47
Less: Depreciation, etc. (218)		Equity	
		Alcan Aluminium Limited	111
		Other shareholders	111
	<u>\$ 638</u>		<u>\$ 638</u>

The Company has investments in several non-consolidated companies which operate as joint ventures supplying materials to each participant on a cost-sharing basis. The results of their operations are included in the consolidated financial statements as a cost of the products so obtained.

4. PROPERTY, PLANT AND EQUIPMENT

	1968	1967
Land and water rights	\$ 59	\$ 60
Mineral properties, rights and development	17	17
Buildings, machinery and equipment	1,982	1,905
	2,058	1,982
Construction work in progress	91	82
	<u>\$ 2,149</u>	<u>\$ 2,064</u>

Capital projects, excluding the acquisition referred to in note 6, are expected to involve the expenditure of some \$150 million during 1969.

Alcan Aluminium Limited and Subsidiary Companies

Notes to Financial Statements – in millions of Canadian dollars

5. DEBT NOT MATURING WITHIN ONE YEAR

	1968	1967
Aluminum Company of Canada, Ltd		
Revolving credit loans from banks, under U.S.\$160 million credit agreement, convertible at the company's option on 1 May 1971 into term loans repayable in five equal annual instalments beginning one year from date of conversion (U.S.\$160 million)	\$ 171	\$ 171
3½% Sinking fund debentures, due 1971	18	20
3⅞% Sinking fund debentures, due 1970 (U.S.\$11 million)	11	14
4½% Sinking fund debentures, due 1973	22	27
4½% Sinking fund debentures, due 1980 (U.S.\$66 million)	64	73
5.10% Notes, due 1969/1992 (U.S.\$98 million)	96	98
Redeemable notes payable to the U.K. Government		
3% Note, due 1969	12	55
3½% Notes, due 1969/1974	65	65
Other debt	11	12
Alcan Aluminum Corporation		
4¾% and 5% Promissory notes, due 1970/1984 (U.S.\$41 million)	44	44
Non-interest promissory notes, due 1969/1975 (U.S.\$20 million)	21	24
Alcan Australia Limited		
Various secured borrowings, due 1972/1988 (A \$12 million)	14	11
Alcan (Bermuda) Limited		
7⅝% Promissory notes, due 1971/1978 (Lire 6 billion)	10	—
Alcan Industries Limited		
Promissory notes, due 1969/1973 (£5 million)	13	1
Bank loan, due 1971 (£3 million)	9	9
6% Debentures, due 1969/1983 (£3 million)	8	8
Alcan (U.K.) Limited		
Bank loans, due 1969/1972 (£6 million)	18	19
Indian Aluminium Company, Limited		
Various secured borrowings, due 1969/1983 (principally rupees)	22	9
Other companies		
Bank loans, principally Jamaica, Spain and United Kingdom	26	36
Debt, principally South Africa and United States	17	19
	<u>672</u>	<u>715</u>
Less: Debt maturing within one year included in current liabilities	42	16
	<u>\$ 630</u>	<u>\$ 699</u>

In August 1968, the U.K. Government accepted the Aluminum Company of Canada, Ltd's offer to prepay at a discount \$80 million of the 3% and 3½% redeemable notes. As a result, \$43 million of the 3% notes was prepaid in 1968 for \$39 million (see note 14) and the remaining \$37 million will be repaid at a discount at regular intervals during 1969 and 1970.

After allowing for prepayments, sinking fund and other requirements over the next five years amount to approximately \$42 million in 1969, \$42 in 1970, \$69 in 1971, \$69 in 1972 and \$82 in 1973.

Notes to Financial Statements – in millions of Canadian dollars

6. CAPITAL STOCK

During 1968, the Company issued 10,100 common shares, as indicated below, from the exercise of options granted to officers and other employees under Share Option Plans approved by the shareholders, at prices fixed at market prices at times of grant. No options were granted under these plans during 1968.

Option price, in dollars	Year of grant	Number of shares				Expiry dates of options
		Shares under option 1 January 1968	Options exercised in 1968	Options expired or cancelled in 1968	Shares under option 31 December 1968*	
\$36.50	1959	100,910	—	9,750	91,160	1969
30.75	1960	44,140	—	650	43,490	1970
33.875	1961	750	—	—	750	1971
25.875	1963	58,150	—	—	58,150	1973
26.75	1963	28,890	10,100	18,790	—	—
33.0625	1967	52,500	—	—	52,500	1972
33.0625	1967	119,500	—	2,000	117,500	1977
		<u>404,840</u>	<u>10,100</u>	<u>31,190</u>	<u>363,550</u>	

*Including 12,000 shares under options granted to directors and officers of the Company in 1959, 2,000 shares in 1960, 26,350 shares in 1963, and 39,500 shares in 1967.

At 31 December 1968, 130,000 shares were available until 15 April 1971 for the granting of options under one of the Share Option Plans and 1,500,000 common shares were subject to issuance under the conversion privileges of the 4¼% cumulative redeemable convertible preferred shares. The preferred shares may be converted into common shares on a share per share basis at any time prior to 15 July 1973 and may be redeemed in whole or in part at any time at the option of the Board of Directors on thirty days' notice at \$43 per share.

During 1968, 335 shares were issued at \$40.50 per share under the 1966 offerings of the Employee Share Purchase Plans. At 31 December 1968, 555,213 shares were available for further offerings until 30 April 1969.

In January 1969, a subsidiary company, Alcan Aluminum Corporation, acquired substantially all of the assets of Metal Goods Corporation, a distributor of metals in the United States, in exchange for 654,807 common shares of the Company. As part of the same transaction, options for 9,120 common shares of the Company were reserved for officers and employees of Metal Goods Corporation against the exercise of options granted by that company under its 1965 Stock Option Plan. Based on the average market price of the Company's shares during the period of negotiation, Capital Stock will be increased by \$25 per share at date of issuance of these shares.

7. COMMITMENTS

Certain subsidiaries have financial commitments, long-term leases, purchase agreements and tolling arrangements. These include long-term cost sharing joint ventures with other aluminum companies in respect of bauxite mining, alumina production and the semi-fabrication of aluminum. Under these arrangements, the companies are required to pay their respective share of the operating costs of the facilities, including the amount required to service the long-term debt issues of the joint ventures, and in one case to contribute towards the capital cost of the project. The fixed portion of the commitments under these arrangements amounts to \$4.6 million in 1969, \$6.7 in 1970, \$8.6 in 1971, and lesser annual amounts up to 1992.

In addition, commitments for charter hire of ships amount to \$9.2 million in 1969 (\$19.8 paid in 1968), \$6.6 in 1970, \$3.6 in 1971, and lesser annual amounts up to 1978.

See also reference to capital expenditures in note 4.

8. DIVIDEND RESTRICTIONS

Consolidated earned surplus at 31 December 1968 includes approximately \$167 million which, pursuant to the provisions of certain debt issues of Aluminum Company of Canada, Ltd, is not distributable in dividends either in cash or in kind to the Company, the holder of its common shares.

Notes to Financial Statements - in millions of Canadian dollars

9. DEPRECIATION POLICY AND DEFERRED INCOME TAXES

Depreciation, as recorded in the accounts, is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When the allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

10. PREFERRED SHARES OF SUBSIDIARIES AND OTHER MINORITY INTERESTS

	<u>1968</u>	<u>1967</u>
Cumulative Redeemable Preferred Shares		
Aluminum Company of Canada, Ltd		
4% Sinking fund first preferred shares	\$ 7.4	\$ 8.0
4½% Sinking fund second preferred shares	45.4	48.1
Other	<u>1.9</u>	<u>1.9</u>
	54.7	58.0
Minority interests in equity of subsidiaries	<u>30.4</u>	<u>23.7</u>
	<u>\$ 85.1</u>	<u>\$ 81.7</u>

11. GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES

The following is a condensed analysis of the consolidated balance sheet, at 31 December 1968, according to the domicile of the constituent companies and their branches.

	North America	South America and Caribbean	United Kingdom and Continental Europe	All Other	Total
ASSETS					
Current assets	\$ 351	\$ 69	\$ 137	\$ 89	\$ 646
Investments	13	8	108	35	164
Fixed assets	1,457	344	179	168	2,148
Less: Depreciation, etc.	(726)	(165)	(80)	(57)	(1,028)
Other assets	14	9	1	—	24
	<u>1,109</u>	<u>265</u>	<u>345</u>	<u>235</u>	<u>1,954</u>
LIABILITIES					
Current liabilities	173	37	61	30	301
Debt	516	21	47	46	630
Deferred income taxes	132	7	5	4	148
Preferred shares, etc.	118	1	5	21	145
	<u>939</u>	<u>66</u>	<u>118</u>	<u>101</u>	<u>1,224</u>
COMMON SHAREHOLDERS' EQUITY	<u>\$ 170</u>	<u>\$ 199</u>	<u>\$ 227</u>	<u>\$ 134</u>	<u>\$ 730</u>

Alcan Aluminium Limited and Subsidiary Companies

Notes to Financial Statements - in millions of Canadian dollars

12. PENSION PLANS

The Company and its subsidiaries (with some exceptions) have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. In 1968, the companies incurred a pension expense of \$13.1 million with respect to these plans which are virtually fully funded.

13. STATUTORY INFORMATION

Total remuneration received by the directors of the Company (including the salaries of officers who are also directors) amounted to \$837,373 in 1968.

14. OTHER INCOME

	<u>1968</u>	<u>1967</u>
Income from time deposits and Government of Canada securities	\$ 5.8	\$ 4.6
Gain on redemption of debt	4.8*	.2
Gain on disposal of fixed assets	1.6	1.1
Income from companies less than 50% owned	.9	.9
Other	.8	.9
	<u>\$ 13.9</u>	<u>\$ 7.7</u>

*Including a \$4.0 million non-taxable gain from prepayment of redeemable notes held by the U.K. Government (see note 5).

15. OTHER EXPENSES

	<u>1968</u>	<u>1967</u>
Supplemental Compensation Plan	\$ 1.8	\$ 1.5
Other	2.0	1.4
	<u>\$ 3.8</u>	<u>\$ 2.9</u>

Auditors' Report

PRICE WATERHOUSE & CO.

To the Shareholders of Alcan Aluminium Limited

We have examined the consolidated balance sheet of Alcan Aluminium Limited and subsidiary companies as at 31 December 1968 and the consolidated statements of income, earned surplus, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants
Montreal, 11 February 1969.

Alcan Aluminium Limited

Principal Operating Subsidiaries and Affiliates

31 December 1968

NORTH AMERICA

CANADA

Aluminum Company of Canada, Ltd
Alcan Building Products Limited
Alcan Design Homes Limited
Alcan Pipe Limited

†Alcan Universal Homes

Alma & Jonquières Railway Company, The

††Almetco

Aluminum Goods Limited

**Chicoutimi Silicon Ltd.

Newfoundland Fluorspar Limited

Roberval and Saguenay Railway
Company, The

Saguenay Shipping Limited

Saguenay Terminals Limited

Saguenay Power Company, Ltd.

Saguenay Transmission Company, Limited
Smelter Power Corporation

**Supreme Aluminum Industries Limited

UNITED STATES

Alcan Aluminum Corporation

†††Alcan Cable

†††Alcan Metal Powders

*Fabral Corporation

BERMUDA

Alcan (Bermuda) Limited

CARIBBEAN

GUYANA

Demerara Bauxite Company, Limited
Sprostons (Guyana) Limited

JAMAICA

Alcan Jamaica Limited
Alcan Products of Jamaica Limited
Sprostons (Jamaica) Limited

TRINIDAD

Chaguaramas Terminals Limited
Sprostons (Trinidad) Limited

LATIN AMERICA

ARGENTINA

**Camea S.A.I.C.

BRAZIL

Alcan Alumínio do Brasil S.A.
Alumínio Minas Gerais S.A.

COLOMBIA

Aluminio Alcan de Colombia, S.A.

MEXICO

Alcan Alumínio, S.A.

URUGUAY

Alcan Alumínio del Uruguay S.A.

VENEZUELA

Alcan de Venezuela, S.A.

EUROPE

BELGIUM

Alcan Aluminium Raeren S.A.

DENMARK

**Aluminord A/S

**Dansk Aluminium Industri A/S

FRANCE

Aluminium Alcan de France
Alcan-Schwartz, Filage et Oxydation
S.A. des Bauxites et Alumines de Provence

GERMANY

Alcan Aluminiumwerke GmbH

*Aluminium Norf GmbH

IRELAND

**Unidare Limited

ITALY

Alcan Alluminio Italiano S.p.A.

**Angeletti & Ciucani Fonderia
Laminatoio S.p.A.

NETHERLANDS

**N.V. Nederlandsche Aluminium
Maatschappij

NORWAY

*A/S Ardal og Sunndal Verk (ASV)

***A/S Norsk Aluminium Company

***A/S Nordisk Aluminiumindustri

*Det Norske Nitridaktieselskap

SPAIN

Alcan Alumínio Iberico, S.A.

SWEDEN

**A/B Svenska Metallverken

SWITZERLAND

Aluminiumwerke A.-G. Rorschach

UNITED KINGDOM

Alcan Industries Limited

*Alcan Enfield Alloys Limited

Alcan Polyfoil Limited

Alcan Foils Limited

Alcan Wire Limited

*James Booth Aluminium Limited

Saguenay Shipping (U.K.) Limited

AFRICA

GHANA

Ghana Aluminium Products Limited

GUINEA

**Halco (Mining) Inc.

NIGERIA

Alcan Aluminium of Nigeria Limited
Flag Aluminium Products Limited

SOUTH AFRICA

Alcan Aluminium of South Africa Limited

ASIA

INDIA

Indian Aluminium Company, Limited

JAPAN

*Nippon Light Metal Company, Ltd.

*Toyo Aluminium K.K.

MALAYSIA

Alcan Malayan Aluminium Co. Ltd.
Southeast Asia Bauxites Limited
Johore Mining and Stevedoring Co. Ltd.

SOUTH PACIFIC

AUSTRALIA

Alcan Australia Limited

**Queensland Alumina Limited

*Wm. Breit & Company Pty. Ltd.

NEW ZEALAND

Alcan New Zealand Limited
Aluminium Conductors Limited

INTERNATIONAL SALES

Alcan Africa Limited — Africa

Alcan Asia Limited — Far East

Alcan S.A. — Continental Europe (excluding
Germany and Scandinavia), Middle East,
North Africa

Alcan Metall GmbH — Germany

Alcan (U.K.) Limited — U.K., Scandinavia

Alcan Sales Inc. — U.S.A.,

Caribbean and Latin America

Magnesium Company of Canada, Ltd.

*Company owned 50%

**Company owned less than 50%

***Company owned 100% by ASV

†Division of Aluminum Company

of Canada, Ltd

††Division of Alcan Building Products Limited

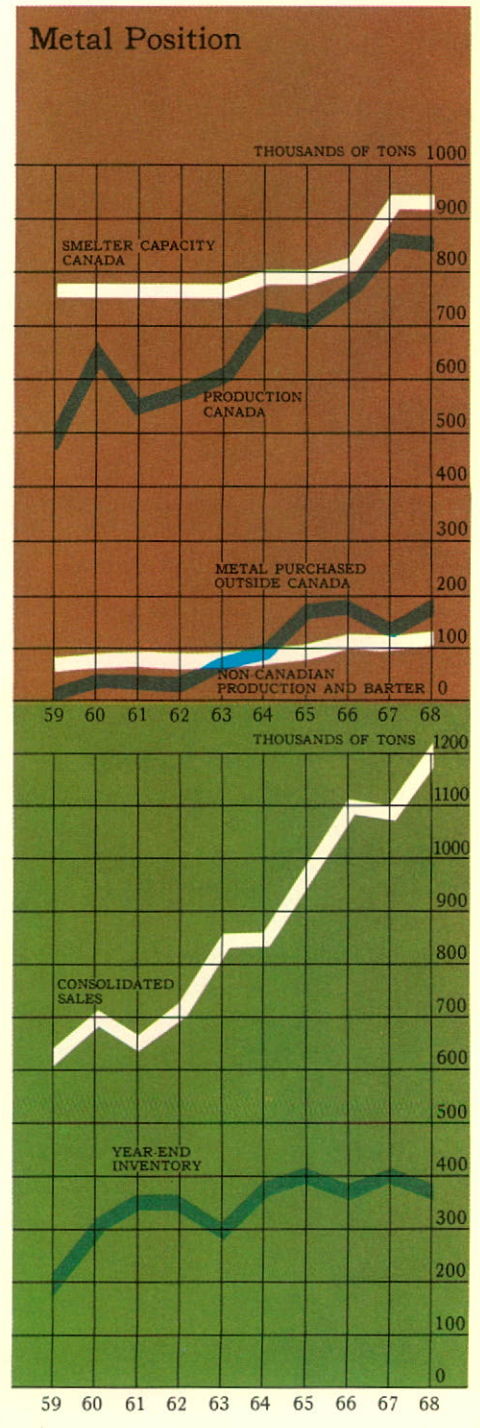
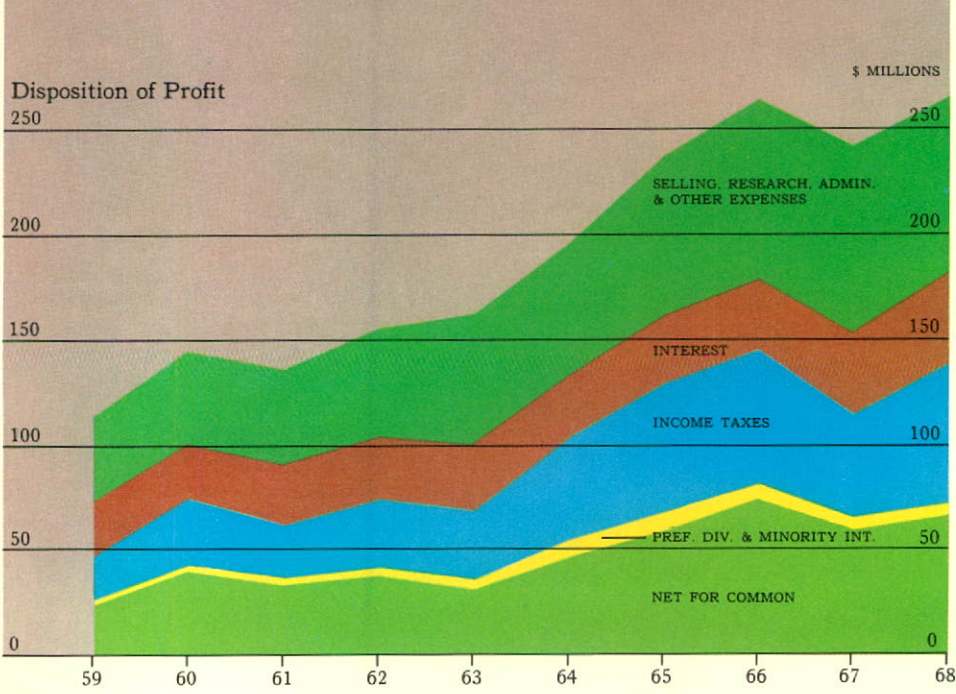
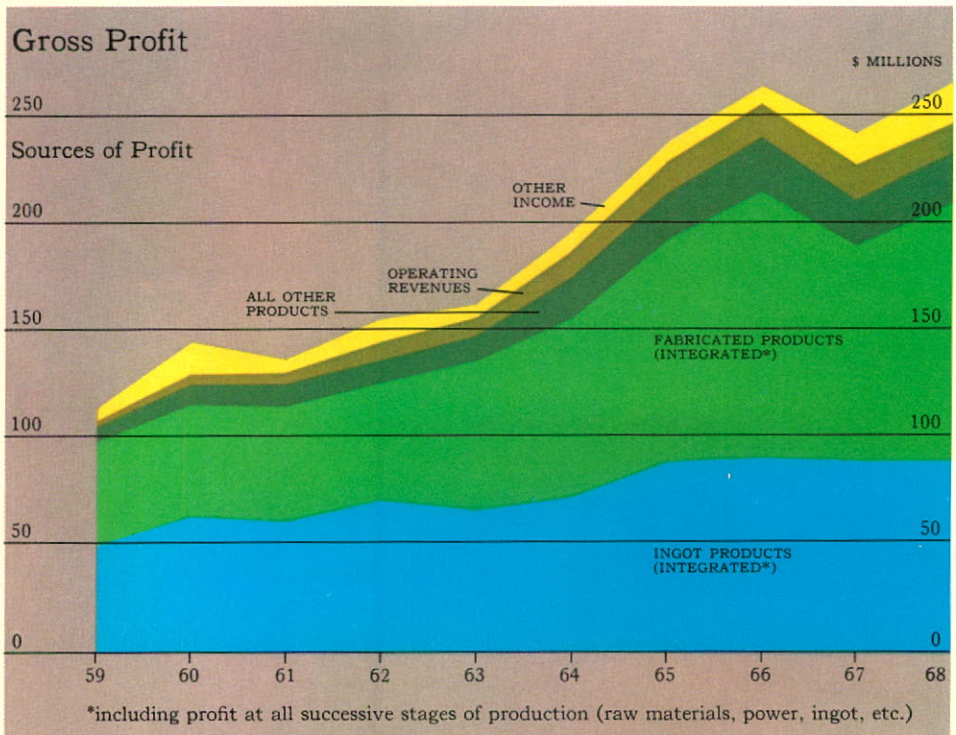
†††Division of Alcan Aluminum Corporation

Alcan Aluminium Limited

A Ten-Year Summary

OPERATING DATA (in thousands of tons)	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Aluminum sales by consolidated subsidiaries										
Ingot and ingot products	440	487	429	471	531	508	503	561	563	614
Fabricated products	206	229	242	259	331	354	490	554	541	606
Total	646	716	671	730	862	862	993	1,115	1,104	1,220
Fabricated product sales by all subsidiary and affiliated companies	265	310	346	370	497	590	633	724	703	805
Production of primary aluminum										
Canada	517	672	569	596	626	740	728	788	878	873
Subsidiary and affiliated companies outside Canada	141	156	171	194	214	245	269	286	521	588
CONSOLIDATED INCOME STATEMENT ITEMS (in millions of \$)										
Revenues										
Sales of aluminum ingot and ingot products	186	209	192	211	232	236	242	272	270	291
Sales of aluminum fabricated products	179	207	226	250	326	358	497	565	556	601
Sales of all other products	25	29	34	35	51	68	86	97	103	128
Operating revenues	55	56	57	55	57	65	68	68	64	61
Equity in income of companies 50% owned	2	3	4	3	3	4	3	3	7	7
Other income	4	12	3	7	4	6	6	5	8	14
	451	516	516	561	673	737	902	1,010	1,008	1,102
Income before income taxes	49	76	62	75	71	105	129	145	117	139
Provision for income taxes	20	31	24	31	32	48	60	63	48	64
Preferred dividends (including subsidiaries') and minority interests	4	4	4	5	6	8	9	7	7	6
Net income for common stock	25	41	33	39	33	49	60	75	63	69
CONSOLIDATED BALANCE SHEET ITEMS (in millions of \$)										
Working capital	221	212	216	236	298	297	331	332	431	345
Property, plant and equipment (net)	949	958	950	951	955	951	1,024	1,069	1,107	1,120
Investments in companies not consolidated	30	37	48	54	56	63	58	58	122	164
Long-term debt	578	557	559	565	552	526	587	579	699	630
Deferred income taxes	125	132	131	130	134	135	137	146	150	148
Subsidiaries' preferred shares and minority interests	77	76	78	79	78	79	83	82	82	85
Shareholders' equity	445	470	464	484	565	593	626	684	756	790
Total assets	1,326	1,369	1,375	1,414	1,485	1,512	1,645	1,736	1,911	1,954
PER SHARE OF COMMON STOCK (in Canadian dollars)										
Net income (after preferred dividends)	0.84	1.34	1.08	1.27	1.07	1.57	1.93	2.41	1.94	2.14
Dividends paid	0.53	0.68	0.61	0.64	0.65	0.70	0.89	1.00	1.08	1.11
Cash generation	2.62	3.25	2.87	3.17	3.16	3.74	4.32	5.09	4.54	4.72
Book value	14.64	15.73	15.13	15.77	16.27	17.16	18.21	20.04	21.58	22.61
OTHER STATISTICS										
Capital expenditures (in millions of \$)	66	72	81	66	70	72	143	122	190	146
Cash generation (in millions of \$)	80	99	88	97	99	119	137	161	149	155
Return on average equity (as a percentage)	5.8	8.9	7.1	8.2	6.6	8.9	10.2	11.9	9.0	9.3
Number of common stock shareholders at year end (thousands)	65	61	54	54	51	50	52	57	67	73
Number of employees at year end (thousands)	45	49	47	50	53	54	60	64	63	61

Alcan Consolidated



日本軽金属株式会社

Nippon Light Metal Company, Ltd.

Dramatic and nearly uninterrupted strong growth has made Japan the second largest aluminum market in the free world. The chart on the following page illustrates that primary metal consumption was close to 700,000 tons in 1968 as compared with 86,000 tons only a decade earlier and 21,000 tons in 1950. Current projections indicate usage will surpass one million tons in 1971 and may exceed 1,300,000 tons in 1973.

The Nippon Light Metal Company, Ltd. (NKK) is the largest primary aluminum producer in Japan. Founded in 1939 and affiliated with Alcan since 1952 through a 50 percent equity interest, this company's metal production has grown with the industry. In 1968, NKK accounted for one-third of total Japanese production and, including sales of metal imported essentially from Canada, a similar share of the total domestic primary aluminum market.

NKK has integrated forward to the extent that subsidiary and affiliated fabricating companies currently account for 34 percent of total metal sales volume. These concerns are major factors in the aluminum sheet products, wire rod, window sash, and extrusions markets. The balance of metal sales goes in large part to well established customers under long standing arrangements.

By consuming industry, NKK aluminum has a particularly strong position in construction, transportation and electrical markets. Within the transportation market, a joint venture in conjunction with Fruehauf Corporation and an automotive company to produce the type of van and ship containers pictured on the back fold and cover of this report holds notable promise for the future.

The two present smelters of NKK at Niigata and Kambara have a combined annual capacity of 185,000 tons. Alumina comes from a wholly-owned plant at Shimizu and electric power from a combination of wholly-owned and partly-owned power stations and other sources.

Should the Japanese aluminum markets develop as currently projected, NKK has flexible plans which could involve capital expenditures exceeding \$300 million over the next five years. Such outlays would more than double NKK's asset base. Most of this amount

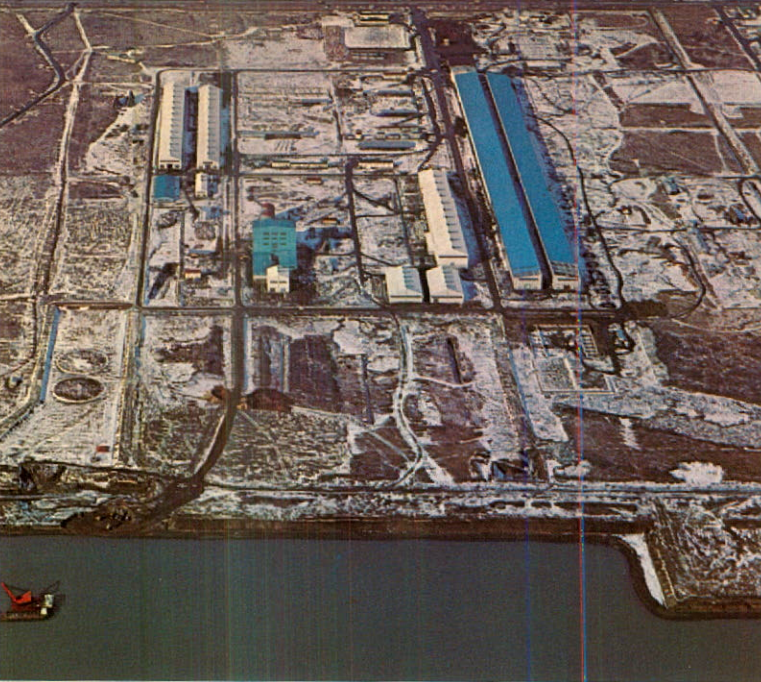
would go towards expanding primary metal capacity through completion of a 145,000-ton smelter and adjoining alumina plant at Tomakomai on the northern island, Hokkaido, adding to the existing smelters at Kambara and Niigata and enlarging the alumina plant at Shimizu.

The remaining outlays would be mainly for investments in subsidiary and affiliated aluminum fabricating companies. These fabricating companies installed during 1968 an 80,000-ton capacity hot-rolling mill and large additional window sash manufacturing facilities. Projects now under way include three new aluminum extrusion presses.

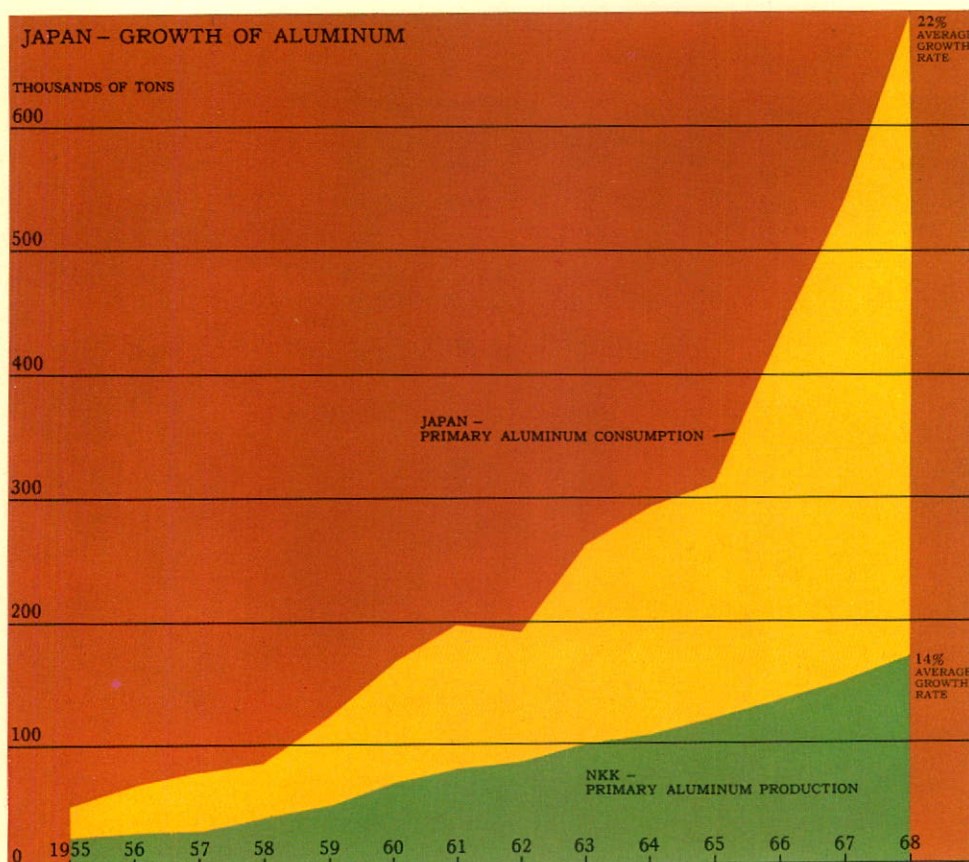
NKK's earnings have more than doubled during the last decade as indicated in the table on the opposite page. On its 50 percent equity ownership, Alcan in 1968 received cash dividends of \$1.9 million as compared with \$180,000 in 1953, the first full year of partnership. The shares of NKK are listed on the Tokyo Stock Exchange where the most recent price gave the common stock shareholders' equity a market value equivalent to over \$100 million.

SEE OVERLEAF





Leader in Japan's Aluminum Industry



HIGHLIGHTS OF THE YEAR 1968

Sales of aluminum	226,000 tons
Gross revenues	\$131 million
Capital expenditures	\$ 48 million
Employees—at year end	4,260
Shareholders—at year end	30,330

TEN YEARS	NET INCOME	CASH DIVIDENDS
in millions of dollars		
1959	3.2	0.8
1960	3.8	1.0
1961	5.5	1.4
1962	4.3	2.6
1963	4.2	2.5
1964	5.4	2.8
1965	5.1	3.2
1966	6.2	3.2
1967	7.3	3.6
1968	7.5	3.9

OPPOSITE PAGE

Starting from top, left to right:

Tomakomai, where NKK's third smelter is under construction on the southern shore of Hokkaido Island. The nearby harbour provides ideal facilities for bringing in raw materials and shipping aluminum.

Bauxite yard at NKK's Shimizu alumina plant. Expansion of the plant's alumina capacity to over 500,000 tons will go towards meeting NKK smelters' growing requirements.

Coils of sheet at the large Nagoya plant of Nikkei Aluminium Rolling Company, Ltd., a close to fully-owned subsidiary of NKK.

Van-type trailers with aluminum bodies, 38 ft. long, are manufactured by Nippon Fruehauf K.K., in which NKK is a major partner.

The Kasumigaseki Building is the first skyscraper to rise in Tokyo. A large part of its 400,000 square feet of ANOLOK finished aluminum curtain wall came from NKK's subsidiary, Nikkei Aluminium Company, Ltd. Traditional Japanese-style home uses modern Nigiriya window sash manufactured by Nikkei Aluminium Company, Ltd.

BACK COVER

Lightweight aluminum containers minimize handling, reduce pilferage and can be stacked on ship's deck to provide added weatherproof carrying capacity. Nippon Fruehauf K.K. is a leading supplier of such containers to the Japanese shipping industry.

NIPPON LIGHT METAL COMPANY, LTD. CONDENSED BALANCE SHEET — 30 SEPTEMBER 1968

in millions of dollars

ASSETS

Current assets	
Cash and securities	\$ 35
Receivables (net)	33
Inventories and other	16
	<u>84</u>
Investments and advances	35
Property, plant and equipment, at cost	150
Less: Accumulated depreciation	(50)
	<u>\$ 219</u>

LIABILITIES

Current liabilities	
Payables	\$ 46
Short-term bank and other borrowings	10
	<u>56</u>
Debt not maturing within one year	94
Deferred income taxes and other reserves	9
Shareholders' equity	60
	<u>\$ 219</u>

Note: Corporate accounts are adjusted to conform with Canadian accounting practises.



丸根箱
東京
HAKONE MARU
TOKYO