85 ALCAN ALUMINIUM LIMITED

ANNUAL
REPORT
1985

Charles Martin Hall and Paul Louis Heroult, working independently in the United States and France respectively, both discovered the electrolytic process for aluminum production 100 years ago this year.

in the aerospace, electronics and ceramics fields. These investments are part of the process of exploring business opportunities for the 1990s in technology areas related to Alcan's strengths, but lying outside the mainstream aluminum business.

Among these necessary steps in 1985, the restructuring program inevitably brought change to many people and places in the Company. Many employees with long and distinguished service, including a number of vice presidents and senior managers, took early retirement, either to pursue personal objectives or as part of the change to a leaner and simpler organization.

Two long-time directors, Eric A. Trigg and Eric F. West, retired from active service in 1985, each after thirty-eight years of service. They have played an outstanding role in guiding the Company's affairs, both as directors and as senior international managers, and the Company owes them a deep debt of gratitude for all that they have contributed. After six years as a director and member of two Board committees, Mr. Franklin S. McCarthy resigned for health reasons. His wise counsel and sound judgment were invaluable on many issues. The Board of Directors would also like to record its appreciation of the efforts of all Alcan employees, throughout a year of alteration to the Company's organization. To manage change of this magnitude and also to carry on successfully with meeting our customers' needs in the difficult conditions of 1985 called for flexibility and resolution. Alcan's people showed both in good measure.

Looking ahead to 1986 – which also marks the centenary of the birth of the industry – a price recovery appears to be underway in the primary aluminum business. It would be imprudent, however, for us to rely on this or to relax in any way the intensity of our cost-saving programs. These cost-savings, coming from the measures taken in 1985 and continuing in 1986, should combine with any price improvement to lead to better profits and a strengthened cash flow. This recovery will move through into the two main areas of our long-term strategy. The first is to continue to develop our core aluminum business – achieving the lowest break-even point in the manufacture of aluminum, redeploying assets from businesses that do not fit our strategy, and, in fabricating operations, going for new product development, high productivity, strong market positions and profit growth rather than volume growth. The second is to continue with the exploration of additional directions for the Company in areas of related technology. This dual thrust is the basis of Alcan's approach to the 1990s, and there are good grounds for optimism as we look forward to 1986 as an important year in developing that thrust.

Nathanael V. Davis | David M. Culver

Nathanael V. Davis
Chairman of the Board

David M. Culver
President and Chief Executive Officer

Montreal, Canada
6 February 1986

REVIEW OF OPERATIONS

Depressed prices for aluminum throughout 1985 reduced earnings from Alcan's operations. However, the Company continued to strengthen its core aluminum businesses by cutting costs, improving productivity, strengthening market position, and redeploying assets. Environment, occupational health and safety matters remained a priority.

CANADA

Excluding special charges and rationalization expenses of $47 million on an after-tax basis, net income from Canadian smelter, fabricating and other operations was $6 million in 1985, as against $141 million in 1984 and $105 million in 1983. The decline was due primarily to lower prices for aluminum ingot and fabricated products. Total shipments of aluminum to third parties rose to 223,000 tonnes from 215,000 tonnes in 1984 and 195,000 tonnes in 1983.

Raw Materials: At the Vaudreuil, Quebec, alumina plant, efforts continued to reduce operating costs.

During the year, *Northern Enterprise*, the Company's new ice-strengthened vessel, began transporting bauxite from a related company in Brazil to Quebec. In December, the Company sold Saguenay Shipping Limited, which had primarily been engaged in third-party liner trade.

Smelting: In 1985, primary aluminum production was 1,045,000 tonnes compared to 1,076,000 tonnes in 1984, reflecting the shutdown in late 1984 of two potlines at the Jonquière, Quebec, smelter.

Lower realizations on ingot products reduced earnings from smelter operations. Production costs decreased slightly, mainly due to lower alumina costs, while the number of employees fell from the 1984 level. In July, a collective labour agreement was signed with the union which represents 1,700 employees at the Kitimat, British Columbia, smelter.

In Quebec, the new aluminum fluoride plant, which will supply Alcan's Canadian and U.S. smelters, was completed late in the year, while construction continued on a new anode baking centre to replace obsolete facilities. Construction of the 250,000 tonnes per year Laterrière smelter project was postponed, due to the uncertain outlook for world aluminum markets.

Fabricating: Domestic shipments of flat-rolled products increased, primarily due to higher sales of container sheet for beverage cans and to increased shipments to the building and construction markets.

The restructuring of extrusion operations to improve their long-term competitiveness continued, with the move of two extrusion presses to Toronto and Vancouver from Kingston, Ontario, and the closure of the remaining three at Kingston. In 1986, a new billet casting facility near Toronto will replace the obsolete one at Kingston.

During the year, Alcan sold two small fabricating operations in Quebec, Vic Metal Corporation and Alcan Marine Products.

Alcan's new wire and cable plant in Shawinigan, Quebec, started partial operations in 1985 and will be fully operational this year.

Micro Match™ is a new product now undergoing trials with major North American food processors. This packaging system for the selective cooking of frozen foods in microwave ovens was developed in Canada by Alcan Packaged Foil & Containers.

Aluminum rail cars, developed through a joint venture between Alcan and Thrall Manufacturing Company in the United States, are scheduled to go into service soon, having met Association of American Railroads standards in 1985.

This recently-acquired foil packaging plant in Louisville, Kentucky, has made Alcan the second largest producer of household and food service foil in the United States.

UNITED STATES

In January 1985, Alcan acquired several plants from Atlantic Richfield Company (Arco), thereby enlarging its position in the U.S. market. Mainly as a result of this acquisition, shipments rose to a record 774,000 tonnes in 1985 from 519,000 tonnes in 1984 and 499,000 tonnes in 1983. Excluding special charges and rationalization expenses of $11 million on an after-tax basis, net income from Alcan's operations in the U.S. rose to $25 million from $17 million in 1984, despite lower prices for both ingot and fabricated products. In 1983, net income was $24 million.

Smelting & Recycling: As part of the transaction with Arco, Alcan acquired the 163,000 tonnes per year Sebree, Kentucky, smelter. In March, the Company reduced production at the plant by 54,360 tonnes per year, in response to low U.S. prices for ingot products. Shipments of ingot products rose substantially from 1984, as Alcan integrated Arco's third-party ingot business with its own, and reduced inventories.

The newly-constructed sheet ingot casting facility at the Greensboro, Georgia, recycling plant was commissioned. This facility will supply Alcan's rolling mills in the U.S.

Fabricating: The Arco acquisition added nearly 50% to Alcan's sheet rolling capacity in the U.S. The Company acquired a 40% joint venture interest in a 180,000 tonnes per year rolling mill in Logan County, Kentucky, and also obtained rolling mills at Terre Haute, Indiana, and Louisville, Kentucky, with annual capacities of 160,000 tonnes and 35,000 tonnes, respectively.

The Logan plant is a 'state-of-the-art' sheet facility which stands to be an important supplier to the beverage can market in the U.S. By the end of 1985 the plant was in the process of being qualified with customers as a supplier of can body stock and can end stock. During the year, the plant also supplied building sheet and foil stock. The Terre Haute plant is a multi-purpose facility with both hot and cold rolling capabilities. During 1985, work continued on upgrading the Oswego, New York, hot and cold mills to improve product quality.

Largely as a result of the acquisition, Alcan's share of sheet product shipments in the U.S. grew significantly, with an improved product mix. Containers and packaging are the Company's most important market for sheet products, and shipments in 1985 rose strongly.

The Company also entered the foil business in the U.S. with the acquisition from Arco of two plants in Louisville, Kentucky, for the production of household and laminated foil. Alcan is now the second largest producer in the U.S. of foil for household wrap and has a strong position in converter foil for packaging.

After unsuccessful attempts to sell Metal Goods, the largest U.S. distributor of non-aluminum, corrosion-resistant alloys, it was decided to keep it as part of Alcan's U.S. operations. During 1986, it will be restructured with the aim of ensuring an adequate return on investment.

Business Development: In July, a new office was opened in Cambridge, Massachusetts, dedicated to developing new business in North America. Activity will be concentrated on products and business opportunities that build on Alcan's technological strengths. Five target markets have been selected: aerospace, automotive, rail, packaging and electronics and communications. Some examples of the developments being undertaken are given on pages 8-9.

LATIN AMERICA

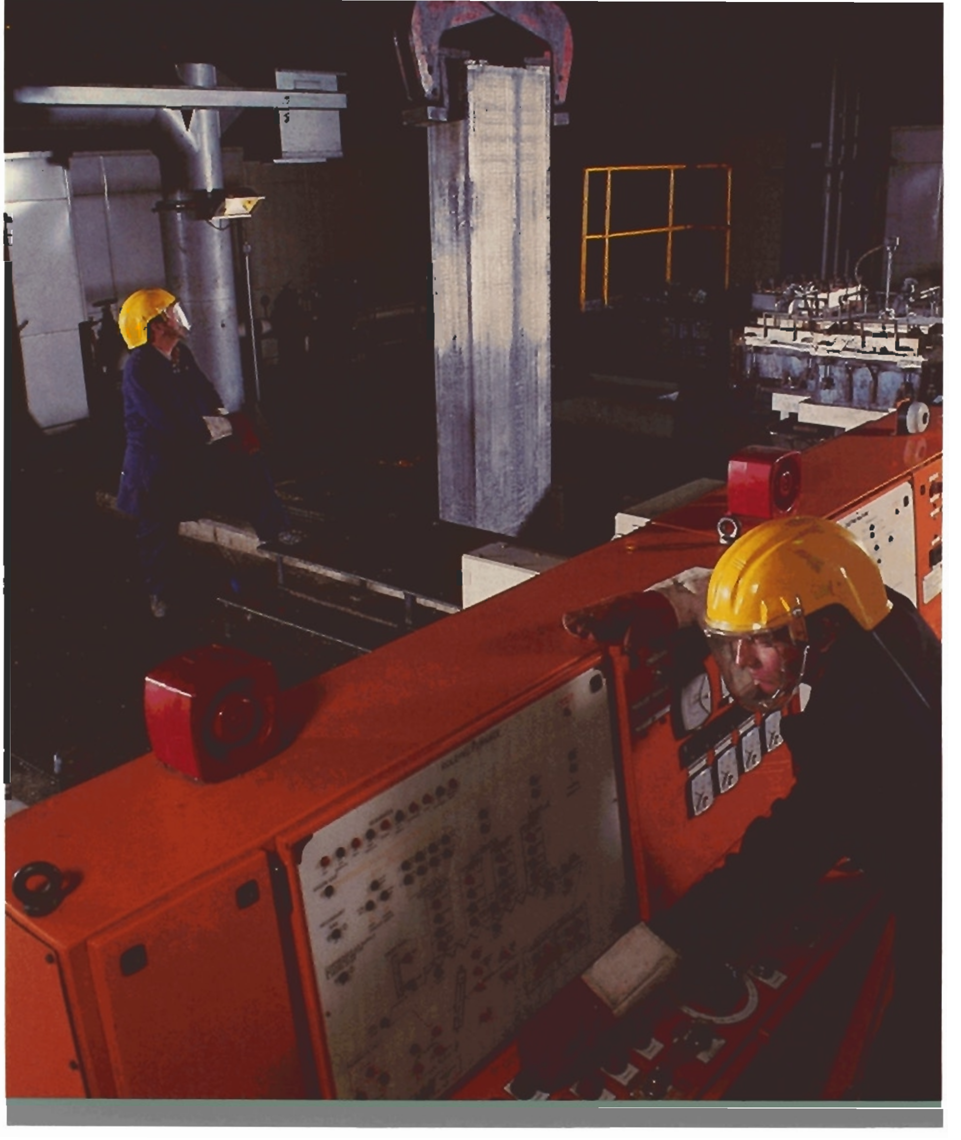
Continued weakness in domestic demand combined with low prices in both domestic and export markets, reduced net income for the area to $20 million from $39 million in 1984. It had a loss of $11 million in 1983. Shipments were 123,000 tonnes as against 131,000 tonnes in 1984 and 114,000 tonnes in 1983.

Following three depressed years, demand in Brazil for aluminum recovered in late 1985, but without increases in selling prices in real terms due to strict price controls. Results from Alcan's aluminum operations were disappointing.

Construction of the new hot rolling mill at Pindamonhangaba, near Sao Paulo, continued in line with budget and on schedule. When this facility is completed in late 1986, the rolling mill complex of which it is a part will be the largest and most advanced in Latin America. A large proportion of the plant's output is intended to serve the new market for aluminum beverage cans.

Mineraçao Rio do Norte S.A. (MRN), a bauxite mining consortium in the Amazon in which Alcan has a 24% interest, had another profitable year, largely because its bauxite supply contracts offered some protection from the recent decreases in bauxite prices. Discussions have begun about the need for a much more competitive price level, in order to ensure the long-term viability of MRN bauxite in world markets.

Earnings from Alcan's operations in Argentina were lower than in 1984, as domestic aluminum consumption fell due to difficult economic conditions. During the year, Alcan sold its interests in fabricating operations in Mexico and Colombia, as well as its Brazilian ferro-alloy business.



An aluminum-lithium ingot emerges from the newly-commissioned aluminum-lithium casting unit at Alcan's Kitts Green site near Birmingham, England.

A cutaway view of a new cylinder head, developed by Alcan's German subsidiary in cooperation with major engine producers, that features ceramic inserts in the exhaust passages. The cylinder heads are designed to improve engine performance.

EUROPE

Excluding special charges and rationalization expenses of $36 million on an after-tax basis, net income for the region was $29 million in 1985 compared to $51 million in 1984 and $26 million in 1983. British operations were the main contributors to earnings. The decline in 1985 reflected larger losses on the alumina joint venture in Ireland, which is owned and managed by Aluminum Company of Canada, Limited, and an erosion in profits from German operations. Aluminum shipments increased to 573,000 tonnes from 520,000 tonnes in 1984. They were 567,000 tonnes in 1983.

United Kingdom: Earnings from British operations continued to be good, thus enabling British Alcan Aluminium Limited to reduce significantly its third-party debt. Power generation at the Lynemouth smelter was resumed following resolution of the national coal strike, during part of which the plant was supplied from the national power grid. A new aluminum-lithium casting centre near Birmingham was commissioned, to produce high strength alloys for the aerospace industry.

Germany: Despite the fact that all plants were well loaded, earnings were lower than in 1984, due to the decline in aluminum product prices. Aluminium Norf GmbH, in which Alcan holds a 50% interest, began construction of its fourth cold rolling mill, incorporating highly advanced technology. The new mill will be used for the fabrication of specialty sheet items and will raise the cold mill capacity of the Norf plant to over 600,000 tonnes per year. Expansion at Alcan's specialty rolling mill in Goettingen was also begun.

Ireland: As part of the acquisition of assets from Arco, Alcan's interest in Aughinish Alumina Limited rose to 65% from 40%. Alumina production at the joint venture was 70% of the rated capacity of 800,000 tonnes. The depressed market demand and low price levels prevalent in 1985, coupled with high energy costs, resulted in a significant loss on operations.

Other Operations: As part of the reorganization of the Spanish aluminum industry, Alcan's equity holding in Empresa Nacional del Aluminio S.A. fell from 36.4% to 23.9%. French and Belgian extrusion operations were restructured to adjust capacities to demand, reduce costs, and increase efficiencies. One of the two plants in Belgium was closed. Productivity improvements have been made in the Company's Italian operations, and the distribution network in Italy for painted sheet and extrusion systems has been expanded. Swiss operations reported improved earnings.

Alcan related company Nippon Light Metal Company, Ltd. developed this unique truck-mounted bridge inspection equipment in cooperation with Japan's Ministry of Construction. The versatile equipment features a lightweight vertical boom and telescopic platform, both made of aluminum

PACIFIC

Excluding special charges of $14 million on an after-tax basis, net income for the region was $1 million in 1985, compared to $33 million in 1984. In 1983, it recorded a loss of $28 million. The poor results were primarily due to lower prices for aluminum and alumina, and to foreign exchange losses. Due to increased ingot sales, particularly to the Far East, shipments rose to 442,000 tonnes in 1985, reversing the decline to 342,000 tonnes in 1984 from 439,000 tonnes in 1983.

In Japan, Nippon Light Metal Company, Ltd., in which Alcan has a 50% stake, had a very difficult year in its alumina and aluminum ingot divisions due to depressed prices for both products. The repurchase of metal from the government-financed stockpile increased the loss in the ingot division. NKK continued to move out of these upstream activities into downstream ones. Toyo Aluminium K.K., the largest foil roller in Japan, also 50%-owned, remained stable and profitable.

As the domestic economy grew strongly, 70%-owned Alcan Australia Limited's domestic operations posted good results. However, export ingot business produced unsatisfactory results, reflecting low prices and exchange losses on U.S. dollar borrowings undertaken to cover the economic exposure on this business. The third potline at the Kurri Kurri, New South Wales, smelter was completed and commissioned, raising the plant's capacity to 150,000 tonnes per year.

Indian Aluminium Company, Limited, 50.5%-owned, had good results, in response to the growth of the domestic economy. Early in the year, Alcan sold its interest in India Foils Limited. In Malaysia, 40%-owned Aluminium Company of Malaysia Berhad suffered its second consecutive year of loss, due to the domestic economy having grown more slowly than anticipated when construction began on the Company's new rolling mill.

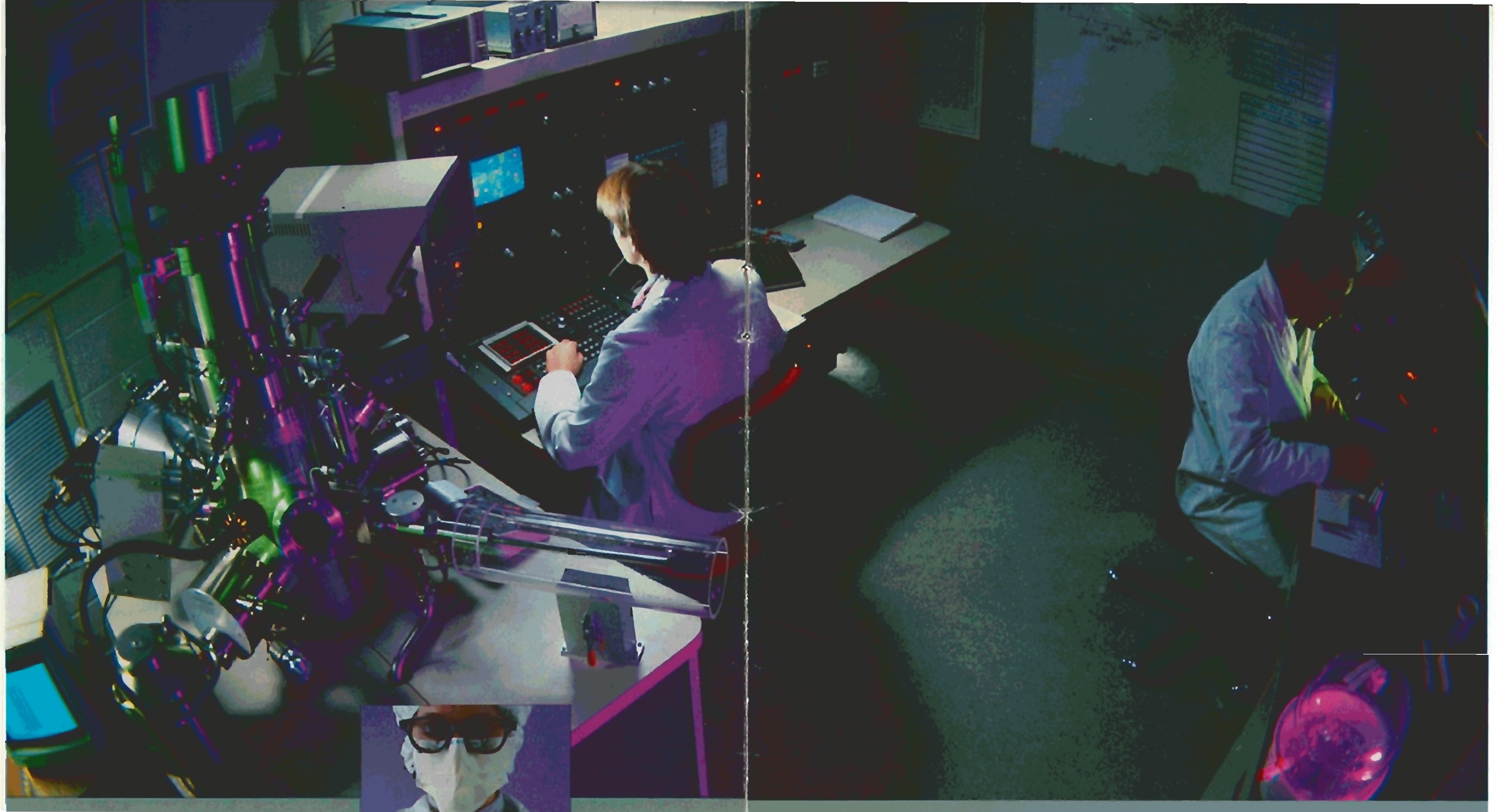
OTHER AREAS

Bauxite mining and alumina production in Jamaica continued at a reduced rate. Although production costs were lowered, total costs including government levies remained above market prices. Negotiations with the Jamaican Government are continuing on modifications to the existing pre-profit tax regime.

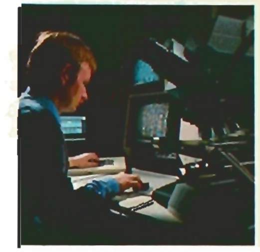
Negotiations are being carried out with the Government of Guinea with a view to reducing the tax burden on bauxite mined by Compagnie des Bauxites de Guinée, in which Alcan indirectly holds a 13.8% interest.

Alcan is in the process of selling its interests in fabricating companies in Nigeria and Ghana, and has disposed of its subsidiary in the Ivory Coast. In South Africa, Hulett Aluminium Limited, in which Alcan holds a 24% minority interest, reported lower profits than in 1984.

TECHNOLOGY ON THE MOVE



An employee of Epitronics Corporation in Phoenix, Arizona, holds a gallium-arsenide epitaxial wafer, a product used by the semiconductor industry.



Alcan uses a quantitative microstructural measurement technique for enhanced material development and surface characterization studies at its Banbury Laboratories in the United Kingdom.

The scanning Auger microprobe at Alcan's Kingston Research and Development Centre in Ontario is used to determine the composition of the surfaces of a variety of materials.

Improve. Renew. Explore. Those three simple words describe Alcan's approach to the not-so-simple world of technological research and development.

Improve, to Alcan, means making existing aluminum products and production processes the best in the world.

Renew means taking existing aluminum products or manufacturing processes and extending their life or value as a result of major technological developments.

Explore means seeking out entirely new business areas where Alcan has strengths to create significant sales opportunities for the future.

Alcan spent \$77 million on R&D in 1985, compared to \$66 million in 1984 and \$60 million in 1983. Following the advice of its Technical Strategic Council, Alcan is directing an increasing proportion of its annual R&D expenditures into the realms of renewal and exploration.

"In 1985, the Company began to see the fruit of its R&D labour of the last few years," affirms David Culver. "As to the future, while unquestionably the first priority for the Company's overall use of cash will continue to be directed towards assuring the excellence of the core aluminum business, also important to us will be our use of cash for new business opportunities, all of which are oriented to new technology either developed or acquired by us."

Alcan has set itself the goal of having 25% of its sales in the 1990s coming from aluminum-based products that the Company is not now making. The Company is also exploring and developing businesses and technologies that it thinks have high potential over the long term.

"More and more Alcan is becoming a supplier of sophisticated products to sophisticated customers," states Ihor Suchoversky, the Company's vice president-research and technology and president of its technology arm, Alcan International Limited. "We are focussed on developing new technologies and products and transferring them around the world to serve customers in new markets."

Alcan's concerted product and process technology development efforts – largely carried out under the leadership of Alcan International's R&D laboratories in Quebec, Ontario and the U.K. – have moved several ideas to the threshold of commercialization in 1985. While it may take some time before the revenues from these projects have a significant impact on Alcan's income statement, there is much promise.

Nineteen eighty-five was the year during which Alcan consolidated its position as a world leader in the development of aluminum-lithium alloys. This new series of low-density alloys for aircraft sheet helps to answer a universal demand for more fuel-efficient aircraft of all types. In March, Alcan commissioned a commercial scale casting plant for aluminum-lithium alloys at its Kitts Green rolling mill site near Birmingham, England. (See photo page 6.) Since May the facility has been regularly casting three different aluminum-lithium alloys for evaluation purposes.

It was also the year Alcan announced the successful development of an integrated manufacturing process for aluminum-structured motor cars. The technology involves new developments in adhesive bonding and spot welding that are compatible with existing production line methods of automobile assembly.

This R&D breakthrough comprises a truly superior method for use of sheet aluminum for economical, high-volume production of vehicle structures, which presents a potential large volume use for aluminum. "It's becoming very plain to many people that the real future of aluminum – the uncharted future – lies in transportation," notes Dr. Hugh Wynne-Edwards, Alcan International's vice president-research and development and the Company's chief scientific officer. "Aluminum is the natural metal for things that move." Alcan has a team already in place to commercialize the technology, and demonstration vehicles are being built by car manufacturers in the United States and Europe.

The Company notched up another development success in the transportation field in December when a prototype high performance lightweight freight rail car, developed through a joint venture with Thrall Manufacturing Company in the U.S., completed all tests to meet Association of American Railroads standards. (See photo page 4.)

Alcan is also continuing R&D work on the aluminum-air fuel cell. In 1985, Alcan started to exploit, initially on a small-scale basis, the commercial applications of the cell.

In still another area of business, Alcan now has Micro Match™, a revolutionary new packaging system Alcan developed for the cooking of frozen foods in microwave ovens. (See photo page 3.) This Alcan-developed technology enables food processors to engineer different heat levels for various segments of a complete frozen dinner or to achieve fully controlled heating of single-food dishes. Micro Match™ is now undergoing trials with major food processors in the U.S.

Another way in which Alcan is expanding its business horizons is through buying technologies that the Company believes offer exciting growth prospects for the 1990s and beyond. This it has done in several business sectors.

One is in the area of ceramics. Alcan has acquired an interest in Lanxide Corporation of Delaware, U.S.A., which is developing new breakthrough technology in ceramic materials. The agreement will allow product applications for Lanxide technology to be jointly commercialized with Alcan.

Another prime example is in the area of gallium.

In 1985, Alcan purchased 100% of the gallium refining business formerly owned by Alusuisse, Zurich, Switzerland, thus becoming a major world supplier of high-purity gallium used in the production of gallium-arsenide (GaAs) wafers. GaAs wafers offer significant advantages over silicon wafers in data processing and optoelectronics applications.

Alcan also recently started up two companies in which it has majority interests – Cryscon Technologies Inc. and Epitronics Corporation, both in Arizona, U.S.A. Cryscon manufactures GaAs substrates and Epitronics produces epitaxial GaAs wafers for the electronics industry.

These are just some of the exciting areas of technology in which Alcan is involved. Others include specialty chemicals, high-tech castings (through Haley Industries Ltd.) and aerospace and communications (through Spar Aerospace Ltd. and Cyberdisk). Some will probably prove more successful than others and Alcan may have to make choices among them. However, Alcan's management believes that in years to come these overall efforts will benefit not only the Company and its shareholders, but also customers and consumers alike.

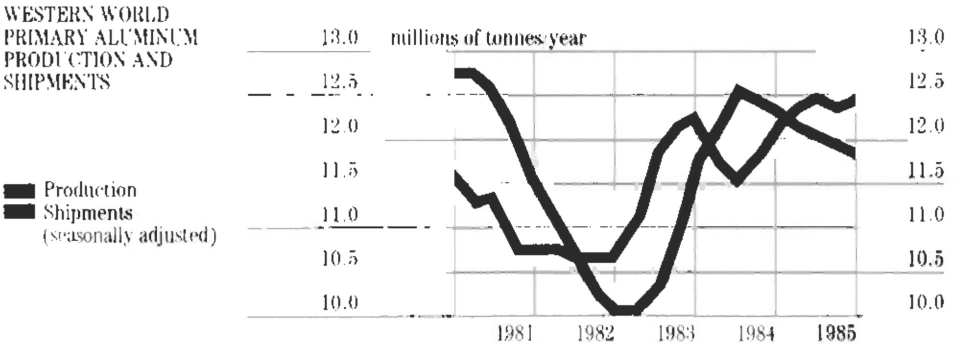
MANAGEMENT'S DISCUSSION AND ANALYSIS

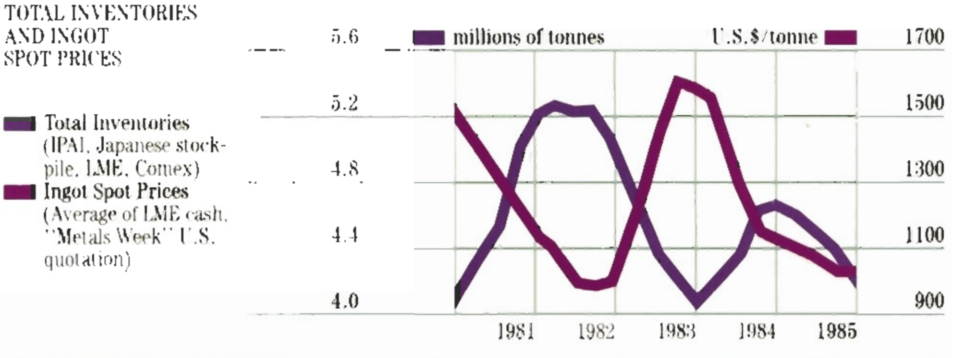
BUSINESS CONDITIONS

Nineteen eighty-five was a disappointing year. Despite improvements in the fundamentals of the aluminum industry – reduced primary production, stronger producer shipments, and a steady decline in producer inventories – combined with a fall in the U.S. dollar against European currencies, ingot spot prices continued to fall until late in the year. Among customers, there did not appear to be the perception that aluminum was or would be in tight supply, possibly because the reduction in producer inventories during the year was gradual compared to recent business cycles. Furthermore, competition in the market for ingot products was strong.

Western world production of primary aluminum continued to fall from its peak annual rate of 12.7 million tonnes in June, 1984 to 11.8 million tonnes in December, 1985. During this period, primary smelting in the Western world continued to undergo significant structural change. Closures totalling 1.4 million tonnes, mostly in the U.S., were made, of which a significant proportion is expected to be permanent, while new capacity and restarts of nearly 0.5 million tonnes came on stream, mostly in Latin America, Australia and Canada.

During 1984, producer shipments of primary aluminum in all forms had fallen from a peak in the fourth quarter of 1983 despite strong growth in aluminum consumption, as customers reduced their inventories significantly. However, in 1985 producer shipments neared historical highs, increasing year-on-year by 5% to 12.4 million tonnes, as customer inventory reduction slowed. Aluminum consumption in 1985 is estimated to have been 12.6 million tonnes, an increase of 2%, in line with slower growth in world industrial production.





As a result of these trends in production and shipments, total inventories held by producers and in commodity exchange warehouses declined steadily, from a peak of 4.7 million tonnes in January to approximately 4.2 million tonnes in December, a low level relative to the rate of shipments. However international ingot spot market prices continued to fall virtually throughout the year, to reach a monthly average in November of $972 per tonne, an all-time low in real terms.

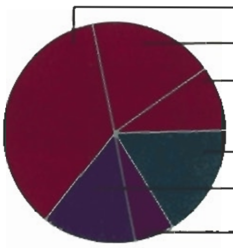
In December, an ingot spot market price rally began, with prices averaging $1,071 for the month. This recovery reflected a change in market psychology, from a perception of surplus to one of tight supply. Due to the improved demand-supply situation in the industry, ingot spot market prices are expected to maintain higher levels in 1986 than in 1985.

RESULTS OF OPERATIONS

Net Income: For 1985, the Company reported a loss of $180 million, after special charges and rationalization expenses of $252 million on an after-tax basis. Consolidated income for the year after tax but before these charges and expenses was $72 million, representing a return on shareholders' equity of 3%. In 1984, net income was $253 million, representing a return on shareholders' equity of 9%, and in 1983 was $73 million or 3%.

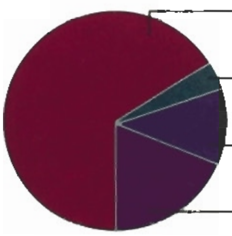
Special Charges and Rationalization Expenses: Approximately one-half of the pre-tax charge of $416 million reflected the estimated long-term impairment in economic value of the Company's bauxite and alumina operations, arising from a significant excess of production capacity in the world compared

REVENUES BY PRODUCT
1985 (millions of U.S.$)



%		1985	1984	1983	1982	1981
36.4%	Flat-rolled Products	2123	2024	1826	1522	1760
17.9%	Extruded, Rolled, Drawn	1042	1126	996	934	1067
9.5%	Other Fabricated	554	418	373	353	323
	Total Fabricated	3719	3568	3195	2809	3150
16.8%	Ingot Products	979	817	975	867	789
13.9%	Other Products	813	887	799	677	793
5.5%	Operating Revenues and Other Income	320	304	336	356	321

GROSS PROFIT BY PRODUCT
1985 (millions of U.S.$)



%		1985	1984	1983	1982	1981
65.8%	Total Fabricated Products (integrated)	586	700	497	398	627
4.2%	Ingot Products	37	169	146	40	166
10.8%	Other Products	96	101	85	68	125
19.2%	Operating Revenues and Other Income	171	152	160	153	132

to existing and anticipated demand. The remainder of the special charges and rationalization expenses related to a program to reduce levels of management and the total number of employees, to the reduction in value of certain overseas investments, to costs associated with the sale and restructuring of a number of small businesses, and to the write-down of certain raw material inventories.

Income Tax Recovery: In 1985, income tax recovery, principally relating to U.K. operations, totalled $36 million, compared with $37 million in 1984 and $15 million in 1983. Further benefits of $42 million, relating to various operations, are available and will be recorded in income when realized.

PRINCIPAL PRODUCTS

Shipments of aluminum products in all forms rose to a record 2,218,000 tonnes in 1985 from 1,790,000 tonnes in 1984. Shipments in 1983 totalled 1,902,000 tonnes. Consolidated production of primary aluminum rose to 1,644,000 tonnes in 1985 from 1,560,000 tonnes in 1984 and 1,383,000 tonnes in 1983. Despite the purchase in January of approximately 100,000 tonnes of aluminum inventories from Atlantic Richfield Company (Arco), consolidated year-end 1985 inventories at 625,000 tonnes were 83,000 tonnes below the end 1984 level of 708,000 tonnes. They were 534,000 tonnes at the end of 1983.

Fabricated Products: Since 1982, the Company's shipments of fabricated products have increased steadily at an annual average rate of 13%, to reach a total of 1,340,000 tonnes in 1985. Over half of this increase has been due to mergers and acquisitions in the U.K. and the U.S., while the balance reflects higher shipments by existing Alcan operations, particularly in the U.S. On a product basis, over half of the total increase has been in shipments of sheet products.

On a quarterly basis, average realizations on fabricated products rose during 1985, but for the year as a whole averaged 6% below the 1984 level. They remained 2% above the level of 1983. Due to the decline in realizations, gross margins on fabricated products declined in 1985 by 24% to $437 per tonne from $577 in 1984, compared with $424 in 1983.

Ingot Products: In 1985, shipments increased to a record 878,000 tonnes. Increased sales were made principally in the U.S. and the Far East. Closely following trends in spot metal prices, Alcan's average realizations for ingot products declined by 35% from their cyclical peak in the first quarter of 1984 to the fourth quarter of 1985, which was 8% lower than the year earlier quarter. Despite steady cost reductions, margins on ingot products averaged $42 per tonne in 1985, as against $293 in 1984 and $200 in 1983.

Other Products: In 1985, sales of other products totalled $813 million, down 8% from $887 million in 1984, but still above the $799 million total of 1983. The decline in 1985 was due primarily to lower revenues from sales of alumina. Other major contributions to revenues in this category were provided by sales of other metals, particularly stainless steel, magnesium and nickel, and by non-aluminum building products, industrial chemicals, and bauxite.

Operating Revenues: In 1985, operating revenues were $207 million, compared to $195 million in 1984 and $239 million in 1983. Tolling, mostly in Canada, Germany and the U.S., for third parties, and sales of surplus power from Canadian and British generating plants, constituted 70% of total revenues in this category. The third major component was revenues from third-party ocean freight operations.

Other Income: These revenues, consisting principally of foreign exchange items and interest income, totalled $113 million in 1985, $109 million in 1984 and $97 million in 1983.

LIQUIDITY & CAPITAL RESOURCES

Operations: Net cash from operating activities rose to $436 million in 1985, from $334 million in 1984 and $210 million in 1983. The increase in 1985 was due principally to a reduction of $245 million in operating working capital.

The amount paid as dividends to Alcan shareholders was slightly lower, due to a reduction in the quarterly dividend paid in the fourth quarter from 30 to 20 cents per share. The Board considered it advisable to reduce the dividend in view of the low level of the Company's earnings and the uncertain outlook for aluminum prices.

Financing: Net cash provided by financing totalled $165 million in 1985, $178 million in 1984, and $280 million in 1983. The acquisition of assets from Arco in January was financed primarily by existing cash holdings and an increase in debt. At year end, the Company's ratio of total borrowings to equity and minority interests stood at 37:63, compared with 39:61 at 30 June, due to a reduction in debt which was achieved primarily by the decrease in operating working capital. The ratio was 34:66 at the end of 1984, and 36:64 at the end of 1983.

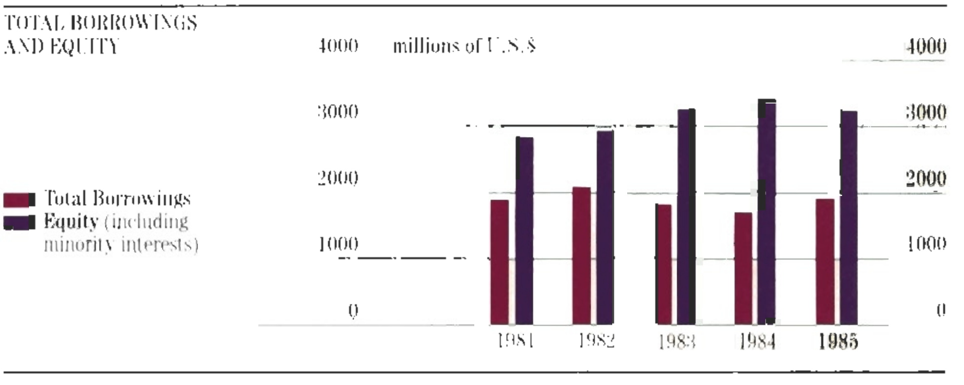
In June, Aluminum Company of Canada, Limited issued in Europe $100 million of fixed-rate ten year bonds, and in January 1986 issued in the U.S. a further $100 million of fixed-rate twelve year debentures. Proceeds from the two issues have been used to reduce floating rate borrowings, and the average maturity of outstanding debt has also been extended.

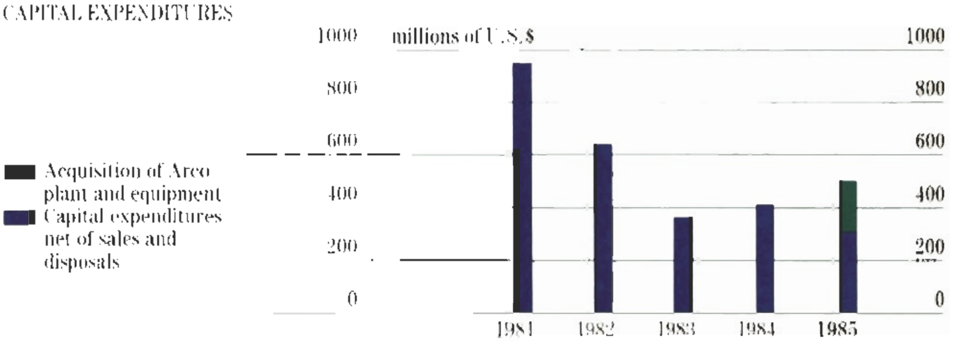
The issue of common shares under various shareholder, employee and executive share option plans in 1985 contributed $17 million compared to $60 million in 1984 and $55 million in 1983. The decrease was due to changes implemented in late 1984 which included the elimination of the 5% discount from the market price for new shares acquired under the dividend reinvestment and stock dividend plans and a reduction in the quarterly purchase limit under the share purchase plan.

In April, Aluminum Company of Canada, Limited issued two series of floating rate cumulative redeemable preferred shares for a net consideration of approximately $36 million. Proceeds from this issue were used to repay maturing term preferred shares.

Investments: Excluding the purchase of assets from Arco, capital expenditures were $401 million in 1985, compared to $427 million in 1984 and $382 million in 1983. Approximately 40% of the 1985 total was for major projects, including completion of the Australian smelter expansion and of a new fluoride plant in Quebec, construction of an anode baking centre in Quebec, and continued installation of a hot rolling mill in Brazil to be commissioned in 1986. Construction of the first phase of the Laterrière, Quebec, smelter project was postponed in September due to the uncertain outlook for world aluminum markets.

To acquire certain assets in the U.S. and Ireland from Arco, the Company paid it $196 million for fixed assets, and $282 million for associated working capital. In addition, contingent consideration in the form of 9% Abatable Preferred Shares with an initial nominal value of $400 million were issued to Arco. The value of these shares is contingent on future aluminum realizations and such shares will not be recorded in the financial statements until such time as they qualify for dividend and redemption. Due to lower realizations for aluminum and alumina than originally projected, the acquired facilities as a whole operated at a loss in 1985, rather than at the previously expected breakeven level.



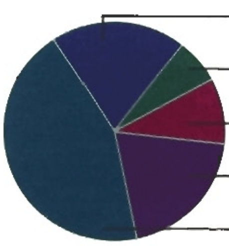


In October, pursuant to an agreement with the shareholders of Crowborough Investments Ltd., which owns about 11% of Spar Aerospace Ltd. and controls about 47.8% of the voting rights in Spar, the Company purchased for approximately $12 million a 50% interest in Crowborough. This indirect investment in Spar, one of Canada's leading high-technology companies, will provide the Company with an opportunity to learn more about the fast-growing aerospace and communications fields. The Company will consider the possibility of making a general offer for shares of Spar. If it makes such an offer by end-February 1987, the other Crowborough interests will support the bid under certain conditions. If the Company does not do so, the other Crowborough interests will acquire the Company's shares in Crowborough.

In 1985, as a result of the Company's program to redeploy investments that do not fit its overall strategy, sales and disposals totalled $93 million, compared to $21 million in each of 1984 and 1983.

Capital expenditures for 1986 are currently projected to be about $350 million.

SALES BY MARKET
1985 (millions of U.S.$)



		1985	1984
20.2%	Containers and Packaging	1113	1009
6.7%	Transport	368	432
8.9%	Electrical	490	552
21.0%	Building and Construction	1160	1223
43.2%	Other	2380	2056

PRINCIPAL MARKETS

Containers and Packaging: The increase in consolidated sales to this market was largely due to the acquisition of assets from Arco, which strengthened the Company's position in the U.S. as a supplier of sheet products, especially for beverage containers, and enabled it to enter the foil market for packaging in the U.S. Approximately half of the Company's total sales for containers and packaging were made in the U.S., while one quarter were in Europe, where there is close co-operation among German, British and Swiss operations in the foil packaging market.

While penetration by aluminum of the U.S. beverage can market is almost complete, efforts continue to develop this market elsewhere. In Canada, the consumption of aluminum for beer cans doubled during 1985, helping to increase the Company's shipments to this market. In Germany, the Company has been involved in pilot recycling projects to demonstrate some of the benefits from using aluminum for beverage containers, particularly with regards to the disposal of household waste.

Transport: The decline in sales to this market in 1985 was shared by all geographic regions. Approximately 80% of the Company's sales were made by German, U.S., British and Canadian operations. Largely due to the acquisition of assets from Arco, sales to the U.S. automotive industry of fin stock for radiators and air-conditioners grew strongly.

Electrical: The United States and Canada accounted for over half of consolidated sales to this market, and declines in these two countries contributed to a reduction in the total. A new wire and cable plant at Shawinigan, Quebec, commenced partial operation in 1985 and will be fully operational in 1986.

Building and Construction: Increased sales in Europe to this market helped to offset reductions elsewhere. Operations in Europe and North America each accounted for approximately 40% of total sales. In Europe aluminum applications for building and construction are mostly in the form of extrusions, while in North America the Company's sales to this market are made up largely of sheet products, including steel and vinyl, as well as aluminum.

Other Markets: The Company's sales to the international market for ingot products rose strongly, particularly in the U.S. and the Far East, and accounted for 17.8% of consolidated sales to all markets. The Company also sells bauxite, alumina and other raw materials used to produce aluminum. Sales of other metals and industrial chemicals increased during the year.

RESPONSIBILITY FOR THE ANNUAL REPORT

Alcan's management is responsible for the integrity and fair presentation of the financial statements and other information in the annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada, conforming in all material respects with international standards. Financial and operating data elsewhere in the annual report are consistent with those contained in the accompanying financial statements.

Alcan's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets are adequately accounted for and safeguarded. The Audit Committee, which is comprised of directors who are not employees, meets regularly with representatives of Price Waterhouse, the shareholders' independent auditors, and with members of management to satisfy themselves that Alcan's policy is being followed.

The financial statements have been reviewed by the Audit Committee and, together with the other information in this annual report, have been approved by the Board of Directors. In addition, the financial statements have been examined by Price Waterhouse, whose report is provided below.

AUDITORS' REPORT

To the Shareholders of Alcan Aluminium Limited

We have examined the consolidated balance sheets of Alcan Aluminium Limited as at 31 December 1985, 1984 and 1983 and the consolidated statements of income, retained earnings and changes in financial position for the three years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the company as at 31 December 1985, 1984 and 1983 and the results of its operations and the changes in its financial position for the three years then ended, in accordance with generally accepted accounting principles in Canada applied on a consistent basis, with the change in 1985 in accounting for investment tax credits described in note 2.

Montreal, Canada
6 February 1986

PRICE WATERHOUSE
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME
(in millions of U.S.$)

Year ending 31 December		1985	1984	1983
Revenues				
	Sales	$5,511	$5,272	$4,969
	Operating revenues	207	195	239
	Other income	113	109	97
		5,831	5,576	5,305
Costs and expenses				
	Cost of sales and operating expenses	4,675	4,197	4,169
	Depreciation	258	250	238
	Selling, administrative and general expenses	385	393	392
	Research and development expenses	77	66	60
	Interest *(note 16)*	232	244	255
	Other expenses	53	38	32
		5,680	5,188	5,146
Income before special charges and rationalization expenses, income taxes and other items		151	388	159
Special charges and rationalization expenses *(note 11)*		416	—	—
Income (Loss) before income taxes and other items		(265)	388	159
	Income taxes *(note 5)*	(87)	151	73
Income (Loss) before other items		(178)	237	86
	Equity income (Loss)	(2)	15	(6)
	Minority interests	(36)	(36)	(22)
		(216)	216	58
	Income tax recovery applicable to prior years' losses *(note 4 and 5)*	36	37	15
Net Income (Loss) *(note 2 and 4)*		$ (180)	$ 253	$ 73
In U.S.$				
Income (Loss) per common share				
	Before income tax recovery	$(2.17)	$ 2.21	$ 0.64
	Income tax recovery	0.36	0.38	0.17
	Net income (Loss)	$(1.81)	$ 2.59	$ 0.81
Dividends per common share		$ 1.10	$ 1.20	$ 0.90

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(in millions of U.S.$)

Year ending 31 December		1985	1984	1983
	Balance – beginning of year	$2,103	$1,967	$1,983
	Net income (Loss)	(180)	253	73
		1,923	2,220	2,056
	Dividends	110	117	81
	Share issue expenses	—	—	8
	Balance – end of year *(note 14)*	$1,813	$2,103	$1,967

CONSOLIDATED BALANCE SHEET
(in millions of U.S.$)

31 December		1985	1984	1983
ASSETS				
Current assets				
	Cash and time deposits	$ 177	$ 361	$ 262
	Receivables	904	786	890
	Inventories			
	Aluminum	922	935	814
	Raw materials	303	339	381
	Other supplies	272	238	253
		2,578	2,659	2,600
Deferred charges and receivables		137	150	166
Investments *(note 6)*		271	281	284
Property, plant and equipment				
	Cost *(note 8)*	6,618	6,131	5,960
	Accumulated depreciation	2,743	2,531	2,410
		3,875	3,600	3,550
Total assets		$6,861	$6,690	$6,600

LIABILITIES AND SHAREHOLDERS' EQUITY		1985	1984	1983
Current liabilities				
	Payables	$ 736	$ 723	$ 771
	Short-term borrowings (principally from banks)	261	282	275
	Income and other taxes	51	72	44
	Debt maturing within one year	78	94	58
		1,126	1,171	1,148
Debt not maturing within one year *(note 9)*		1,600	1,350	1,499
Deferred credits and other liabilities *(note 10)*		190	187	181
Provision for rationalization and related liabilities *(note 11)*		284	—	—
Deferred income taxes		409	562	537
Minority interests *(note 12)*		506	504	436
Shareholders' equity				
	Common shares *(note 13)*	1,032	1,015	955
	Retained earnings *(note 14)*	1,813	2,103	1,967
	Deferred translation adjustments *(note 3)*	(99)	(202)	(123)
		2,746	2,916	2,799
Commitments and guarantees *(note 15)*				
Total liabilities and shareholders' equity		$6,861	$6,690	$6,600

Approved by the Board: David M. Culver, *Director*
Lionel P. Kent, F.C.A., *Director*

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(in millions of U.S.$)

Year ending 31 December		1985	1984	1983
Operating activities				
	Income (Loss) before other items	$(178)	$ 237	$ 86
	Depreciation	258	250	238
	Special charges and rationalization expenses	395*	—	—
	Deferred income taxes	(120)	68	40
	Operating working capital	245	(91)	(22)
	Other – net	(14)	25	(18)
		586	489	324
	Dividends paid to Alcan shareholders	(110)	(117)	(81)
	Dividends paid to minority interests	(40)	(38)	(33)
	Cash from operating activities	436	334	210
Financing activities				
	New debt	619	283	468
	Debt repayments	(441)	(290)	(621)
		178	(7)	(153)
	Short-term borrowings – net	(57)	38	(4)
	Common shares of Alcan *(note 13)*	17	60	419
	Shares of subsidiary companies	71	124	19
	Redemption of preferred shares of subsidiary companies	(44)	(37)	(1)
	Cash from financing activities	165	178	280
Total cash available for investment activities		601	512	490
Investment activities				
	Property, plant and equipment	569	414	310
	Investments	28	13	72
	Operating working capital acquired	274*	—	—
		871	427	382
	Sales and disposals	(93)	(21)	(21)
	Cash used for investment activities	778	406	361
Increase (Decrease) in cash before deferred translation adjustments		(177)	106	129
Deferred translation adjustments relating to cash and time deposits		(7)	(7)	(3)
Increase (Decrease) in cash and time deposits for the year		(184)	99	126
Cash and time deposits – beginning of year		361	262	136
Cash and time deposits – end of year		$ 177	$ 361	$ 262
Changes in operating working capital				
	Receivables	$ 118	$(104)	$ 113
	Inventories	(15)	64	(158)
	Payables	(13)	48	(25)
	Income and other taxes	21	(28)	6
	Deferred translation adjustments	(106)	111	86
	Less: Operating working capital acquired	(274)*	—	—
	Other	24	—	—
	Increase (Decrease) for the year	$(245)	$ 91	$ 22

**Net of cash items.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S.$)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in Canada, include the accounts of companies more than 50% owned. Joint ventures, irrespective of percentage of ownership, are included to the extent of Alcan's participation. In addition, consolidated net income includes Alcan's equity in the net income or loss of companies owned 50% or less where Alcan has significant influence over management, and the investment in these companies is increased or decreased by Alcan's share of their undistributed net income or loss since acquisition. When the cost of an investment differs from the book value of Alcan's equity therein at date of acquisition, the difference is amortized over the estimated average useful life of the underlying fixed assets acquired. Investments in companies in which Alcan does not have significant influence over management are carried at cost.

Intercompany items and transactions, including profits in inventories, are eliminated.

Translation of accounts into United States dollars

The consolidated financial statements are expressed in U.S. dollars, the principal currency of international trade and of Alcan's business, under translation procedures recommended by The Canadian Institute of Chartered Accountants (CICA).

North American, Caribbean and other integrated operations as well as companies operating in hyperinflationary economies are translated using the temporal method. Under this method, current assets (excluding inventories), current liabilities and long-term monetary assets and liabilities are translated at the rates of exchange at year-end. Other balance sheet items are translated at the rates prevailing at the respective transaction dates. Income statement items are translated at average rates prevailing during the year, except for the cost of inventories and for depreciation which are translated at rates prevailing when the related assets were acquired. Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of the related items.

Other operations, which are deemed to be self-sustaining, are translated using the current rate method. Under this method, income statement items are translated at average exchange rates for the year. Balance sheet items are translated at year-end rates of exchange, with differences arising from a change in rates since the previous year-end being transferred to the deferred translation adjustment component of shareholders' equity where it is carried until realized and then transferred to income.

Other

Aluminum, raw materials and other supplies are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets.

Income (Loss) per common share is calculated by dividing net income (loss) by the average number of common shares outstanding. (1985: 99.4 million; 1984: 97.8 million; 1983: 90.2 million.)

Certain income statement items in 1984 and 1983 have been reclassified for purposes of comparability with 1985 presentation.

NOTE 2 ACCOUNTING CHANGE

Beginning in 1985, in accordance with the recommendations of the CICA, investment tax credits are accounted for using the cost reduction approach instead of the flow through approach used prior to 1985.

Under the cost reduction approach, investment tax credits are recognized over the same period as the related expenditures are charged to income principally through depreciation. Under the flow through approach, investment tax credits were generally recognized in income in the year that the related expenditures were made.

The loss for 1985 would have been reduced by $10 had the flow through approach been continued.

NOTE 3 **CURRENCY TRANSLATION**

Currency translation gains (losses) included in income were $(7) in 1985 ($24 in 1984, $59 in 1983).

Following is an analysis of the Deferred Translation Adjustments component of Shareholders' Equity:

	1985	1984	1983
Balance – beginning of year	$(202)	$(123)	$ (58)
Movements during the year	62	(79)	(65)
Transferred to income: amounts related to anticipated loss on certain investments	41	–	–
Balance – end of year	$ (99)	$(202)	$(123)

NOTE 4 **DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Currency translation

Under Canadian GAAP unrealized exchange gains and losses on translation of long-term monetary items are deferred and amortized over the life of those items whereas under U.S. GAAP such gains and losses are absorbed in income immediately. Also, under Canadian GAAP deferred income taxes of companies using the temporal method are translated at historical exchange rates rather than at current exchange rates used under U.S. GAAP.

Tax recovery

In 1985, $28 ($16 in 1984) of the 'Income tax recovery applicable to prior years' losses' relates to tax benefits of a purchased subsidiary arising from losses which occurred prior to acquisition by Alcan. Under Canadian GAAP such tax benefits are recorded in income in the year of realization. Under U.S. GAAP such tax benefits are recorded in the year of realization as a reduction of the fixed assets of the purchased subsidiary and are recognized in income through lower depreciation charges over the useful lives of these fixed assets.

The following table compares net income (loss) as reported with the net income (loss) that would have been reported under U.S. GAAP together with the cumulative effect on retained earnings and deferred translation adjustments.

	1985		1984		1983	
	As Reported	U.S. GAAP	As Reported	U.S. GAAP	As Reported	U.S. GAAP
Consolidated net income (Loss)						
First quarter (Unaudited)	$ 30	$ 13	$ 83	$101	$(12)	$(19)
Second quarter (Unaudited)	(5)	(24)	98	107	3	8
Third quarter (Unaudited)	7	15	52	39	27	25
Fourth quarter (Unaudited)	(212)	(228)	20	16	55	52
	$(180)	$(224)	$253	$263	$ 73	$ 66
Dollars per common share	(1.81)	(2.26)	2.59	2.69	0.81	0.73
Consolidated retained earnings – end of year	1,813	1,911	2,103	2,245	1,967	2,099
Deferred translation adjustments – end of year	(99)	(155)	(202)	(280)	(123)	(202)

The difference between amounts shown as Deferred Translation Adjustments under 'As Reported' and 'U.S. GAAP' arises principally from the different treatment of exchange on long-term debt at 1 January 1983.

NOTE 5 INCOME TAXES

	1985	1984	1983
Income (Loss) before income taxes and other items			
Canada*	$(289)	$209	$ 93
Other countries	24	179	66
	(265)	388	159
Current income taxes			
Canada	(7)	26	6
Other countries	40	57	27
	33	83	33
Deferred income taxes			
Canada	(147)	39	(4)
Other countries	27	29	44
	(120)	68	40
Total income tax provision	$ (87)	$151	$ 73

* *Includes provision made by Aluminum Company of Canada, Limited against investments in bauxite and alumina operations.*

The composite of the applicable statutory corporate income tax rates in Canada is at present 44.9% (44.8% in 1984, 45.7% in 1983). Income earned by subsidiary companies located outside Canada is generally subject to income taxes at rates comparable to this composite rate. Dividends paid by these subsidiary companies are generally tax-exempt upon receipt in Canada. Taxes withheld at source are included in 'Current income taxes – Other countries'.

The following is a reconciliation of income taxes calculated at the above composite rates with the total income tax provision:

	1985	1984	1983
Income taxes at the composite rate	$(119)	$174	$ 73
Increase (Reduction) attributable to:			
Investment and depletion allowances	(31)	(45)	(27)
Exchange translation losses	30	37	11
Income and expenses without tax effect	41	(23)	9
Other – net	(8)	8	7
Income tax provision	$ (87)	$151	$ 73

The principal items giving rise to the deferred portion of income taxes are:

	1985	1984	1983
Inventory valuation	$ (15)	$ (16)	$ 27
Depreciation	19	7	11
Prior years' losses	36	37	15
Investment tax credits	9	45	(8)
Special charges and rationalization expenses	(164)	—	—
Other – net	(5)	(5)	(5)
	$(120)	$ 68	$ 40

In 1985, a tax benefit of $36 ($37 in 1984, $15 in 1983) was realized as a result of applying prior years' tax losses to the current year's income. Based on rates of exchange at year-end additional tax benefits of approximately $42 relating to prior years' tax losses will be recognized in income when realized.

NOTE 6 **INVESTMENTS**

	1985	1984	1983
Companies accounted for under the equity method *(note 1)*	$ 251	$ 278	$ 279
Other investments – at cost, less amounts written off	20	3	5
	$ 271	$ 281	$ 284

*The combined results of operations and the financial position of the companies accounted for under the equity method are summarized below:

	1985	1984	1983
Results of operations for the year			
Revenues	$3,751	$4,847	$4,557
Costs and expenses	3,575	4,517	4,314
Income before income taxes	176	330	243
Income taxes	109	118	140
Net income	$ 67	$ 212	$ 103
**Alcan's share of net income	2	56	10
Dividends received by Alcan	23	16	9
Financial position at 31 December			
Current assets	$2,021	$2,557	$2,623
Current liabilities	1,649	2,154	2,405
Working capital	372	403	218
Property, plant and equipment – net	1,557	2,175	2,143
Other assets – net	223	158	429
	2,152	2,736	2,790
Debt not maturing within one year	1,305	1,861	1,985
Net assets	$ 847	$ 875	$ 805
Alcan's equity in net assets	246	265	259

**Certain investments (the most significant being Empresa Nacional del Aluminio S.A.) previously accounted for under the equity method are, beginning in 1985, accounted for under the cost method.*

***Where a company operates as a joint venture supplying materials to each participant, Alcan's share of the net income or loss related to the materials so obtained is applied to cost of sales.*

NOTE 7 **ACQUISITION**

In January 1985, Alcan acquired certain assets of the aluminum business of the Atlantic Richfield Company (Arco) consisting of fixed assets recorded at a valuation of $196 and working capital valued at $282. The acquisition was accounted for by the purchase method.

The consideration given consisted of cash, including notes which were subsequently redeemed for cash, of $449 and aluminum ingot products valued at $29. In addition, contingent consideration in the form of 9% Abatable Preferred shares in 10 equal series with an initial total nominal value of $400 were issued to Arco. As the value of these shares is contingent on future aluminum prices as indicated below, they will not be recorded in the financial statements until such time as any such shares "qualify" for dividend and redemption. Each series of shares is related to one of the years 1985 to 1994 and the nominal redemption value of such series is subject to abatement at the rate of $6.667 (to a maximum of $40 per series) for each one cent by which the mathematical average of the price realized per pound of primary aluminum sales, as reported by Alcan and three other designated North American aluminum producers for the appropriate year, falls below:

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
$ per lb.	0.98	1.08	0.97	1.16	1.36	1.47	1.47	1.60	1.82	1.99

To the extent the shares do not abate, the qualifying amount will be reflected in the financial statements and a corresponding amount together with the cumulative dividend of 9% per annum payable thereon, at the time the shares qualify, retroactive to the date of issue (18 January 1985), will be added to the book value of the assets acquired and amortized against income over the remaining lives of the fixed assets acquired. Such qualifying shares are subject to retraction by the holder on 18 January 1997, but may be redeemed earlier at the option of Alcan. Alcan expects the 1985 series to be abated fully when information relating to the three other designated producers becomes available.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT, AT COST

	1985	1984	1983
Land, and property rights	$ 99	$ 103	$ 109
Buildings, machinery and equipment	6,179	5,485	5,495
Construction work in progress	340	543	356
	$6,618	$6,131	$5,960

Capital expenditures in 1986 are expected to be about $350.

NOTE 9 DEBT NOT MATURING WITHIN ONE YEAR

	1985	1984	1983
Aluminum Company of Canada, Limited and subsidiary companies			
Bank loans under $550 credit agreements (a)	$ 50	$ 50	$ —
Notes payable (commercial paper) (b)	116	66	79
Notes payable (c)	120	—	—
9½% Sinking fund debentures, due 1988	20	24	31
5.10% Notes, due 1986/1992	—	3	41
15¾% Eurodollar debentures, due 1992	75	75	75
14¼% Notes, due 1992	100	100	100
9½% Notes, due 1986/1994	34	38	40
9½% Sinking fund debentures, due 1995	51	52	61
11¼% Debentures, due 1995	100	—	—
9⅝% Sinking fund debentures, due 1991 (CAN$27)	19	29	33
10¾% Sinking fund debentures, due 1994 (CAN$49)	35	39	42
8¾% Loan, due 1986/1992 ($28)	40	37	51
Other debt, due 1986/2005	91	68	60
Alcan Empreendimentos Ltda (formerly named Alcan Aluminio da América Latina Ltda) and subsidiary companies			
Bank loans, due 1986/1992 (a)	195	205	204
Other debt, due 1986/1993	21	14	18
Alcan Europe N.V. and subsidiary companies			
Bank loans, due 1986/1995 (principally $88; DM156) (a)	250	204	300
5½% Bonds, due 1985 (Sw.F.100)	—	39	46
Loans due 1989/1994 (principally $7)	10	25	32
Other debt, due 1986/2001	27	26	30
Alcan South Pacific Limited and subsidiary companies			
Notes payable, due 1994 (a)	100	100	—
Bank loans and other debt due 1986/2002 (A.$43 and U.S.$105) (a)	134	169	218
8½% Bonds, due 1986/1989	20	20	21
Other companies			
Bank loans, due 1986/1992 (a)	3	3	5
Other debt, due 1986/1993	67	58	70
	1,678	1,444	1,557
Debt maturing within one year included in current liabilities	(78)	(94)	(58)
	$1,600	$1,350	$1,499

(a) Interest rates fluctuate principally with lender's prime commercial rate, or the commercial bank bill rate, or is related to the London interbank offered rate.

(b) Issued in North America at market rates and are fully backed up by long-term credit agreements amounting to $243 (reduced to $143 after 31 December 1985).

(c) Core level of outstanding notes issued in the United States at market rates and fully backed up by long-term credit agreements amounting to $300.

Based on rates of exchange at year-end and after allowing for prepayments, sinking fund and other requirements over the next five years amount to $78 in 1986, $92 in 1987, $127 in 1988, $372 in 1989 and $164 in 1990.

NOTE 10	**DEFERRED CREDITS AND OTHER LIABILITIES**

Deferred credits include a prepayment by a related company under an alumina tolling arrangement of $58 in 1985 ($61 in 1984 and 1983).

NOTE 11	**SPECIAL CHARGES AND RATIONALIZATION EXPENSES**

Approximately one-half of the charge of $416 reflects the estimated long-term impairment in economic value of the Company's bauxite and alumina operations arising from a large excess of production capacity in the world compared with existing and anticipated demand.

The remainder of the special charges and rationalization expenses relates to a program to reduce levels of management and the total number of employees, to costs associated with the sale and restructuring of a number of small businesses, to the reduction in value of certain overseas investments, and to the write-down of certain raw material inventories.

NOTE 12	**MINORITY INTERESTS**

The principal component consists of $398 of preferred shares of Aluminum Company of Canada, Limited, of which $33 are retractable at the option of the holder in 1986, $32 in 1988 and $184 in 1989.

NOTE 13	**CAPITAL STOCK**

The authorized share capital is an unlimited number of common shares without nominal or par value. Changes in the number and stated value of outstanding shares are summarized below:

	Number (in thousands)			Stated Value (in millions)		
	1985	1984	1983	**1985**	1984	1983
Outstanding – beginning of year	**99,118**	96,929	85,189	**$1,015**	$955	$528
Issued for cash:						
Public issues	**—**	—	10,171	**—**	—	372
Executive share option plan	**29**	99	83	**1**	2	2
Dividend reinvestment and share purchase plans	**397**	1,249	858	**10**	35	32
Issued under stock dividend plan	**236**	841	628	**6**	23	21
Outstanding – end of year	**99,780**	99,118	96,929	**$1,032**	$1,015	$955

Under the executive share option plan, key employees may purchase shares at a price not less than 90% of the market value on the effective date of each option. The average price of the shares covered by the outstanding options is CAN$32.82 per share. These options expire at various dates during the next ten years. Changes in shares under option are summarized below:

	1985	1984	1983
Outstanding – beginning of year	**359,096**	481,125	401,300
Granted	**73,300**	15,800	206,100
Exercised	**(29,106)**	(98,674)	(83,475)
Cancelled	**(20,947)**	(39,155)	(42,800)
Outstanding – end of year	**382,343**	359,096	481,125

At 31 December 1985, 5,089,815 warrants were outstanding. Each warrant entitles the holder to purchase from Alcan one share at a price of CAN$36.50 per share until 31 December 1986. In 1985, no warrants were exercised.

NOTE 14 RETAINED EARNINGS

Consolidated retained earnings at 31 December 1985 include:

- $222 which, pursuant to the provisions of certain debt and share issues of Aluminum Company of Canada, Limited, is not distributable as dividends either in cash or in kind to Alcan, the holder of its common shares.
- $64 of undistributed earnings of companies accounted for under the equity method.
- $886 of undistributed earnings of subsidiaries, some part of which may be subject to certain taxes on distribution to the parent company; no provision is made for such taxes because these earnings are reinvested in the business.

NOTE 15 COMMITMENTS AND GUARANTEES

To assure long-term supplies of bauxite and access to alumina and fabricating facilities, Alcan participates in several long-term cost sharing arrangements with related companies. Alcan's fixed and determinable commitments, which comprise long-term debt service in one joint venture and "take-or-pay" obligations in certain others, are estimated at $154 in 1986, $152 in 1987, $151 in 1988, $151 in 1989, $152 in 1990 and $736 thereafter. Alcan's total charges from these related companies were $185 in 1985, $181 in 1984 and $198 in 1983. In addition, there are guarantees and other assurances for the repayment of approximately $82 of indebtedness by related companies.

Minimum rental obligations amount to $60 in 1986, $49 in 1987, $43 in 1988, $34 in 1989, $32 in 1990 and lesser annual amounts thereafter. Total rental expenses amounted to $83 in 1985, $86 in 1984 and $80 in 1983.

See also reference to acquisition in note 7, capital expenditures in note 8, debt repayments in note 9 and preferred share retractions in note 12.

NOTE 16 SUPPLEMENTARY INCOME STATEMENT INFORMATION

	1985	1984	1983
Repairs and maintenance	$395	$385	$367
Taxes, other than payroll and income taxes	104	117	122
Interest on long-term debt	174	183	211
Capitalized interest	(39)	(32)	(37)

NOTE 17 PENSION PLANS

Alcan and its subsidiaries (with some exceptions) have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense in 1985 was $65 ($42 in 1984 and $63 in 1983). The increase in 1985 is due principally to pension expenses incurred in 1985 for early retirement incentive programs. Pension expense includes amortization of unfunded actuarial liabilities which Alcan and its subsidiaries are funding and expensing for the most part over periods of 15 years or less.

Based on the most recent actuarial reports, the present value of vested accumulated plan benefits was $1,025 ($892 in 1984 and $919 in 1983), and the present value of accumulated non-vested benefits was $17 ($17 in 1984 and 1983). These present values were determined using a weighted average assumed rate of return of 7.2% (7.0% in 1984 and 6.6% in 1983). The value of the net assets available for benefits was $1,442 ($1,261 in 1984 and $1,068 in 1983) at market prices prevailing at the time of actuarial valuation. The apparent surplus may be needed to meet increases in pension liabilities arising from future increases in salaries, which have not been allowed for in the above present values.

The effective dates of the principal actuarial reports were 1 January 1985 for the two Canadian plans and the major United States plan, and 1 May 1984 for the United Kingdom plan.

NOTE 18 INFORMATION BY GEOGRAPHIC AREAS

	Location	1985	1984	1983
Sales & Operating Revenues	**To Subsidiaries**			
	Canada	$ 862	$1,086	$ 943
	United States	83	91	65
	Latin America	5	22	23
	Europe	85	80	15
	Pacific	37	73	65
	All Other	175	259	235
	Sub Total	1,247	1,611	1,346
	Consolidation Eliminations	(1,247)	(1,611)	(1,346)
	Total	—	—	—
	To Third Parties			
	Canada	$ 921	$1,004	$1,033
	United States	1,957	1,576	1,358
	Latin America	339	349	298
	Europe	1,756	1,683	1,766
	Pacific	664	709	627
	All Other	81	146	126
	Total	$5,718	$5,467	$5,208
	Sales	$5,511	$5,272	$4,969
	Operating Revenues	207	195	239
	Total	$5,718	$5,467	$5,208
	Sales to subsidiary companies are made at a fair market price recognizing volume, continuity of supply and other factors.			
Net Income (Loss)	Canada	$ (41)	$ 141	$ 105
	United States	14	17	24
	Latin America	20	39	(11)
	Europe	(7)	51	26
	Pacific	(13)	33	(28)
	All Other	—	6	(4)
	Consolidation Eliminations	(153)*	(34)	(39)
	Total	$ (180)	$ 253	$ 73
Total Assets at 31 December	Canada	$2,476	$2,785	$2,582
	United States	1,110	999	802
	Latin America	705	716	697
	Europe	1,829	1,469	1,652
	Pacific	821	842	845
	All Other	268	324	400
	Consolidation Eliminations	(348)	(445)	(378)
	Total	$6,861	$6,690	$6,600
Capital Expenditures	Canada	$ 152	$ 194	$ 127
	United States	136	45	34
	Latin America	57	37	48
	Europe	161	35	96
	Pacific	61	98	64
	All Other	30	18	13
	Total	$ 597	$ 427	$ 382
Average number of employees (thousands)	Canada	17	18	19
	United States	7	5	5
	Latin America	10	10	9
	Europe	20	20	22
	Pacific	14	14	13
	All Other	2	3	3
	Total	70	70	71

**Includes provision against investments in bauxite and alumina operations.*

QUARTERLY FINANCIAL DATA (unaudited)

(in millions of U.S.$)
(Certain items have been reclassified for purposes of comparability)

	First	Second	Third	Fourth	Year
1985					
Revenues	$1,408	$1,493	$1,442	$1,488	$5,831
Cost of sales and operating expenses	1,119	1,189	1,152	1,215	4,675
Depreciation	62	63	64	69	258
Income taxes	26	(3)	30	(140)	(87)
Interest and other items	183	191	197	214	785
Special charges and rationalization expenses	—	66	—	350	416
Income tax recovery	12	8	8	8	36
Net income (Loss)	$ 30	$ (5)	$ 7	$ (212)	$ (180)
Income (Loss) per common share (U.S.$)					
Before income tax recovery	0.18	(0.13)	(0.01)	(2.21)	(2.17)
Income tax recovery	0.12	0.08	0.08	0.08	0.36
Net income (Loss)	0.30	(0.05)	0.07	(2.13)	(1.81)
1984					
Revenues	$1,431	$1,478	$1,348	$1,319	$5,576
Cost of sales and operating expenses	1,076	1,077	1,016	1,028	4,197
Depreciation	62	66	60	62	250
Income taxes	34	62	31	24	151
Interest and other items	185	186	198	193	762
Income tax recovery	9	11	9	8	37
Net income	$ 83	$ 98	$ 52	$ 20	$ 253
Income per common share (U.S.$)					
Before income tax recovery	0.76	0.89	0.44	0.12	2.21
Income tax recovery	0.09	0.12	0.09	0.08	0.38
Net income	0.85	1.01	0.53	0.20	2.59
1983					
Revenues	$1,245	$1,329	$1,323	$1,408	$5,305
Cost of sales and operating expenses	1,005	1,066	1,030	1,068	4,169
Depreciation	62	62	61	53	238
Income taxes	6	17	11	39	73
Interest and other items	184	181	194	208	767
Income tax recovery	—	—	—	15	15
Net income (Loss)	$ (12)	$ 3	$ 27	$ 55	$ 73
Income (Loss) per common share (U.S.$)					
Before income tax recovery	(0.13)	0.03	0.30	0.42	0.64
Income tax recovery	—	—	—	0.15	0.17
Net income (Loss)	(0.13)	0.03	0.30	0.57	0.81

Income (Loss) per common share calculations are based on the average number of common shares outstanding in each period.

ALCAN'S BAUXITE RESERVES (unaudited)

(in millions of crude tonnes)

	1985	1984	1983	1982	1981
Subsidiaries					
Proved bauxite reserves at beginning of year	**247**	250	255	257	263
Total weighted average aluminum content*	**28%**	27%	27%	27%	27%
Bauxite mined during the year	**5**	5	5	4	5
Related companies					
Alcan's share of proved bauxite reserves at beginning of year	64	64	68	65	71

**The amount of aluminum extractable is always less than the total aluminum content, varying according to the nature of the bauxite, the process technology employed to extract the intermediate product, alumina, and the alumina plant efficiency.*

INFLATION ACCOUNTING (unaudited)

(in millions of U.S.$)

This information is prepared in accordance with the recommendations of The Canadian Institute of Chartered Accountants (CICA).

The primary emphasis of the data is on current cost accounting. Historical reported information is adjusted for changes in prices of assets and expenses associated with the use of fixed assets and the sale of inventories. On this basis the current cost profit (loss) was ($309) in 1985 and $84 in 1984.

To measure income attributable to shareholders on a current cost basis, the CICA recommends the calculation of a 'financing adjustment'. It is based on the supposition that the funds required to maintain a company's operating capability (replace the assets it consumes) will be provided by a combination of shareholder and borrowed funds. On this basis, the current cost profit (loss) attributable to shareholders would be ($284) for 1985 and $116 for 1984.

Two items of general inflation are presented. The first, 'increase in current cost amounts of inventory and property, plant and equipment based on general inflation' provides a comparison with the specific price change for these assets. The second is the 'general purchasing power gain on net monetary liabilities'. This calculation recognizes that monetary assets lose purchasing power during periods of inflation while debtors gain. Companies which have greater monetary liabilities than assets will experience a gain. (The Financial Accounting Standards Board in the United States considers deferred income taxes to be monetary. Using their definition Alcan's gain is $76 for 1985 and $77 for 1984.)

Although inflation is currently continuing to run at a relatively low level, the effect of past inflation on capital intensive companies, such as Alcan, is significant. Accordingly, Alcan continues to support the disclosure of inflation accounting information to enable readers of the financial statements to obtain another assessment of the Company's results.

SCHEDULE OF CONSOLIDATED INCOME	Historical as reported		Current Cost Basis in average 1985 $	
	1985	1984	1985	1984
Cost of sales and operating expenses	$4,675	$4,197	$4,643	$4,388
Depreciation expense	258	250	432	425
Income taxes	(87)	151	(87)	157
Income (Loss) before prior years' tax recovery	(216)	216	(345)	46
Net income (Loss)	(180)	253	(309)	84

SCHEDULE OF CONSOLIDATED ASSETS	Historical as reported		Current Cost Basis in year-end 1985 $	
	1985	1984	1985	1984
Inventory	$1,497	$1,512	$1,588	$1,618
Property, plant and equipment – net*	3,875	3,600	6,448	6,413
Net assets (shareholders' equity)	2,746	2,916	5,526	5,883

SUPPLEMENTARY INFORMATION	In Average 1985 $	
	1985	1984
Increase in current cost amounts of inventory and property, plant and equipment based on:		
General inflation	307	328
Specific prices	125	178
Difference	182	150
General purchasing power gain on net monetary liabilities	58	55
Financing adjustment on specific price increases of inventory and property, plant and equipment**	25	32

**Assets related to raw materials operations are included at historical values.*

***Based on the current cost adjustments made to income during the year, the financing adjustment amounts to $26 ($34 in 1984).*

A FIVE-YEAR SUMMARY

(Certain items have been reclassified for purposes of comparability)

Operating data *('000s tonnes)*	**Consolidated aluminum shipments**	
		Ingot and ingot products
		Fabricated products
	Consolidated primary aluminum production	In Canada
		Outside Canada
	Consolidated aluminum inventories (end of year)	
	Primary aluminum capacity (end of year)	Consolidated subsidiaries
		Total subsidiaries and related companies
Consolidated income statement items *(in millions of U.S.$)*	**Total revenues**	
		Sales of aluminum ingot and ingot products
		Sales of aluminum fabricated products
		Sales of all other products
		Operating revenues and other income
	Costs and expenses	Cost of sales and operating expenses
		Depreciation
		Interest
		Income taxes
		Other
	Equity income (Loss)	
	Minority interests	
	Income (Loss) from continuing operations	
	As reported	
	U.S. GAAP	
	Extraordinary gain	
	As reported	
	U.S. GAAP	
	Net income (Loss)	
	As reported	
	U.S. GAAP	
Consolidated balance sheet items *(in millions of U.S.$)*	**Working capital**	
	Property, plant and equipment – net	
	Investments	
	Long-term debt	
	Deferred income taxes	
	Minority interests	
	Common shareholders' equity	
	As reported	
	U.S. GAAP	
	Total assets	
Per common share *(U.S.$)*	**Income (Loss) from continuing operations**	
	As reported	
	U.S. GAAP	
	Income (Loss) including extraordinary gain	
	As reported	
	U.S. GAAP	
	Dividends paid	
	Common shareholders' equity	
	As reported	
	U.S. GAAP	
	Market price NYSE close	
Other statistics	**Cash from operating activities** *(U.S.$ millions)*	
	Capital expenditures *(U.S.$ millions)*	
	Average number of employees *(thousands)*	
	Common shareholders *(thousands at end of year)*	
	Common shares outstanding *(millions at end of year)*	
		Registered in Canada (%)
		Registered in USA (%)
		Registered in other countries (%)
	Return on average common shareholders' equity (%)	

See Note 4 to the Financial Statements which explains the reasons for the differences between the As Reported and U.S. GAAP.

1985	1984	1983	1982	1981
2,218	1,790	1,902	1,707	1,547
878	577	728	758	510
1,340	1,213	1,174	949	1,037
1,045	1,076	945	917	962
599	484	438	380	433
625	708	534	620	666
1,841	1,646	1,619	1,593	1,483
1,905	2,097	2,070	2,035	1,987
5,831	5,576	5,305	4,709	5,053
979	817	975	867	789
3,719	3,568	3,195	2,809	3,150
813	887	799	677	793
320	304	336	356	321
4,675	4,197	4,169	3,819	3,789
258	250	238	221	202
232	244	255	234	186
(87)	151	73	(9)	142
931	497	484	447	435
(2)	15	(6)	(45)	(16)
(36)	(36)	(22)	(10)	(19)
(216)	216	58	(58)	264
(232)	242	51	2	346
36	37	15	—	—
8	21	15	—	—
(180)	253	73	(58)	264
(224)	263	66	2	346
1,452	1,488	1,452	1,361	1,486
3,875	3,600	3,550	3,701	3,267
271	281	284	271	276
1,600	1,350	1,499	1,749	1,589
409	562	537	535	564
506	504	436	451	244
2,746	2,916	2,799	2,511	2,631
2,788	2,980	2,852	2,602	2,662
6,861	6,690	6,600	6,632	6,346
(2.17)	2.21	0.64	(0.69)	3.24
(2.34)	2.47	0.56	0.02	4.25
(1.81)	2.59	0.81	(0.69)	3.24
(2.26)	2.69	0.73	0.02	4.25
1.10	1.20	0.90	1.35	1.80
27.52	29.42	28.88	29.48	31.83
27.95	30.07	29.42	30.54	32.21
29.00	28.75	39.75	27.88	23.00
586	489	324	255	240
597	427	382	643	974
70	70	71	67	67
59	67	59	51	47
100	99	97	85	83
46	56	48	51	48
49	39	48	42	45
5	5	4	7	7
(6)	9	3	(2)	10

DIRECTORS AND OFFICERS

DIRECTORS	Nathanael V. Davis	Osterville, Massachusetts – *Chairman of the Board*
	Sonja I. Bata, O.C.	Toronto – *Director of Bata Limited*
	Arthur A. Bruneau	Montreal – *Senior Vice President and Chief Legal Officer*
	John F. Burlingame	Fairfield, Connecticut – *Director of various companies*
	David M. Culver, O.C.	Montreal – *President and Chief Executive Officer*
	Dr. Lawrence E. Fouraker	Boston – *Fellow, Harvard University's John F. Kennedy School of Government*
	Dr. Roger Gaudry, C.C.	Montreal – *Director of various companies*
	Lionel P. Kent, F.C.A.	Montreal – *Retired*
	David Morton	Montreal – *Executive Vice President*
	J. Edward Newall	Toronto – *Chairman, President and Chief Executive Officer of Du Pont Canada Inc.*
	Hon. John L. Nichol, O.C.	Vancouver – *President of a private investment company*
	Lord Peyton of Yeovil	London – *Director of various companies*
	Jean-Marie Poitras, O.C.	Quebec City – *Chairman of La Laurentienne Mutuelle d'Assurance*
	Patrick J.J. Rich	Geneva – *Executive Vice President*
	Eric A. Trigg	Montreal – *Retired Senior Vice President*

Audit Committee	Personnel Committee
Lionel P. Kent, *Chairman*	Lawrence E. Fouraker, *Chairman*
Sonja I. Bata	John F. Burlingame
John L. Nichol	David M. Culver
Lord Peyton	Roger Gaudry
Jean-Marie Poitras	John L. Nichol

OFFICERS	David M. Culver	*President and Chief Executive Officer*
	Archie F. Black	*Executive Vice President*
	David Morton	*Executive Vice President*
	Patrick J.J. Rich	*Executive Vice President*
	Arthur A. Bruneau	*Senior Vice President and Chief Legal Officer*
	Ronald C. Bales	*Vice President, Business Development*
	Allan A. Hodgson	*Vice President and Chief Financial Officer*
	Dr. Margaret G. Kerr	*Vice President, Environment, Occupational Health and Safety*
	Roger J. Maggs	*Vice President, Personnel*
	Ihor Suchoversky	*Vice President, Research and Technology*
	André Saint-Denis	*Treasurer*
	Suresh Thadhani	*Controller*
	Richard S. Porter	*Secretary*

ALCAN COMPANIES WORLDWIDE*

(as at 31 December 1985)

Fully owned unless the percentage of ownership is shown

Argentina
Camea S.A.

Australia
Alcan Australia Limited (70%)
Queensland Alumina Limited (21.1%)

Belgium
S.A. Alcan Aluminium Benelux N.V.

Bermuda
Alcan (Bermuda) Limited

Brazil
Alcan Aluminio do Brasil S.A.
Alcan Empreendimentos Ltda.
Mineracao Rio do Norte S.A. (24%)

Canada
Aluminum Company of Canada, Limited
Alcan Smelters and Chemicals Ltd

France
Aluminium Alcan de France

Germany
Alcan Aluminiumwerke GmbH
Aluminium Norf GmbH (50%)

Guinea
Compagnie des Bauxites de Guinée (13.8%)

Hong Kong
Alcan Asia Limited

India
Indian Aluminium Company, Limited (50.5%)

Indonesia
P.T. Alcan Indonesia (70%)

Ireland
Aughinish Alumina Limited (65%)

Italy
Alcan Alluminio S.p.A.

Jamaica
Alcan Jamaica Company

Japan
Nippon Light Metal Company, Ltd. (50%)
Toyo Aluminium K.K. (50%)

Malaysia
Aluminium Company of Malaysia Berhad (40%)
Johore Mining and Stevedoring Co. Sdn. Berhad (70%)

Netherlands
Hunter Douglas N.V. (22%)

New Zealand
Alcan New Zealand Limited (69.2%)

Nigeria
Alcan Aluminium of Nigeria Limited (58.2%)

South Africa
Hulett Aluminium Limited (24%)

Spain
Empresa Nacional del Aluminio S.A. (23.9%)

Sri Lanka
Acme Aluminium Company Limited (52.9%)

Switzerland
Alcan Aluminium S.A.
Alcan Rorschach AG

Thailand
Alcan Siam Limited (85%)
Alcan Thai Company Limited (85%)

Trinidad
Chaguaramas Terminals Limited

United Kingdom
British Alcan Aluminium Limited

United States
Alcan Aluminum Corporation

Uruguay
Alcan Aluminio del Uruguay S.A. (89.9%)

Value of total assets of all companies in these countries in which Alcan has investments.

Exceeds $300 million.

$50 million to $300 million.

Below $50 million.

* *This list names only the main companies in each country. A complete list is available in the Company's annual 10-K report.*

THE OECD GUIDELINES

In the 1976 annual report Alcan expressed its support for, and compliance with, the OECD's guidelines for multinational enterprises. The Organization for Economic Cooperation and Development (OECD), which consists of 24 industrialized countries including Canada, had adopted those guidelines in 1976.

Alcan welcomed the guidelines as a positive statement of what is good practice for multinational companies and as part of a package of declarations establishing an acceptable framework of reciprocal rights and responsibilities between multinational enterprises and host governments.

Alcan continues to support and comply with the OECD guidelines. The Company's own statement, "Alcan, Its Purposes, Objectives and Policies", first published in 1978 in 11 languages to strengthen the awareness of employees worldwide of the basic general principles and policies which have guided the conduct of Alcan's business over the years, is consistent with the OECD guidelines.

SHAREHOLDER INFORMATION

ANNUAL MEETING

The Annual Meeting of the Shareholders of Alcan Aluminium Limited will be held on Thursday, 27 March 1986, at 10 a.m., at the Ritz-Carlton Hotel, Montreal.

10-K REPORT

A copy of the Company's annual 10-K report for 1985 to be filed with the United States Securities and Exchange Commission will be available to shareholders after 1 April and may be obtained upon request to the Secretary of the Company.

COMMON SHARES

The common shares of Alcan Aluminium Limited are listed on the Montreal, Toronto, Vancouver, New York, Midwest, Pacific, London, Paris, Brussels, Amsterdam, Frankfurt, Basel, Geneva, Lausanne and Zurich stock exchanges. The markets where most of the shares are traded are New York and Toronto.

TRANSFER AGENTS

National Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver. Manufacturers Hanover Trust Company, New York. Manufacturers Hanover Trust Company of California, San Francisco. The Royal Trust Company, London.

WARRANTS

Warrants, representing rights to purchase common shares of the Company at $36.50 per share in Canadian currency to 31 December 1986, are listed on the Montreal, Toronto and Vancouver stock exchanges. The warrant agent is The Royal Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

SHAREHOLDER INVESTMENT PLANS

The Company offers shareholders three convenient ways of acquiring additional Alcan common shares at regular intervals and without payment of brokerage commissions or service charges. These are known as Dividend Reinvestment Plan, Stock Dividend Plan and Share Purchase Plan. For information contact: Alcan Shareholder Services, P.O. Box 6077, Montreal, Canada H3C 3A7.

QUARTERLY DIVIDENDS AND COMMON SHARE PRICES

1985 Quarter	Dividends per share (U.S.$)	Common Share Price (NYSE – U.S.$)* High	Common Share Price (NYSE – U.S.$)* Low	Common Share Price (TSE – CAN$)* High	Common Share Price (TSE – CAN$)* Low
First	0.30	31 [illegible]	25 [illegible]	41 [illegible]	34 [illegible]
Second	0.30	27	23 [illegible]	37	32 [illegible]
Third	0.30	28 [illegible]	23 [illegible]	39 [illegible]	32
Fourth	0.20	30 [illegible]	22 [illegible]	42 [illegible]	31
Year	1.10				

1984 Quarter	Dividends per share (U.S.$)	Common Share Price (NYSE – U.S.$)* High	Common Share Price (NYSE – U.S.$)* Low	Common Share Price (TSE – CAN$)* High	Common Share Price (TSE – CAN$)* Low
First	0.30	41 [illegible]	32½	51 [illegible]	40 [illegible]
Second	0.30	34 [illegible]	26½	44 [illegible]	34 [illegible]
Third	0.30	31 [illegible]	23 [illegible]	40 [illegible]	31 [illegible]
Fourth	0.30	30	25 [illegible]	39 [illegible]	33 [illegible]
Year	1.20				

** The share prices are those reported as New York Stock Exchange – Consolidated Trading and as reported by the Toronto Stock Exchange.*

TERMS

In this Report, unless stated otherwise, all dollar amounts are stated in United States dollars and all quantities in metric tons, or tonnes. A tonne is 1,000 kilograms, or 2,204.6 pounds. "Subsidiary" means a company in which Alcan directly or indirectly owns more than 50% of the voting stock, whereas "related company" indicates a company 50% or less owned in which Alcan has significant influence over management.

TRADEMARKS

The word Alcan and the symbol are registered as trademarks in more than 100 countries, and they are owned directly or indirectly by Aluminum Company of Canada, Limited.

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