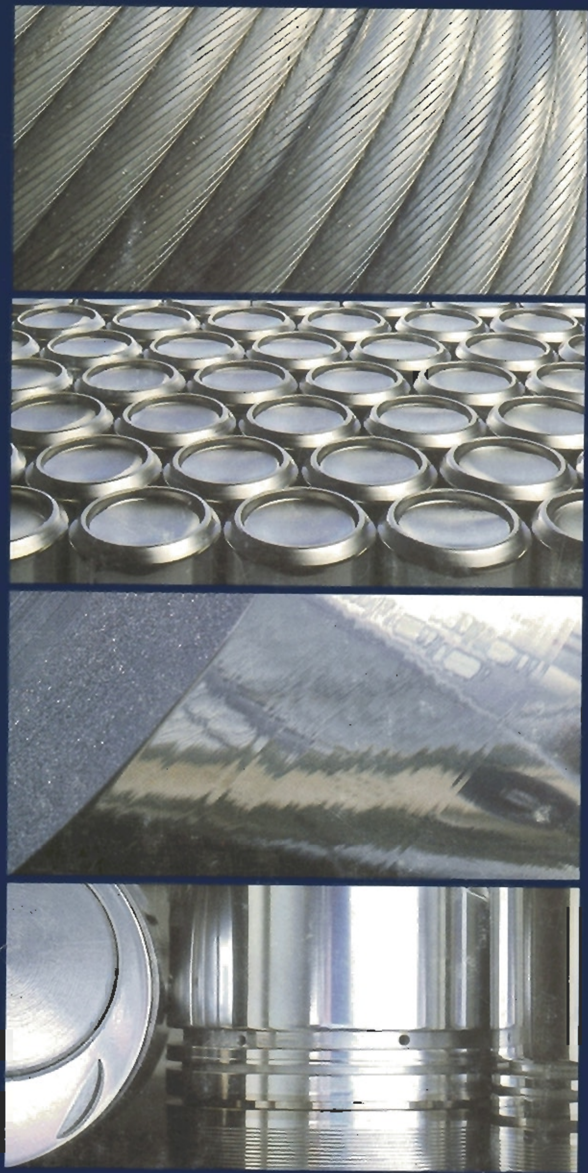
86 Alcan Aluminium Limited



Annual Report 1986

ALCAN

Highlights of 1986

CONTENTS

	1986	1985	1984
Principal highlights *(in millions of U.S.$)*			
Sales & operating revenues	5,956	5,718	5,467
Net income (Loss)	244	(180)*	253
Return on average shareholders' equity *(%)*	8	(6)	9
Capital employed *(at year-end)*	5,807	5,600	5,708
Ratio of total borrowings to equity, including minority interests *(at year-end)*	31:69	37:63	34:66

**includes special charges & rationalization expenses of $252 million after tax*

	1986	1985	1984
Aluminum shipments *(in thousands of tonnes)*			
Fabricated products	1,388	1,340	1,213
Ingot products	731	878	577
Total	2,119	2,218	1,790

	1986	1985	1984
Per common share *(in U.S.$)*			
Net income (Loss)	2.44	(1.81)*	2.59
Dividends	0.80	1.10	1.20
Shareholders' equity *(at year-end)*	29.66	27.52	29.42
Market price (NYSE – consolidated trading)			
High	34⅝	31¼	41¼
Low	27⅞	22¾	23½

**includes special charges & rationalization expenses of $2.53*

COMPANY PROFILE

Alcan is the leading international aluminum company. Through subsidiaries and related companies around the world, the Company is vertically integrated throughout all stages of the industry, including bauxite mining, alumina refining, aluminum smelting and fabricating, and sales. Alcan has developed a unique combination of competitive strengths with low-cost, owned hydro-power, international diversification, and proprietary product and process technology.

Alcan Aluminium Limited was incorporated in Canada on May 31, 1928. Alcan is a publicly-owned company with some 49,000 shareholders.

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. Abbreviations used are as follows:

/t per tonne	*kt/y thousand tonnes per year*
kt thousand tonnes	*Mt/y million tonnes per year*
Mt million tonnes	

MESSAGE TO SHAREHOLDERS

Nineteen eighty-six was a landmark year for Alcan. Not only did it witness a substantial recovery in profits, but it marked the first visible results of the Company's new strategy. This strategy was outlined in my remarks to the last Annual Shareholders' Meeting. It was crystallized in the new Mission Statement published in July 1986: **"Alcan is determined to be the most innovative diversified aluminum company in the world. To achieve this position, Alcan will be one, global, customer-oriented enterprise committed to excellence and lowest cost in its chosen aluminum businesses, with significant resources devoted to building an array of new businesses with superior growth and profit potential. In the 1990s Alcan will outperform the average return on equity of the Standard and Poor's industrial stock index."**

David M. Culver, Chairman and Chief Executive Officer, and David Morton, President and Chief Operating Officer.

It is a strategy that commits us to low cost and excellence. Elsewhere in this report, you will read that, as a result of actions already implemented, the Company's annual cost base at the end of 1986 is some $200 million lower than it would otherwise have been. We have further to go, but we already have a much better basis on which to face a world of slower growth and flat prices.

It is a strategy which will lead us to continue to exploit the benefits of aluminum, but only in those aluminum businesses in which we have a sustainable competitive advantage. We shall seek to move out of others: disposals in 1986 yielded $148 million for redeployment to more promising opportunities. Aluminum – the metal – is great and growing. It has a unique combination of qualities and it lends itself to today's demands for more customer value per pound of material used. With confidence in the metal's future, Alcan is committed to be the lowest cost producer of aluminum.

It is a strategy that calls for diversification. As well as choosing and being innovative in those aluminum businesses that meet our profit targets, we shall also move into new businesses based on our global strengths. It is to the latter that we will especially look for growth in earnings as well as a good return on equity. Our diversification plan calls for a number of small initiatives – pathfinder businesses – as well as possibly some larger moves. We shall see "market pull" companies as well as "technology push" companies, but all based on Alcan's technological and international strengths. In support of this thrust, 32% of our research and development expenditure of $77 million in 1986 was devoted to the area of new businesses compared with 10% in 1984. During 1986, we moved into new products and businesses in ceramics, fibre-optics, gallium refining, micro-separation and metal matrix composites.

The strategy we have adopted is aimed at keeping us profitable in today's uncertain business conditions within the aluminum industry and enabling us to grow on a sound base in areas outside it. Despite the sideways drift in aluminum prices through the year, we have succeeded in raising profitability through lower costs and an improved product mix; both were the result of determined management action throughout the

Company. We need to continue this task, and I should like to take this opportunity to record the appreciation of the Board of Directors for the strenuous efforts of all employees who have contributed to the improved results for this year.

In January 1987, David Morton was appointed President and Chief Operating Officer, with responsibility for Alcan's operations worldwide. Coincident with that appointment, I was elected Chairman, while still remaining Chief Executive Officer.

The Board itself has undergone significant change during 1986, most notably with the retirement of Nathanael Davis as Chairman at the Annual Meeting. He followed his father, E. K. Davis, as Chief Executive Officer and between them they led Alcan from its beginnings in 1928. His thirty-two years of farsighted leadership as chief executive saw a thirteen-fold expansion in the scope of Alcan's activities, and his thoughtful influence on the integrity and standards of the Company will remain wherever the Alcan symbol and Alcan people are to be found. Another loss came with the resignation of Patrick J. J. Rich as Executive Vice President and Director at the end of the year to pursue his career interests in Europe. The Company owes him a debt of gratitude for his many important contributions during a long and distinguished international career, culminating in the restructuring of Alcan's European operations, for which he was responsible.

At the Annual Meeting in March 1986, Warren Chippindale, former Chairman and Chief Executive Partner of Coopers and Lybrand (Canada), and Dr. John R. Evans, Chairman and Chief Executive Officer of Allelix Inc., were elected to the Board. Allan A. Hodgson, Vice President and Chief Financial Officer, and Ihor Suchoversky, Vice President, Research and Technology, were appointed to the Board at the year-end.

Looking ahead to 1987, world aluminum demand is expected to grow, albeit slowly, and be matched by new aluminum smelting capacity being brought on stream during the year. We have not so far seen the upward trend in ingot prices which might have been expected to develop from the falling level of world aluminum inventories through 1986, which are now at historically low levels. The re-entry of Japan – the world's second largest aluminum consumer – into the spot ingot market in 1987, after a prolonged absence due to destocking, may prove a positive factor.

Alcan has emerged from the last two years with a clear purpose, a leaner profile and greater competitiveness. Despite turbulent business conditions, it is in better financial shape than for some years, with a simpler and more effective management structure and a new thrust to its technology. These are powerful advantages and they give good grounds for confidence as we move forward to the achievement of Alcan's Mission in 1987 and beyond.

David M. Culver
Chairman and Chief Executive Officer

Montreal, February 4, 1987

Review of Operations

■ *The remelt facility of Alcan Extrusion's newest plant at Pickering, Ontario, processes scrap aluminum into extrusion ingot for its own use and for Alcan's Laval, Quebec, and Aurora, Ontario, plants.*

■ *Alcan Pipe Division, Calgary, Alberta, used its Hi-Energy™ joining (explosive welding) process for the recent construction of an aluminum, fresh-water pipeline in northeast Alberta.*

During the year, Alcan continued to implement its new strategy. Its businesses increased sales of products with higher added value, while cutting costs and rationalizing operations. Alcan sold businesses which no longer fitted into its strategy and established new ones related to its strengths.

Research continued on environment, occupational health and safety matters, which remain a high priority. Major emphasis was placed on safety, health and environmental audits and training programs to minimize the risks of accidents and to ensure compliance with local laws and Alcan's standards.

CANADA

Cost reductions and higher prices for ingot products contributed to an improvement in net income from Canadian operations to $150 million from $6 million in 1985 which excluded $47 million of special charges and rationalization expenses. Shipments of aluminum products totalled 214 thousand tonnes (kt) compared to 223 kt in 1985.

Raw materials & smelting: Average cash costs were cut by over $70 per tonne (t), largely as a result of savings in employment, raw material and energy costs.

A new anode baking centre which replaces obsolete facilities was completed at the Jonquière, Quebec, complex. Construction of a casting centre at the Grande Baie smelter in Quebec began. This project will enable the plant to ship ingot products with higher added value.

Alcan pursued its program to deal with tar emissions at the older Quebec smelters, including the installation of specialized air-conditioned equipment for potline workers, as well as new anode technology and research on wet scrubber technology to reduce emissions.

Fabricating: The Kingston, Ontario, rolling mill further increased its shipments of can sheet, due to strong growth in the use of aluminum beer cans in Canada. As a result of a review of Alcan's product lines in North America, the Company announced in January 1987 that it would discontinue the production of converter foil and plate products at Kingston.

Two projects were completed which will improve Alcan's position in both domestic and export markets. A new extrusion and billet casting plant at Pickering, Ontario, replaced an obsolete one at Kingston, while a new wire and cable plant at Shawinigan, Quebec, also became fully operational.

Alcan sold its 20.5% interest in Haley Industries Limited, a manufacturer of castings for the aerospace industry.

■ *The aluminum coils, produced in the cold rolling mill of Alcan Rolled Products at Oswego, N.Y., weigh up to 10 tonnes. Each coil can make approximately 660,000 beverage cans, the largest end-use for Oswego's production.*

UNITED STATES

Net income was $43 million, compared with $25 million in 1985 excluding $11 million of special charges and rationalization expenses. Total shipments of aluminum products were 776 kt, compared to 774 kt in 1985.

Smelting: Following a strike at the Sebree, Kentucky, smelter, unionized employees ratified a new three-year contract which will reduce employment costs. Management is continuing efforts to obtain lower power rates, including participation in public hearings at year-end to oppose a proposed power rate increase.

As a result of the strike, one of the smelter's three 54,000 tonnes per year (kt/y) potlines was closed. The timing of its reopening will depend upon market conditions. Prior to the strike, only two of the lines had been operating.

Fabricating: Alcan is specializing the output of its rolling mills, following the acquisition of plants from Atlantic Richfield Company (ARCO). The Oswego, New York, mill, Alcan's principal source of can sheet, has substantially increased its output of can body and end stock. In addition, the 40%-owned Logan County, Kentucky, mill began shipping these products on a commercial basis in 1986.

To continue to meet the demanding technical specifications for can stock, fin stock and foil, Alcan is upgrading its rolling mills at Oswego, as well as at Fairmont, West Virginia, and Terre Haute, Indiana. Following a review of its product lines in the U.S., Alcan phased out sheet rolling operations at Warren, Ohio. This will permit part of this plant to be dedicated to the coating of can end stock.

During the year, Alcan restructured the operations of Metal Goods, a major distributor of stainless steel, nickel and aluminum alloys, to improve its profitability.

New businesses: Alcan made further progress in building new businesses in the electronics, transportation, aerospace and packaging markets. These efforts include the following:

Alcan has entered into a joint venture with Sumitomo Electric Industries Ltd. to manufacture composite fiber optic overhead ground wire at a Raleigh, North Carolina, plant, which is scheduled to be completed in late 1987.

Alcan's joint venture with Thrall Car Manufacturing Co. has placed its first aluminum coal cars into service for full-scale testing. Aluminum has captured almost 90% of the market and the outlook for future growth is encouraging.

■ *Improved process control included a new computer room in Oswego's cold rolling mill. Upgrades, completed in 1986, resulted in improved recovery, better metal gauge tolerance and increased productivity.*

■ *Alcan's rolling complex in Pindamonhangaba, Brazil, is the largest and most modern in Latin America. The completion of the new hot mill enables a wider range of products, including can sheet, to be shipped.*

A separate division was formed in the U.S. to focus Alcan's efforts on the aerospace and defence markets, including the marketing of Alcan's new aluminum-lithium alloys.

Alcan established Dural Aluminum Composites Corporation to produce silicon carbide reinforced aluminum, a composite material offering performance advantages over conventional aluminum alloys in automotive and aerospace applications.

LATIN AMERICA

Strong growth in demand in Brazil and Argentina contributed to a 7% increase in shipments to 132 kt. However, earnings in Brazil were adversely affected by measures taken by the government to curb inflation, which included freezes on aluminum prices despite increases in employment and power costs. Largely as a consequence, net income for the area fell to $2 million from $20 million.

The new hot rolling mill at the Pindamonhangaba, Brazil, complex began production, with excellent results. By improving plant efficiency, this investment will enable annual output from the complex eventually to increase significantly to over 100 kt.

After failing to resolve the issue of a more competitive bauxite price with 24%-owned Mineraçao Rio do Norte S.A. in Brazil, the matter has been referred to the International Chamber of Commerce for arbitration.

■ *A Supral 2004™ Alclad component for light aircraft is removed from the press. Superform Metals Limited, a British Alcan company, and its U.S. subsidiary in California, Superform USA Inc., made 60% of their superplastic alloy sales to the aerospace industry in 1986.*

EUROPE

Net income rose to $82 million from $29 million in 1985 which excluded $36 million of special charges and rationalization expenses. This improvement was due to strong earnings from British and continental operations. In addition, losses from Irish alumina operations, although still substantial, were reduced, and gains were made from the sale of assets. Shipments were 572 kt compared with 573 kt in 1985.

The restructuring of Alcan's European operations was largely completed in 1986. Alcan sold its equity interests in Hunter Douglas N.V. of the Netherlands, as well as five extrusion plants in Belgium, France, Germany and Italy. Alcan is now focusing on rolled products markets and made further investments in existing mills, while acquiring a rolled products business in Italy.

United Kingdom: Alcan is installing a new sheet ingot casting facility at the Lynemouth smelter, which will complement the modernization and cost reduction programs at its Rogerstone and Falkirk mills.

Alcan took steps to rationalize extrusion operations, by closing a plant in Warrington and restructuring its high-strength alloys division. Following the consolidation of certain wire drawing assets, Alcan is now the largest aluminum specialty wire producer in Europe.

Germany: At 50%-owned Aluminium Norf GmbH (Alunorf), operation of the new cold rolling mill is expected to begin in early 1987. At Göttingen, new facilities now under construction, which will be able to finish the 2.1 metre-wide coils from Alunorf, will expand Alcan's capacity to serve the packaging market by more than 40 kt/y.

In addition, a new 2.1 metre-wide foil mill is planned at Alcan Ohler in order to strengthen Alcan's position in the European specialty foil market.

All of these investments include state-of-the-art environmental pollution control equipment.

Due to uneconomic energy costs and the strength of the Deutsche Mark, the annual capacity of the Ludwigshafen smelter was cut in half to 22 kt in January 1987.

Ireland: At 65%-owned Aughinish Alumina Limited, which has been operating at 100% of capacity since mid-1986, losses were reduced as cash costs were cut by 15% due to savings in energy and raw materials costs. Progress is being made to obtain more competitive power rates.

New businesses: The management office in Geneva is now dedicated to developing new businesses in Europe, on a similar basis to the Cambridge, Massachusetts office for North America. This will complement existing ventures, such as Alcan's activities in alumina- and zirconium-based chemicals, which are growing and profitable businesses.

■ *Alcan Australia's Minchinbury Aluminium Centre was opened in August 1986 to serve the growing western suburbs of Sydney. The centre services tradespeople and handles over-the-counter retail sales and home improvement enquiries.*

■ *Technal, Alcan's building products company in France, and its sister company, Technal International, specialize in the design, marketing and distribution of easy-to-assemble aluminum architectural systems such as this conservatory.*

PACIFIC

The region reported a loss of \$20 million compared to a loss of \$13 million in 1985 which included special charges and rationalization expenses of \$14 million. Shipments declined to 373 kt from 442 kt.

Australia: Operating results from 69.9%-owned Alcan Australia Limited improved, as fabricating facilities operated profitably and earnings from export ingot sales improved. These gains were offset by the impact of foreign exchange losses.

Japan: Nippon Light Metal Company, Ltd., 50%-owned, had another difficult year. However, it continued its planned withdrawal from upstream operations by closing the Tomakomai alumina plant and reducing production at the 64 kt/y Kambara smelter. Toyo Aluminium K.K., one of the world's major producers of foil, paste and powder products and also 50%-owned, posted higher profits than in 1985.

Other operations: Alcan increased its interest in Aluminium Company of Malaysia Berhad (Alcom), a fabricating business, to 63.9% from 40% as a result of a rights issue undertaken to strengthen that company's equity. Despite major cost cutting efforts, Alcom recorded a significant loss, due principally to the extremely weak domestic market.

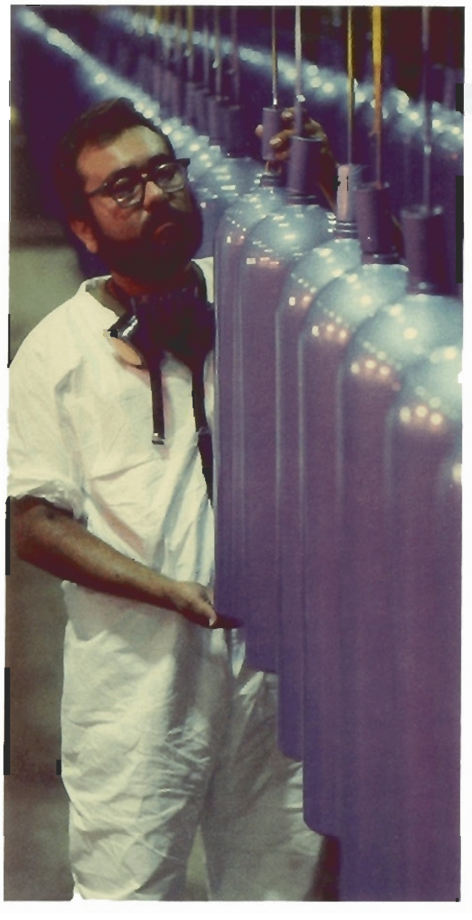
Despite good volumes and profits from sales of semi-fabricated products, earnings from Indian operations were depressed because of power shortages at its smelters. In China, Alcan has entered into a joint venture to establish an integrated aluminum extrusion and manufacturing plant.

OTHER AREAS

In Jamaica, alumina cash costs were reduced by 17%, largely due to lower energy and employment costs, while production continued at nearly 80% of capacity. Negotiations with the government to change from a levy to a post-profit tax regime are continuing.

Alcan sold its interests in South Africa and Nigeria.

ALCAN – A GLOBAL COMPANY WITH A NEW MISSION



■ *A good example of an Alcan "mini-multinational" – Luxfer Holdings Limited, with subsidiaries in Britain and the U.S. and a licensee in Australia, leads the world in light-weight, high-pressure gas cylinders.*

A true multinational company possesses more than some off-shore operations, a few overseas markets or a world-product mandate. It is more than an international portfolio of disconnected investments. A true multinational is an organic entity; it can alter its direction while retaining its global characteristics.

Alcan is doing just that. Alcan's new Mission Statement, included verbatim in the Chairman's Message to Shareholders on page 1, sets out Alcan's new direction as a multinational – "committed to excellence and lowest cost in its chosen aluminum businesses" and moving into new businesses "with superior growth and profit potential". Alcan's objective is to have a profit performance better than the average of the top 400 North American industrial companies. Geographical coverage to maintain sales volume is no longer the goal. Decisions as to where Alcan will operate are based on long-term profitability, and the process of redeploying its assets will continue. The focus will be sharper, the management structure simpler.

Far from abandoning its global role, Alcan is selectively strengthening it. To have a significant presence in most major markets of the world – North America, Europe, Japan, Brazil, Australia – is a very valuable asset, whether in marketing new products, in technology transfer, or in joint-venturing. It is also a spring board for the establishment of individual businesses within Alcan, each with a world mandate for a specialized product range, operating in a number of countries under unified control – in effect "mini-multinationals".

Alcan was born international. It started in 1928, owning and operating aluminum businesses in nine countries outside North America. Alcan's largest investment and its base was then, as it is today, in Canada, but its development in the half century since its foundation has been truly multinational. The biggest geographical expansion of its activities occurred in the Fifties and Sixties. Blessed with its low-cost energy base in Canada, Alcan had established its position as the largest supplier of aluminum ingot to the world market. It then turned its attention to enlarging its participation in the value-added product markets around the world.

Alcan began a wave of investment in fabricating plants to absorb the output of its smelters and to meet the accelerating demand for fabricated products. World trade was growing in many sectors and the Company grew with it. Alcan built, expanded or acquired plants in the Americas (USA, Brazil, Argentina, Colombia and Uruguay), in Europe (Belgium, France, Germany, Italy, Spain and the United Kingdom), in Africa (Ghana and Nigeria), and in the Pacific area (Japan, Australia, Malaysia, New Zealand and Thailand), as well as expanding fabricating operations in Canada itself.

By 1974, Alcan operated fabricating plants in 26 countries and was selling its products in over 100. But following the oil shocks of the Seventies, economic and business conditions changed dramatically. By the early Eighties, growth in world trade had slowed down, trade balances between countries had been radically altered and surpluses and disinflation were causing downward pressures on commodity prices. The new energy equation transformed the relative costs of competing materials and called for new design responses from manufacturers.

In the world aluminum industry, the number of participants had been steadily increasing, and now the whole industry was – and still is – being reshaped. Alcan decided to overhaul its priorities and organization and to grasp the opportunities offered by the industry restructuring. While its owned low-cost energy base now offered an enhanced benefit, it had to generate satisfactory and growing profits in the new conditions of reduced industrial growth and lower commodity prices.

The Shah Alam Mosque in Malaysia, with its 50-metre, light-weight aluminum dome, engineered and erected by Baco Contracts Limited, illustrates the versatility and global coverage of Alcan companies.

The strategy was – and is – threefold: cut costs, focus on those aluminum businesses having a sustained competitive advantage, and add new businesses – including new uses for aluminum – based on the Company's existing strengths.

In the course of 1985, measures to cut costs further and reduce layers of management were introduced, resulting in permanent cost reductions of over $200 million a year. In 1985-86, a program of redeploying assets that no longer fitted the new strategy led to the sale of Alcan's interests in Mexico, Colombia, Nigeria, South Africa and of some businesses in other countries. In Europe, Alcan sold its continental extrusion operations to Norsk Hydro A S and withdrew from its participation in Hunter Douglas NV. In the reverse direction, its rolling operations in Italy were augmented by acquisition, following the significant expansion of its U.K. operations by the 1982 merger with British Aluminium. Alcan also acquired in 1985 most of the aluminum assets of Atlantic Richfield Company (ARCO) in the U.S. and Ireland.

Elsewhere, particularly in North America, a number of investments have been made in new non-aluminum businesses, which to date include ceramics, fibre optics, gallium refining, microseparation and metal matrix composites.

This is the pattern of the new multinational Alcan – selective in location, profit-oriented, interdependent and mutually supportive, with shared technology and committed to seeking out new businesses. Alcan used to be a global company because it had to be. Today Alcan is global because it chooses to be, and the choice is based on profit – worldwide.

Management's Discussion & Analysis

In 1986 Alcan began to realize the benefits of its new strategy. Earnings rose largely as a result of the Company's cost reduction and restructuring programs and partly due to an improvement in average aluminum product realizations. Cash flows from operations increased, enabling Alcan to strengthen its financial position. Although much remains to be done, the Company has already improved its earnings potential.

PRIMARY ALUMINUM MARKET

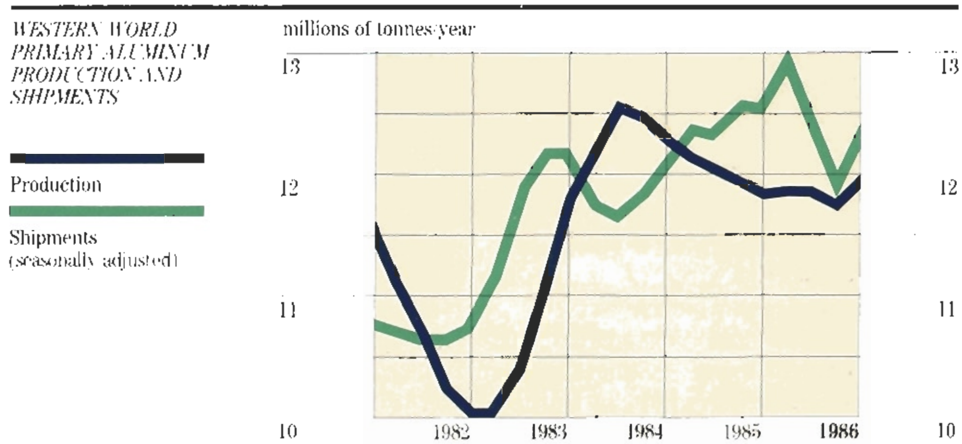
The Western World aluminum market maintained a reasonable balance between demand and supply in 1986, despite only modest economic growth in the major industrialized countries. Producers' inventories fell during the year, and spot ingot prices rose from the low levels of 1985.

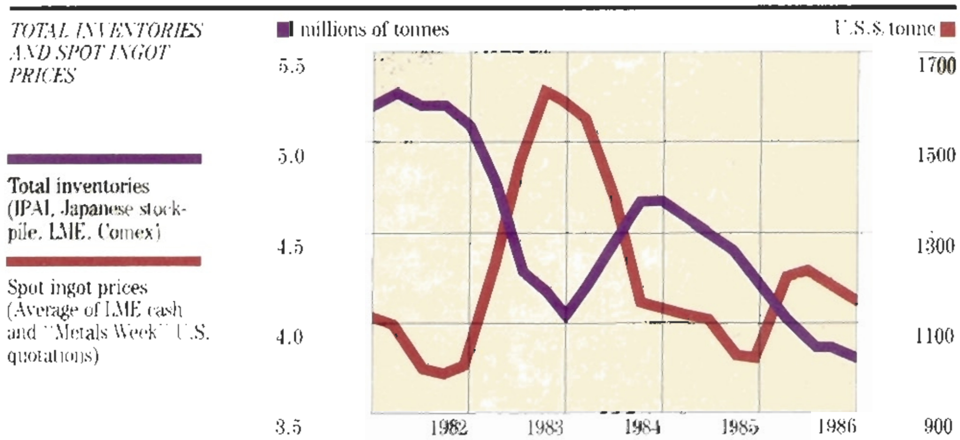
Consumption of primary aluminum is estimated to have grown by less than 1% to 12.7 million tonnes (Mt). This was in line with the slow pace in the major economies of industrial production, to which aluminum consumption best correlates.

On a quarterly basis, there were substantial fluctuations in world shipments in response to strikes at several smelters in the U.S., including Alcan's. In the first quarter, as U.S. customers built up stocks in anticipation of these strikes, shipments surged to a record annualized rate of over 13 Mt. Shipments subsequently fell as these disputes were settled and customers ran down their stocks. By the fourth quarter, the shipment rate was again rising.

For 1986 as a whole, shipments are estimated to have been 12.4 Mt, level with 1985. Inventories in Japan were drawn down throughout the year, thereby reducing demand on the spot markets.

Contributing to market balance, primary production remained below shipments. In 1986, production totalled 11.9 Mt, or 89% of estimated capacity,





compared to 12.0 Mt in 1985. As well as reflecting the impact of the U.S. strikes, this lower level of production also resulted from the permanent closure of uneconomic smelters. During the last two years, over 1.5 million tonnes per year (Mt/y) of capacity in the U.S. and Japan have been closed.

These closures have been partially offset by new capacity totalling approximately 0.7 Mt/y in Latin America, Canada and Australia. Consequently, total Western World capacity is estimated to have fallen from 14.2 Mt/y at the end of 1984 to 13.4 Mt/y at the end of 1986, its lowest level since 1978.

As shipments continued to exceed production, total inventories held by producers and in commodity exchange warehouses fell by a further 0.5 Mt to 3.8 Mt at year-end, their lowest level since 1980. However, this fall has only been gradual, reflecting the slow pace of industrial production and therefore of aluminum shipments.

This situation explains the weak response of prices to inventory reduction. During the year, international spot prices averaged $1,190/t, up 13% from the 1985 level, but below the levels reached when inventories were at similar levels in previous cycles.

Strength in aluminum demand in 1987 will depend on overall economic growth. As the aluminum market began 1987 with low inventories by historical standards, stronger demand could be reflected fairly quickly in higher aluminum prices.

PRINCIPAL END-USE MARKETS

Alcan's consolidated sales to all markets rose by 4% to a record $5,756 million.

Containers & Packaging: Alcan has expanded its sales to these markets by 34% over the last two years, as a result of internal growth and acquisitions.

North American operations accounted for nearly 60% of Alcan's total sales to the container and packaging markets. Alcan further expanded its share of the can body and can end stock markets in the U.S. and also increased shipments of can sheet in Canada.

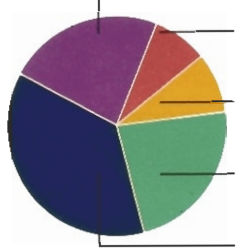
Alcan's European subsidiaries accounted for nearly 30% of the Company's packaging sales in 1986. There was continued strong growth in both foil and can sheet markets, particularly in Germany and the U.K.

Transportation: European operations accounted for nearly half of sales to these markets, and North American businesses for 40%. Alcan's sales in Germany, which consist primarily of pistons for the automotive industry, were stable. British operations increased sales, particularly to the international aerospace market. In the U.S., Alcan maintained its leading share of the automotive fin stock market.

Electrical: Alcan's sales to these markets, of which two-thirds are made by North American operations, were level with 1985. For the second year in a row, demand in both the U.S. and Canada for overhead bare cable was weak, as there were no major projects being undertaken by utilities.

Building & Construction: Over one-third of Alcan's sales to these markets are in North America, where demand in 1986 for new construction and residential renovation was very strong. While Alcan reduced its shipments of aluminum siding, it increased shipments of vinyl siding and further strengthened its position in the market for aluminum ceiling products.

SALES BY MARKET
1986 (millions of U.S.$)



		1986	1985	1984
23%	Containers and packaging	1352	1113	1009
8%	Transportation	467	418	432
9%	Electrical	490	490	552
23%	Building and construction	1319	1160	1223
37%	Other	2128	2330	2056

Alcan's European operations accounted for over 40% of total sales to building and construction markets. Alcan continued to hold a leading and profitable share of the U.K. extrusion market, which grew by 10% in 1986. At the end of 1986, the Company largely withdrew from the continental market by selling five extrusion plants.

Other: The decline partly reflected a reduction in shipments of ingot products, which accounted for 15% of total sales to all markets.

RESULTS OF OPERATIONS

Net income in 1986 was $244 million, compared to a loss of $180 million in 1985 which included special charges and rationalization expenses of $252 million after tax.

The improvement in earnings from operations reflected in part higher prices for ingot products and a higher proportion of fabricated products in total shipments. However, the major contribution came from cost savings which were largely achieved by a reduction of 5,000 in the total number of employees since the beginning of 1985, after adjusting for acquisitions and disposals. Also, a decrease in operating working capital led to a reduction in financing charges. These and other steps have reduced costs on an annual basis by over $200 million before tax from what they would otherwise have been. Total selling, administrative and general expenses increased principally due to appreciation of European currencies.

For 1986, net income included non-operating gains, principally from sales of assets, which totalled $37 million, and $20 million from the implementation of new accounting rules for pensions. Net income also included income tax recoveries applicable to prior years' losses of $26 million compared with $36 million in 1985, principally relating to U.K. operations.

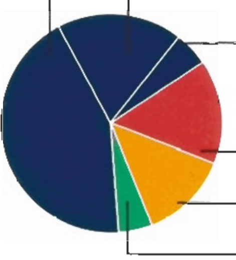
PRINCIPAL PRODUCTS

Fabricated Products: Since 1982, Alcan has increased its shipments of fabricated products by 46% to 1,388 kt. Approximately three-quarters of this increase have been in shipments of sheet products. Fabricated product shipments accounted for 66% of 1986 aluminum shipments compared to 60% in 1985.

Average gross margins on sales of fabricated products rose to \$540/t from \$446/t in 1985. This improvement, which was possible despite only limited price increases in most markets, reflected the impact of cost savings, the concentration on higher margin products, and the initial impact of stronger European currencies.

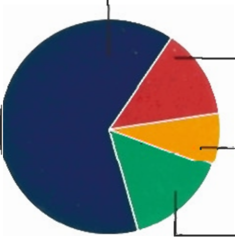
Ingot Products: Shipments of ingot products declined by 17% to 731 kt from their record level of the previous year, which included sales of inventory acquired from ARCO. Margins rose to \$211/t from \$51/t in 1985, reflecting a 10% increase in Alcan's average realizations as well as reduced costs.

REVENUES BY PRODUCT
1986 (millions of U.S.\$)



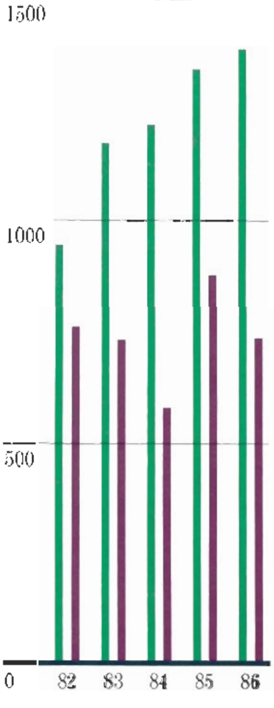
		1986	1985	1984	1983	1982
43%	Flat-rolled products	2584	2320	2161	1873	1587
19%	Extruded, rolled, drawn	1142	1042	1126	996	934
5%	Other fabricated	344	357	281	326	288
	Total fabricated	4070	3719	3568	3195	2809
15%	Ingot products	892	979	817	975	867
13%	Other products	794	813	887	799	677
5%	Operating revenues and other income	300	320	304	336	356

GROSS PROFIT BY PRODUCT
1986 (millions of U.S.\$)



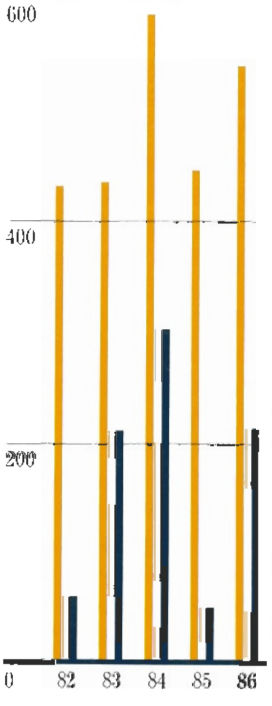
		1986	1985	1984	1983	1982
64%	Total fabricated products (integrated)	749	598	710	507	408
13%	Ingot products	154	45	175	153	46
8%	Other products	96	96	101	85	68
15%	Operating revenues and other income	171	171	152	160	153

SHIPMENTS OF ALUMINUM PRODUCTS
(thousands of tonnes)



	Fabricated	Ingot
1982	949	758
1983	1174	728
1984	1213	577
1985	1340	878
1986	1388	731

GROSS MARGINS ON SALES OF ALUMINUM PRODUCTS
(U.S. \$/tonne)



	Fabricated	Ingot
1982	430	61
1983	432	210
1984	585	303
1985	446	51
1986	540	211

Other Products: Sales of other products fell as Alcan restructured its U.S. distributor of nickel, stainless steel and aluminum products. In addition, in 1985 Alcan had sold its ferro-alloys business in Brazil. Sales of magnesium and alumina- and zirconium-based chemicals increased.

Operating Revenues: Over half of these revenues in 1986 arose from tolling operations, mostly in Germany and Canada. Sales of surplus power from Canadian and British generating stations accounted for most of the balance.

Other Income: Higher revenues from gains on the sale of assets were offset by lower foreign exchange gains and interest income.

LIQUIDITY & CAPITAL RESOURCES

Operations: Largely reflecting an increase in earnings over 1985 and a further reduction in operating working capital, cash generated by operations before dividends rose to $725 million from $586 million, continuing the steady improvement achieved since 1982.

A quarterly dividend of 20 cents per common share was maintained throughout the year.

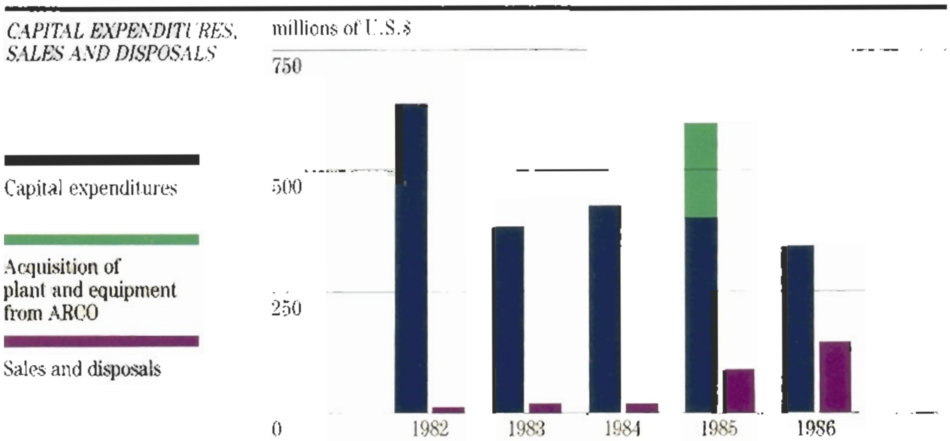
Investments: In 1986 capital expenditures and investments totalled $342 million, as against $597 million in 1985 including the acquisition of certain assets from ARCO. Alcan's sales of businesses, investments and other assets totalled $148 million, compared with $93 million in 1985.

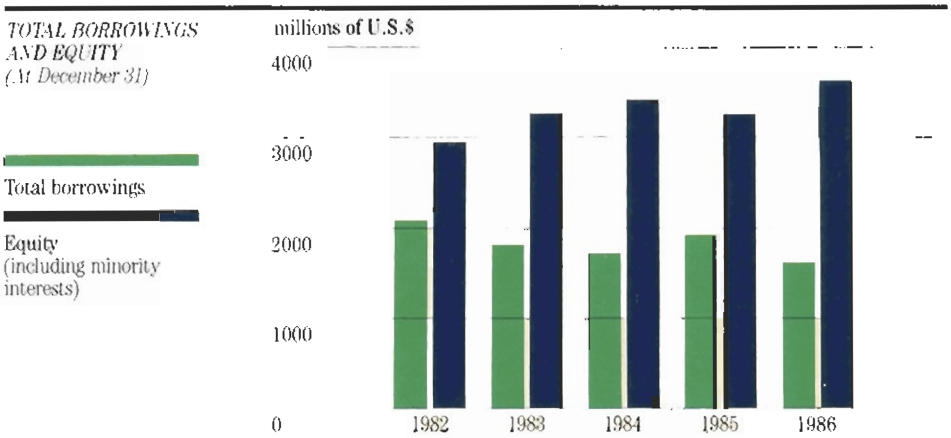
In December, Alcan signed a letter of intent with the other shareholders of Crowborough Investments Ltd. to continue to hold its 50% interest in that company. Crowborough owns about 10% of Spar Aerospace Ltd. and controls approximately 47.8% of the voting rights in Spar. Under the new arrangements, Alcan expects to invest additional amounts in Crowborough over the next three years to increase the latter's equity holding in Spar to 20%.

For 1987, capital expenditures net of sales and disposals are currently planned to be approximately $450 million. This increase includes previously deferred replacement of equipment. The Company will also make further investments in new businesses.

Financing: During the year, total borrowings were reduced by $431 million. In addition, the Company extended the average term of debt, reduced interest costs, and lowered floating rate debt as a proportion of total borrowings.

Aluminum Company of Canada, Limited (Alcan:Canada) reduced its term credit lines with banks by a net $330 million to $620 million and CAN$200 million, none of which was utilized at year-end. It also redeemed CAN$49 million of 1994 and $47 million of 1995 sinking fund debentures, $20 million of 1988 debentures and, in January 1987, CAN$24 million of 1991 sinking fund debentures.





Alcan:Canada also issued $100 million of 12-year debentures and, in January 1987, SFr178 million of 16-year bonds, which were subsequently swapped into U.S. dollars.

In July, Alcan:Canada redeemed $33 million of preferred shares and, in October, issued CAN$75 million of cumulative redeemable preference shares. At year-end, Alcan:Canada had $421 million of preferred shares, of which $203 million were non-retractable.

British Alcan Aluminium plc issued £30 million of 25-year debentures and reduced its lines of credit by £50 million to £120 million, of which £95 million were unutilized at year-end.

Prior to their expiry on December 31, 5.0 million warrants were exercised for common shares of Alcan at a subscription price of CAN$36.50 each, thereby contributing CAN$184 million to equity. Alcan also realized CAN$34 million from the sale of tax credits which were attached to 3.1 million of the shares issued on the exercise of the warrants. These transactions contributed to the $139 million increase in cash and time deposits compared to the end of 1985.

The ratio of total borrowings to shareholders' equity and minority interests was reduced to 31:69 at year-end from 37:63 at the end of 1985.

Management believes that Alcan has sufficient resources to meet its capital spending commitments, debt repayments, contractual obligations and planned working capital requirements.

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 required 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 sheet of Alcan Aluminium Limited as at December 31, 1986, 1985 and 1984 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1986. 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 1986, 1985 and 1984 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1986, in accordance with generally accepted accounting principles in Canada applied, except for the changes in accounting, with which we concur, as described in note 2, on a consistent basis.

Montreal, Canada
February 4, 1987

PRICE WATERHOUSE
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31 *(in millions of U.S.$)*		1986	1985	1984
Revenues				
	Sales	$5,756	$5,511	$5,272
	Operating revenues	200	207	195
	Other income	100	113	109
		6,056	5,831	5,576
Costs and expenses				
	Cost of sales and operating expenses	4,623	4,675	4,197
	Depreciation	276	258	250
	Selling, administrative and general expenses	406	385	393
	Research and development expenses	77	77	66
	Interest *(note 16)*	202	232	244
	Other expenses	52	53	38
		5,636	5,680	5,188
Income before special charges and rationalization expenses, income taxes and other items		420	151	388
	Special charges and rationalization expenses *(note 11)*	—	416	—
Income (Loss) before income taxes and other items		420	(265)	388
	Income taxes *(note 5)*	160	(87)	151
Income (Loss) before other items		260	(178)	237
	Equity income (loss)	(7)	(2)	15
	Minority interests	(35)	(36)	(36)
Income (Loss) before income tax recovery		218	(216)	216
	Income tax recovery applicable to prior years' losses *(note 4)*	26	36	37
Net income (Loss) *(notes 2 and 4)*		$ 244	$ (180)	$ 253

(in U.S.$)				
Income (Loss) per common share				
	Before income tax recovery	$ 2.18	$(2.17)	$ 2.21
	Income tax recovery	0.26	0.36	0.38
	Net income (Loss)	$ 2.44	$(1.81)	$ 2.59
Dividends per common share		$ 0.80	$ 1.10	$ 1.20

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31 *(in millions of U.S.$)*		1986	1985	1984
	Retained earnings – beginning of year	$1,813	$2,103	$1,967
	Net income (Loss)	244	(180)	253
		2,057	1,923	2,220
	Dividends	80	110	117
	Retained earnings – end of year *(note 14)*	$1,977	$1,813	$2,103

CONSOLIDATED BALANCE SHEET

December 31 *(in millions of U.S.$)*		1986	1985	1984
ASSETS				
Current assets				
	Cash and time deposits	$ 316	$ 177	$ 361
	Receivables	971	904	786
	Inventories			
	Aluminum	917	922	935
	Raw materials	265	303	339
	Other supplies	277	272	238
		2,746	2,578	2,659
Deferred charges and receivables		183	137	150
Investments *(note 6)*		240	271	281
Property, plant and equipment				
	Cost *(note 8)*	6,954	6,618	6,131
	Accumulated depreciation	3,005	2,743	2,531
		3,949	3,875	3,600
Total assets		$7,118	$6,861	$6,690

		1986	1985	1984
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
	Payables	$ 789	$ 736	$ 723
	Short-term borrowings (principally from banks)	160	261	282
	Income and other taxes	47	51	72
	Debt maturing within one year	90	78	94
		1,086	1,126	1,171
Debt not maturing within one year *(note 9)*		1,366	1,600	1,350
Deferred credits and other liabilities *(note 10)*		244	190	187
Provision for rationalization and related liabilities *(note 11)*		231	284	—
Deferred income taxes		554	409	562
Minority interests *(note 12)*		521	506	504
Shareholders' equity				
	Common shares *(note 13)*	1,172	1,032	1,015
	Retained earnings *(note 14)*	1,977	1,813	2,103
	Deferred translation adjustments *(note 3)*	(33)	(99)	(202)
		3,116	2,746	2,916
Commitments and contingencies *(note 15)*				
Total liabilities and shareholders' equity		$7,118	$6,861	$6,690

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31 *(in millions of U.S.$)*		1986	1985	1984
Operating activities				
	Income (Loss) before other items	$ 260	$(178)	$ 237
	Depreciation	276	258	250
	Special charges and rationalization expenses	—	395*	—
	Deferred income taxes	166	(120)	68
	Operating working capital	110	245	(91)
	Other – net	(87)	(14)	25
		725	586	489
	Dividends paid to Alcan shareholders	(80)	(110)	(117)
	Dividends paid to minority interests	(41)	(40)	(38)
	Cash from operating activities	604	436	334
Financing activities				
	New debt	295	619	283
	Debt repayments	(570)	(441)	(290)
		(275)	178	(7)
	Short-term borrowings – net	(156)	(57)	38
	Common shares of Alcan *(note 13)*	140	17	60
	Shares of subsidiary companies	55	71	124
	Redemption of preferred shares of subsidiary companies	(37)	(44)	(37)
	Cash from financing activities	(273)	165	178
Total cash available before investment activities		331	601	512
Investment activities				
	Property, plant and equipment	318	569	414
	Investments	24	28	13
	Operating working capital acquired	—	274*	—
		342	871	427
	Sales and disposals	(148)	(93)	(21)
	Cash used for investment activities	194	778	406
Increase (Decrease) in cash before deferred translation adjustments		137	(177)	106
Deferred translation adjustments relating to cash and time deposits		2	(7)	(7)
Increase (Decrease) in cash and time deposits for the year		139	(184)	99
Cash and time deposits – beginning of year		177	361	262
Cash and time deposits – end of year		$ 316	$ 177	$ 361
Changes in operating working capital				
	Receivables	$ 67	$ 118	$(104)
	Inventories	(38)	(15)	64
	Payables	(53)	(13)	48
	Income and other taxes	4	21	(28)
	Deferred translation adjustments	(79)	(106)	111
	Less: Operating working capital acquired	—	(274)*	—
	Other	(11)	24	—
	Increase (Decrease) for the year	$(110)	$(245)	$ 91

*Net of cash items.

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

■ 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 all 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. Investments in companies in which Alcan does not have significant influence over management are carried at cost less amounts written off.

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 adjustments 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. (1986: 99.9 million; 1985: 99.4 million; 1984: 97.8 million)

■ 2 *ACCOUNTING CHANGES*

In 1986, the Company adopted the CICA's new recommendations on accounting for pension costs and obligations. The effect of this change, applied prospectively, was to increase net income for 1986 by $20 ($0.20 per common share). See also note 17.

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. Net income for 1986 would have been increased by $2 ($0.02 per common share) and the loss for 1985 would have been reduced by $10 ($0.10 per common share) had the flow through approach been continued.

■ 3 *CURRENCY TRANSLATION*

Currency translation losses included in income were $13 in 1986 (loss of $7 in 1985 and gain of $24 in 1984).

Following is an analysis of the Deferred translation adjustments component of Shareholders' equity:

	1986	1985	1984
Balance – beginning of year	$(99)	$(202)	$(123)
Movements during the year	54	62	(79)
Transferred to income: amounts related to realized and anticipated losses on certain investments	12	41	–
Balance – end of year	$(33)	$ (99)	$(202)

■ 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 1986, $18 ($28 in 1985 and $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.

	1986		1985		1984	
	As Reported	U.S. GAAP	As Reported	U.S. GAAP	As Reported	U.S. GAAP
Consolidated net income (loss)						
First quarter*	$ 32	$ 35	$ 30	$ 13	$ 83	$ 101
Second quarter*	106	90	(5)	(24)	98	107
Third quarter*	54	25	7	15	52	39
Fourth quarter*	52	59	(212)	(228)	20	16
	$ 244	$ 209	$ (180)	$ (224)	$ 253	$ 263
Dollars per common share	**$ 2.44**	$ 2.09	$ (1.81)	$ (2.26)	$ 2.59	$ 2.69
Consolidated retained earnings						
End of year	$1,977	$2,040	$1,813	$1,911	$2,103	$2,245
Deferred translation adjustments						
End of year	$ (33)	$ (86)	$ (99)	$ (155)	$ (202)	$ (280)

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 January 1, 1983.

*unaudited

5 *INCOME TAXES*

	1986	1985	1984
Income (Loss) before income taxes and other items			
Canada	$ 258	$(289)	$ 209
Other countries	162	24	179
	420	(265)	388
Current income taxes			
Canada	(26)	(7)	26
Other countries	20	40	57
	(6)	33	83
Deferred income taxes			
Canada	96	(147)	39
Other countries	70	27	29
	166	(120)	68
Total income tax provision	$ 160	$ (87)	$ 151

The composite of the applicable statutory corporate income tax rates in Canada is 46.9% (44.9% in 1985 and 44.8% in 1984). Dividends paid by 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:

	1986	1985	1984
Income taxes at the composite rate	$ 197	$(119)	$ 174
Increase (Reduction) attributable to:			
Investment and other allowances	(35)	(31)	(45)
Exchange translation losses	30	30	37
Income and expenses without tax effect	(30)	41	(23)
Other – net	(2)	(8)	8
Income tax provision	$ 160	$ (87)	$ 151

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

	1986	1985	1984
Inventory valuation	$ 13	$ (15)	$ (16)
Depreciation	71	19	7
Prior years' losses	36	36	37
Investment and foreign tax credits	21	9	45
Special charges and rationalization expenses	–	(164)	–
Other – net	25	(5)	(5)
	$ 166	$(120)	$ 68

6 INVESTMENTS

	1986	1985	1984
Companies accounted for under the equity method *(note 1)*	$ 225	$ 240	$ 278
Other investments – at cost, less amounts written off	15	31	3
	$ 240	$ 271	$ 281

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

Results of operations for the year			
Revenues	$3,798	$3,751	$4,847
Costs and expenses	3,647	3,575	4,517
Income before income taxes	151	176	330
Income taxes	106	109	118
Net income	$ 45	$ 67	$ 212
**Alcan's share of net income	5	2	56
Dividends received by Alcan	25	23	16
Financial position at December 31			
Current assets	$2,227	$2,021	$2,557
Current liabilities	1,989	1,649	2,154
Working capital	238	372	403
Property, plant and equipment – net	1,703	1,546	2,175
Other assets – net	207	223	158
	2,148	2,141	2,736
Debt not maturing within one year	1,427	1,305	1,861
Net assets	$ 721	$ 836	$ 875
Alcan's equity in net assets	225	235	265

**Certain investments (the most significant being Industria Espanola 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.*

7 ABATABLE PREFERRED SHARES

Payment terms for assets acquired in January 1985 from Atlantic Richfield Company included contingent consideration in the form of abatable preferred shares with an initial total nominal value of $400. Of these, $40 have been fully abated and $360 continue to be outstanding. The outstanding shares will either qualify for dividend and redemption or be subject to abatement depending upon whether or not Alcan and three other designated aluminum producers realize certain specified prices for ingot products (ranging from $0.97 per pound to $1.99 per pound) in the years to 1994.

To the extent the shares are not abated, the qualifying amount will be reflected in the financial statements and a corresponding amount, together with a cumulative dividend of 9% per annum payable thereon, at the time the shares qualify, retroactive to the date of issue (January 18, 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 January 18, 1997, but may be redeemed earlier at the option of Alcan.

■ 8 *PROPERTY, PLANT AND EQUIPMENT, AT COST*

	1986	1985	1984
Land, and property rights	$ 109	$ 99	$ 103
Buildings, machinery and equipment	6,626	6,179	5,485
Construction work in progress	219	340	543
	$6,954	$6,618	$6,131

Capital expenditures in 1987, net of disposals, are expected to be about $450.

■ 9 *DEBT NOT MATURING WITHIN ONE YEAR*

	1986	1985	1984
Aluminum Company of Canada, Limited and subsidiary companies			
Bank loans under credit agreements*	$ —	$ 50	$ 50
Notes payable (commercial paper)	—	116	66
Notes payable	—	120	—
9½% Sinking fund debentures	—	20	24
15¾% Eurodollar debentures, due 1992	75	75	75
14¼% Notes, due 1992	100	100	100
9½% Notes, due 1987/1994	31	34	38
9½% Sinking fund debentures	—	51	52
11¼% Debentures, due 1995	100	100	—
9⅞% Debentures, due 1998	100	—	—
9⅝% Sinking fund debentures, due 1991 (CAN$24)	17	19	29
9.956% Bank loan, due 1995	25	25	—
10¾% Sinking fund debentures	—	35	39
8¾% Loan, due 1987/1992 (£24)	34	40	37
Other debt, due 1987/2013	61	66	71
Alcan Empreendimentos Ltda and subsidiary companies			
Bank loans, due 1987/1992*	182	195	205
Other debt, due 1987/1993	26	21	14
British Alcan Aluminium plc and subsidiary companies			
10⅞% Debentures, due 2011 (£30)	44	—	—
Bank loans, due 1987/1996 (£85)*	124	127	121
Other debt, due 1987/1996 (£16)	24	29	43
Alcan Aluminiumwerke GmbH and subsidiary companies			
Bank loans, due 1987/1996 (DM215)	111	63	51
Other debt, due 1987/1996 (DM2)	1	1	1
Alcan South Pacific Limited and subsidiary companies			
Notes payable, due 1989*	75	75	75
Notes payable, due 1994*	100	100	100
Bank loans and other debt due 1987/1991 (A$30 and U.S.$30)*	49	59	94
8½% Bonds, due 1989	20	20	20
Other companies			
Bank loans, due 1987/1992*	59	63	35
Other debt, due 1987/1993	98	74	104
	1,456	1,678	1,444
Debt maturing within one year included in current liabilities	(90)	(78)	(94)
	$1,366	$1,600	$1,350

**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.*

In January 1987, Aluminum Company of Canada, Limited issued SFr 178 of 16-year bonds which have been swapped into $105 at an effective interest rate of 8.98%. The proceeds were used to repay debt and increase cash reserves.

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 $90 in 1987, $110 in 1988, $243 in 1989, $113 in 1990 and $93 in 1991.

10 *DEFERRED CREDITS AND OTHER LIABILITIES*

Deferred credits include a prepayment by a related company under an alumina tolling arrangement of $56 in 1986 ($58 in 1985 and $61 in 1984).

11 *SPECIAL CHARGES AND RATIONALIZATION EXPENSES*

In 1985, Alcan made provisions aggregating $416 to cover losses, asset write-downs and expenses related to several rationalization programs. Of this amount, $185 has been utilized to the end of 1986 and the balance of $231 is expected to be utilized for rationalizations and write-downs of identified businesses.

12 *MINORITY INTERESTS*

The principal component consists of $421 of preferred shares of Aluminum Company of Canada, Limited, of which $32 are retractable at the option of the holder in 1988 and $186 in 1989.

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)		
	1986	1985	1984	1986	1985	1984
Outstanding – beginning of year	99,780	99,118	96,929	$1,032	$1,015	$ 955
Issued for cash:						
Executive share option plan	36	29	99	1	1	2
Dividend reinvestment and share purchase plans	127	397	1,249	4	10	35
Exercise of warrants	5,038	—	—	133	—	—
Issued under stock dividend plan	60	236	841	2	6	23
Outstanding – end of year	105,041	99,780	99,118	$1,172	$1,032	$1,015

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 $36.54 per share. These options expire at various dates during the next ten years. Changes in shares under option are summarized below:

	1986	1985	1984
Outstanding – beginning of year	382,343	359,096	481,125
Granted	146,600	73,300	15,800
Exercised	(36,152)	(29,106)	(98,674)
Cancelled	(71,430)	(20,947)	(39,155)
Outstanding – end of year	421,361	382,343	359,096

14 *RETAINED EARNINGS*

Consolidated retained earnings at December 31, 1986 include:

- $525 which, pursuant to the provisions of certain debt and share issues of subsidiary companies is not distributable as dividends either in cash or in kind to Alcan.
- $35 of undistributed earnings of companies accounted for under the equity method.
- $1,052 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.

15 *COMMITMENTS AND CONTINGENCIES*

To ensure 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 $147 in 1987, $129 in 1988, $132 in 1989, $129 in 1990, $127 in 1991 and $560 thereafter. Total charges from these related companies were $201 in 1986, $185 in 1985 and $181 in 1984. In addition, there are guarantees for the repayment of approximately $34 of indebtedness by related companies. Commitments with third parties for supplies of other inputs are estimated at $33 in 1987, $27 in 1988, $27 in 1989, $23 in 1990, $24 in 1991 and $213 thereafter. Total charges from these third parties were $24 in 1986 and in 1985.

Minimum rental obligations amount to $59 in 1987, $50 in 1988, $49 in 1989, $32 in 1990, $29 in 1991 and lesser annual amounts thereafter. Total rental expenses amounted to $72 in 1986, $83 in 1985 and $86 in 1984.

Alcan, in the course of its normal operations, is subject to claims and lawsuits. The Company does not believe that these matters will materially impair its operations or have a material adverse effect on its financial position.

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

16 *SUPPLEMENTARY INCOME STATEMENT INFORMATION*

	1986	1985	1984
Repairs and maintenance	$436	$395	$385
Taxes, other than payroll and income taxes	118	104	117
Interest on long-term debt	168	174	183
Capitalized interest	(15)	(39)	(32)

■ 17 *PENSION PLANS*

Alcan and its subsidiaries have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. Most plans provide pension benefits that are based on the employee's highest average eligible compensation during any consecutive thirty-six month period before retirement. Plan assets consist primarily of listed stocks and bonds.

Alcan's funding policy is to contribute the amount required to provide for benefits attributed to service to date with projection of salaries to retirement and to amortize unfunded actuarial liabilities for the most part over periods of 15 years or less.

1986 Pension Cost	
Service cost for the year	$ 53
Interest cost on projected benefit obligations	112
Actual return on assets	(280)
Deferral of excess return on assets (above expected long-term rate of 7.9%) and amortization of other gains and losses	122
Net cost for year	$ 7

The plans' funded status at December 31, 1986 was:

Actuarial accumulated benefit obligation, including vested benefit obligations of $1,255	$1,284
Plan assets at market value	1,996
Actuarial projected benefit obligation (based on average compensation growth of 5.9% and discount rate of 7.9%)	1,551
Plan assets in excess of projected benefit obligation	445
Unamortized actuarial gains (net)	(125)*
Unamortized prior service cost	15 *
Unamortized portion of actuarial surplus at January 1, 1986	(357)*
Pension liability in balance sheet	$ 22

**Being amortized over expected average remaining service of employees, generally 15 years.*

The pension cost for 1986 is based on the new Canadian and U.S. accounting standards. The accounting practice in previous years was generally to expense the contributions made in the year, which were based on actuarial valuations prepared for funding purposes. Under the previous accounting method, pension costs were $65 in 1985 and $42 in 1984.

Based on actuarial reports the present value of vested accumulated plan benefits was $1,255 in 1986 ($1,025 in 1985 and $892 in 1984) and the present value of accumulated non-vested benefits was $29 in 1986 ($17 in each of 1985 and 1984). The value of the net assets available for benefits was $1,442 in 1985 ($1,261 in 1984) at market prices prevailing at the time of actuarial valuation. The discount rate used to measure pension obligations and the expected long-term rate of return on assets were 7.2% in 1985 and 7.0% in 1984.

■ 18 *INFORMATION BY GEOGRAPHIC AREAS*

	Location	1986	1985	1984
Sales & operating revenues	**To subsidiaries**			
	Canada	$1,205	$ 862	$1,086
	United States	102	83	91
	Latin America	9	5	22
	Europe	93	85	80
	Pacific	50	37	73
	All other	203	175	259
	Sub-total	1,662	1,247	1,611
	Consolidation eliminations	(1,662)	(1,247)	(1,611)
	Total	—	—	—
	To third parties			
	Canada	$ 794	$ 921	$1,004
	United States	1,998	1,957	1,576
	Latin America	348	339	349
	Europe	2,065	1,756	1,683
	Pacific	665	664	709
	All other	86	81	146
	Total	$5,956	$5,718	$5,467
	Sales	$5,756	$5,511	$5,272
	Operating revenues	200	207	195
	Total	$5,956	$5,718	$5,467
	Sales to subsidiary companies are made at a fair market price recognizing volume, continuity of supply and other factors.			
Net income (Loss)	Canada	$ 150	$ (41)	$ 141
	United States	43	14	17
	Latin America	2	20	39
	Europe	82	(7)	51
	Pacific	(20)	(13)	33
	All other	25	—	6
	Consolidation eliminations	(38)	(153)	(34)
	Total	$ 244	$ (180)	$ 253
Total assets at December 31	Canada	$2,575	$2,476	$2,785
	United States	1,115	1,110	999
	Latin America	713	705	716
	Europe	1,956	1,829	1,469
	Pacific	878	821	842
	All other	496	268	324
	Consolidation eliminations	(615)	(348)	(445)
	Total	$7,118	$6,861	$6,690
Capital expenditures	Canada	$ 98	$ 152	$ 194
	United States	52	136	45
	Latin America	60	57	37
	Europe	96	161	35
	Pacific	27	61	98
	All other	9	30	18
	Total	$ 342	$ 597	$ 427
Average number of employees *(in thousands)*	Canada	16	17	18
	United States	7	7	5
	Latin America	9	10	10
	Europe	20	20	20
	Pacific	13	14	14
	All other	2	2	3
	Total	67	70	70

Quarterly Financial Data
(Unaudited)

(in millions of U.S.$)	First	Second	Third	Fourth	Year
1986					
Revenues	$1,453	$1,607	$1,492	$1,504	$6,056
Cost of sales and operating expenses	1,152	1,188	1,142	1,141	4,623
Depreciation	66	69	68	73	276
Income taxes	23	66	39	32	160
Interest and other items	188	186	196	209	779
Income tax recovery	8	8	7	3	26
Net income	$ 32	$ 106	$ 54	$ 52	$ 244
Income per common share *(in U.S.$)*					
Before income tax recovery	0.24	0.98	0.47	0.49	2.18
Income tax recovery	0.08	0.08	0.07	0.03	0.26
Net income	0.32	1.06	0.54	0.52	2.44
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 *(in 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 *(in 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

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

Bauxite Reserves
(Unaudited)

(in millions of crude tonnes)	1986	1985	1984	1983	1982
Subsidiaries					
Proved bauxite reserves at beginning of year	242	247	250	255	257
Total weighted average aluminum content* *(%)*	28	28	27	27	27
Bauxite mined during the year	5	5	5	5	4
Related companies					
Alcan's share of proved bauxite reserves at beginning of year	69	64	64	68	65

**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.*

A FIVE-YEAR SUMMARY

Operating data *(in thousands of 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 *(in U.S.$)*	Income (Loss) from continuing operations	
	As reported	
	U.S. GAAP	
	Income (Loss) including extraordinary gain	
	As reported	
	U.S. GAAP	
	Dividends paid	
	Common shareholders' equity	
	As reported	
	U.S. GAAP	
	Market price NYSE close	
Other statistics	Cash from operating activities, before dividends *(in millions of U.S.$)*	
	Capital expenditures *(in millions of U.S.$)*	
	Average number of employees *(in thousands)*	
	Common shareholders *(in thousands at end of year)*	
	Common shares outstanding *(in millions at end of year)*	
		Registered in Canada *(%)*
		Registered in the United States *(%)*
		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 As reported and U.S. GAAP.

1986	1985	1984	1983	1982
2,119	2,218	1,790	1,902	1,707
731	878	577	728	758
1,388	1,340	1,213	1,174	949
1,045	1,045	1,076	945	917
596	599	484	438	380
579	625	708	534	620
1,841	1,841	1,646	1,619	1,593
1,905	1,905	2,097	2,070	2,035
6,056	5,831	5,576	5,305	4,709
892	979	817	975	867
4,070	3,719	3,568	3,195	2,809
794	813	887	799	677
300	320	304	336	356
4,623	4,675	4,197	4,169	3,819
276	258	250	238	221
202	232	244	255	234
160	(87)	151	73	(9)
535	931	497	484	447
(7)	(2)	15	(6)	(45)
(35)	(36)	(36)	(22)	(10)
218	(216)	216	58	(58)
201	(232)	242	51	2
26	36	37	15	—
8	8	21	15	—
244	(180)	253	73	(58)
209	(224)	263	66	2
1,660	1,452	1,488	1,452	1,361
3,949	3,875	3,600	3,550	3,701
240	271	281	284	271
1,366	1,600	1,350	1,499	1,749
554	409	562	537	535
521	506	504	436	451
3,116	2,746	2,916	2,799	2,511
3,126	2,788	2,980	2,852	2,602
7,118	6,861	6,690	6,600	6,632
2.18	(2.17)	2.21	0.64	(0.69)
2.01	(2.34)	2.47	0.56	0.02
2.44	(1.81)	2.59	0.81	(0.69)
2.09	(2.26)	2.69	0.73	0.02
0.80	1.10	1.20	0.90	1.35
29.66	27.52	29.42	28.88	29.48
29.76	27.95	30.07	29.42	30.54
28.25	29.00	28.75	39.75	27.88
725	586	489	324	255
342	597	427	382	643
67	70	70	71	67
49	59	67	59	51
105	100	99	97	85
43	46	56	48	51
52	49	39	48	42
5	5	5	4	7
8	(6)	9	3	(2)

INFLATION ACCOUNTING
(Unaudited)

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

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. A "financing adjustment" is also made 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.

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 monetary liabilities gain.

The effect of high inflation in the past accounts for the significant difference between the current cost and historical reported values of Alcan's property, plant and equipment.

■ *SCHEDULE OF CONSOLIDATED INCOME*

	Historical as reported		Current cost basis in average 1986 $	
(in millions of U.S. $)	1986	1985	1986	1985
Cost of sales and operating expenses	$4,623	$4,675	$4,627	$4,743
Depreciation expense	276	258	437	441
Income taxes	160	(87)	160	(89)
Income (Loss) before income tax recovery	218	(216)	64	(352)
Net income (Loss), before financing adjustment	244	(180)	90	(316)
Financing adjustment*	—	—	66	26
Net income (Loss), after financing adjustment	244	(180)	156	(290)

■ *SCHEDULE OF CONSOLIDATED ASSETS*

	Historical as reported		Current cost basis in year-end 1986 $	
(in millions of U.S. $)	1986	1985	1986	1985
Inventory	$1,459	$1,497	$1,515	$1,606
Property, plant and equipment – net	3,949	3,875	6,805	6,643
Net assets (shareholders' equity)	3,116	2,746	6,105	5,710

■ *SUPPLEMENTARY INFORMATION*

	In average 1986 $	
(in millions of U.S. $)	1986	1985
Increase in current cost amounts of inventory and property, plant and equipment based on:		
General inflation	$ 92	$314
Specific prices	350	128
Difference	(258)	186
General purchasing power gain on net monetary liabilities	15	59

**Based on specific price increases of inventory and property, plant and equipment. Based on current cost adjustments made to income during the year, the financing adjustment amounts to $29 ($27 in 1985).*

*ALCAN COMPANIES WORLDWIDE**

Fully owned, unless the percentage of ownership is shown

■ **Argentina**
Camea S.A.

▲ **Australia**
Alcan Australia Limited (69.9%)
Queensland Alumina Limited (21.4%)

◆ **Bermuda**
Alcan (Bermuda) Limited

▲ **Brazil**
Alcan Aluminio do Brasil S.A.
Mineraçao Rio do Norte S.A. (24%)

▲ **Canada**
Aluminum Company of Canada, Limited
Alcan Smelters and Chemicals Limited

◆ **France**
Aluminium Alcan de France
Technal

▲ **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 (63.9%)
Johore Mining and Stevedoring Co. Sdn. Berhad (70%)

■ **New Zealand**
Alcan New Zealand Limited (69.2%)

▲ **Spain**
Industria Espanola 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 plc

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

■ *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. The statement is available to shareholders on request.

DIRECTORS AND OFFICERS

■ *DIRECTORS*	Sonja I. Bata, O.C.	Toronto - *Director of Bata Limited*
	Arthur A. Bruneau	Montreal - *Senior Vice President*
	John F. Burlingame	Fairfield, Connecticut - *Director of various companies*
	Warren Chippindale, F.C.A.	Montreal - *Director of various companies*
	David M. Culver, O.C.	Montreal - *Chairman and Chief Executive Officer*
	Dr. John R. Evans	Toronto - *Chairman and Chief Executive Officer, Allelix Inc.*
	Dr. Lawrence E. Fouraker	Boston - *Fellow, Harvard University's John F. Kennedy School of Government*
	Allan A. Hodgson	Montreal - *Vice President and Chief Financial Officer*
	Lionel P. Kent, F.C.A.	Montreal - *Retired*
	David Morton	Montreal - *President and Chief Operating Officer*
	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.	Québec - *Chairman of La Laurentienne Mutuelle d'Assurance*
	Ihor Suchoversky	Montreal - *Vice President, Research and Technology*

AUDIT COMMITTEE	*PERSONNEL COMMITTEE*
Lionel P. Kent, *Chairman*	Lawrence E. Fouraker, *Chairman*
Sonja I. Bata	John F. Burlingame
Warren Chippindale	David M. Culver
John L. Nichol	John R. Evans
Jean-Marie Poitras	J. Edward Newall
	John L. Nichol
	Lord Peyton

■ *OFFICERS*	David M. Culver	*Chairman and Chief Executive Officer*
	David Morton	*President and Chief Operating Officer*
	Archie F. Black	*Executive Vice President*
	Arthur A. Bruneau	*Senior Vice President*
	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*
	Michael C. d'E. Miller	*Director of Corporate Communications*
	Prabir Kumar Pal	*Chief Legal Officer*
	Maurice D. Taylor	*Treasurer*
	Suresh Thadhani	*Controller*
	Richard S. Porter	*Secretary*

SHAREHOLDER INFORMATION

ANNUAL MEETING

The Annual Meeting of the Shareholders of Alcan Aluminium Limited will be held on Thursday, April 23, 1987, at 10 a.m., at the Ritz-Carlton Hotel, Montreal.

10-K REPORT

A copy of the Company's annual 10-K report for 1986, to be filed with the United States Securities and Exchange Commission, will be available to shareholders after April 1 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.

SHAREHOLDER INVESTMENT PLANS

The Company offers shareholders two 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 and Share Purchase Plan. For information contact: Alcan Shareholder Services, P.O. Box 6077, Montreal, Canada H3C 3A7.

QUARTERLY DIVIDENDS AND COMMON SHARE PRICES

1986	Dividends per share	Common share price *(NYSE - U.S.$)**		*(TSE - CAN$)**	
Quarter	*(U.S.$)*	High	Low	High	Low
First	0.20	34⅝	28½	48⅜	39⅞
Second	0.20	33½	27¾	46⅛	39½
Third	0.20	33¼	27¾	46	38⅛
Fourth	0.20	32⅛	27⅝	44⅝	38¼
Year	0.80				

1985	Dividends per share	Common share price *(NYSE - U.S.$)**		*(TSE - CAN$)**	
Quarter	*(U.S.$)*	High	Low	High	Low
First	0.30	31¼	25⅛	41¾	34½
Second	0.30	27	23¼	37	32¼
Third	0.30	28⅝	23½	39¼	32
Fourth	0.20	30¼	22¾	42⅛	31
Year	1.10				

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

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.

VERSION FRANÇAISE

Pour obtenir la version française de ce rapport, veuillez écrire à: Alcan Aluminium Limitée, Communications d'entreprise, 1188, rue Sherbrooke Ouest, Montréal (Québec) H3A 3G2.

Alcan Aluminium Limited

ALCAN

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