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INCO

Annual Report 1986

Corporate Profile

Inco Limited is the non-communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. Inco is also the world's largest supplier of wrought and mechanically alloyed nickel alloys as well as a leading manufacturer of blades, discs, rings and other forged and precision-machined components made from special alloy materials. In addition, the Company is a major producer of sulphuric acid and liquid sulphur dioxide, and has other interests in metals, venture capital, mining equipment manufacturing, and engineering and technology sales. At year end, Inco employed 20,171 in 19 countries. Inco is a founding member of The Nickel Development Institute.

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Annual Meeting
The Company's Annual Meeting will be held in Toronto on April 22, 1987.

Rapport Annuel
La version française du Rapport Annuel sera fournie sur demande.

10-K Report Available
A copy of the 1986 Annual Report on Form 10-K to be filed with the United States Securities and Exchange Commission may be obtained from the Company upon request. Requests should be addressed to: The Secretary, Inco Limited at 1 First Canadian Place, Toronto, Ontario M5X 1C4* or at One New York Plaza, New York, New York 10004.

*Effective June 1, 1987 – Inco Limited, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1N4.

Message to Shareholders

Last year, our Message to Shareholders stated: "We enter 1986 with optimism about our Company's long-term prospects but with considerable caution about the near-term outlook." The events of 1986 justified our caution as net earnings fell from the 1985 level of $52 million to essentially a break-even position in 1986. While nickel demand remained quite strong for the third consecutive year, prices declined sharply. Inco's average price realization for primary nickel dropped 16 per cent to the lowest level since 1974 and, in real terms, since the early 1950s. This sharp price decline alone reduced revenues and pretax profits by $126 million as compared to 1985. The impact of low nickel prices was partly offset by the Company's ongoing productivity improvements, which reduced primary metal unit costs, and by higher prices for platinum-group metals and gold.

Nickel Industry Restructuring

The nickel industry cost structure has been affected by reductions in the value of the U.S. and Canadian dollar in relation to other major currencies, and this has been beneficial to Inco. While our European and Japanese customers can buy nickel in their currencies at the lowest prices in decades, producers in those areas have been adversely affected.

In recent periods of depressed nickel prices, many companies have continued to produce even at a loss because they have been able to cover their cash costs. This willingness to keep supplying the market has delayed much needed rationalization of the industry. The situation in 1986 was also aggravated by high deliveries of Russian nickel into Western markets.

In the past year we have seen the closure or cutback of operations in Australia, Canada, Europe, New Caledonia, Japan, the Philippines and the U.S. The long awaited restructuring appears to have begun and current price levels have increased the pressure on marginal producers.

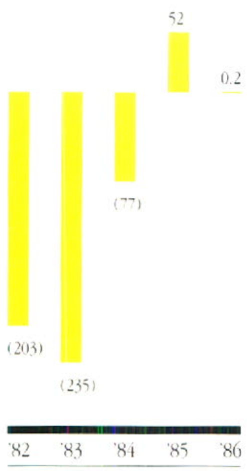
Results in Brief

$ millions	**1986**	1985	1984
Net sales	**$1,451.6**	$1,490.5	$1,468.0
Net earnings (loss)	**$ 0.2**	$ 52.2	$ (77.3)
Internal cash flow – surplus (shortfall)	**$ 21.2**	$ 243.5	$ (3.6)
Total debt	**$ 995.2**	$ 929.4	$1,113.9
Capital expenditures	**$ 138.5**	$ 93.2	$ 103.6
Employees	**20,171**	20,828	22,239

Dollar amounts in this Report are expressed in United States currency, unless otherwise stated.

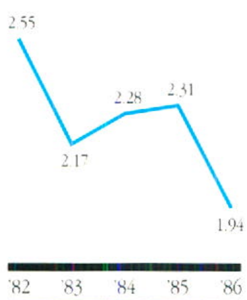
Net Earnings (Loss)

$ in millions



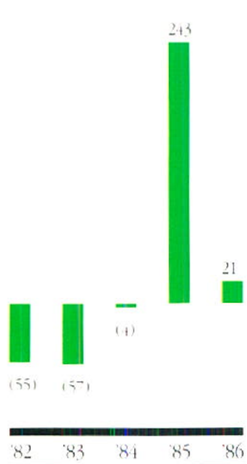
Average Realized Nickel Price

$ per pound including intermediates



Internal Cash Flow (Shortfall)

$ in millions



If the price remains in its current range, we could well see more shut-down decisions in 1987, and Inco's low cost position, derived from investment in new technology and outstanding efforts by all its employees, should enable the Company to benefit.

Capital Projects

The Thompson Open Pit, brought into production on schedule and under budget, has exceeded expectations as one of Inco's lowest cost nickel mines. Production from the Creighton Deep orebody in Ontario will begin late this year, providing yet another low-cost source of nickel. Investments have been approved to reactivate Crean Hill Mine as the world's first all-electric mine and to modernize the copper refinery; both projects will provide further cost reductions.

Gold

For many years exploration for gold has been a strategic priority. This year we plan to make production decisions on our 60 per cent owned prospect at Casa Berardi in Quebec and at Crixas in Brazil. Substantial underground exploration at both locations has confirmed the results of surface drilling. Our initial objective will be to achieve production of over 100,000 ounces of gold from our share of these two deposits. Production is expected to commence by 1989.

Alloys and Engineered Products

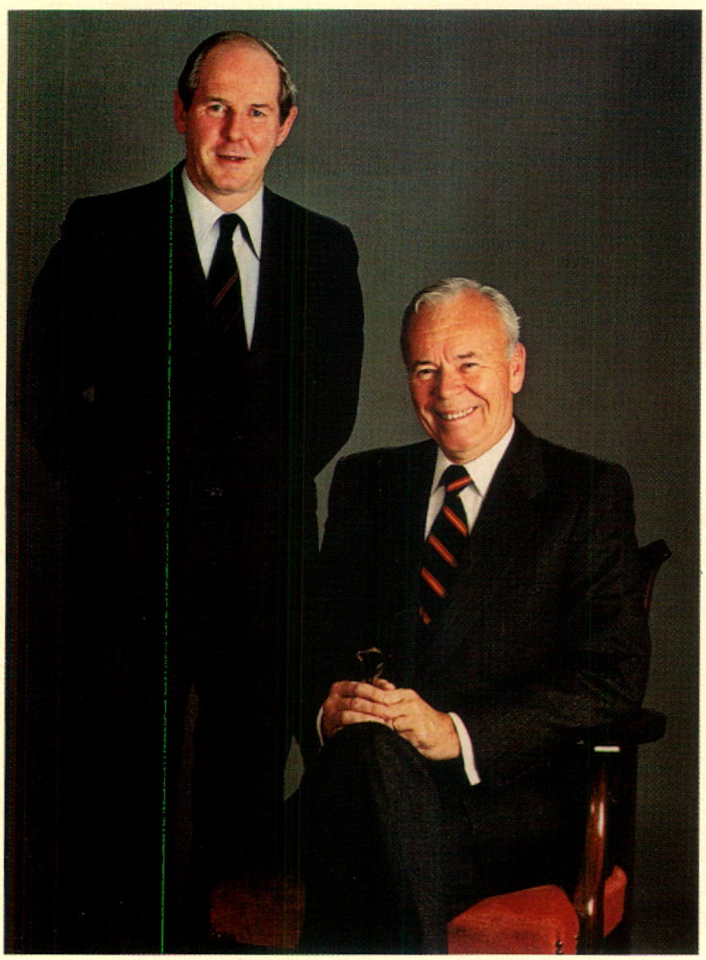
We believe that our alloys and engineered products businesses, which supply major aerospace, defense and other high-tech markets, have substantial earnings growth potential. In 1986, we approved a $35 million capital investment to purchase a precision cold-rolling facility in Elkhart, Indiana and to install a new hot-rolling mill at Huntington, West Virginia. These two projects will increase our alloy sheet and strip capacity and enable the Company to provide higher quality products. Both businesses operate in very competitive markets, but by investing in quality and focusing on proprietary products and higher value-added alloys we are confident that we can improve our competitiveness.

Outlook

Over the past six years, Inco has accomplished a major restructuring and downsizing while establishing itself as a leader in mining innovation, productivity improvement and cost reduction. As a result, the Company has demonstrated its ability to achieve break-even financial performance under extremely severe market conditions.

Cost reduction in all our operations continues to be a top priority. We shall move rapidly toward production of gold from our various joint ventures. We anticipate improved performance from our alloys and engineered products business. Finally, we believe that 1987 nickel demand will be relatively strong, and assuming that further production capacity reductions occur, we should see some price improvement from the depressed levels of 1986.

In our continuing drive to improve productivity and reduce costs, we have developed many imaginative and innovative changes in working methods. Our employees are aware of the challenge we face and understand the continuing need to strengthen Inco's worldwide position as a premier, low-cost producer. We thank them for their efforts. We also wish to thank you, our shareholders, for your continuing support. We remain confident that better times lie ahead for your company.



Chairman Charles F. Baird (right) and President Donald J. Phillips.

Charles F. Baird

Chairman and Chief Executive Officer

Donald J. Phillips

President and Chief Operating Officer

February 16, 1987

At the Murray Shops in Sudbury, Blair Bennett and Georges Langlois complete the installation of hydraulics on a prototype 70-ton underground electric ore haulage truck. This fully automatic, computerized unit was developed by Inco employees.

In 1986, Inco continued to respond to challenging and competitive conditions in the primary metals marketplace. Although non-communist world nickel demand remained strong, nickel prices fell sharply. Copper prices remained low and cobalt prices plummeted. By contrast, average realized prices for platinum-group metals and gold increased significantly.

In the face of depressed prices for its major products, Inco continued to improve its productivity, reduce costs and defend its nickel market share. The Company delivered 380 million pounds of nickel, the highest level since 1979.

Net sales of primary metals to customers totalled $1.00 billion, compared with $1.04 billion in 1985. Operating earnings declined 36 per cent to $111 million, reflecting the impact of reduced nickel prices.

Operating Earnings (Loss)

$ in millions

Nickel Demand and Prices

Nickel demand in the non-communist world is estimated at 1.25 billion pounds in 1986, a marginal increase from 1.22 billion pounds in 1985. Demand has continued at near-record levels for three consecutive years, driven primarily by increased stainless steel production in Europe and the Far East. Stainless steel now accounts for approximately 55 per cent of all nickel consumption, up from about 45 per cent a decade ago.

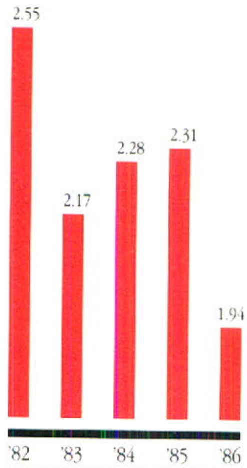
The Company believes the decline in nickel prices, despite high demand, was due largely to the apparent movement of increased quantities of Soviet nickel into Western markets. The cash nickel price on the London Metal Exchange (LME) trended progressively lower throughout 1986, ending the year at $1.59 per pound, down 14 per cent from year-end 1985.

Inco's average realized price for primary nickel, excluding intermediates, held at $2.09 per pound for the first nine months of 1986, then dropped to an average of $1.86 per pound in the fourth quarter. For the full year, the Company's average realized price, excluding intermediates, was $2.02 per pound, down from $2.39 per pound in 1985 and the lowest yearly average since 1978.

An automatic anode scrap handling facility was installed as part of an $11 million plan to mechanize and modernize the Copper Cliff Copper Refinery. The project will eliminate many laborious tasks and will improve safety, productivity and unit costs.

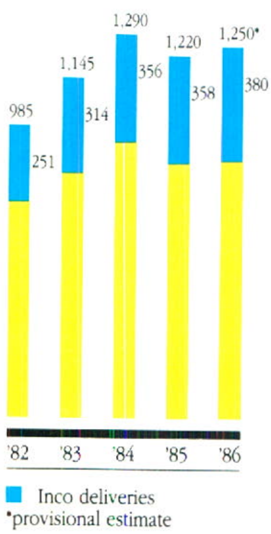
Average Realized Nickel Price

$ per pound including intermediates



Non-Communist World Nickel Demand

lbs. in millions



Production and Inventories

Shutdowns, up to 10 weeks in duration, were implemented at Inco mines and processing facilities to keep production in balance with sales.

The Company's total nickel and copper production was as follows:

millions of pounds	**1986**	1985	1984
Nickel	**357**	334	359
Copper	**251**	264	259

Inco continued to maintain tight control of its nickel inventory, ending 1986 with a finished nickel inventory of 70 million pounds. Total producer and LME finished nickel inventories in the non-communist world ended the year at an estimated 300 million pounds, the same as 1985.

$ millions	**1986**	1985	1984
Sales by product			
Primary nickel	**$ 674**	$ 732	$ 720
Refined copper	**162**	160	170
Precious metals	**125**	97	110
Cobalt	**19**	29	24
Other products	**22**	22	28
Net sales to customers	**$1,002**	$1,040	$1,052
Operating earnings	**$ 111**	$ 174	$ 100
Deliveries (in thousands)			
Primary nickel and intermediates	**346,890**(1)	317,300	315,650
Nickel contained in alloys and engineered products	**32,710**	40,460	40,570
Total nickel (pounds)	**379,600**	357,760	356,220
Copper (pounds)(2)	**253,530**	251,490	272,910
Platinum (troy ounces)(3)	**132**	124	129
Palladium (troy ounces)(3)	**164**	171	151
Rhodium (troy ounces)(3)	**13**	13	16
Gold (troy ounces)(3)	**58**	58	52
Silver (troy ounces)(3)	**1,350**	1,490	1,340
Cobalt (pounds)(2)	**2,790**	2,670	2,410
Sulphuric acid and liquid sulphur dioxide (tonnes)	**505**	432	477

(1) Includes 16 million pounds purchased on the London Metal Exchange.
(2) Includes metals contained in alloys and engineered products.
(3) Excludes toll refined materials.

Precious Metals, Copper and Cobalt

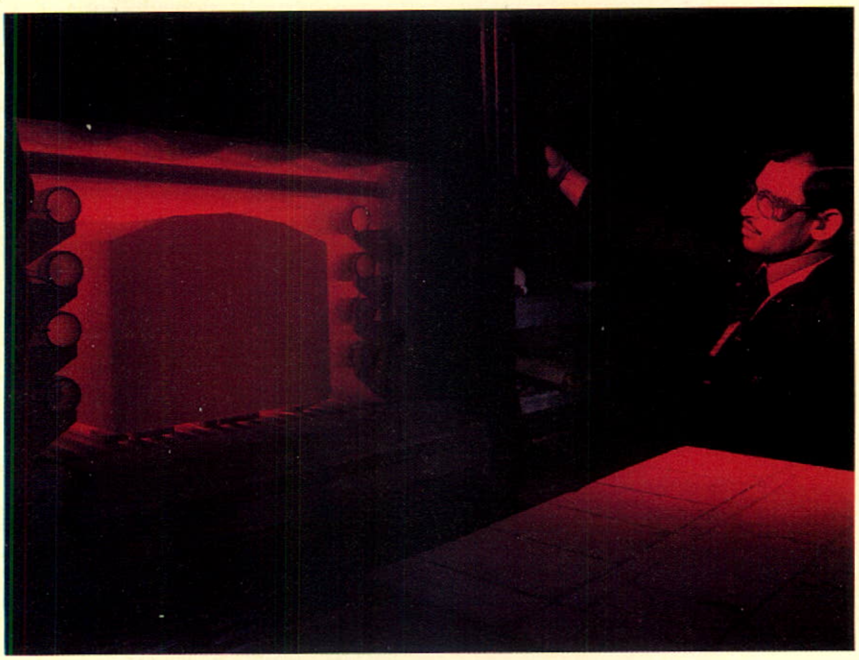
Inco produces 14 elements in addition to nickel, primarily from its Canadian ores. These account for one-third of the Company's primary metals net sales.

Platinum-group metals: World platinum prices were volatile but generally moved higher, fluctuating between a low of $341 per troy ounce in January and $676 per troy ounce in September. Inco's average realized price was $447 per troy ounce in 1986 compared with $294 a year earlier. The Company's average realized price for rhodium was a record $1,156 per troy ounce, up from $908 in 1985. Palladium price realizations increased to an average of $115 per troy ounce in 1986 from $104 a year earlier. In addition to refining its own ores, the Company is refining increased volumes of spent catalysts and other purchased materials containing platinum-group metals.

Gold: The Company's average realized price was $367 per troy ounce, up 15 per cent from 1985, as gold prices trended higher through most of the year.

Copper: Average realizations were 64 cents per pound, unchanged from 1985, as world prices remained at their lowest levels in real terms since the mid-1930s.

Cobalt: Price realizations fell to an average of $7.57 per pound in 1986 from $11.74 a year earlier due to world oversupply.



Process Operator Bas Chowdhury checks the load in the new electric furnace at the Acton precious metals refinery. The electric furnace reduces energy costs by 85 per cent. The installation earned Inco Europe Limited an award from Southern Electricity. The furnace melts precious metal salts to metal (rhodium, iridium and ruthenium).

Metal Price Sensitivity

Price changes for various metals would have the following impact on the Company's operating earnings, assuming a change were to remain in effect for a full year:

	Amount of price change	Impact on operating earnings*
Nickel	$ 0.10 per pound	$38.0 million
Copper	0.01 per pound	2.5 million
Cobalt	1.00 per pound	2.8 million
Platinum	10.00 per troy ounce	1.3 million
Gold	10.00 per troy ounce	.6 million

* Based on 1986 deliveries.

Productivity Improvements

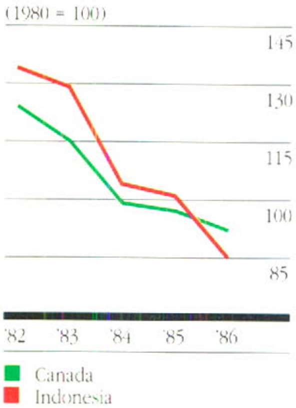
Inco continued to invest in new technology and equipment and improved work methods at its mines, mills, smelters and refineries to increase productivity, enhance safety and reduce costs. The results of these efforts are reflected in a productivity gain, measured in pounds of nickel plus copper produced per manshift, of 13 per cent in 1986 following a 13 per cent gain in 1985. Since 1980, productivity has improved by nearly 65 per cent. Continuing improvements are planned in 1987.

In 1986, 80 per cent of the Company's Canadian ore was mined using bulk methods. The Company is now focusing on ways to improve all aspects of bulk mining, including the application of larger and longer drill holes, larger explosive charges and double-deck blasting techniques. The Company is also broadening the application of continuous extraction systems through the expanded use of continuous loaders, conveyors and electric trucks.

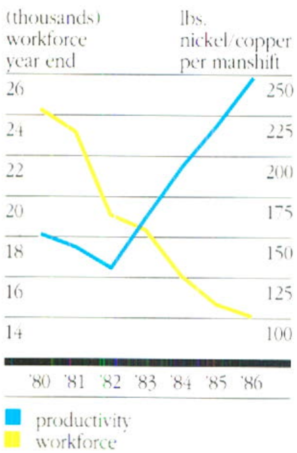
The Thompson Open Pit in Manitoba was brought into production in 1986 and is now Inco's lowest cost source of sulphide ore. Development of the Creighton Deep orebody project in Ontario continued on schedule with the extraction of the first development ore. Production will begin in late 1987.

In September 1986, the Company announced two major capital investment projects at its Sudbury, Ontario operations to strengthen further its position as a low-cost producer: reactivation of the Crean Hill Mine as an all-electric operation featuring the latest in mining technology and equipment; and the mechanization and modernization of the copper refinery to a state-of-the-art facility. Total cost over two years will be about $30 million.

Indexed Unit Nickel Production Costs



Productivity



P.T. Inco Indonesia continued to make significant productivity improvements. By the end of 1986, cash costs to produce a pound of nickel in matte had been reduced by approximately 50 per cent since 1982.

Major advances in cost reduction have been achieved at P.T. Inco Indonesia.

Japanese Market

During 1986, Inco's affiliate, Tokyo Nickel Company, Ltd. – which processes P.T. Inco's nickel matte – increased its capacity for the production of its Tonimet* nickel product. In addition, product improvements were completed to enhance the quality of Tonimet for stainless steel production.

Occupational Safety and Health

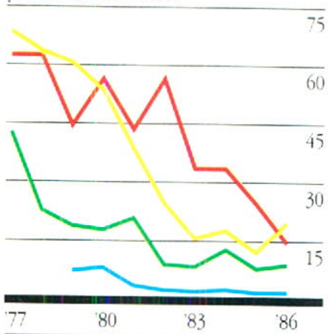
Safety is a Company-wide priority. In 1986, the safety record of Inco employees – as measured by lost-time accidents – generally maintained the trend of improvement demonstrated over the past decade.

Survey Party Leader Noel Laine operates a computer-assisted survey instrument at Thompson Open Pit Mine.

* Trademark of Tokyo Nickel Company, Ltd.

Safety

Lost-time accidents per million manhours



Tragically, one of Inco's miners, Richard Kerr, was killed during the summer shutdown at the Garson Mine in Ontario while working on a roof bolting program designed to make the work area more secure. The Company has suspended production operations at this location until a safe work environment can be assured.

The Ontario Division's Levack Mine became the first mine in North America to achieve the top safety rating, five stars, at the advanced level of the International Five-Star Safety Rating Program. This program is the international industry standard for evaluating safety practices.

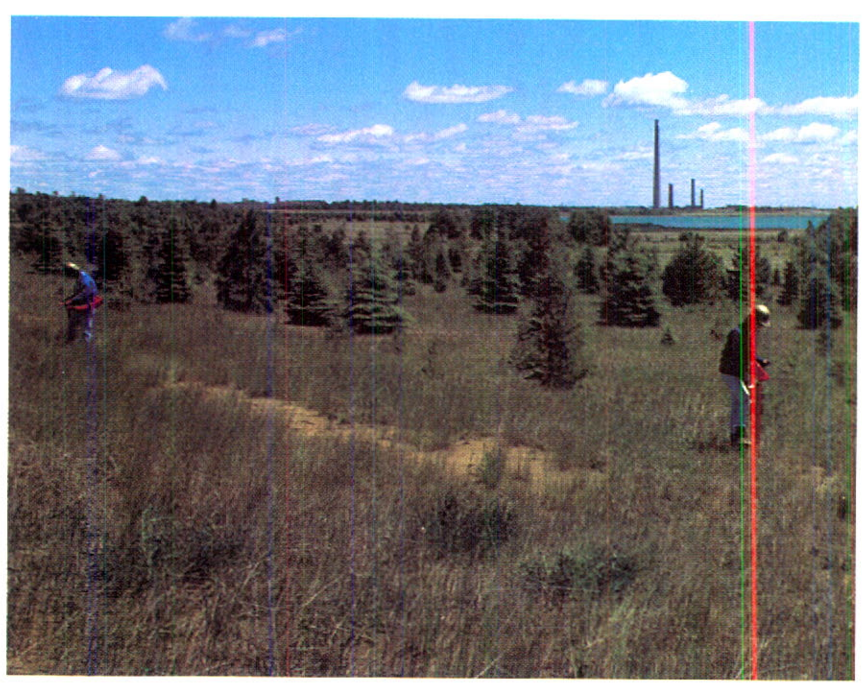
Environment

The Company operated in compliance with government regulations and control orders related to sulphur dioxide (SO_2) emissions at all its operations. Inco continues to develop and test techniques and processes to meet the provincial governments' regulatory limits on SO_2 emissions from the Company's smelters in Ontario and Manitoba in the most economical manner.

Research and Development

Research programs are directed at raising productivity, improving both the workplace and external environments, increasing metals

Since the early 1960s, some 1,200 acres at the Sudbury tailings basin have been returned to a natural state. The Company has set up a nursery to grow pine seedlings 4,600 feet underground at Creighton Mine. By 1990, some 100,000 pine seedlings per year will be grown underground and transplanted to Inco's tailings basin.



recoveries and developing new proprietary forms of nickel. Primary metals research and development expenditures were $16 million in 1986.

Encouraging results were achieved in the pilot plant testing of a new flotation process for separating out the residual sulphur-bearing pyrrhotite that cannot be removed from the nickel concentrate by standard magnetic means. Construction of a plant test circuit is expected to be completed in 1987. Capital and operating costs of $4 million are being funded 40 per cent by the federal government.

Ore Reserves

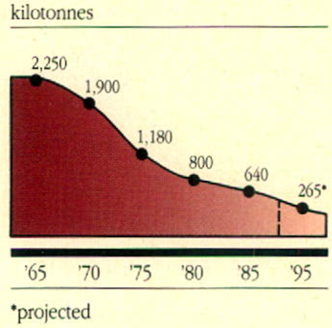
At year end, Inco had proven and probable ore reserves in Canada of 457 million short tons, containing 6.7 million tons of nickel and 4.1 million tons of copper. This compares with year-earlier proven and probable reserves of 482 million short tons, containing 6.9 million tons of nickel and 4.2 million tons of copper. Only material that is economically viable and has been sampled in sufficient detail to permit a reliable calculation is included in reserves. Significant quantities of platinum-group metals, gold, silver and cobalt are also contained in the Canadian ore reserves.

At P.T. Inco Indonesia, proven and probable ore reserves were 82 million short tons containing 1.5 million tons of nickel at year-end 1986.

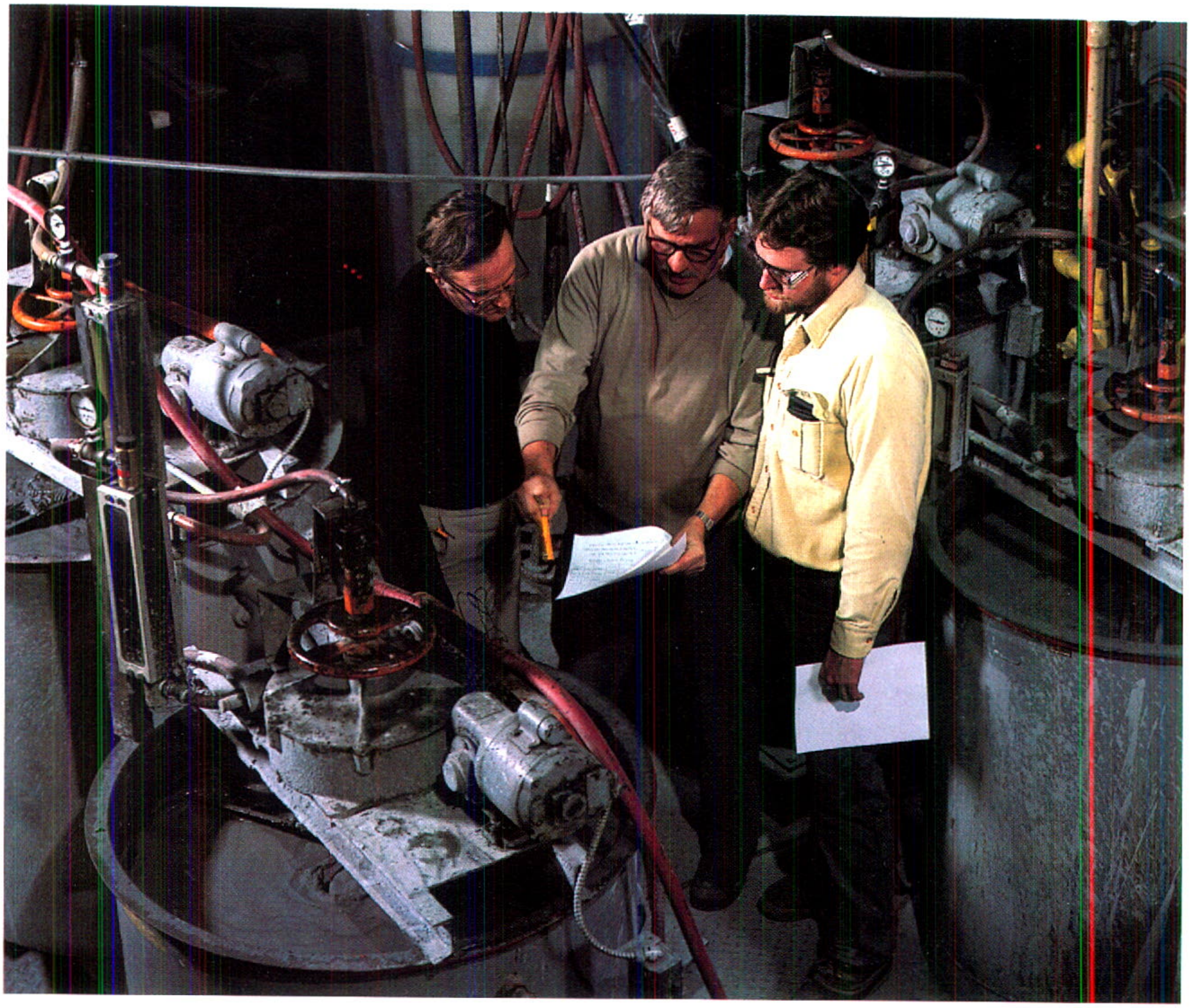
Employee Relations

A new two-year collective bargaining agreement was negotiated with employees at P.T. Inco Indonesia. New one-year agreements were negotiated with hourly production workers at Clydach, Wales and with process employees at Acton, England. Existing collective agreements remain in effect with hourly employees in Manitoba through September 15, 1987, and with hourly employees at Sudbury and Port Colborne, Ontario through May 31, 1988.

Inco Sudbury Operations Annual SO_2 Emissions



This chart appeared in an ad campaign in Canada to portray Inco's work towards reducing smelter emissions.



A pilot plant study to determine conditions for extracting gold from Casa Berardi ore was completed early 1987 at Le Centre de Recherches Minérales at Quebec City. Left to right are: Pilot Plant Project Engineer Jacques Perusse, Process Engineer Jacques Turgeon and Inco's Project Leader Jim Barrett.

Exploration and Mineral Ventures

In 1986, Inco continued to forge ahead with projects to make gold and other precious metals more important to its future. Prospects that are nearing the final stages of evaluation could yield more than 100,000 ounces of gold annually for Inco by the early 1990s, tripling the Company's current gold production.

Primary metals exploration expenditures were $17 million in 1986, 85 per cent of which was devoted to exploring for gold in Canada, Brazil and the United States. In addition, the Company is increasing its exploration for platinum-group metals in these countries.

Of the Company's current gold prospects, the two most important are at Casa Berardi Township in northwestern Quebec and Crixas in central Brazil.

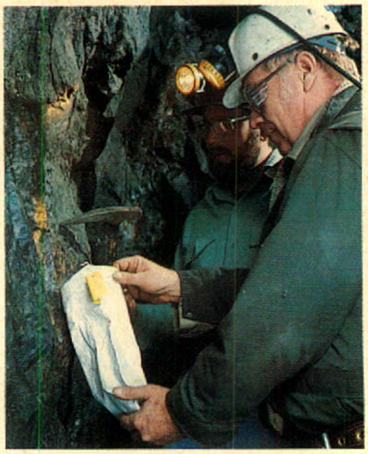
At Casa Berardi, a four kilometre long mineralized zone is being investigated; three deposits have been discovered. During 1986, Inco and its partner outlined an additional two million tons of drill-indicated reserves, increasing the total to 10 million tons averaging 0.22 ounces per ton. A $5 million underground exploration program was completed at the east end of the mineralized zone. Surface drilling is continuing.

At Crixas, Inco and its partner began underground exploration to confirm drill-indicated reserves of seven million tons averaging 0.34 ounces per ton. A feasibility study is scheduled to be completed in 1987.

Inco and partners are also conducting underground gold exploration at the Jardine mine in Montana, United States, and Cochrane Hill in Nova Scotia. Drill-indicated reserves at Jardine are one million tons containing 0.27 ounces per ton. In addition, Inco holds interests in more than 30 other gold prospects.

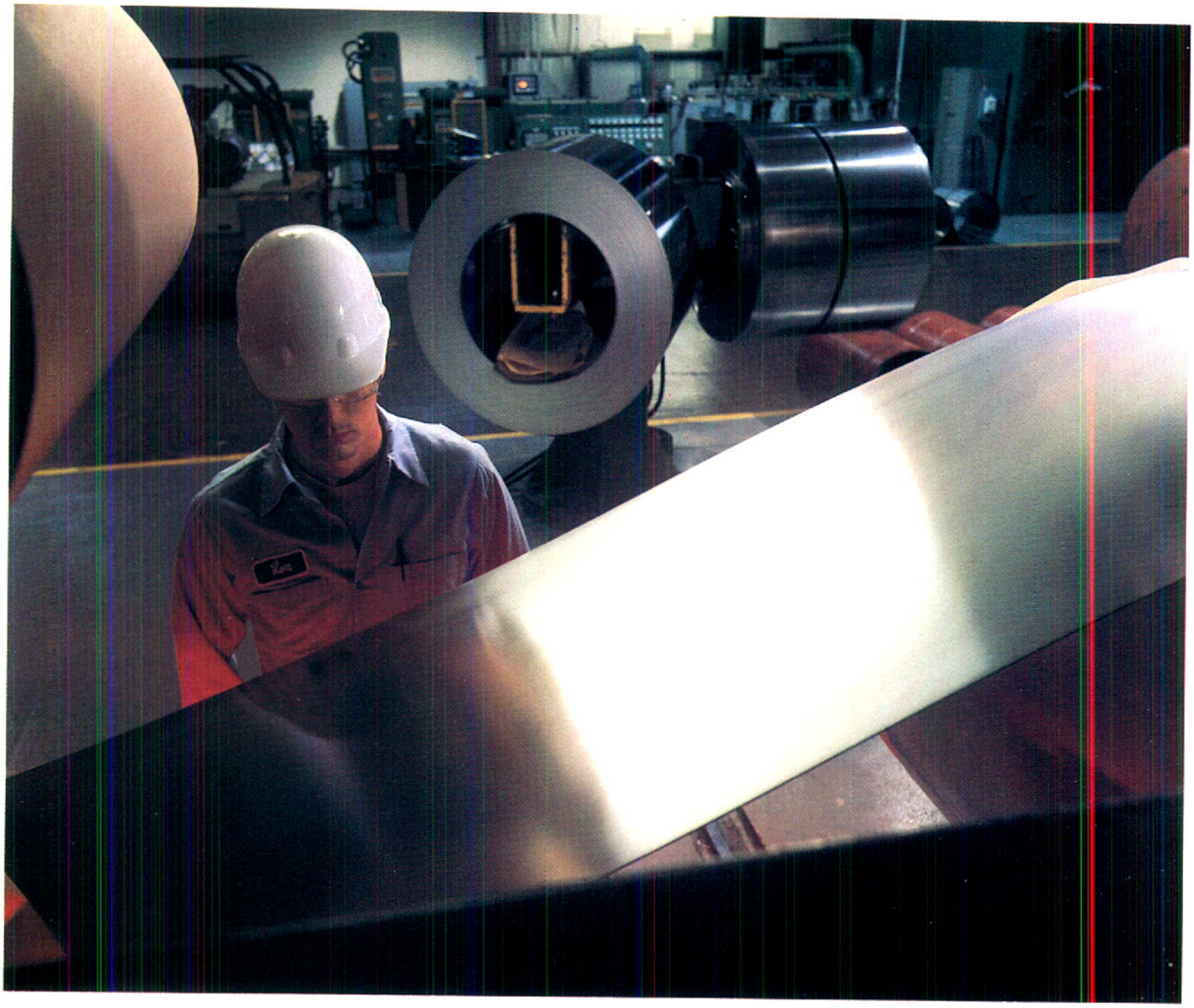
Mining at the McBean open pit gold mine in Northern Ontario was completed. The mill remains in operation, providing custom milling services. Inco holds a 65 per cent interest in this property.

In New Caledonia, production at the Tiebaghi chromite mining facility was 73,000 tonnes of high-grade chromite ore. Inco holds a 55 per cent interest and manages the project.



Geologist Dave Oliver and U.S. Exploration Manager Dick Agar examine mineralization at the Jardine, Montana gold property.

Underground at the Crixas gold property 240 kilometres south of Brasilia, Brazil.



Inco Alloys International purchased a wide strip finishing facility at Elkhart, Indiana to increase its capacity for products of closer tolerances, higher quality and in larger coils. Ron Whitesell inspects a wide strip of INCONEL alloy 718 on the annealing line.*

* Trademark of the Inco family of companies.

Alloys and Engineered Products

Operating earnings of Inco's alloys and engineered products businesses were $26 million in 1986 compared with $25 million in 1985. Sales of $438 million were up four per cent from 1985.

During the year, the Company extended its capital investment program to improve product quality, reduce costs and focus on proprietary processes and higher value-added alloys and products. Capital expenditures totalled $46 million in 1986, up from $21 million a year earlier.

Operating Earnings (Loss)

Sales to Customers

Inco Alloys International

Inco Alloys International (IAI) has operating facilities in the United States and the United Kingdom. Sales were $311 million in 1986, a slight decrease from 1985.

IAI manufactures more than 100 wrought high-nickel alloys and welding products, most of which were invented by Inco scientists. The company serves the aerospace, marine, energy, petrochemical and thermal processing markets. IAI employs advanced melting and remelting methods, as well as techniques for the mechanical alloying of powders, to produce its alloys.

In an extremely competitive worldwide nickel alloys market, IAI's major drive is toward productivity and yield improvements and other actions to reduce costs, enhance product quality and increase its sales and profitability.

Major investments during the year included the purchase of a precision cold-rolling facility in Elkhart, Indiana. In addition, IAI is installing a new hot-rolling mill at its Huntington, West Virginia facility. These two projects, costing approximately $35 million, are intended to meet the increasing demand for closer tolerances, higher quality and larger coils in the sheet and strip market.

New electroslag remelting capacity was installed at IAI's Hereford, England facility following the completion of similar projects in the United States. These investments have resulted in improved product quality, reduced costs and a broadening of IAI's production capabilities to additional high-performance nickel alloys.

Sales of mechanically alloyed materials increased, as IAI continued to extend its product development programs, focusing on patented technologies and higher value-added products. These high-performance alloys are used increasingly in aircraft engines and other applications where high strength, heat- and corrosion-resistant materials are required. With the development of new aluminum-lithium products, IAI is extending its market penetration to air frame components. A new facility in North Carolina, to produce mechanically alloyed aluminum and aluminum-lithium products, is scheduled to be completed in 1987.

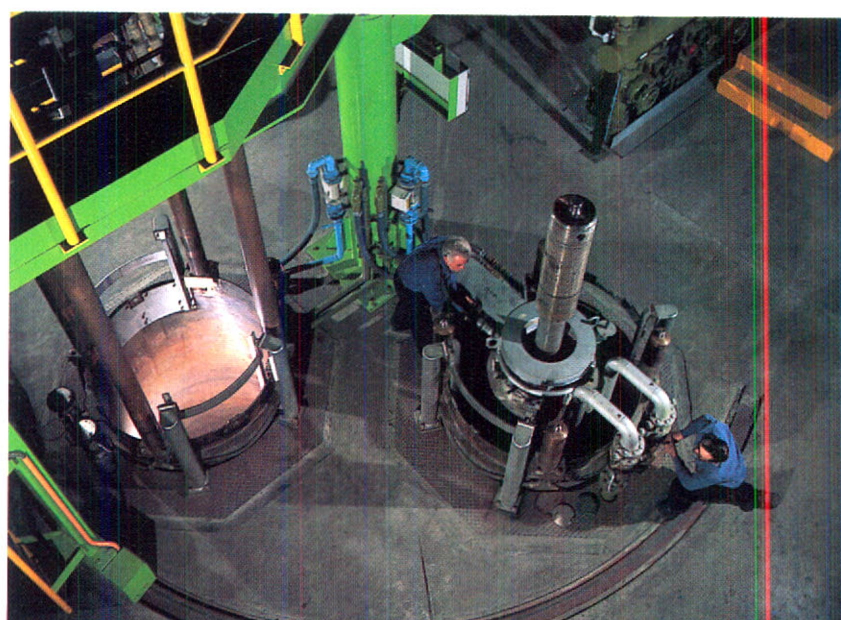
Inco Engineered Products Limited

Inco Engineered Products Limited (IEPL) is involved in the forging and precision machining of high technology products made from nickel-base alloys and other advanced materials. IEPL encompasses the Doncaster companies and Beaufort Engineering in the United Kingdom, Turbo Products International in the United States and SETTAS S.A. in Belgium.

Sales increased 19 per cent to $127 million in 1986, despite a slowdown in some aerospace programs. Nearly two-thirds of the sales gain resulted from the increased value of the pound sterling relative to the U.S. dollar.

In the past few years, IEPL has downsized or disposed of many of its slower growth, lower technology businesses to concentrate on

The new electroslag remelting furnace at Hereford, England is the best furnace of its type in Europe. The unit permits computer-controlled melt rates for improved product quality. In the photo are: Alan King, left, and Gordon Wolstenholme.



the manufacture of technically demanding products that meet specialized needs in aircraft and industrial turbines and in military, marine, energy and other engineering applications. Products include seamless rolled and forged rings, forged and machined blades and vanes, turbine discs of wrought and powdered alloys, precision machined components and precision titanium castings.

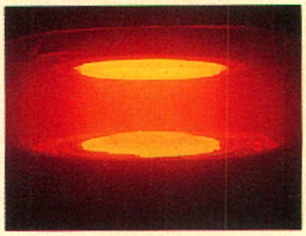
IEPL's new isothermal forging equipment, installed at the Doncasters Monk Bridge plant, is the first commercial installation of its kind in Europe. Using this press, IEPL is able to forge complex parts in superalloys that are difficult or impossible to forge by conventional techniques. Isothermal forging achieves enhanced properties and structural uniformity, enabling engine manufacturers to predict component life with greater accuracy.

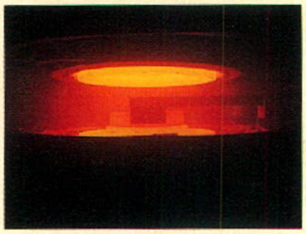
The company is installing equipment to produce hot isothermally formed sheet components in advanced alloys at its Birmingham, England facility and has received its first development orders. This equipment manufactures components for turbines, air frames, missiles, racing cars and other applications.

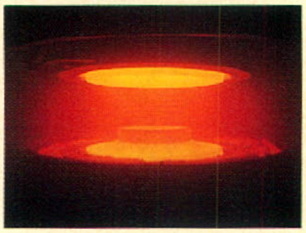
The SETTAS S.A. titanium precision casting facility in Jumet, Belgium serves the aerospace, process plant and marine industries. IEPL acquired a majority interest in this small facility early in the year.

Employee Relations

A new three-year labour contract was negotiated with hourly employees at IAI's Huntington facility, and annual contract negotiations were successfully concluded with hourly and staff employees at Hereford. An agreement with hourly employees at Burnaugh, Kentucky remains in effect through April 3, 1987. Agreements were concluded with unions representing employees at IEPL locations.







The first computer-controlled isothermal forging press in Europe was installed at Doncasters Monk Bridge in Leeds to forge design-critical aeroengine turbine discs in superalloys.

Venture Capital

Inco Venture Capital Management realized operating earnings of $14 million in 1986 through the sale of positions in portfolio companies which became publicly held or were acquired. Inco's venture capital program provides equity capital and strategic direction to start-up and early stage companies having the potential for significant growth and investment returns. Inco Venture Capital Management has been directly involved in creating and overseeing a number of start-up companies which have become significant commercial enterprises.

Investment activity continued at an active pace during 1986 as Inco Venture Capital Management pursued a number of attractive opportunities in the biotechnology and life sciences, medical device and artificial intelligence areas. Over the past 12 years, Inco has invested $42 million through its venture capital program. During that period, proceeds from sales of investments have totalled $58 million with resulting gains of $45 million. At year-end 1986, the Company's portfolio had a book value of $21 million and, based on valuation methods employed in the venture capital industry, might be valued at $38 million. The portfolio encompasses investments in over 50 companies spread among a wide range of technologies.

Inco Venture Capital Management also participates in the management of $45 million raised from institutional investors through two Ontario limited partnerships, North American Ventures Fund and North American Ventures Fund II.

Mining Equipment

Continuous Mining Systems Limited, which designs, manufactures and markets innovative mining equipment, increased its sales and continued to operate profitably. A new automated rock bolting and roof screening device is being developed in conjunction with Spar Aerospace Limited. This equipment is expected to contribute to underground mine safety and productivity.

Reclamation Facilities

Inco is engaged in metals reclamation through The International Metals Reclamation Company (Inmetco). Continued operating losses led to a restructuring of these operations in 1986, including the permanent closure of Inmetco's subsidiary, Pittsburgh Pacific Processing Co. Approximately one-half of the 1986 operating loss was attributable to these restructuring actions.

Principal Officers

Stuart F. Feiner
President
Inco Venture Capital Management
New York, New York

Wilber W. Kirk
President
LaQue Center for Corrosion Technology
Wrightsville Beach
North Carolina

Dale D. Letts
President
Continuous Mining Systems Limited
Sudbury, Ontario

John J. Moran
Chairman
The International Metals Reclamation Company
Ellwood City, Pennsylvania

Management's Statement on Financial Reporting

The information and representations in this Annual Report have been prepared by management. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgments. The financial information presented throughout this Report is consistent with the data presented in the financial statements.

Systems of internal accounting control are maintained in order to assure on a reasonable basis the reliability of this financial information. These systems include formal policies and procedures, the careful selection and training of qualified personnel, and an organization providing for appropriate delegation of authority and segregation of responsibilities. These systems are monitored by our internal auditors who perform extensive tests and related procedures at major locations worldwide. Our independent auditors, whose report on their examinations of the consolidated financial statements appears on page 35, also review our systems of internal accounting control in accordance with generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

Financial management personnel, our internal auditors and our independent auditors meet with the Audit Committee of the Board of Directors at least three times a year to report on accounting, auditing, internal accounting control and financial reporting matters. The Audit Committee also has other duties which are described on page 38.

This Annual Report has been reviewed and approved by the Board of Directors.

Charles F. Baird

Chairman and
Chief Executive Officer

Ian McDougall

Executive Vice-President
(Chief Financial Officer)

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TEN-YEAR REVIEW

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Summary of operations										
(U.S. $ in millions, except per share data)										
Net sales	**$1,451.6**	1,490.5	1,468.0	1,173.4	1,236.0	1,885.9	2,150.0	1,611.3	1,298.0	1,247.8
Cost of sales and operating expenses	**$1,230.7**	1,205.2	1,317.1	1,257.7	1,277.0	1,454.6	1,329.9	1,105.6	1,001.5	899.1
Selling, general and administrative expenses	**$ 97.9**	90.6	100.8	102.5	123.2	144.4	144.5	109.4	102.5	97.2
Interest, net of amounts capitalized	**$ 94.0**	101.6	122.1	111.4	148.3	147.1	124.8	109.9	59.0	52.6
Income and mining taxes	**$ 26.5**	49.4	22.2	(91.3)	(119.9)	81.1	260.7	126.2	68.5	74.4
Earnings (loss) from continuing operations before extraordinary charges	**$ 0.2**	52.2	(77.3)	(234.9)	(203.3)	20.4	261.7	141.6	57.2	97.4
Net earnings (loss)	**$ 0.2**	52.2	(77.3)	(234.9)	(203.3)	(469.6)	231.5	147.5	73.3	109.6
Net earnings (loss) applicable to common shares	**$ (16.6)**	27.8	(100.1)	(256.8)	(231.4)	(497.6)	205.3	124.3	52.8	102.0
Per common share	**$ (0.16)**	0.28	(1.02)	(2.69)	(2.81)	(6.51)	2.72	1.66	0.71	1.37
Common dividends	**$ 20.4**	19.9	19.5	19.1	16.1	45.0	52.1	37.4	52.2	93.2
Per common share	**$ 0.20**	0.20	0.20	0.20	0.20	0.59	0.69	0.50	0.70	1.25
Common shares outstanding (weighted average, in millions)	**102.2**	99.6	97.7	95.5	82.2	76.4	75.5	74.8	74.6	74.6
Other financial data										
(U.S. $ in millions)										
Capital expenditures	**$ 138.5**	93.2	103.6	71.1	95.3	152.2	143.3	85.4	193.4	402.5
Depreciation and depletion	**$ 143.8**	143.3	140.0	126.1	110.3	139.9	142.5	111.0	89.7	96.9
Research and development expense	**$ 21.8**	21.9	22.4	29.4	35.8	37.0	34.1	26.6	31.4	39.4
Exploration expense	**$ 16.7**	17.1	15.8	20.3	19.2	32.7	26.9	13.9	14.2	22.4
Working capital	**$ 434.6**	505.3	494.4	528.1	789.4	1,023.2	1,081.3	972.9	985.9	854.6
Net property, plant and equipment	**$1,886.0**	1,910.6	1,972.9	2,035.5	2,109.0	2,136.1	2,542.4	2,523.4	2,540.5	2,436.7
Total assets	**$2,975.9**	3,082.6	3,110.4	3,183.2	3,472.5	3,856.4	4,720.9	4,392.2	4,191.6	4,130.4
Total debt	**$ 995.2**	929.4	1,113.9	1,174.3	1,203.4	1,331.4	1,351.7	1,274.1	1,307.0	1,315.6
Preferred shares	**$ 153.5**	278.4	401.3	335.3	338.6	341.8	345.0	348.3	351.6	353.3
Common shareholders' equity	**$ 996.1**	987.1	914.3	1,027.4	1,215.6	1,332.9	1,859.1	1,687.7	1,590.7	1,590.0
Operating data										
Ore mined – short tons in millions	**14**	15	16	10	7	13	16	10	11	20
Nickel production – pounds in millions	**357**	334	359	283	201	330	394	255	267	417
Nickel deliveries – pounds in millions	**380**	358	356	314	251	342	345	394	377	312
Copper deliveries – pounds in millions	**254**	251	273	140	167	240	288	129	225	341
Cobalt deliveries – pounds in thousands	**2,790**	2,670	2,410	1,790	2,530	3,620	1,950	1,240	1,700	1,660
Platinum-group metals and gold deliveries – troy ounces in thousands	**397**	384	379	201	310	317	349	326	468	438
Realized prices per pound *(U.S. $)*										
Primary nickel:										
Excluding intermediates	**$ 2.02**	2.39	2.37	2.25	2.71	3.10	3.25	2.47	1.99	2.18
Including intermediates	**$ 1.94**	2.31	2.28	2.17	2.55	2.99	3.14	2.43	1.98	2.17
Copper	**$ .64**	.64	.63	.72	.71	.82	1.00	.91	.61	.63
Other statistics										
Employees at year end	**20,171**	20,828	22,239	24,866	25,798	31,678	33,975	33,864	33,326	38,216
Common shareholders at year end	**34,690**	39,829	45,789	49,653	55,759	62,054	67,609	74,541	75,067	77,875

Results of Operations

Primary Metals

The Company's nickel business continues to be the principal determinant of its profitability. Low nickel prices had a severe adverse effect on 1986 profitability. Operating earnings fell sharply to $111 million compared to $174 million in 1985 and $100 million in 1984. While productivity-driven cost reductions, which were largely responsible for the improvement in 1985 earnings, continued through 1986, the benefit was more than offset by deteriorating nickel prices. Had nickel price realizations remained at 1985 levels, 1986 sales to customers and operating earnings would have been increased by $126 million. Sales of primary nickel in 1986 declined 8 per cent from 1985, ending a three-year trend of increases. Demand for nickel remained strong (non-communist world demand for 1986 is estimated at 1.25 billion pounds, up 2 per cent over 1985), enabling the Company to achieve its highest level of nickel deliveries since 1979. However, despite the strong demand and relatively low levels of producer inventories, nickel prices, which were low at the beginning of the year, dropped even further in the second half. The London Metal Exchange cash price ended the year at $1.59 per pound – a 14 per cent decline from the 1985 year-end level. The Company believes the decline in prices, despite high demand, was due largely to the apparent movement of increased quantities of Soviet nickel into Western markets.

Primary Metals *($ millions)*	**1986**	1985	1984
Sales by product			
Primary nickel	**$ 674**	$ 732	$ 720
Refined copper	**162**	160	170
Precious metals	**125**	97	110
Cobalt	**19**	29	24
Other products	**22**	22	28
Net sales to customers	**$1,002**	$1,040	$1,052
Operating earnings	**$ 111**	$ 174	$ 100
Deliveries *(thousands)*			
Primary nickel and intermediates	**346,890**(1)	317,300	315,650
Nickel contained in alloys and engineered products	**32,710**	40,460	40,570
Total nickel (pounds)	**379,600**	357,760	356,220
Copper (pounds)(2)	**253,530**	251,490	272,910
Cobalt (pounds)(2)	**2,790**	2,670	2,410
Platinum-group metals and gold (troy ounces)(3)	**397**	384	379
Realized Prices *($ per pound)*			
Primary nickel – excluding intermediates	**$ 2.02**	$ 2.39	$ 2.37
– including intermediates	**1.94**	2.31	2.28
Copper	**0.64**	0.64	0.63

(1) Includes 16 million pounds purchased on the London Metal Exchange.
(2) Includes metals contained in alloys and engineered products.
(3) Excludes toll refined materials.

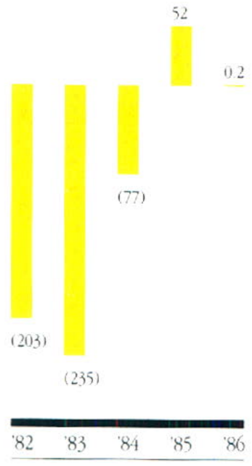
Copper prices in 1986, although stable, remained low. Cobalt prices fell sharply in the second half of 1986 due to world oversupply. The Company's cobalt price realizations per pound were $7.57 in 1986, $11.74 in 1985 and $10.13 in 1984. Platinum and gold prices increased sharply in 1986 after having declined in each of the prior two years.

Unit production costs for both nickel and copper were lowered again in 1986, as they have been in each of the three prior years, despite the effects of inflation. Measured in pounds of nickel plus copper produced per manshift, productivity has improved by nearly 65 per cent since 1980, including year-to-year gains of 13 per cent in each of the last two years. This improvement reflects increased application of safer, less costly bulk mining methods, more extensive use of automated mining equipment, including continuous extraction systems, and enhancements at processing facilities. In 1985 and 1986, 80 per cent of the Company's Canadian ore was mined using bulk methods, up from 70 per cent in 1984. In addition, the Thompson Open Pit mine, now Inco's lowest cost source of sulphide ore, was brought into production in 1986. Nickel production was kept in balance with demand during 1986 through the use of both vacation and production shutdowns at all major operating locations. In addition to the normal vacation shutdown, both the Ontario and Manitoba Divisions had a five-week production shutdown, while the Clydach, Wales nickel refinery experienced a ten-week production and vacation shutdown. Costs associated with such shutdowns and workforce reductions at all primary metals locations totalled $23 million in 1986, $16 million in 1985 and $34 million in 1984.

Primary metals operating results include operating losses from its Indonesian nickel operations of $21 million in 1986, $17 million in 1985, and $33 million in 1984. Substantially lower nickel price realizations, together with increased refining costs in Japan resulting from the sharp appreciation of the yen, combined to more than offset the major progress made in 1986 in lowering production costs in Indonesia. While lower oil prices were a contributing factor, continuing productivity gains combined with further operational improvements formed the basis of this improvement.

Net Earnings (Loss)

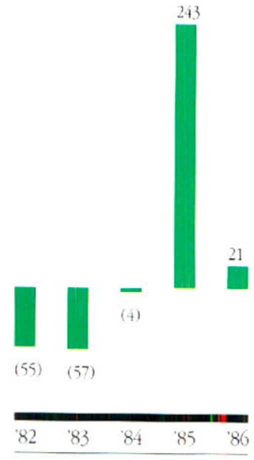
$ in millions



	'82	'83	'84	'85	'86
$ per common share	(2.81)	(2.69)	(1.02)	0.28	(0.16)

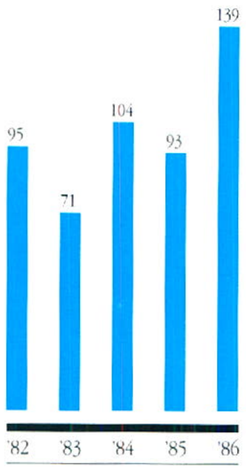
Internal Cash Flow (Shortfall)

$ in millions



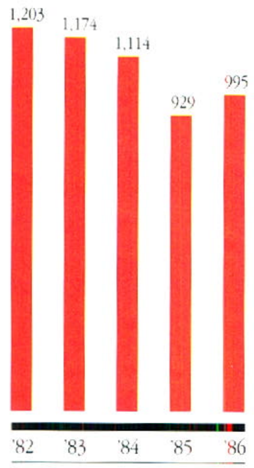
Capital Expenditures

$ in millions



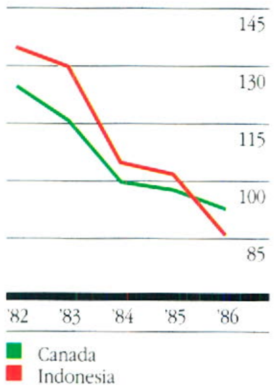
Total Debt

$ in millions



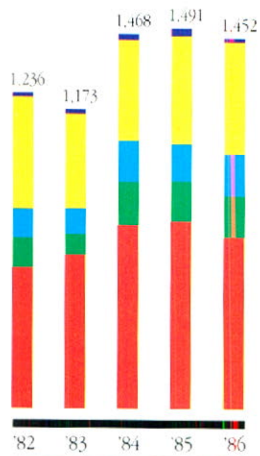
Indexed Unit Nickel Production Costs

(1980 = 100)



Sales by Product

$ in millions



	'82	'83	'84	'85	'86
Nickel	552	603	720	732	674
Copper	117	98	170	160	162
Other primary metals	116	85	162	148	166
Alloys	437	370	393	422	438
Other	14	17	23	29	12

Alloys and Engineered Products

Alloys and Engineered Products *($ millions)*	**1986**	1985	1984
Net sales to customers	**$438**	$422	$393
Operating earnings (loss)	**$ 26**	$ 25	$ (5)

Sales of alloys and engineered products in 1986 increased by 4 per cent to $438 million, following a 7 per cent increase in 1985. Operating earnings also increased by 4 per cent in 1986 to $26 million, compared to operating earnings of $25 million in 1985 and an operating loss of $5 million in 1984. Overall business conditions in 1986 were characterized by intense competition resulting in continued pressure on prices and margins. The effect of these lower margins was offset by reduced expenses. Sales of products to the aerospace industry continued to grow in 1986, after a sharp increase in 1985. Operating results for 1984 were adversely affected by property write-offs and severance costs totalling $10 million.

Other Business

Other Business *($ millions)*	**1986**	1985	1984
Net sales to customers	**$ 12**	$ 29	$ 23
Operating earnings (loss)	**$ (5)**	$ 2	$ (6)

The principal units included in this segment are Inco Venture Capital Management and Inmetco, and its subsidiary, Pittsburgh Pacific Processing Company, Inc. (PPPC), involved in metals reclamation. Venture Capital operating earnings, which consist primarily of net gains from sales of securities together with investment income less administrative expenses, totalled $14 million in 1986, $10 million in 1985 and $2 million in 1984. Inmetco had an operating loss of $18 million in 1986, compared with losses of $7 million in each of the years 1985 and 1984. The unsatisfactory results of the metals reclamation business led to a restructuring of these operations in 1986, which included the permanent closure of PPPC. Approximately one-half of the 1986 operating loss was attributable to these restructuring actions. The Company essentially completed its withdrawal from direct participation in oil and gas exploration and production in 1985 when it sold virtually all of its remaining exploratory properties in Western Canada. Inco had sold all of its producing and proven oil and gas reserves in 1984 for cash and common stock of Morgan Hydrocarbons Inc.

Interest and Taxes

Interest expense in 1986 totalled $94 million compared to $102 and $122 million in 1985 and 1984, respectively. The reduction in interest expense in 1986 was about equally attributable to lower average debt levels and lower interest rates. The reduced level of interest expense in 1985 was mainly due to lower average levels of debt outstanding and, to a lesser extent, lower interest rates.

The relationship of income and mining taxes to pretax earnings or losses (the effective tax rate) is adversely influenced by the level of losses of the nickel operations in Indonesia, on which no tax benefit is recognized. Additionally, adjustments related to prior years have been unfavorable, particularly in 1984. The effective tax rate was reduced in 1985 and 1986 by currency translation factors, after having been increased by such factors in 1984.

Accounting Change

In 1986, the Company changed its method of accounting for pension costs to conform with new standards issued by the Canadian Institute of Chartered Accountants. The new standards were adopted prospectively and, accordingly, prior years were not restated. The change increased 1986 net earnings by $8.4 million, or 8 cents per common share, and improved 1986 operating earnings of primary metals and alloys and engineered products by $13 million and $3 million, respectively.

Financial Position

Cash Flow, Capital Resources and Liquidity

During 1986, the Company continued to reduce its reliance on preferred shares and to extend the average scheduled maturities of its long-term debt. As of December 31, 1986, the Company's total debt, preferred shares and common shareholders' equity constituted 46 per cent, 7 per cent and 47 per cent, respectively, of the Company's total capitalization and $194 million of debt was repayable within five years. At December 31, 1985, these percentages were 42 per cent, 13 per cent and 45 per cent, respectively, while debt repayable within five years totalled $406 million.

In 1986, the Company generated an internal cash surplus of $21 million as compared with a surplus of $243 million in 1985 and a shortfall of $4 million in 1984. The surplus in 1985 included $198 million from the reversion of surplus funds from two Company pension plans; no such amounts were received during 1986. Capital expenditures were $139 million in 1986, $93 million in 1985 and $104 million in 1984. In 1987, capital expenditures are expected to approximate $160 million.

During 1986, the level of total debt outstanding increased by $66 million to $995 million at December 31, 1986, as compared with reductions of $185 million in 1985 and $60 million in 1984. The principal reason for the increase in total debt during 1986 was the redemption of the remaining five million Series A Floating Rate Preferred Shares. The shares were retired at a cost of $102 million based on Canadian dollar purchase contracts entered into in prior years; the shares were carried at a book value of $120 million based on the Canadian dollar exchange rate prevailing when the shares were issued in 1977. The difference of $18 million has been credited directly to Retained Earnings. In addition, in 1986, the Company retired 235,100 Series B Preferred Shares at a cost of $4 million.

In March 1986, the Company replaced its bank revolving and term loan facilities with new credit facilities totalling approximately $600 million which, among other changes, provide extended availability. At the end of 1986, the Company had unutilized committed credit facilities of $515 million. These facilities include a covenant that requires the Company to maintain a ratio of consolidated debt to net worth not to exceed 55:45. For purposes of computing this ratio, consolidated debt excludes certain non-recourse and subordinated debt, none of which is currently outstanding, and net worth includes unamortized reversions of surplus pension funds but does not include the Company's Series C Preferred Shares. At December 31, 1986, this ratio was 45:55. Because of this covenant, the maximum additional debt that the Company could have incurred was $495 million at December 31, 1986.

In order to continue to reduce its reliance on its bank credit facilities and to significantly extend the average scheduled maturities of its long-term debt, the Company entered the public debt markets on four separate occasions during 1986. In the first quarter, the Company issued 200 million Swiss Franc 5¾% Bonds due 1996 and 70 million European Currency Unit 9½% Notes due 1994. Currency swap agreements effectively converted these borrowings into U.S dollar obligations at annual interest costs of 10.2% and 10.5%, respectively. In the second quarter, the Company issued U.S. $100 million 9¾% Notes due 1996 and, in September 1986, the Company issued 75 million Deutsche Mark 6½% Bonds due 1991. In addition to its debt financing, in December the Company completed the sale of 1,800,000 common shares together with $7 million of tax credits; the proceeds of $29 million were used to reduce outstanding bank debt. In December, the Company also entered into agreements to finance approximately $15 million of its 1987 and 1988 Canadian exploration programs through the issuance of flow-through shares from time to time during 1987 and 1988.

The Company expects that its access to various capital markets together with its available unutilized credit facilities should provide sufficient liquidity to meet its operating requirements.

Other Information

The financial information presented and discussed in Management's Discussion and Analysis is derived from the Company's consolidated financial statements which are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 3 of the Explanatory Financial Section.

For a number of years, the Company has provided supplementary information discussing the effects of inflation on selected financial data. The effects were determined in accordance with methodology specified by the Canadian Institute of Chartered Accountants and the Financial Accounting Standards Board in the United States. Continued reporting of this information is now optional. Considering the relatively low level of inflation, the Company is no longer providing this supplementary information.

Reference is made to page 36 of this Report for certain information on governmental and other policies and factors affecting the Company's operations and investments by non-Canadians in the Company's securities.

Consolidated Statement of Operations

Year ended December 31 (U.S. $ in thousands)	**1986**	1985	1984
Revenues			
Net sales	**$1,451,602**	$1,490,516	$1,467,984
Other income	**38,140**	34,407	48,276
	1,489,742	1,524,923	1,516,260
Costs and expenses			
Cost of sales and operating expenses	**1,230,652**	1,205,180	1,317,110
Selling, general and administrative expenses	**97,850**	90,635	100,814
Research and development	**21,791**	21,852	22,395
Exploration	**16,672**	17,107	15,772
Interest expense	**93,951**	101,650	122,145
Currency translation adjustments	**2,151**	(13,093)	(6,803)
	1,463,067	1,423,331	1,571,433
Earnings (loss) before income and mining taxes	**26,675**	101,592	(55,173)
Income and mining taxes	**26,498**	49,380	22,170
Net earnings (loss)	**177**	52,212	(77,343)
Dividends on preferred shares	**(16,787)**	(24,387)	(22,807)
Net earnings (loss) applicable to common shares	**$ (16,610)**	$ 27,825	$ (100,150)
Net earnings (loss) per common share	**$ (0.16)**	$ 0.28	$ (1.02)

Consolidated Statement of Retained Earnings

Year ended December 31 (U.S. $ in thousands)	**1986**	1985	1984
Retained earnings at beginning of year	**$ 512,907**	$ 486,975	$ 606,658
Net earnings (loss)	**177**	52,212	(77,343)
Gain on retirement of preferred shares	**19,954**	18,045	—
Preferred dividends	**(16,787)**	(24,387)	(22,807)
Common dividends – $.20 per share	**(20,433)**	(19,938)	(19,533)
Retained earnings at end of year	**$ 495,818**	$ 512,907	$ 486,975

The Explanatory Financial Section on pages 28 through 34 is an integral part of these statements.

Consolidated Balance Sheet

December 31 (U.S. $ in thousands)	**1986**	1985	1984
Current assets			
Cash	**$ 9,218**	$ 7,051	$ 6,005
Marketable securities, at cost (market 1986 – $19,100,000; 1985 – $14,100,000; 1984 – $13,200,000)	**15,816**	13,579	9,287
Accounts receivable	**234,206**	256,640	248,826
Tax refunds receivable	**1,182**	17,798	18,838
Inventories	**632,113**	696,995	672,576
Prepaid expenses	**12,373**	9,404	9,661
Total current assets	**904,908**	1,001,467	965,193
Property, plant and equipment	**3,734,861**	3,690,021	3,652,143
Less – Accumulated depreciation and depletion	**1,848,893**	1,779,384	1,679,198
	1,885,968	1,910,637	1,972,945
Other assets			
Investments in and advances to affiliates, on an equity basis	**22,681**	24,250	24,519
Miscellaneous investments	**134,927**	125,428	130,617
Deferred charges	**27,384**	20,795	17,145
	184,992	170,473	172,281
Total assets	**$2,975,868**	$3,082,577	$3,110,419
Current liabilities			
Notes payable	**$ 17,439**	$ 12,346	$ 23,291
Long-term debt due within one year	**36,947**	57,956	40,295
Accounts payable	**99,347**	102,349	108,450
Accrued payrolls and benefits	**123,410**	149,298	135,541
Other accrued liabilities	**133,903**	82,690	93,138
Income and mining taxes payable	**59,227**	91,528	70,117
Total current liabilities	**470,273**	496,167	470,832
Other liabilities and deferred credits			
Long-term debt	**940,795**	859,059	1,050,350
Deferred income and mining taxes	**161,300**	200,900	201,100
Pension benefits	**248,592**	256,565	67,552
Minority interest	**5,312**	4,334	4,962
	1,355,999	1,320,858	1,323,964
Preferred shares issued, $25 (Cdn.) issue price:			
Series A floating rate	**—**	119,625	239,250
Series B 7.85%	**84,183**	89,493	92,770
Series C 10%	**69,300**	69,300	69,300
	153,483	278,418	401,320
Common shareholders' equity			
Common shares issued, without nominal or par value	**439,259**	413,191	366,292
Capital surplus	**61,036**	61,036	61,036
Retained earnings	**495,818**	512,907	486,975
Total common shareholders' equity	**996,113**	987,134	914,303
Total liabilities and shareholders' equity	**$2,975,868**	$3,082,577	$3,110,419

Approved by the Board of Directors: **Charles F. Baird**
Ian McDougall

Consolidated Statement of Changes in Financial Position

Year ended December 31 (U.S. $ in thousands)	**1986**	1985	1984
Cash provided by operations			
Net earnings (loss)	**$ 177**	$ 52,212	$ (77,343)
Charges (credits) not affecting working capital			
Depreciation	**117,536**	118,254	116,676
Depletion	**26,225**	25,082	23,324
Deferred income and mining taxes	**(36,200)**	(200)	(40,300)
Pension benefits	**(14,282)**	6,291	9,387
Loss on disposals of property, plant and equipment	**6,178**	5,539	15,781
Currency translation adjustments not affecting working capital	**(382)**	(6,697)	(8,082)
Other – net	**(280)**	(2,356)	(874)
Working capital provided by operations	**98,972**	198,125	38,569
Decrease (increase) in working capital			
Accounts and tax refunds receivable	**39,050**	(6,774)	1,270
Inventories	**64,882**	(24,419)	20,157
Prepaid expenses	**(2,969)**	257	(2,496)
Payables and accrued liabilities	**22,323**	(2,792)	35,312
Income and mining taxes payable	**(32,301)**	21,411	50,966
Decrease (increase) in working capital	**90,985**	(12,317)	105,209
Cash provided by operations	**189,957**	185,808	143,778
Investment activities			
Proceeds from pension fund reversions	**—**	197,886	—
Capital expenditures	**(138,538)**	(93,229)	(103,578)
Other – net	**6,972**	(2,594)	(3,108)
Cash provided by (used for) investment activities	**(131,566)**	102,063	(106,686)
Preferred and common dividends paid	**(37,202)**	(44,407)	(40,647)
Internal cash flow – surplus (shortfall)	**21,189**	243,464	(3,555)
Financing activities			
Long-term borrowings	**548,346**	345,872	204,754
Reduction in long-term debt	**(470,302)**	(532,756)	(199,215)
Net addition (reduction) to short-term debt	**(15,916)**	6,716	(71,945)
Net proceeds from preferred and common shares issued	**26,118**	47,001	72,958
Preferred shares redeemed	**(105,031)**	(104,959)	(3,457)
Cash provided by (used for) financing activities	**(16,785)**	(238,126)	3,095
Increase (decrease) in cash and marketable securities	**$ 4,404**	$ 5,338	$ (460)

The Explanatory Financial Section on pages 28 through 34 is an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

This summary of the major accounting policies of Inco Limited and subsidiaries is presented to assist the reader in evaluating the financial statements contained in this Report. These policies have been followed consistently in all material respects for the periods covered in the financial statements, except as described in Note 2.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 3.

Translation of Financial Statements into United States Dollars

The financial statements are expressed in United States dollars. Cash, accounts receivable, current liabilities, the liability for pension benefits and unhedged long-term debt are translated at year-end rates of exchange. The translation of all other assets and liabilities generally recognizes the rates historically applicable, except for hedged long-term debt which is translated at the rates established by related forward exchange contracts. Revenues, expenses and certain costs are translated at monthly average rates during each year; inventoried costs, depreciation and depletion, and deferred tax drawdowns are translated at historical rates. Realized exchange gains and losses and currency translation adjustments are included in earnings currently except for currency translation adjustments relative to long-term monetary items with a fixed and ascertainable life which are deferred and amortized on a straight-line basis over the life of the item. Gains and losses on forward exchange contracts entered into to hedge future local currency transactions are deferred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost for metals is mainly average production or purchase cost, and for supplies is average purchase cost.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Such cost in the case of the Company's mines represents related acquisition and development expenditures. Expenditures for mineral exploration are expensed as incurred.

Depreciation and Depletion

Depreciation is calculated using the straight-line method and, for the nickel operations in Indonesia, the unit-of-production method, based on the estimated economic lives of property, plant and equipment. Such lives are generally limited to a maximum of 20 years and are subject to annual review. Depletion is calculated by a method which allocates mine development costs ratably to the tons of ore mined.

Income and Mining Taxes

Deferred taxes are provided in recognition of timing differences that arise in reporting depreciation and other expense and revenue items for financial statement and income and mining tax purposes. Effective January 1, 1985 the Company changed its method of accounting for investment tax credits, from the "flow-through" to the "cost reduction" method, as required by the Canadian Institute of Chartered Accountants. As a result of this change, investment tax credits are deferred and recognized in earnings as the related assets are depreciated. This change, which has been applied prospectively, did not have a material effect on earnings. Income taxes have not been provided on undistributed earnings of subsidiaries because only a minor portion of such earnings has not been or will not be permanently reinvested.

Net Earnings per Common Share

Net earnings per common share is calculated by dividing net earnings less preferred dividends by the weighted average number of common shares outstanding. The common stock equivalents of outstanding stock options do not dilute earnings per common share.

Note 2. Accounting Change

In the fourth quarter of 1986, the Company changed its method of accounting for pension costs to conform with the new accounting standards issued in April 1986 by the Canadian Institute of Chartered Accountants. The new standards were applied with effect from January 1, 1986 and the results for the first three quarters of 1986 have, therefore, been restated. This change increased the Company's net earnings by $8.4 million, or 8 cents per common share. As required, the new standards are being applied prospectively and, accordingly, pension costs for prior years have not been restated. Pension accounting information is disclosed in Note 12.

Note 3. Differences Between Canadian and United States Generally Accepted Accounting Principles

United States accounting practices relating to foreign currency translation are not entirely compatible with Canadian accounting practices which the Company follows and which are described in Note 1. Under United States practices, all currency translation adjustments related to assets and liabilities are included in earnings currently whereas Canadian practices require that currency translation adjustments related to long-term monetary items with a fixed and ascertainable life be deferred and amortized over the life of the item. Deferred income and mining taxes and the Series A (while outstanding) and Series C Preferred Shares are translated at year-end rates of exchange under United States practices rather than historical rates of exchange which are required by Canadian practices. In addition, gains from the retirement of long-term debt would be classified as extraordinary items under United States practices.

The new United States accounting standards for pension costs, which are set forth in Statement of Financial Accounting Standards Nos. 87 and 88, are also not entirely compatible with the new Canadian pension accounting standards adopted by the Company with effect from January 1, 1986. Coincident with the adoption of the new United States standards, also with effect from January 1, 1986, unamortized reversions of surplus pension funds are included in earnings to the extent that they exceed the unrecognized net obligation at the date of adoption ($163.3 million); under Canadian practices, the Company continues to amortize such reversions over the average remaining service life of existing employees, consistent with prior years' accounting treatment.

The following table compares the Company's results reported under Canadian practices with those that would have been reported under United States practices, together with the cumulative effect on selected balance sheet accounts. The first three quarters of 1986 have been restated to reflect the adoption of the new Canadian and United States pension accounting standards. The recognition of unamortized reversions of surplus pension funds under United States practices results in a benefit, net of income taxes, in the first quarter of 1986 of $93.8 million which is shown as the cumulative effect of a change in accounting principle; the change also decreased 1986 pension expense under United States practices by $8.8 million and increased net earnings by $4.8 million, or 5 cents per common share. Quarterly results are unaudited.

	Canada			*United States*		
($ in millions)	**1986**	1985	1984	**1986**	1985	1984
Net earnings (loss)						
First quarter	**$ (2.1)**	$12.1	$(35.1)	**$91.6**	$16.2	$(31.2)
Second quarter	**5.8**	20.9	(15.1)	**3.3**	18.3	(7.4)
Third quarter	**3.0**	11.6	(31.6)	**(0.3)**	6.7	(26.5)
Fourth quarter	**(6.5)**	7.6	4.5	**(7.7)**	7.7	(2.9)
Year	**$ 0.2**	$52.2	$(77.3)	**$86.9**	$48.9	$(68.0)
Earnings (loss) per common share	**$(0.16)**	$0.28	$(1.02)	**$0.68**	$0.28	$(0.92)

December 31	**1986**	1985	1984	**1986**	1985	1984
Deferred income and mining taxes	**$161.3**	$200.9	$201.1	**$173.0**	$145.9	$146.6
Liability for pension benefits	**248.6**	256.6	67.6	**96.0**	256.6	67.6
Preferred Shares						
Series A	**—**	119.6	239.3	**—**	89.5	189.3
Series C	**69.3**	69.3	69.3	**65.2**	64.4	68.1
Retained earnings	**495.8**	512.9	487.0	**639.4**	592.0	583.8

The following table reconciles results as reported under Canadian practices with those that would be reported under United States practices:

($ in millions)	**1986**	1985	1984
Net earnings (loss) – Canadian practices	**$ 0.2**	$52.2	$(77.3)
Increased pension expense	**(12.6)**	—	—
Increased (reduced) currency translation gains	**(2.6)**	(2.4)	18.7
Reduced other income	**(2.7)**	(13.5)	(13.3)
(Increased) reduced income and mining taxes	**8.6**	1.5	(4.9)
Net earnings (loss) before extraordinary gain and cumulative effect of change in accounting principle	**(9.1)**	37.8	(76.8)
Extraordinary gain on retirement of long-term debt, net of taxes	**2.2**	11.1	8.8
Cumulative effect of change in method of accounting for pension costs, net of taxes	**93.8**	—	—
Net earnings (loss) – United States practices	**$ 86.9**	$48.9	$(68.0)
Earnings (loss) per common share:			
Before extraordinary gain and cumulative effect of change in accounting principle	**$(0.26)**	$0.17	$(1.01)
Extraordinary gain	**0.02**	0.11	0.09
Cumulative effect of change in accounting principle	**0.92**	—	—
Earnings (loss) per common share – United States practices	**$ 0.68**	$0.28	$(0.92)

Note 4. Other Income

Other income includes net gains on sales of assets, gains on retirement of long-term debt, interest, dividends, results of equity interests in affiliates and joint ventures, and realized exchange gains and losses, which were gains of $1,600,000 in 1986 (losses of $2,190,000 in 1985 and losses of $7,240,000 in 1984). Also included in other income are gains on sales of securities, principally marketable equity securities, of $14,370,000 in 1986 (1985 – $11,930,000; 1984 – $2,300,000).

Note 5. Inventories

Inventories consist of the following:

December 31 ($ in thousands)	**1986**	1985	1984
Metals, finished and in-process	**$544,969**	$606,939	$576,773
Supplies	**87,144**	90,056	95,803
	$632,113	$696,995	$672,576

Note 6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

December 31 ($ in thousands)	1986	1985	1984
Mines and mining plants	**$1,319,508**	$1,294,273	$1,257,182
Processing facilities	**1,538,933**	1,525,927	1,517,438
Other	**336,482**	334,387	326,459
Primary metals facilities	**3,194,923**	3,154,587	3,101,079
Alloys and engineered products facilities	**467,563**	450,021	457,823
Other	**72,375**	85,413	93,241
Total property, plant and equipment	**3,734,861**	3,690,021	3,652,143
Accumulated depreciation	**1,460,573**	1,408,274	1,331,927
Accumulated depletion	**388,320**	371,110	347,271
	1,848,893	1,779,384	1,679,198
Net property, plant and equipment	**$1,885,968**	$1,910,637	$1,972,945

Net property, plant and equipment at December 31, 1986 includes $633 million relative to the Indonesian nickel operations, and $119 million applicable to standby mines in Canada.

Note 7. Income and Mining Taxes

The provisions for income and mining taxes (tax relief) for the years 1984-1986 were as follows:

($ in thousands)	1986	1985	1984
Current taxes	**$29,798**	$57,880	$66,670
Current deferred	**32,900**	(8,300)	(4,200)
Future deferred	**(36,200)**	(200)	(40,300)
Total deferred taxes	**(3,300)**	(8,500)	(44,500)
Total income and mining taxes	**$26,498**	$49,380	$22,170
Canada	**$12,554**	$39,025	$15,885
Other (principally United Kingdom)	**13,944**	10,355	6,285
	$26,498	$49,380	$22,170

Earnings (losses) before income and mining taxes, by source, were as follows:

($ in thousands)	1986	1985	1984
Canada	**$19,058**	$ 91,212	$(26,705)
Other*	**7,617**	10,380	(28,468)
Total	**$26,675**	$101,592	$(55,173)

*Includes the losses of the Indonesian nickel operations.

Deferred taxes result from timing differences arising from transactions which enter into the determination of book income and taxable income in different reporting periods. The sources of material timing differences, and the tax effect of each, for the three years were as follows:

($ in thousands)	1986	1985	1984
Tax effects of timing differences for:			
Depreciation	**$(19,900)**	$ 63,200	$(28,000)
Pension reversions	**14,300**	(87,900)	—
Employee benefits	**3,700**	(8,500)	(14,600)
Inventories	**700**	27,100	(3,500)
Other	**(2,100)**	(2,400)	1,600
Total	**$ (3,300)**	$ (8,500)	$(44,500)

The deferred tax benefits relative to the excess of book over tax depreciation recognized in 1984 reflect the reversal of deferred tax liabilities established in prior years and give effect to similar excesses, totalling $88 million, becoming available in future years. In 1985 and 1986, a portion of these deferred tax liabilities was restored upon realization of these tax benefits by the Company.

The reconciliation between the combined federal-provincial statutory income tax rate in Canada and the effective income and mining tax rate follows:

Year ended December 31	1986	1985	1984
		Provision (Relief)	
Combined Canadian federal-provincial statutory income tax rate	**49.8 %**	49.3 %	(49.1)%
Resource and depletion allowance	**(24.0)**	(19.6)	(25.4)
Adjusted income tax rate	**25.8**	29.7	(74.5)
Mining taxes	**42.9**	21.1	21.6
	68.7	50.8	(52.9)
Effects of losses in:			
Indonesia	**47.0**	15.0	44.5
United States	**15.4**	3.4	—
Currency translations	**(17.1)**	(8.7)	22.9
Prior year tax adjustments	**8.4**	4.6	54.6
Investment tax credits	**—**	—	(8.5)
Tax rate differential	**(20.9)**	(7.5)	(5.8)
Inventory allowance – Canada	**(2.2)**	(4.2)	(4.6)
U.K. stock relief	**—**	—	(1.3)
Other	**—**	(4.8)	(8.7)
Effective income and mining tax rate	**99.3 %**	48.6 %	40.2 %

In the three-year period 1984 through 1986, the effective income and mining tax rate was adversely affected by the losses of the Indonesian nickel operations, on which no tax benefit is recognized, and by adjustments related to prior years, particularly in 1984. Since interest expense is statutorily excluded from the determinations, resource and depletion allowances were earned and mining taxes were incurred in 1984. The effective tax rate was reduced in 1985 and in 1986 by currency translation factors, after having been increased by such factors in 1984. The percentages for 1984 and 1986 reconciling items were accentuated significantly by the relatively low pretax amounts. Under the "cost reduction" method, investment tax credits reduced costs and expenses by $4.7 million in 1986 and $1.4 million in 1985. At December 31, 1986, the Company had approximately $19 million of investment tax credits which, on average, will be amortized over 13 years. Under the "flow-through" method, investment tax credits reduced income and mining taxes by $5 million in 1984.

The cumulative tax effect of timing differences relating to items of a non-current nature is shown separately as deferred income and mining taxes of $161,300,000 in the Consolidated Balance Sheet at December 31, 1986. The cumulative tax effect of timing differences relating to items of a current nature of $12,700,000 at December 31, 1986 is included in the current liability for income and mining taxes payable.

Losses and unutilized investment tax credits relative to the Company's nickel operations in Indonesia totalling $314 million and $56 million, respectively, can be carried forward indefinitely to reduce future taxes. Capital losses approximating $33 million are available to offset capital gains in the United States; $22 million of these losses may be carried forward to 1988 and the remainder to 1989. The Company received assessments relative to certain tax returns during 1986. The Company believes that the settlement of unresolved issues would not have a material adverse effect on its financial position.

Note 8. Long-Term Debt

The Company's long-term debt consists of the following (the applicable weighted average interest rates and repayment periods as at December 31, 1986 are shown in parentheses):

December 31 ($ in thousands)	**1986**	1985	1984
Inco Limited			
5.75% Swiss Franc Bonds (1996)	**$103,457**	$ —	$ —
6.5% Deutsche Mark Bonds (1991)	**38,993**	—	—
6.85% U.S.$ Debentures (1992-1993)	**43,830**	50,668	87,765
8.625% Cdn.$ Debentures (1991)	**22,820**	35,350	40,278
9.0% U.S.$ Debentures (1989-1992)	**63,113**	65,313	69,672
9.25% Cdn.$ Debentures (1990)	**24,100**	33,380	38,599
9.5% ECU Notes (1994)	**64,400**	—	—
9.75% U.S.$ Notes (1996)	**100,000**	—	—
11.0% U.S.$ Notes (1992)	**75,000**	75,000	—
12.375% U.S.$ Debentures (2000-2010)	**59,150**	59,150	100,000
12.75% Sterling Notes (1993)	**61,010**	61,010	—
15.75% Sterling Unsecured Loan Stock (2006)	**45,001**	48,193	49,500
U.S.$ Floating Rate Notes (6.3%) (1995)*	**100,000**	100,000	—
U.S.$ Term loans	**—**	182,700	85,100
U.S.$ Revolving loans (7.3%) (1988-1994)*	**88,500**	86,500	393,500
Cdn.$ Revolving loans	**—**	—	3,785
P.T. International Nickel Indonesia			
Export & supplier credits (8.7%) (1987-1989)	**58,650**	82,692	94,516
U.S.$ Bank loans (6.75%) (1987)*	**1,111**	3,333	75,000
8.0625% U.S.$ Production sharing loan	**—**	1,800	5,400
Other Indebtedness			
(8.5%) (1987-2001)	**28,607**	31,926	47,530
	977,742	917,015	1,090,645
Long-term debt due within one year	**36,947**	57,956	40,295
Long-term debt	**$940,795**	$859,059	$1,050,350

*Interest is based on Eurocurrency rates.

The average effective interest rate on long-term debt at December 31, 1986 was 9.5%. Approximately 20% of such debt carries interest rates that are subject to periodic adjustments based on market interest rates. Interest expense on long-term debt for the years 1986, 1985 and 1984 was $91,592,000, $99,348,000 and $119,302,000, respectively. After reflecting forward exchange hedging and currency swap contracts, 90% of the long-term debt is payable in U.S. dollars.

In March 1986, the Company issued 200 million Swiss Franc 5¾% Bonds due 1996 and 70 million European Currency Unit 9½% Notes due 1994. The Company has completed currency swap agreements which effectively convert these borrowings into U.S. dollar obligations at annual interest costs of 10.2% and 10.5%, respectively. In April 1986, the Company issued $100 million 9¾% Notes due 1996 and in September 1986, the Company issued 75 million Deutsche Mark 6½% Bonds due 1991.

The Company has not extended a financial guarantee of the debt of P.T. Inco. However, under the terms of a Completion Guarantee Agreement, the Company has agreed, subject to force majeure, to provide sufficient funds in the form of equity and/or loans to enable P.T. Inco to meet its financial obligations as they become due, including scheduled debt service payments, until all existing senior funded debt of P.T. Inco, $59,761,000 at December 31, 1986, has been repaid.

Effective March 31, 1986, the Company replaced its bank revolving and term loan facilities with new credit facilities totalling approximately $600 million which, among other changes, provide extended availability. At December 31, 1986, the Company had unutilized committed credit facilities of $515 million. These facilities include a covenant that requires the Company to maintain a ratio of consolidated debt to net worth not to exceed 55:45. For purposes of computing this ratio, consolidated debt excludes certain non-recourse and subordinated debt (none of which is currently outstanding) and net worth includes unamortized reversions of surplus pension funds but does not include the Company's Series C Preferred Shares. At December 31, 1986, this ratio was 45:55 and, giving effect to the covenant, unutilized available credit facilities totalled $495 million. The Company believes that its access to various capital markets together with its available unutilized credit facilities should provide sufficient liquidity to meet its operating requirements. During 1986, the Company incurred fees of $970,000 to compensate banks for undrawn credit facilities.

Long-term debt maturities and sinking fund requirements for each of the five years through 1991 are: 1987 – $36,947,000; 1988 – $26,654,000; 1989 – $15,252,000; 1990 – $30,033,000; 1991 – $67,933,000.

Note 9. Preferred and Common Shares

At December 31, 1986, the authorized share capital of the Company consisted of 30,000,000 preferred shares and an unlimited number of common shares.

In each of 1985 and 1986, the Company retired 5 million Series A Floating Rate Preferred Shares at a cost of $101,580,000 and $101,508,000, respectively, based on Canadian dollar purchase contracts entered into in prior years. The 10 million shares were carried at $239,250,000, based on the Canadian dollar exchange rate prevailing when the shares were issued in 1977. The differences arising upon redemption, $18,045,000 in 1985 and $18,117,000 in 1986, have been credited directly to Retained Earnings. The dividends of $4,998,000 paid in 1986 on these preferred shares reflected an average annual dividend rate of approximately 6.6% (1985 and 1984 – 7.0%).

The 7.85% cumulative Series B Preferred Shares have general voting rights and were redeemable at $25.20 (Cdn.) commencing December 1, 1986, such price decreasing to $25.00 (Cdn.) by December 1, 1987. The Company is required to repurchase 150,000 Series B Preferred Shares annually if such shares are available at a price not greater than $25.00 (Cdn.) per share. During 1986, as a result of this repurchase obligation and a normal course issuer bid, the Company retired 235,100 Series B Preferred Shares. The $1,837,000 gain on retirement has been credited directly to Retained Earnings.

The 10% Cumulative Redeemable Commodity-Indexed Series C Preferred Shares, which have general voting rights, are retractable at $25 (Cdn.) per share at the option of the holders in 1991. The commodity-indexed exchange feature gives each holder the right to receive the cash equivalent of specified amounts of either nickel or copper, provided that, if exchanges are made prior to August 1, 1987, the Company may make payments in cash or Common Shares, at its option. The exchange privilege may not be exercised prior to August 1, 1987, unless the average London Metal Exchange cash price exceeds U.S. $2.90 per pound for nickel or U.S. $.80 per pound for copper.

Under the Inco Optional Stock Dividend Program, common shareholders may elect to receive Common Shares, valued at a five per cent discount from the market price of the shares, in lieu of cash dividends.

Changes in the Series B Preferred Shares and Common Shares for the years 1984 – 1986 are shown below. There were no changes in the 3,600,000 Series C Preferred Shares issued in 1984.

	Series B Preferred Shares		*Common Shares*	
	Number of shares	$ in thousands	Number of shares	$ in thousands
December 31, 1983	4,217,708	$96,086	97,462,791	$359,695
Shares purchased	(151,600)	(3,457)	—	—
Options exercised	—	—	7,170	65
Shares issued in lieu of cash dividends	7,297	141	550,833	6,048
Shares sold under Share Purchase Plan	—	—	41,480	484
December 31, 1984	4,073,405	92,770	98,062,274	366,292
Shares purchased	(148,200)	(3,379)	—	—
Options exercised	—	—	45,196	467
Shares issued in lieu of cash dividends	5,562	102	405,548	5,107
Shares sold under:				
Exploration program	—	—	57,196	732
Share Purchase Plan	—	—	26,408	346
Warrants exercised	—	—	3,412,082	40,247
December 31, 1985	3,930,767	89,493	102,008,704	413,191
Shares purchased	(235,100)	(5,360)	—	—
Options exercised	—	—	60,064	616
Shares issued in lieu of cash dividends	2,820	50	280,820	3,522
Shares sold under:				
Exploration program	—	—	5,883	82
Share Purchase Plan	—	—	19,377	256
Sale of Investment Tax Credits	—	—	1,800,000	21,592
December 31, 1986	3,698,487	$84,183	104,174,848	$439,259

Note 10. Stock Option Plans

The Company's 1968, 1979 and 1984 stock option plans each authorized the granting of options to key employees to purchase up to 1,000,000 Common Shares at prices not less than 100% of their market value on the day the option is granted. The plans provide that no shares subject to option shall be purchasable after ten years from the date of grant. The 1968 plan was terminated in 1978 and the 1979 plan was terminated in 1984 except as to options and share appreciation rights then outstanding. At December 31, 1986, outstanding options for 785,949 shares under these plans also carry share appreciation rights.

Changes during the year 1986 in options outstanding are summarized as follows:

	Number of Shares		
	1984 Plan	1979 Plan	1968 Plan
Outstanding at December 31, 1985	322,475	687,160	212,283
Options granted at $12.69 a share	257,000	—	—
Options exercised at average option price of $10.12 a share	(24,820)	(34,644)	(600)
Options terminated	(6,655)	(42,982)	(30,125)
Outstanding at December 31, 1986	548,000	609,534	181,558
Available for grant at December 31, 1986	422,825	—	—
Exercisable as at December 31, 1986	291,000	609,534	181,558

At December 31, 1986, the average option price per share of options outstanding was $15.93 (range $15.57 – $15.94) under the 1968 plan, $17.28 (range $9.13 – $23.94) under the 1979 plan and was $11.79 (range $11.00 – $12.69) under the 1984 plan. The expiration dates of options outstanding at December 31, 1986 ranged from April 30, 1988 to October 28, 1994. At December 31, 1986, there were 473 employees participating in the plans.

Note 11. Financial Data by Business Segment

Financial data by business segment and geographic area, for the years 1986, 1985 and 1984 follow ($ in millions):

Data by Business Segment	*Primary metals*			*Alloys and engineered products*			*Other business*			*Eliminations*			*Total*		
	1986	1985	1984	**1986**	1985	1984	**1986**	1985	1984	**1986**	1985	1984	**1986**	1985	1984
Net sales to customers	**$1,002**	1,040	1,052	**$438**	422	393	**$12**	29	23	**$ —**	—	—	**$1,452**	1,491	1,468
Intersegment sales	**63**	83	89	**—**	—	4	**8**	4	—	**(71)**	(87)	(93)	**—**	—	—
Total net sales	**$1,065**	1,123	1,141	**$438**	422	397	**$20**	33	23	**$(71)**	(87)	(93)	**$1,452**	1,491	1,468
Operating earnings (loss)	**$ 111**	174	100	**$ 26**	25	(5)	**$ (5)**	2	(6)	**$ 3**	(3)	(14)	**$ 135**	198	75
Non-operating expenses*													**(108)**	(96)	(130)
Earnings (loss) before income and mining taxes													**$ 27**	102	(55)
Capital expenditures	**$ 91**	68	74	**$ 46**	21	27	**$ 2**	4	3	**$ —**	—	—	**$ 139**	93	104
Depreciation and depletion	**$ 118**	116	109	**$ 21**	21	22	**$ 5**	6	9	**$ —**	—	—	**$ 144**	143	140
Identifiable assets at December 31	**$2,212****	2,307	2,346	**$553**	540	542	**$79**	104	100	**$(29)**	(40)	(39)	**$2,815**	2,911	2,949
Other assets													**161**	172	161
Total assets at December 31													**$2,976**	3,083	3,110

Data by Geographic Area	*Canada*			*United States*			*Europe*			*Other*			*Total after eliminations*		
	1986	1985	1984	**1986**	1985	1984	**1986**	1985	1984	**1986**	1985	1984	**1986**	1985	1984
Net sales to customers	**$ 266**	246	265	**$473**	539	526	**$484**	487	460	**$229**	219	217	**$1,452**	1,491	1,468
Sales between geographic areas	**651**	695	711	**23**	18	21	**18**	10	9	**—**	—	9	**—**	—	—
Total net sales	**$ 917**	941	976	**$496**	557	547	**$502**	497	469	**$229**	219	226	**$1,452**	1,491	1,468
Operating earnings (loss)	**$ 138**	176	122	**$ (3)**	20	7	**$ 24**	18	(10)	**$ (18)**	(12)	(34)	**$ 135**	198	75
Identifiable assets at December 31	**$1,377**	1,423	1,463	**$454**	478	462	**$304**	295	277	**$799****	836	878	**$2,815**	2,911	2,949

* Includes interest expense, general corporate income and expenses, equity in earnings of affiliates and unallocated currency translation adjustments.

** Includes assets of $683 million relating to the Company's nickel operations in Indonesia.

The Company's business is organized around two principal product groups: primary metals and alloys and engineered products. The Company's principal primary metals are nickel and copper. Wrought nickel, high-nickel alloys in rolling mill forms, and forgings are the Company's major alloys and engineered products. Other business includes the Company's venture capital program, metals reprocessing operations, and oil and gas interests.

Other assets consist of corporate assets, principally cash, securities, and certain receivables and fixed assets.

The Company's intersegment sales are generally made at approximate prices used for sales to unaffiliated customers. Sales between geographic areas are generally made at prevailing market prices, except that sales of primary metals from Canada to other primary metals affiliates are net of discounts. In 1986, sales to customers include $75 (1985 – $45; 1984 – $57) exported from Canada and $13 (1985 – $14; 1984 – $12) exported from the United States. In 1986, total sales by Canadian companies include $273 (1985 – $326; 1984 – $322) exported to the United States and $345 (1985 – $332; 1984 – $330) exported to Europe. Geographic Area – Other includes sales to affiliated companies as follows: in Japan – Shimura Kako Company, Ltd. – $59 in 1986 (1985 – $61; 1984 – $103) and Tokyo Nickel Company, Ltd. – $72 in 1986 (1985 – $88; 1984 – $54); in Taiwan – Taiwan Nickel Refining Corporation – $27 in 1986 (1985 – $8; 1984 – $8).

Note 12. Retirement Benefits

The Company has defined benefit pension plans covering essentially all employees. Benefits for these plans are based primarily on either years of service and employees' final average pay or a stated amount for each year of service. Pension costs are calculated and funded based on annual actuarial estimates, except that funding is subject to limitations under applicable tax regulations. Plan assets consist principally of cash, equity securities and fixed income securities.

Pension expense totalled $7,347,000 in 1986, $34,661,000 in 1985 and $34,503,000 in 1984. As indicated in Note 2, effective January 1, 1986, the Company changed its method of accounting for pension expense, on a prospective basis, as required under new accounting standards issued in 1986 by the Canadian Institute of Chartered Accountants. The accounting change decreased pension expense, which is largely charged to production costs, by $21.4 million in 1986.

Pension expense for 1986 included the following components ($ in thousands):

Service cost – benefits earned during the year		$ 20,296
Interest cost on projected benefit obligation		57,454
Return on assets – actual	$(81,961)	
– less unrecognized gain	28,803	(53,158)
Amortization of net asset at January 1, 1986		(17,245)
Total pension expense for the year		$ 7,347

The funded status of the Company's pension plans at December 31, 1986 was as follows ($ in thousands):

	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets
Plan assets at market value	$344,887	$ 386,340
Projected benefits based on employment service to date and present pay levels:		
Vested	153,078	419,972
Nonvested	50,703	64,719
Accumulated benefit obligation	203,781	484,691
Additional amounts related to compensation increases	64,141	27,339
Total projected benefit obligation	267,922	512,030
Plan assets in excess of (less than) projected benefit obligation	$ 76,965	$(125,690)
Comprised of:		
Credits (charges) to future operations:		
Balance of January 1, 1986 net asset	$151,219	$ 52,496
Investment and actuarial gains	18,248	12,088
Prior service costs	(1,243)	(888)
Pension liability at December 31, 1986	(91,259)	(189,386)
	$ 76,965	$(125,690)

The pension liability, aggregating $281 million, consists of a current liability of $32 million representing amounts to be funded in 1987 and $249 million recorded as a long-term liability for pension benefits. Included in the long-term liability is $171 million of unamortized reversions of surplus pension funds which will be credited to pension expense over 12 years as part of the amortization of the unrecognized balance of the January 1, 1986 net asset.

The projected benefit obligation was determined using an assumed discount rate of 8% and assumed long-term rates of compensation increase, where applicable, ranging from 3% to 5%. The assumed long-term rate of return on plan assets is 8%.

The Company provides certain health care and life insurance benefits for retired employees. Substantially all employees in Canada, the United States and the United Kingdom may become eligible for these benefits upon retirement from the Company. The cost of these benefits, which are generally provided through insurance companies, approximated $12 million in 1986, $12 million in 1985 and $9 million in 1984.

Auditors' Report

To the Shareholders of Inco Limited:

We have examined the consolidated financial statements and explanatory financial section appearing on pages 25 through 34 of this report. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Inco Limited at December 31, 1986, 1985 and 1984 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles as established in Canada applied on a consistent basis, except for the change, with which we concur, in the method of accounting for pension costs as described in Note 2 of the explanatory financial section.

Price Waterhouse

Toronto, Ontario
New York, New York
February 16, 1987

Supplementary Financial Information

Quarterly Financial Information

Quarterly financial information follows:

($ in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1986*					
Net sales	$ 375,111	$ 387,364	$ 305,376	$ 383,751	$1,451,602
Cost of sales and operating expenses	$ 317,189	$ 325,258	$ 252,976	$ 335,229	$1,230,652
Earnings (loss) before income and mining taxes	$ 6,488	$ 16,802	$ 7,056	$ (3,671)	$ 26,675
Net earnings (loss)	$ (2,135)	$ 5,862	$ 2,981	$ (6,531)	$ 177
Net earnings (loss) per common share	$ (.06)	$ .01	$ (.01)	$ (.10)	$ (.16)
Dividends per common share	$ .05	$ .05	$ .05	$ .05	$ .20
1985					
Net sales	$ 383,748	$ 408,202	$ 313,929	$ 384,637	$1,490,516
Cost of sales and operating expenses	$ 319,709	$ 319,338	$ 250,238	$ 315,895	$1,205,180
Earnings before income and mining taxes	$ 25,056	$ 38,192	$ 23,610	$ 14,734	$ 101,592
Net earnings	$ 12,071	$ 20,888	$ 11,664	$ 7,589	$ 52,212
Net earnings per common share	$ .05	$ .15	$ .05	$ .03	$ .28
Dividends per common share	$ .05	$ .05	$ .05	$ .05	$ .20

* The first three quarters of 1986 have been restated to reflect a change in accounting for pension costs – See Note 2 of the Explanatory Financial Section.

Note:

Year 1986 results reflect $28 million of unusual charges relating to severance costs and production shutdowns as follows: first quarter – $1 million, second quarter – $11 million, third quarter – $12 million and fourth quarter – $4 million. Year 1986 results also reflect gains of $14 million from sales of venture capital securities as follows: first quarter – $1 million, second quarter – $11 million and third quarter – $2 million.

Year 1985 results reflect $19 million of unusual charges relating to severance costs and production shutdowns as follows: first quarter – $5 million, second quarter – $2 million, third quarter – $9 million and fourth quarter – $3 million. Year 1985 results also reflect gains of $12 million in the first quarter from the retirement of long-term debt and sale of venture capital securities.

Shareholders

At year-end 1986, of the shareholders having general voting rights (the Common and the Series B and Series C Preferred shareholders), 68 per cent had addresses in Canada, 29 per cent in the United States and 3 per cent elsewhere. Of these voting shares, Canadian residents of record held 40 per cent, United States residents of record 49 per cent, and residents of record in other countries 11 per cent.

Dividends

On February 16, 1987, the Board of Directors declared a regular quarterly dividend of 5 cents a common share, payable March 20 to shareholders of record on February 26. The Company paid total dividends per common share of 20 cents both in 1986 and in 1985. The Board of Directors on February 16 also declared quarterly dividends on the Company's 7.85% Series B Preferred Shares, payable March 2 to shareholders of record on February 24, and 10% Series C Preferred Shares, payable May 1 to shareholders of record on April 1.

Optional Stock Dividend Program

Under the Company's Optional Stock Dividend Program, common shareholders have the right to elect to receive a stock dividend, valued at a 5 per cent discount from the market price of the Company's Common Shares, in lieu of a cash dividend. Holders of about 20 per cent of the Company's outstanding Common Shares are now participating in the Program. The Program provides common shareholders with a simple and convenient method of obtaining additional Common Shares at a 5 per cent discount and without payment of brokerage commissions or service charges.

Share Purchase Plan

Under the Company's Share Purchase Plan, common shareholders are entitled to make cash payments to purchase Common Shares of the Company at prevailing market prices. There are no service charges or brokerage commissions for Common Shares purchased under the Plan. Common shareholders can contribute from $30 to $6,000 (Cdn.) or from $30 to $5,200 (U.S.) per calendar quarter to purchase Common Shares from the Company on scheduled quarterly dividend payment dates. Those shareholders who wish to participate in the Plan or the Optional Stock Dividend Program or who desire additional information should write to Shareholder Services, Inco Limited, at either the Company's Toronto or New York address.

Other Information

Canadian federal legislation generally requires a 15 per cent withholding from dividends paid to common shareholders resident in the United States, the United Kingdom and most western European countries. Similarly, depending upon applicable tax treaties, dividends paid to other non-residents of Canada are subject to a withholding tax at a maximum rate of 25 per cent. Interest payable on the Company's debt securities held by non-Canadian residents may also be subject to Canadian withholding tax, depending upon the terms and provisions of such securities. All stock dividends declared after May 23, 1985 are treated as ordinary taxable dividends. Accordingly, stock dividends paid to non-residents are subject to withholding tax at the same rate as cash dividends. Under present legislation in the United States, the Company is not subject to the backup withholding rules, which would require withholding at a rate of 20 per cent on dividends and interest paid to certain United States persons who have not provided the Company with a taxpayer identification number.

The Company has three classes or series of securities which have general voting rights, its Common Shares, its 7.85% Series B Preferred Shares and its 10% Series C Preferred Shares. At shareholders' meetings, each holder of these securities is entitled to one vote for each share held and there are no cumulative voting provisions. At December 31, 1986, the number of Series B Preferred shareholders totalled 1,295, principally Canadian residents, and the number of Series C Preferred shareholders totalled 1,401, principally Canadian residents.

Subject to the preferential rights of the holders of the Company's Preferred Shares, the holders of Common Shares are entitled to such dividends as may be declared by the Board of Directors out of funds legally available therefor. No dividend or other distribution on the Common Shares shall be paid, and no Common Shares shall be acquired for value, unless dividends on all outstanding Preferred Shares have been paid for all past quarterly periods. There are no charter or contractual provisions expressly limiting either the amount of cash dividends which the Company may declare and pay on its Common Shares or the right of non-residents of Canada to hold or vote any of the Common Shares of the Company.

There are certain restraints on the holding of Inco's voting equity securities. The Company's Series B Preferred Shares and Series C Preferred Shares were issued and sold in underwritten public offerings in Canada only and no market for such shares exists outside Canada. The Investment Canada Act (the "Act") limits the number of shares of a Canadian corporation which may be acquired by a non-Canadian without approval under the Act. The effect of the Act is to prohibit the acquisition of control by a non-Canadian of certain Canadian businesses, such as the Company, unless such acquisition is found by the responsible Minister of the Government of Canada to be of net benefit to Canada.

Through subsidiaries and affiliates, the Company's operations are conducted in numerous countries; some $1,100 million of the Company's consolidated total assets are located outside Canada and the United States. Accordingly, operations are subject to various governmental policies or regulations and changes therein and the risks associated with doing business in many overseas locations.

Market Price Range for Common and Preferred Shares

Year ended December 31	**1986**	1985
	Common Shares	
New York Stock Exchange (Composite transactions)		
First quarter	**$16 7/8-13**	$14 3/8-11 3/4
Second quarter	**16 1/2-12 1/2**	14 5/8-12 1/2
Third quarter	**14 3/8-10 1/2**	15 3/8-12 3/8
Fourth quarter	**14 1/2-11 5/8**	13 3/8-10 3/8
Toronto Stock Exchange (Canadian dollars)		
First quarter	**$23 5/8-18 1/4**	$19 1/8-15 3/8
Second quarter	**23 -17 1/8**	19 7/8-17 1/8
Third quarter	**19 7/8-14 3/4**	20 3/4-17
Fourth quarter	**20 1/8-16**	18 5/8-14 3/8
	Series B Preferred Shares	
First quarter	**$22 1/2-19 5/8**	$20 1/2-18 3/4
Second quarter	**21 -19 3/4**	22 -19 3/8
Third quarter	**21 3/4-20 5/8**	20 3/4-20
Fourth quarter	**21 3/4-20 1/2**	20 7/8-20
	Series C Preferred Shares	
First quarter	**$28 3/4-25 1/2**	$29 1/2-26 5/8
Second quarter	**28 1/8-26 1/8**	30 1/8-28
Third quarter	**27 3/4-25 1/4**	29 7/8-26 5/8
Fourth quarter	**27 -25 5/8**	27 3/4-26 1/2

Directors

(Term expires 1987)

The Honourable John Black Aird, O.C., Q.C.
Senior Partner
Aird & Berlis
Toronto, Ontario

Charles F. Baird
Chairman and Chief Executive Officer
Toronto, Ontario

Reva Gerstein, O.C.
Psychologist and educator
Toronto, Ontario

J. Peter Gordon, O.C.
Former Chairman, Stelco Inc.
(producer of iron, primary steel and finished steel products)
Toronto, Ontario

Alexander D. Hamilton
Former Chairman of the Board and Chief Executive Officer
Domtar Inc. (manufacturer of pulp and paper, packaging materials, construction materials and chemicals)
Montreal, Quebec

Edward R. Kane
Former President and Chief Operating Officer
E.I. du Pont de Nemours & Company
(producer of chemicals and energy)
Wilmington, Delaware

Stephen F. Keating
Former Chairman, and Chief Executive Officer
Honeywell Inc. (manufacturer of computers and control systems)
Minneapolis, Minnesota

Donald J. Phillips
President and Chief Operating Officer
Toronto, Ontario

(Term expires 1988)

Harold Bridges
Former President and Chief Executive Officer
Shell Oil Company
Lausanne, Switzerland

Purdy Crawford, Q.C.
President and Chief Executive Officer
Imasco Limited (consumer products and services corporation)
Montreal, Quebec

Walter F. Light, O.C.
Retired Chairman
Northern Telecom Limited
(manufacturer of telecommunications equipment)
Mississauga, Ontario

Robert P. Luciano
Chairman and Chief Executive Officer
Schering-Plough Corporation
(ethical and proprietary drugs, other health care products, cosmetics and toiletries)
Madison, New Jersey

Ian McDougall
Executive Vice-President
New York, New York

The Rt. Hon. Lord Nelson of Stafford
Former Chairman of the Board
The General Electric Company, p.l.c.
London, England

George T. Richardson
President
James Richardson & Sons, Limited
(financial, grain and management holding company)
Winnipeg, Manitoba

Lucien G. Rolland, O.C.
Chairman and Chief Executive Officer
Rolland inc. (manufacturer and distributor of fine papers)
Montreal, Quebec

Richard M. Thomson
Chairman and Chief Executive Officer
The Toronto-Dominion Bank
Toronto, Ontario

Board of Directors

The Board of Directors presently consists of 17 members of whom three are officers of the Company. In 1986, the Board held 11 meetings. The activities of the Board are supported by its various committees.

Executive Committee

The Executive Committee, which held six meetings during 1986, consists of Mr. Baird, Chairman, Dr. Gerstein and Messrs. Bridges, Gordon, Phillips, Richardson and Rolland. During intervals between meetings of the Board, the Executive Committee, with certain exceptions, has all the powers vested in the Board.

Audit Committee

The Audit Committee, which held three meetings during 1986, consists of Mr. Light, Chairman, and Messrs. Aird, Crawford, Kane and Keating. This committee meets with the Company's financial management personnel, its internal auditors and its independent auditors at least three times a year to review and appraise the Company's financial reporting practices and procedures, the adequacy of the system of internal accounting control, the planned scope of examinations by both auditing groups and their findings and recommendations. It also reviews the Company's financial statements and monitors various other internal control policies.

Nominating Committee

The Nominating Committee, which held four meetings during 1986, consists of the same Directors who comprise the Executive Committee and has the function of recommending to the Board nominees for election as Directors.

Management Resources and Compensation Committee

This committee, which held five meetings during 1986, consists of Mr. Rolland, Chairman, Dr. Gerstein and Messrs. Bridges, Gordon and Richardson. This committee advises and consults with the Chairman of the Board and makes recommendations to the Board on the remuneration of senior executives of the Company and on the Company's various incentive plans. The committee also reviews the management development programs and the succession plans relating to senior management.

Pension Committee

The Pension Committee, which held five meetings during 1986, consists of Mr. Hamilton, Chairman, and Dr. Gerstein, Mr. Luciano, Lord Nelson and Mr. Thomson. This committee advises the Board regarding the financial aspects of the pension programs of the Company and its subsidiaries, including actuarial assumptions, the adequacy of funding and the implementation of sound investment of pension funds.

Directors

The Honourable John Black Aird, O.C., Q.C., senior partner in the law firm Aird & Berlis, was elected to Inco's Board of Directors on December 1, 1986.

Donald G. Willmot, who had served as a Director since 1973, retired from the Board on February 16, 1987 in accordance with the retirement policy adopted by the Board.

CORPORATE OFFICERS

In anticipation of the retirement of Charles F. Baird, Chairman and Chief Executive Officer, the Board of Directors announced in January 1987 the following succession plan:

Mr. Baird will relinquish the position of Chief Executive Officer following the Company's Annual Meeting in April 1987. He will continue as Chairman of the Board until September 30 when he will have reached the mandatory retirement age of 65.

Donald J. Phillips, President and Chief Operating Officer, will become President and Chief Executive Officer following the April 1987 Annual Meeting. On October 1, he will assume the additional position of Chairman of the Board.

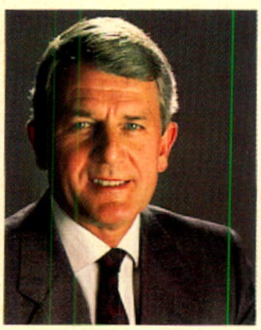
Mr. Baird was elected Chairman and Chief Executive Officer in 1980. He has been a Director since 1974. Mr. Phillips became President of Inco Limited in 1980 and Chief Operating Officer in 1982. He has been a Director since 1980. Mr. Phillips was Chairman and Chief Officer of Inco Europe Limited from 1972 until 1977.

Also, I. David Balchin was elected Executive Vice-President of Inco Limited effective March 1, 1987. Mr. Balchin, Group Managing Director of Inco Engineered Products Limited in Europe, will be responsible for Inco's alloys and engineered products businesses worldwide.

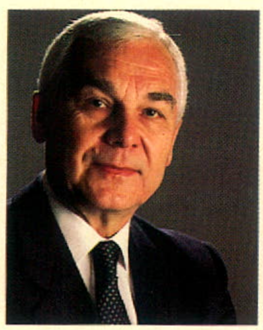
Following a lengthy illness, Donald G. Walker, Vice-President, died in May 1986. He joined International Nickel Australia in 1970. James D. Guiry succeeded Mr. Walker as Vice-President, responsible for Human Resources. William P. Clement was appointed President and Managing Director of P.T. Inco Indonesia in succession to Mr. Guiry. Lorne M. Ames was elected President of the Manitoba Division to succeed Mr. Clement.

Malcolm C. Bell was elected a Vice-President effective August 1, 1986. Dr. Bell is responsible for primary metals technology. He succeeds Dr. Charles O'Neill, Senior Vice-President, who retired July 1986. Dr. O'Neill joined the Company in 1958 as a metallurgical engineer.

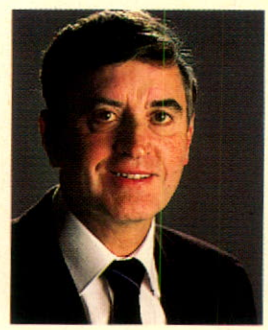
Also during 1986, Kevin H. Belcher was elected a Vice-President, effective January 1, 1987 and continues as President, Inco Australasia Limited. Mr. Belcher succeeds Dean D. Ramstad, who retired at the end of 1986, as General Manager, Inco Limited, Japan Branch. Mr. Ramstad joined International Nickel Company, Inc. in 1957.



W.R.O. Aitken
Executive Vice-President
(corporate public affairs, planning, environmental affairs, human resources and industrial relations)



Walter Curlook
Executive Vice-President
(primary metals production, exploration and mineral resource development and technology)



Ian McDougall
Executive Vice-President
(chief financial officer)

Charles F. Baird
Chairman and Chief Executive Officer

Donald J. Phillips
President and Chief Operating Officer

Executive Vice-Presidents

W.R.O. Aitken

Walter Curlook

Ian McDougall

Principal Regional Officers

Kevin H. Belcher
Vice-President
Inco Limited
General Manager, Inco Limited
Japan Branch and President
Inco Australasia Limited

Samuel Goldberg
President
Inco United States, Inc.

Vice-Presidents

Malcolm C. Bell
Technology

James D. Guiry
Human Resources

Scott M. Hand
General Counsel and Secretary

John J. Moran
Planning

Terrence Podolsky
Exploration and Mineral Resource Development

Peter B. Salathiel
Nickel Marketing

J. Stuart Warner
Occupational and Environmental Health

Anthony J. Sabatino
Comptroller

Ian G. Austin
Treasurer

Operations

Michael D. Sopko
President
Ontario Division

Lorne M. Ames
President
Manitoba Division

William P. Clement
President and Managing Director
P.T. Inco Indonesia

Brian K. Davison
Production Director
Inco Europe Limited

Edward R. Burrell
President
International Nickel Inc.

Ivor Kirman
Marketing Director
Inco Europe Limited

William F. Bissett
President
Inco Alloys International

I. David Balchin*
Group Managing Director
Inco Engineered Products Limited

*elected Executive Vice-President effective March 1, 1987.

Principal Executive Offices

†1 First Canadian Place
Toronto, Ontario
M5X 1C4
(416) 361-7511

Other Executive Offices

One New York Plaza
New York, New York 10004
U.S.A.
(212) 612-5500

Primary Metals

Principal Operating Units

Ontario Division
Copper Cliff, Ontario
Port Colborne, Ontario

Manitoba Division
Thompson, Manitoba

P.T. International Nickel
Indonesia
Soroako, Indonesia

Clydach Refinery
Clydach, Swansea, Wales

Acton Refinery
London, England

International Nickel
Océanie S.A.
Noumea, New Caledonia

Principal Sales Offices

Inco Limited

Toronto, Ontario
(416) 361-7511

International Nickel Inc.

Saddle Brook, New Jersey
U.S.A.
(201) 843-8600

Troy, Michigan, U.S.A.
(313) 643-7510

Pittsburgh, Pennsylvania
U.S.A.
(412) 281-9546

Upland, California, U.S.A.
(714) 946-2111

Inco Europe Limited

London, England
(44) 1-834-3888

International Nickel France, S.A.
Paris, France
(33) 14 563 03 66

International Nickel G.m.b.H.
Düsseldorf, West Germany
(49) 211-32 91 77

International Nickel
Services (U.K.) Limited
New Delhi, India 660060

Inco Limited, Japan Branch

Tokyo, Japan
(81) 3-245-0621

Inco Australasia Limited

Hong Kong
(852) 5-212-333

Melbourne, Australia
(61) 3267 3666

Taipei, Taiwan,
Republic of China
(886) 2 503-0022

Alloys and Engineered Products

Inco Alloys International

Principal Operating Units

Inco Alloys International, Inc.
Huntington, West Virginia, U.S.A.

Wiggin Alloys Limited
Hereford, England

Additional Operating Units

Burnaugh, Kentucky, U.S.A.

Newton, North Carolina, U.S.A.

Elkhart, Indiana, U.S.A.

Sales Offices

United States

Atlanta, Georgia
(404) 255-8996

Chicago, Illinois
(312) 255-0888

Cincinnati, Ohio
(513) 771-1970

Cleveland, Ohio
(216) 464-8705

Detroit, Michigan
(313) 643-7788

Hartford, Connecticut
(203) 242-0514

Houston, Texas
(713) 440-6600

Huntington, West Virginia
(304) 526-5100

Natick, Massachusetts
(617) 655-1220

Newton, North Carolina
(704) 465-0352

St. Louis, Missouri
(314) 434-4161

Union, New Jersey
(201) 687-0050

Upland, California
(714) 946-0803

Wheeling, West Virginia
(304) 233-6620

Canada

Toronto, Ontario
(416) 361-7808

England

Hereford
(44) 432-272777

Northern England
(44) 61 236 5438

Southern England
(44) 21 456 1213

Europe

Paris, France
(33) 1 47 76 4251

Düsseldorf, West Germany
(49) 211 3790 78

Milan, Italy
(39) 2 65 950 82

Pacific

Melbourne, Australia
(61) 3267 3666

Hong Kong
(852) 5 212-333

Taipei, Taiwan,
Republic of China
(886) 2 503-0022

Japan

Daido Inco Alloys Ltd.
50% owned

Tokyo
(81) 3-504-0921

Osaka
(81) 6-202-4951

Inco Engineered Products Limited

Birmingham, England
(44) 21454-4871

Beaufort Engineering Limited
Kirkby-in-Ashfield, England
(44) 623 754355

Doncasters Blaenavon Limited
Blaenavon, South Wales
(44) 495 790345

Doncasters Monk Bridge Limited
Leeds, England
(44) 532 446262

Doncasters Sheffield Limited
Sheffield, England
(44) 742 349444

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