C

ALCAN ALUMINIUM LIMITED

ANNUAL REPORT

1988

"...the conduct and effectiveness of our organization
is highly dependent upon the quality
of the people who comprise it..."

– from *Alcan, Its Purpose, Objectives and Policies,* June 1978

ALCAN

CONTENTS

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.

A "subsidiary" is a company in which Alcan directly or indirectly owns more than 50 per cent of the voting stock. A company owned 50 per cent or less by Alcan, and in which the Company has significant influence over management, is referred to as a "related company".

The following abbreviations are used:

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

VERSION FRANÇAISE

Pour obtenir la version française de ce rapport, veuillez écrire aux Services aux actionnaires d'Alcan dont l'adresse figure en page 37.

COVER AND THEME

In 1978, Alcan distributed to all its employees and its shareholders the document, "Alcan, Its Purpose, Objectives and Policies", reflecting the basic guidelines that had directed, and would continue to direct, the conduct of the Company over the years. Essentially unchanged, the document is even more relevant in today's social and business environment. On the cover of this Annual Report and throughout the review of our operations, key quotations from the document are illustrated by Alcan's people and activities today. (Copies of "Alcan, Its Purpose, Objectives and Policies" are available upon request.)

In the cover photograph, Joe Vanella, crew leader, directs a crane operator in the placement of aluminum coils at one of Alcan's largest rolling plants at Oswego, New York.

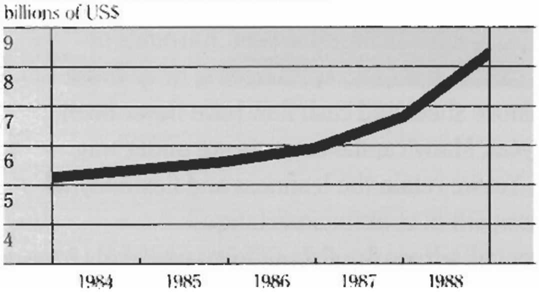
COMPANY PROFILE

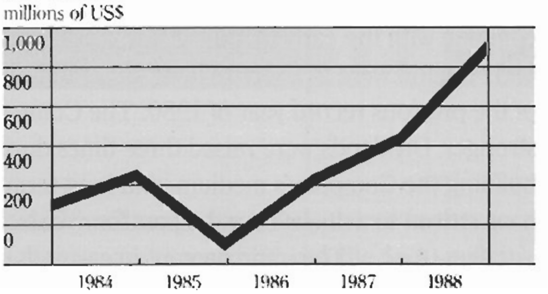
Alcan, the leading international aluminum company, is vertically integrated throughout all stages of the industry, including bauxite mining, alumina refining, aluminum smelting and fabricating, and sales. The Company is also committed to establish an array of related new businesses with superior growth and profit potential. Alcan has developed a unique combination of competitive strengths with low-cost, owned hydro-power in Canada, international diversification, and proprietary process technology.

Alcan Aluminium Limited, incorporated in Canada on June 3, 1902, has some 41,200 holders of its common shares and 3,300 holders of its preference shares.

The word ALCAN and the symbol are registered trademarks in more than 100 countries.

HIGHLIGHTS OF 1988





	1988	1987	% change
Principal highlights (in millions of US$)			
Sales and operating revenues	**8,529**	6,797	25
Net income	**931**	433	115
Return (%) on average common shareholders' equity	**24**	12	—
Total assets (at year-end)	**8,615**	7,660	12
Capital expenditures	**676**	415	63
Ratio of total borrowings to equity, including minority interests (at year-end)	**26:74**	27:73	—
Aluminum shipments (in thousands of tonnes)			
Fabricated products	**1,446**	1,410	3
Ingot products	832	787	6
Total	2,278	2,197	4
Per common share (in US$)			
Net income	**5.77**	2.52	129
Dividends	**0.88**	0.58	52
Common shareholders' equity (at year-end)	**27.09**	22.57	20
Market price (NYSE – consolidated trading)			
High	**33⅜**	37⅞	—
Low	**23⅞**	18	—

Nineteen eighty-eight saw a favourable climate for the aluminum industry combine with the early fruits of Alcan's own strategy to produce a memorable year. Earnings of $931 million were at a record level, more than double those of 1987 and approaching twice those of the previous record year of 1980. The Company's balance sheet and cash flow have never been stronger. Dividends were raised three times during the year. Many capital projects are under way, building the Company's medium- and long-term future. Yet we retain the leanness and flexibility we have striven to achieve over the past four years.

The improvement in earnings came from all across the Group, but particularly from the smelting and fabricating operations of North America, which reaped the full benefit of the increase in dollar prices of aluminum. In the fabricating field, about one-third of our total sales now comes from our smaller manufacturing companies, which sell a wide range of products. It is encouraging to see these companies, which thrive on innovation and entrepreneurship, operating successfully within a large multinational. In all sectors, a continuing commitment to "excellence and lowest cost in our chosen aluminum businesses" – in the words of our mission statement – was very evident throughout the year.

The other element of our strategy – the development of new businesses based on our existing strengths – also showed some exciting developments. In advanced materials, construction has started on our first production plant for *Duralcan*, a new metal matrix composite that combines low cost with outstanding properties. In the automotive field, we took an important step towards commercialization of our aluminum structured vehicle technology, based on adhesive bonding. Two important production prototypes, the Ferrari 408 and the Jaguar XJ 220, both using Alcan's technology for their structure, were announced during the year. In our existing businesses, product and process innovation flourished everywhere.

The rising tempo of technological achievement was highlighted by three awards in 1988: the Queen's Award for Technological Innovation in the United Kingdom for the development of *Lital* aluminum-lithium alloys, the Archimedes Award, also in the U.K., for work on inorganic membrane filters and the Canada Award for Business Excellence for "an outstanding scientific and technological breakthrough" in developing an aluminum-air fuel cell for use by British Telecom.

The year has indeed been one of achievement on many fronts by many people and we would like to express the appreciation of the Directors for the effort and skill of everybody throughout the Alcan Group that has made it possible.

Nineteen eighty-eight was regarded by many, including *Time* magazine, as the Year of the Environment, and Alcan was active in confronting its own environmental challenges. As can be seen elsewhere in this report, the Company has been committed for many years "to take all practical steps to prevent or abate all forms of pollution which result from our operations...." Considerable resources were devoted throughout the year to pursuing this commitment, not least to the construction of the Laterrière smelter which is a major step towards replacing the environmentally obsolete parts of our smelter system in Quebec.

Capital expenditures in the year rose to $676 million and are likely to rise further to about $1.2 billion in 1989. Apart from the Laterrière smelter, we are proceeding with the $630-million Kemano completion project, probably one of the last low-cost hydroelectric sites of any developed country in the world and an asset of significant long-term value to the Company. Other important areas of capital expenditure were the North American and European rolling systems, beverage can recycling and new businesses.

In December, the Board announced the appointment of David Morton, currently President and Chief Operating Officer, as Chairman and Chief Executive Officer with effect from July 1, 1989. This appointment should ensure a smooth transition as one of us retires and the other takes over.

The outlook for 1989 is a healthy one. At the industry level, the balanced supply-demand position appears likely to persist. Everything we have achieved as a company since the early 1980s gives us the momentum to take full advantage of the opportunities of 1989. Based on the current industry conditions, earnings in 1989 should compare well with those of 1988. Perhaps even more important in the longer term, we are confident that our strategy is succeeding. We have shown our ability to profit handsomely from good times. We believe that we have also built the ability and the strengths to do well in bad times. That is the really encouraging conclusion of 1988.

David M. Culver

David M. Culver
Chairman and Chief Executive Officer

D Morton

David Morton
President and Chief Operating Officer

February 8, 1989

Demand for aluminum was firm in most markets throughout the world, which led shipments, revenues and earnings for Alcan to reach new highs. Revenues were $8.6 billion compared to $6.9 billion in 1987 and shipments of aluminum products totalled 2.3 million tonnes, approximately 12% of Western World aluminum consumption. Net income rose by 115% to $931 million in 1988. While the strong aluminum market was the main source of these gains, Alcan's cost reduction efforts over the past three years, which have resulted in a permanent $280-million pre-tax reduction of its annual cost base, were also important contributors.

The development of new businesses continued to make good progress, particularly in the transportation and advanced materials fields. Other areas in which work is actively continuing are the aluminum-air battery, ultra-filtration devices and packaging systems. While most of these projects are in the early stage of development, several are already showing encouraging long-term potential.

In both current operations and planned investments, environmental protection remains a high priority. In Canada, for example, Alcan was a signatory to the Report of the National Task Force on Environment and Economy. During 1988, the Company invested $47 million in direct environmental protection measures in its operations throughout the world.

CANADA

Alcan's Canadian operations had a very successful year as profits doubled to $453 million. Shipments to customers in Canada were 273 thousand tonnes (kt) compared to 238 kt in 1987. The Canadian smelter operations produced 1,008 kt of primary aluminum or 62% of the Company's total production. Approximately 70% of this aluminum was exported to Alcan fabricating plants and third-party customers in other countries, with the United States as the largest market.

Smelting:

The market for primary aluminum remained strong throughout the year and prices reached all-time high levels. While manufacturing costs were kept under control, there was a sharp increase in the cost of purchased raw materials. During the year, the Company reached a three-year labour agreement with employees at its Quebec smelter operations and a two-year agreement with employees at the Kitimat, British Columbia, smelter.

In 1988, two important new initiatives were undertaken that will ensure Alcan's Canadian smelter operations remain among the lowest-cost in the world. Construction began on the 200-thousand-tonne-per-year (kt/y) Laterrière, Quebec, smelter which is expected to cost $600 million before capitalized interest. This facility will replace part of the Soderberg capacity at the Arvida smelter, resulting in a 60% reduction in polycyclic aromatic hydrocarbon (PAH) emissions. It will also result in appreciable savings in labour and energy per tonne of aluminum produced. Under an accelerated construction schedule, production from the first of four 50-kt/y potlines is expected to begin in 1989, replacing capacity which is now closed. The project will be completed in 1991.

Alcan also announced that construction will begin in 1989 on the expansion of the Kemano, British Columbia, hydroelectric facility. The expansion will add 540 megawatts, or 60%, to the current installed hydroelectric generating capacity at Kemano at a cost of $630 million when completed in 1994. This additional hydroelectric generating capacity will eventually be used for new aluminum production when market and other conditions require. In the interim, the surplus electricity will be sold to British Columbia Hydro and Power Authority. Extensive consultation with interested groups prior to construction allowed this project to reflect the interests of all stakeholders.

With the commissioning this year of an 80-kt/y sheet ingot casting center at the Grande-Baie

Maintenance operators at Alcan Brazil's Ouro Preto plant hold their daily discussion on safety objectives, part of the plant's accident prevention program. Clockwise from top are Júlio C. Souza, Hailton J. Tonidandel, Roberto M. Guimarães, Hilton B. Correa, Francisco S. Machado, Hamilton Tonidandel and Henrique C. Santos.

"...promote high standards of safety and occupational health..."

from *Alcan, Its Purpose, Objectives and Policies*, June 1978

Employee health and safety in the workplace is a top priority, monitored by the Alcan Safety and Health Evaluation System across the Group. Under this program, eight in-depth audits were carried out in 1988 in a number of countries. A world symposium was also held in Montreal for Alcan managers responsible for environment, occupational health and safety, with the objective of increasing employee awareness in these matters as a major focus. Safety awareness and know-how starts on the shop-floor and a plant with a good safety record is usually one with high productivity and high morale – a fact widely observed in Alcan.

smelter in Quebec and the expected start-up in 1990 of the 90-kt/y casting center in Kitimat, British Columbia, the Canadian smelter system shifts further towards production of higher value-added ingot products. By 1992 it is expected that 150 kt/y of primary aluminum, currently produced as standard remelt ingot, will be replaced by these value-added products which consistently command higher prices.

Construction also began on a $30-million plant at Jonquière, Quebec, which will have a capacity of 12 kt/y of *Duralcan* metal matrix composites. These aluminum and ceramic composites offer superior strength and stiffness at a low cost.

Fabricating:

The past year saw a continuation of strong demand for fabricated aluminum products. Consumption of can sheet grew at a particularly rapid pace, rising 33%, as new Ontario provincial regulations permitted aluminum to compete fully in the province's soft drink container market.

Alcan is the largest supplier in Canada of fabricated aluminum products such as household foil, foil containers, beverage can sheet, rod, service cable, extrusions and building products.

UNITED STATES

Shipments of aluminum to the U.S. market rose 11% to a new high of 893 kt which represents 39% of the Company's total shipments. Profits from operations were $101 million compared to $27 million in 1987.

Fabricating:

In the U.S., Alcan manufactures fabricated products for the consumer packaging, industrial distribution, construction and transportation industries. Markets were firm during the year, aside from the building products sector where demand weakened.

Price realizations on most products continued to advance in line with ingot price increases. The main exception was aluminum sheet for beverage cans where pricing was restrained by the highly competitive nature of the market. However, demand for aluminum beverage cans remained strong, rising by 7% over 1987.

Further progress was made under Alcan's North American rolled products strategy in 1988. Aluminum rolling operations completed an intensive three-year plant specialization and product line rationalization program. While shipments increased modestly during this three-year period, plant operating costs were reduced by $85 million or 25%. Productivity, as measured by output per man-year, rose by 60%.

The Company has been continuously upgrading the technology in its rolling mills that produce can sheet. This has led to steadily rising quality and a further enhancement of Alcan's good reputation in this highly demanding market.

Alcan, in addition to producing a wide variety of packaging products, is also the largest manufacturer of private label household foil. In 1988, the Company announced that it will completely modernize the foil rolling facilities at Terre Haute, Indiana. The first phase of this program will be the installation in 1989 of a new foil mill at a cost of $60 million.

As in the foil business, Alcan's marketing strategy for its other manufacturing operations is to be one of the biggest competitors in each of its chosen fields. In 1988, Alcan was the largest supplier to the U.S. market of aluminum service cable, building wire, irrigation tubing, coiled pipe, residential and agricultural siding, as well as extrusion ingot. Through its subsidiary, Metal Goods, the Company was one of the largest distributors of stainless steel and nickel alloys.

Smelting:

Alcan is also a producer of primary and recycled aluminum in the U.S. During the year, the Sebree, Kentucky, smelter produced 163 kt of primary aluminum. The modernization of the casting centre at Sebree began in 1989. This will allow the smelter to produce all of its output in the form of extrusion and sheet ingot.

The aluminum recycling plant at Greensboro, South Carolina, produced 60 kt of sheet ingot during the year. In 1988, construction began on a beverage can recycling plant at Berea, Kentucky, that will have 109 kt/y of sheet ingot capacity.

Top
Craig Robinson of Dural's marketing team examines the *Duralcan* metal matrix composite wheel rim of an off-road bicycle with Ned Overend, professional racer for Specialized Bicycles, Inc.

Bottom left:
Operator Alan Slade inspects a foundry alloy ingot. The new caster at Alcan Australia's Kurri Kurri smelter offers sales opportunities for value-added ingot in the Pacific Rim countries.

Bottom right:
In Germany, Peter Meyer checks the flying splice on Ludenscheid's foil lacquering/laminating line. Coils can be changed without stopping production, a major aid to productivity.

"...strive for a level of operating, technical and marketing excellence which will ensure a strong competitive position..."

from *Alcan, Its Purpose, Objectives and Policies*, June 1978

From the traditional to the new, our businesses are focused on low-cost excellence in meeting customer needs.
Alcan's marketing strategy of higher added-value products presents a technical and operating challenge for our people.
Whether it is in new, high-quality extrusion ingot or the *Alupower* aluminum-air fuel cell, in ultra-thin beverage can sheet or aluminum-lithium alloys for aircraft, success in meeting this challenge is gaining Alcan market share and recognition.

EUROPE

Alcan's operations in France, Germany, Ireland, Italy, Switzerland and the United Kingdom cover all stages of aluminum production from the refining of alumina through the manufacture of finished goods.

These businesses generated $2.8 billion of sales in 1988 or 32% of total company-wide sales. Earnings were $120 million for the year compared to $61 million in 1987.

Shipments to European customers totalled 606 kt, a 14% increase above the level in 1987. Most of these shipments were in the form of semi-finished and finished goods.

The Company is the largest manufacturer of aluminum rolled products in Europe. Under Alcan's European rolled products strategy, the Company is further strengthening its market position by modernizing and specializing operations at its rolling plants.

In a number of European plants, extensive investments were made in state-of-the-art pollution control equipment and emissions were substantially reduced. Every new investment or plant modernization project included a provision for environmental protection measures.

Germany:

In Germany, the Company operates six plants including a 50% interest in the largest and most modern sheet mill in Europe, located at Norf. Five of these plants are dedicated to the production of sheet and foil products with the sixth producing pistons and castings for the automobile industry.

Operations in Germany benefited from a growing domestic economy and good export markets. Revenues rose 19% over the level of 1987.

Profits increased in 1988 although the Company was not able to fully pass on higher primary aluminum costs to customers.

United Kingdom:

Outside Canada, Alcan's largest smelting capacity is located in the U.K., accounting for 10% of the Company's total capacity. In 1988, U.K. operations shipped 253 kt of ingot, semi-fabricated and finished products to third parties.

The U.K. economy continued to exhibit strong growth in 1988 and demand for aluminum in all forms reached record levels. In particular, rolled products and extrusions benefited from excellent market conditions.

The Company continued to accelerate reinvestment in its chosen fabricating businesses. Aluminum tube manufacturing operations were equipped to produce seamless drawn tubes and further investments were made in rolled products operations as part of the European rolled products strategy.

France:

Alcan's subsidiary in France, Technal, is the largest European producer and distributor of aluminum building systems. Through 14 distribution centers in Europe and licensed distributors elsewhere around the world, sales of these products to the construction and home renovation markets reached $159 million in 1988. Profits and margins improved over 1987 as the Company was able to recover higher costs of labour and purchased metal.

Italy:

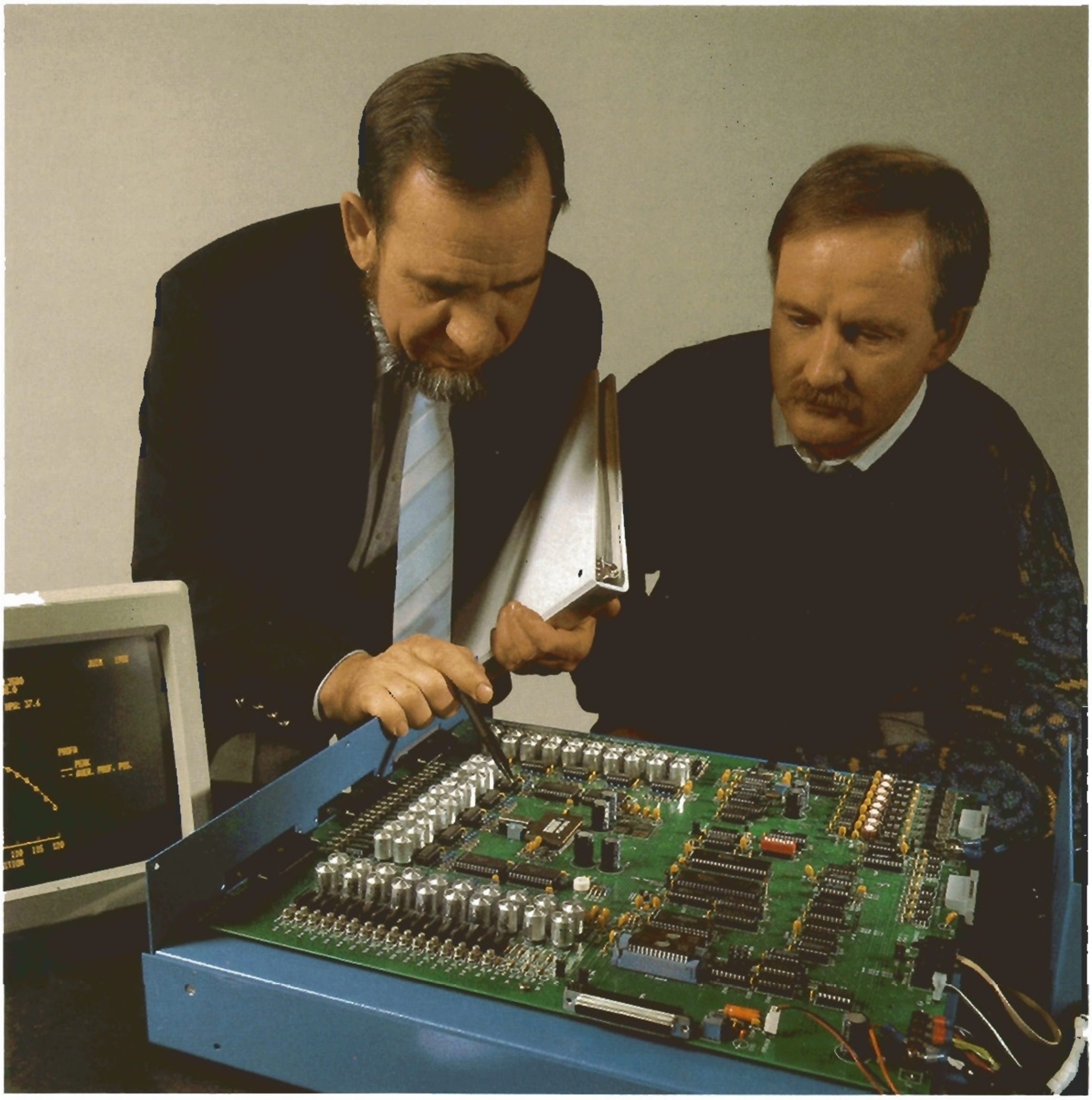
Revenues from operations in Italy, where Alcan is a leader in the rolled products and foundry alloys markets, rose by approximately 40% over 1987.

The Italian economy exhibited one of the strongest growth rates in Europe in 1988 with aluminum demand increasing faster than the overall economy for the third consecutive year. Strong sectors for aluminum included packaging, construction, transportation, and machinery and equipment.

Programs to reduce costs, improve productivity and modernize facilities were implemented during the year. As well, the rolled products operations undertook an expansion plan that entailed increasing the capacity of existing facilities and integrating a recently acquired aluminum sheet plant. In 1989, Alcan will also begin construction of a new cold-rolling complex.

Switzerland:

Alcan's Swiss operations produce plain and converted foil for the packaging and semi-rigid container markets. Aided by the successful marketing of a retortable pet-food container in Europe, sales rose by 13%.



In Quebec, Frank Kimmerle, chief analytical chemist for the Arvida Research and Development Centre, and Lapointe Works' technician Paul de la Sablonnière verify the circuitry of a metal analysis console. Alcan's alloy standards are used by ingot and fabricating plants around the world.

"...establish appropriate quality standards for the products we supply..."

From *Alcan, Its Purpose, Objectives and Policies,* [illegible] 1978

In a world-wide materials business, quality is paramount. It requires rigorous uniformity of standards, the means to monitor them and high personal commitment to customer satisfaction. Technical and operating people combine to produce guaranteed quality wherever Alcan's products are offered. This commitment to excellence has led to the introduction of shop-floor employee involvement programs in many of Alcan's plants world-wide.

Ireland:

Work was undertaken during the year at 65%-owned Aughinish Alumina Limited to raise production at the alumina refinery by 100 kt/y to 900 kt/y, with further expansion under consideration. Reduction of operating costs continued and, together with lower fuel oil costs, more than offset the significant increase in caustic soda prices and the adverse impact of the stronger Irish currency.

LATIN AMERICA

Shipments to customers in Latin America totalled 113 kt of aluminum in 1988, 5% of Alcan's total volume. Net income was $72 million compared to $58 million in 1987.

Brazil:

Alcan's Brazilian subsidiary is fully integrated, from the mining of bauxite to the manufacture of fabricated products.

The Company's two Brazilian smelters, which have a combined production capacity of 118 kt/y, operated at 99% of capacity in 1988.

Alcan produces a wide range of semi-finished and finished goods and is the largest supplier of these products to the Brazilian market.

While domestic shipments fell in a weak market, increased exports of semi-fabricated and ingot products more than offset the decline. Strong international metal prices coupled with this higher level of export shipments led the Brazilian operations to higher profits for the year.

Rising costs, however, offset some of the gains made on export sales. The most significant increases occurred in the cost of labour, alumina and power.

Argentina:

Alcan's Argentine operations manufacture a wide variety of fabricated products. Shipments for the year totalled approximately 15 kt.

The Company benefited from a modest recovery in domestic demand and prices, with profits improving over the prior year.

PACIFIC

Alcan has operations in Australia, New Zealand, Malaysia, Hong Kong and Thailand and significant participations in related companies in India and Japan. Shipments of aluminum in all forms to customers in these markets were 355 kt in 1988 or 16% of Alcan's total volume.

Earnings from these operations were sharply higher in 1988, reaching $176 million from $32 million the year before. Much of the increase in profits was due to the high demand for aluminum which was spurred by strong growth in the major Asian economies and that of Australia.

Australia:

Alcan Australia Limited, 73.3%-owned by Alcan, operates smelting and fabricating plants in Australia. In 1988, the smelter at Kurri Kurri operated at slightly above its rated capacity of 150 kt/y.

The Australian aluminum industry experienced strong growth due to the buoyancy in both the domestic and export markets. The company fully participated in these markets with earnings and revenues rising to record highs.

In 1988, sales of semi-fabricated products increased to almost half of total shipments from approximately one-third in the prior year. The company increased the number of distribution outlets and upgraded the quality of service provided to industrial, trade and retail customers.

To strengthen its market position further, Alcan is upgrading its extrusion and rolling facilities and improving product quality and productivity. New technology has been installed on anodizing lines to reduce emissions.

As part of Alcan's move to increase the percentage of its shipments in the form of value-added products, 82% of Kurri Kurri's output was converted to value-added ingot during the year. Further steps will be taken in this direction.

Top:
Georges Veilleux, technology consultant, and Michel Lalonde of Alcan Smelters and Chemicals' Environmental Affairs inspect progress of construction on the Laterrière smelter, an integral part of Alcan's Quebec smelter rebuild program to improve environmental conditions.

Bottom left:
In Jamaica, Kirkvine Works' bauxite supply and maintenance staff Aston Bingham, Richard Reid and Gilbert Lambert discuss reclamation work in progress at a mined-out ore body.

Bottom right:
In Switzerland, engineers Angelo Terranova, Engelbert Müller, and Roland Müller check the installation of Rorschach's effluent control on a new annealing/pre-treatment line for foil packaging material.

"...take all practical steps to prevent or abate all forms of pollution which result from our operations..."

from *Alcan, Its Purpose, Objectives and Policies*, June 1978

Alcan has a continuing commitment to good environmental performance and plays an active role in supporting the Brundtland concept of 'sustainable development'. It is responding to the challenge of rising environmental standards in many ways, from total plant replacement to land reclamation. Concern for all stakeholders, including the local community, is the corporate and personal guideline. Environmental controls, both inside plants and in their surroundings, are an integral part of our operations. Over the last 10 years, more than $480 million has been spent on environmental improvement measures.

New Zealand:

For Alcan New Zealand Limited, 98.7%-owned by Alcan Australia Limited, 1988 was a difficult year as the company faced flat domestic demand and severe industry over-capacity. Efforts are under way to reduce costs and rationalize facilities in both Australia and New Zealand to serve better the markets in those countries.

Japan:

Alcan has interests in two Japanese companies, Nippon Light Metal Company, Ltd. (NLM) and Toyo Aluminium K.K. (Toyal).

NLM, 49.6%-owned by Alcan, with sales of approximately $3.8 billion, is primarily a manufacturer of fabricated products but also produces chemical grade alumina and foundry alloy ingot. The company owns the only smelter in operation in Japan, producing approximately 34 kt of primary aluminum annually.

NLM made a strong recovery in profitability from its break-even results in 1987. While some of the improvement was due to the growing demand for aluminum in Japan, particularly in the building and transportation markets, approximately two-thirds of the increase in earnings was attributable to the company's success in reducing costs and to other efforts undertaken in strengthening its businesses.

Toyal, 49.9%-owned by Alcan, is one of the world's leading producers of aluminum foil, paste and powders. The company performed well in 1988, with profits increasing 36% over those of 1987.

India:

Indian Aluminium Company, Limited, 39.6%-owned by Alcan, returned to profitability in 1988 after its break-even result last year.

Other:

Alcan sold its 70% interest in an Indonesian subsidiary and reduced its direct ownership in Alcan Thai Company from 85% to 10%. The Company also sold its 53% interest in Acme Aluminum Company Limited in Sri Lanka.

Alcan is a joint venture partner in an aluminum extrusion and manufacturing plant in Shenzhen, China, which started operations in 1988.

OTHER AREAS

Jamaica:

Alcan has a 93% interest in two alumina refineries in Jamaica that have a combined capacity of 860 kt/y.

Alcan and the Government of Jamaica successfully concluded negotiations for a new fiscal regime effective from January 1989.

Jamaica was struck by Hurricane Gilbert in September and, although physical damage to the company's alumina production facilities and port was limited, there was some loss of production.

Construction began on additional mud-disposal facilities at the company's Ewarton plant to allow for an increase in production. Dry red-mud stacking, which considerably improves environmental performance at alumina plants, is now in operation in Jamaica, where it was developed.

Dr. Richard Dickson, Dr. Rowena Landham and Bill Marwick, senior scientists at the Banbury Laboratories in the U.K., use slow peel testing to examine adhesively-bonded joints, part of the aluminum structured vehicle technology research program.

"...disseminate relevant technology and know-how to all consolidated Group companies..."

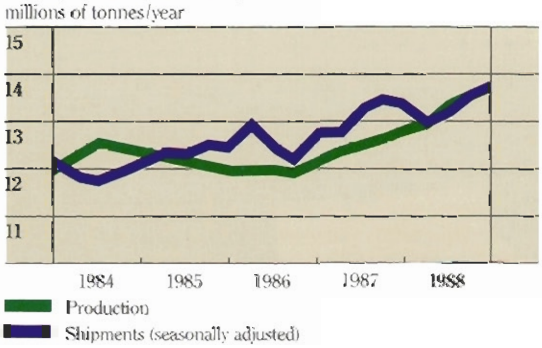
from *Alcan, Its Purpose, Objectives and Policies*, June 1978

Technology underpins Alcan's competitiveness and its growth. International networking between people in our research and engineering centres and our operating companies, along with the transfer and training of key personnel, ensures that both proven and new technology is transferred and applied wherever it offers a competitive advantage. In addition, technical audit teams, in which people from similar operations share their experience, overcome the "not-invented-here" syndrome by face-to-face sessions. The outcome is higher productivity and lower costs over the whole organization.

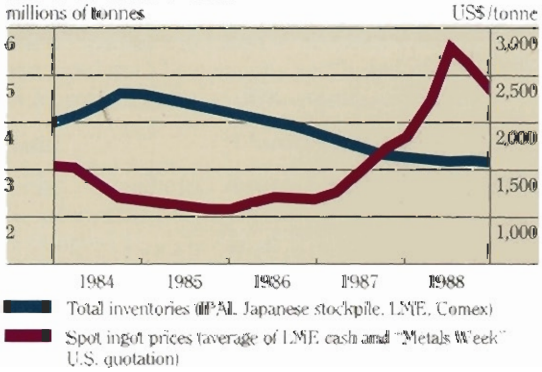
PRIMARY ALUMINUM MARKET

Strong performance from the world's major economies was the engine of continued growth in the primary ingot market in 1988. Producer inventories remained at historically low levels during the year. While primary aluminum production increased, healthy demand for the metal kept the ingot market in very close balance.

WESTERN WORLD PRIMARY ALUMINUM PRODUCTION AND SHIPMENTS
millions of tonnes/year



TOTAL PRIMARY ALUMINUM INVENTORIES AND SPOT INGOT PRICES
millions of tonnes
US$/tonne



Western World shipments grew by 3.1% in 1988 to 13.5 million tonnes (Mt), with growth constrained by the supply of aluminum. Shipments were equal to production as producers were unable to ship substantial quantities of aluminum out of inventories for the first time in four years.

Inventories held by producers and commodity exchange warehouses were at minimum working levels throughout 1988. At year-end, they were 3.1 Mt representing only 11-to-12 weeks' supply, the lowest level in the industry's history.

The tight supply situation placed upward pressure on aluminum prices during the year. International spot aluminum prices averaged $2,590 per tonne (/t) in 1988, a 62.9% increase above the average price in the prior year. Although aluminum trading on the commodity exchanges was subject to price speculation during 1988, producers did not respond to these pressures, maintaining a more stable pricing environment for their customers.

Western World aluminum production rose by 7.1% to 13.5 Mt in 1988, primarily due to increases in output from existing smelters. By year-end, the industry operating rate had risen to 98% of effective capacity, the highest rate in its history, up from 95% at the end of 1987.

With the industry now operating at its maximum feasible level, future increases in production of primary aluminum must come from the commissioning of new capacity. Over the next three years, it is anticipated that planned expansions will add less than 2% per year to existing Western World smelting capacity.

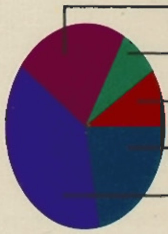
While the start-up of some new smelters will add production, even a modest level of economic growth in the world's economies should absorb the increase.

PRINCIPAL END-USE MARKETS

Containers and packaging:

Alcan's sales increased by 20.8% in 1988. Competition in the beverage can market limited revenue increases despite good gains in shipments. The United States remained the largest national market, contributing approximately half of the gain in sales revenues. In Europe, gains in the beverage can

1988 SALES BY MARKET
millions of US$



		1988	1987	1986	1985	1984
Containers and packaging	23%	1,938	1,604	1,352	1,113	1,009
Transportation	8%	617	497	467	418	432
Electrical	9%	746	552	490	490	552
Building and construction	22%	1,814	1,468	1,319	1,160	1,223
Other	38%	3,160	2,426	2,128	2,330	2,056
Total	100%	8,275	6,547	5,756	5,511	5,272

market were limited, but sales of other container and packaging applications advanced strongly. Sales to the Canadian market increased rapidly due to changes in regulations which allowed the use of aluminum soft drink cans in Ontario.

Building and construction:

Sales revenues were up 23.6% largely due to improved sales realizations. Gains were recorded in the Pacific area led by housing booms in Australia and Japan. Solid advances were also made in Europe. Sales tonnage held steady in the United States and declined in Canada due to weaker housing markets in both countries and the erosion of aluminum's market share in some applications.

Transportation:

Sales rose 24.1% over 1987 as volumes and prices improved. The increase in shipments reflects the growth of the automobile industry around the world and the increasing use of aluminum in wheels and other casting applications. Sales of ingot alloys from Canadian and Italian operations rose strongly. Shipments increased from Alcan's German and Canadian automotive casting operations.

Electrical:

Sales rose 35.2%, with the bulk of the increase coming from North American operations. Shipments from Canadian operations rose by 40% in 1988 led by higher industrial demand in Canada and increased exports of transmission cable. Sales by Latin American operations declined due to difficult economic conditions.

Other uses:

This category includes ingot sales, sales to distributors, which cannot be readily allocated to end-use markets, and sales of chemical products, alumina and bauxite. Sales rose 30.3% primarily due to better pricing for all products in this category.

RESULTS OF OPERATIONS

Net income in 1988 rose to an all-time high of \$931 million, more than doubling the \$433 million reported in 1987 and over three times greater than the \$277 million reported in 1986.

Alcan's return on average equity rose to 23.5% for the year from 11.9% in 1987 and 8.3% in 1986. This return is expected to be better than that of the Standard & Poor's group of industrial companies for 1988. Such superior performance is necessary at this time in the business cycle if Alcan is to succeed in its goal of outperforming the average return on equity of the Standard & Poor's industrial stock index over the business cycle in the 1990s.

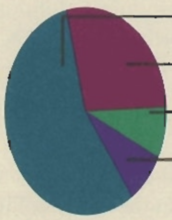
The improvement in earnings has been due to the rising level of aluminum prices since 1985 and the Company's success in reducing costs in local currency terms in most of its operations around the world. Since 1985, Alcan has trimmed its annual cost base by \$280 million, before taxes, from what it otherwise would have been.

Sales and operating revenues for the year rose to \$8.5 billion, an increase of 25.5% over 1987 and 43.2% above the level in 1986. Since 1986, shipments of aluminum in all forms have increased by an average of 3.7% per year, with the split between

1988 REVENUES BY PRODUCT
millions of US$

		1988	1987	1986	1985	1984
Flat-rolled products	37%	3,152	2,821	2,584	2,320	2,161
Extruded, rolled, drawn	18%	1,578	1,166	1,142	1,042	1,126
Other fabricated	8%	666	470	344	357	281
Ingot products	21%	1,846	1,182	892	979	817
Other products	12%	1,033	907	794	813	887
Operating revenues and other income	4%	351	332	300	320	304
Total	100%	8,626	6,878	6,056	5,831	5,576

1988 GROSS PROFIT BY PRODUCT
millions of US$



		1988	1987	1986	1985	1984
Total fabricated products (integrated)	56%	1,263	947	749	598	710
Ingot products	28%	628	244	154	45	175
Other products	8%	175	111	96	96	101
Operating revenues and other income	8%	189	179	171	171	152
Total	100%	2,255	1,481	1,170	910	1,138

ingot and fabricated product shipments remaining relatively stable.

Cost of sales and operating expenses also increased in 1988, rising 18.7% to $6.1 billion. This increase was principally due to higher costs for raw materials and purchased aluminum, the effects of foreign currency translation and higher volumes. Costs in 1987 were 10.4% higher than in 1986.

While cost of sales and operating expenses rose in dollar terms, as a percentage of sales and operating revenues they declined to 71.2% in 1988 from 75.3% in 1987 and 77.8% in 1986.

During 1988, purchases of aluminum totalled 716 kt compared to 593 kt in 1987 and 489 kt in 1986. These purchases at market prices tend to lessen the impact of metal price fluctuations on the Company's earnings.

Selling, administrative and general expenses rose 17.4% to $525 million. Approximately 30% of this rise was due to the effects of translating stronger local currencies into U.S. dollars. Wage increases, additional expenses from new businesses and lower pension credits accounted for nearly 42% of the increase.

Interest costs, including amounts capitalized, declined for the third consecutive year, falling to $150 million from $183 million in 1987 and $217 million in 1986. This reduction has resulted from the decrease in borrowings since 1985 and the success achieved in raising lower-cost debt.

Research and development expenditures in 1988 increased to $132 million, compared to $95 million in 1987 and $77 million in 1986, reflecting in part Alcan's commitment to the development of new businesses. R&D spending in 1989 is anticipated to reach $145 million.

Equity income, from non-consolidated interests, rose to $97 million from $35 million in 1987 and $5 million in 1986. The jump in 1988 was largely due to the turnaround in profitability of Nippon Light Metal Company, an Alcan related company in Japan.

PRINCIPAL PRODUCTS

Shipments of aluminum in all forms increased to 2,278 kt in 1988 from 2,197 kt in 1987 and 2,119 kt in 1986.

Consolidated primary aluminum production during the year, rose to 1,619 kt. The average smelter operating rate for 1988 was 96% compared to 94% in 1987 and 89% in 1986.

The year-end level of aluminum inventories was 480 kt, or 3% below that of the previous year. This tonnage represented only 11 weeks' supply, an historically low level.

Ingot products:

Meeting the strong demand for aluminum throughout the year, shipments of ingot products increased to 832 kt, 5.7% above the level of the prior year.

Average realizations on the sales of these products rose 47.8% from $1,501/t to $2,219/t. Most of this increase was due to higher aluminum prices.

Gross margins also continued to improve in 1988, rising by 143.5% to $755/t. Some of the benefit of improved realizations, however, was offset by higher costs for purchased aluminum and raw materials and by the stronger Canadian dollar.

Fabricated products:

Shipments of fabricated products were 1,446 kt in 1988 compared to 1,410 kt in 1987.

Demand for the Company's products remained firm throughout the year and average realizations on sales of fabricated products increased 18% from $3,162/t to $3,731/t. Gross margins improved by $201/t, a 29.9% rise over 1987.

Other products:

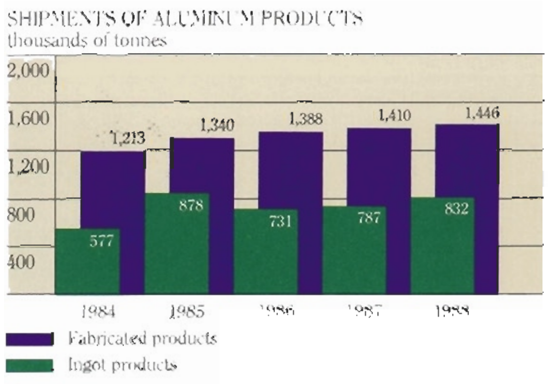
Sales of other products continued to increase in 1988 due to stronger pricing for non-aluminum products such as alumina, copper and steel.

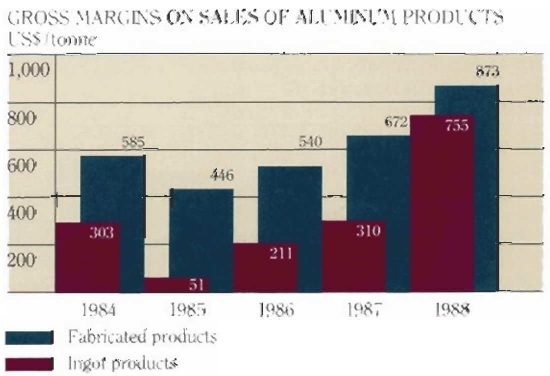
Operating revenues:

Revenues were $254 million, compared to $251 million in 1987 and $200 million in 1986. These revenues are principally generated from aluminum tolling and the sale of electric power to third parties.

Other income:

Income from other sources, largely interest revenue, was $97 million in 1988 compared to $81 million in 1987 and $100 million in 1986.



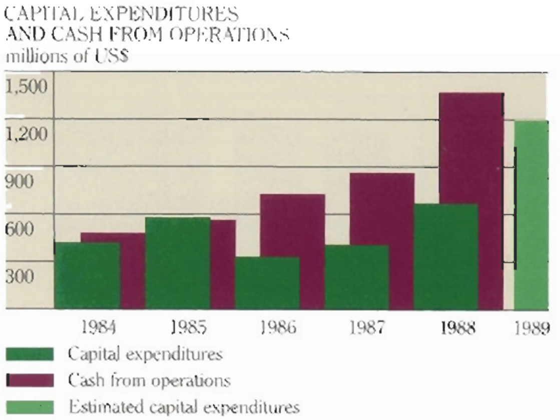


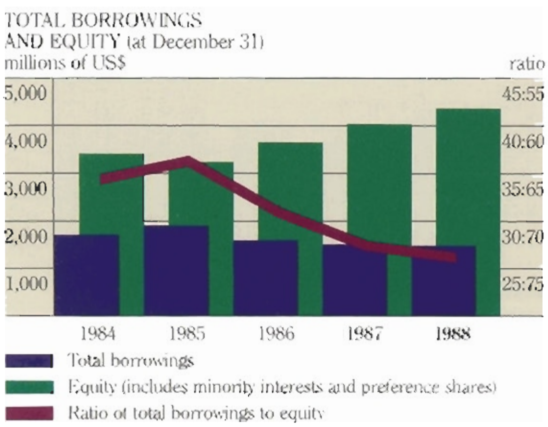
LIQUIDITY AND CAPITAL RESOURCES

Cash generated by operations rose to a new record in 1988 of $1,370 million. This compares to $879 million generated in 1987 and $725 million in 1986.

The strong level of cash generation has given Alcan the opportunity to increase capital spending, reduce debt, redeem preference shares and repurchase some of its common shares.

At the end of the year, the Company's financial condition was stronger than at any other time in its history. The ratio of total borrowings to equity was reduced to 26:74, its lowest-ever year-end level. At the ends of 1987 and 1986, the ratio of total borrowings to equity stood at 27:73 and 31:69 respectively.





Alcan raised the quarterly common share dividend three times during 1988. For the year, total dividends were 88 cents per share compared to 58 cents in 1987 and 53 cents in 1986.

Investments:

In recent years, capital spending has been restrained to relatively low levels as the Company generally made expenditures only to maintain existing operations. Alcan is now taking advantage of its improved cash flow to build for the future. Capital spending rose to $676 million in 1988, up from $415 million in 1987 and $342 million in 1986.

In 1988, major projects included the start of construction on the Laterrière, Quebec, smelter; the beginning of construction on a beverage can recycling center in the United States; the improvement of alumina production facilities in Quebec; the start of construction on the *Duralcan* plant in Quebec; and the upgrading of European and North American rolled product operations.

In 1989, capital expenditures are planned to be approximately $1.2 billion as construction continues on these projects. In addition, during the year, the expansion of the Kemano hydroelectric facilities in British Columbia will begin. If conditions remain firm in the aluminum market, spending on capital projects could run at an annual level of $1 billion over the next five years.

Financing:

During the year, under "normal course issuer bids," the Company purchased 6.9 million of its common shares on the open market at a cost of $213 million. These activities increased the earnings per share and are viewed as a profitable use of the Company's funds. Regulatory approval to make further purchases continues until October 26, 1989, during which time Alcan may purchase up to an additional 7.1 million of its common shares.

In September, the Company redeemed its Series A and Series B Cumulative Redeemable Retractable Preference Shares at a total cost of $213 million.

Total borrowings continued their steady decline for the third consecutive year falling to $1,518 million at year-end. Since the end of 1985, Alcan has reduced borrowings by 21.7%.

In June, Alcan issued $150 million of 15-year, Eurodollar exchangeable debentures carrying a coupon of 4%. Each debenture is exchangeable on or after January 1, 1989, for common shares held by Alcan in Nippon Light Metal Company, Ltd., a 49.6%-owned related company in Japan. If fully exchanged, Alcan's ownership would decline to 44.4%.

Cash balances stood at $670 million, compared to $493 million and $316 million at the ends of 1987 and 1986 respectively.

Term credit lines with banks were virtually the same as last year at $844 million. At year-end, only $235 million of these lines of credit were being used.

In summary, Alcan continues to generate substantial funds from operations. The Company's strong financial condition also allows access to additional external financing as required. Management believes that these financial resources are sufficient to meet anticipated cash requirements of operations and planned capital expenditures.

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 those of the International Accounting Standards Committee. 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.

OECD GUIDELINES

In 1976, the Organization for Economic Cooperation and Development (OECD), which consists of 24 industrialized countries including Canada, adopted a set of guidelines for multinational enterprises. The same year, Alcan expressed its support for, and compliance with, these guidelines.

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 and the Company's own statement, "Alcan, Its Purpose, Objectives and Policies", is consistent with them. The statement, first published in 1978, was distributed in 11 languages to Alcan employees worldwide to strengthen the awareness of the basic principles and policies which have guided the conduct of Alcan's business over the years.

The statement, as well as the Company's annual 10-K report which contains a list of significant Alcan Group companies worldwide, is available to shareholders on request.

AUDITORS' REPORT

To the Shareholders of Alcan Aluminium Limited

We have examined the consolidated balance sheet of Alcan Aluminium Limited as at December 31, 1988, 1987 and 1986 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three year period ended December 31, 1988. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1988, 1987 and 1986 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1988, in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

Price Waterhouse
Chartered Accountants

Montreal, Canada
February 8, 1989

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31 (in millions of US$, except per share amounts)	1988	1987	1986
Revenues			
Sales and operating revenues	$8,529	$6,797	$5,956
Other income	97	81	100
	8,626	6,878	6,056
Costs and expenses			
Cost of sales and operating expenses	6,072	5,117	4,635
Depreciation	316	296	276
Selling, administrative and general expenses	525	447	406
Research and development expenses	132	95	77
Interest (note 2)	137	177	202
Other expenses	91	113	52
	7,273	6,245	5,648
Income before income taxes and other items	1,353	633	408
Income taxes (note 5)	497	230	160
Income before other items	856	403	248
Equity income (note 6)	97	35	5
Minority interests	(22)	(5)	(2)
Income before income tax recovery	931	433	251
Income tax recovery applicable to prior years' losses	—	—	26
Net income (note 4)	$ 931	$ 433	$ 277
Dividends on preference shares	30	36	33
Net income attributable to common shareholders	901	397	244
Income per common share (note 1)			
Before income tax recovery	$ 5.77	$ 2.52	$ 1.46
Income tax recovery	—	—	0.17
Total income per common share	$ 5.77	$ 2.52	$ 1.63
Dividends per common share	$ 0.88	$ 0.58	$ 0.53

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31 (in millions of US$)	1988	1987	1986
Retained earnings – beginning of year	$2,282	$1,977	$1,813
Net income	931	433	277
	3,213	2,410	2,090
Premium on purchase of common shares (note 12)	161	—	—
Premium on redemption of preference shares	10	—	—
Dividends – Common	138	92	80
– Preference	30	36	33
Retained earnings – end of year (note 13)	$2,874	$2,282	$1,977

CONSOLIDATED BALANCE SHEET

December 31
(in millions of US$)

ASSETS	1988	1987	1986
Current assets			
Cash and time deposits	$ 670	$ 493	$ 316
Receivables	1,403	1,207	971
Inventories			
Aluminum	1,067	949	917
Raw materials	290	253	265
Other supplies	340	296	277
	3,770	3,198	2,746
Deferred charges and receivables	190	199	183
Investments (note 6)	375	298	240
Property, plant and equipment			
Cost (note 8)	7,860	7,328	6,954
Accumulated depreciation	3,580	3,363	3,005
	4,280	3,965	3,949
Total assets	$8,615	$7,660	$7,118

LIABILITIES AND SHAREHOLDERS' EQUITY	1988	1987	1986
Current liabilities			
Payables	$1,081	$ 912	$ 789
Short-term borrowings (principally from banks)	250	109	160
Income and other taxes	255	58	47
Debt maturing within one year	69	80	90
	1,655	1,159	1,086
Debt not maturing within one year (note 7)	1,199	1,336	1,366
Deferred credits and other liabilities	287	280	244
Provision for rationalization and related liabilities (note 9)	75	86	231
Deferred income taxes	1,006	754	554
Minority interests	73	75	100
Redeemable retractable preference shares (note 11)	8	202	218
Redeemable non-retractable preference shares (note 11)	203	203	203
Common shareholders' equity			
Common shares (note 12)	1,147	1,183	1,172
Retained earnings (note 13)	2,874	2,282	1,977
Deferred translation adjustments (note 3)	88	100	(33)
	4,109	3,565	3,116
Commitments and contingencies (note 14)			
Total liabilities and shareholders' equity	$8,615	$7,660	$7,118

Approved by the Board:
David M. Culver, Director
Allan A. Hodgson, Director

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31 (in millions of US$)	1988	1987	1986
Operating activities			
Income before other items	$ 856	$ 403	$ 248
Adjustments to determine cash from operating activities:			
Depreciation	316	296	276
Deferred income taxes	254	191	166
Dividends from related companies	25	15	25
Change in receivables	(196)	(236)	(67)
Change in inventories	(199)	(39)	38
Change in payables	169	123	53
Change in income and other taxes payable	197	11	(4)
Deferred translation adjustments on operating working capital	(37)	135	79
Change in other non-current assets and liabilities	5	3	(45)
Consolidations (Deconsolidations)	(9)	(47)	11
Other	(11)	24	(55)
Cash from operating activities	1,370	879	725
Financing activities			
New debt	225	328	295
Debt repayments	(209)	(431)	(570)
	16	(103)	(275)
Short-term borrowings - *net*	28	(56)	(156)
Common shares issued	16	11	140
Common shares purchased for cancellation	(213)	—	—
Preference shares issued	—	8	54
Redemption of preference shares	(213)	(36)	(33)
Redemption of preferred shares of subsidiary companies	(21)	—	(3)
Dividends – Alcan shareholders (including preference)	(168)	(128)	(113)
– minority interests	(6)	(5)	(8)
Cash used for financing activities	(561)	(309)	(394)
Total cash available before investment activities	809	570	331
Investment activities			
Property, plant and equipment	(660)	(409)	(318)
Investments	(16)	(6)	(24)
	(676)	(415)	(342)
Sales of fixed assets and investments	35	38	148
Cash used for investment activities	(641)	(377)	(194)
Effect of exchange rate changes on cash and time deposits	9	9	2
Increase in cash and time deposits	177	202	139
Cash of company deconsolidated	—	(25)	—
Cash and time deposits – beginning of year	493	316	177
Cash and time deposits – end of year	$ 670	$ 493	$ 316

(in millions of US$)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation
The consolidated financial statements, which are expressed in U.S. dollars, the principal currency of international trade and of Alcan's business, are prepared in accordance with generally accepted accounting principles in Canada. They 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.

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.

Certain prior years' amounts have been reclassified to conform with the 1988 presentation.

Income per common share is calculated by dividing Net income attributable to common shareholders by the average number of common shares outstanding. (1988: 156.1 million; 1987: 157.7 million; 1986: 149.9 million)

2. SUPPLEMENTARY INFORMATION

	1988	1987	1986
Income statement			
Repairs and maintenance	$ 539	$ 476	$ 436
Taxes, other than payroll and income taxes	138	127	118
Interest on long-term debt	119	147	168
Capitalized interest	(13)	(6)	(15)
Statement of cash flows			
Interest paid	$ 152	$ 185	$ 215
Income taxes paid	37	27	—

All time deposits are cash equivalents.

3. CURRENCY TRANSLATION

Currency translation losses included in income were $2 in 1988 ($19 in 1987 and $13 in 1986).

The following is an analysis of the Deferred translation adjustments component of Common shareholders' equity:

	1988	1987	1986
Balance – beginning of year	$ 100	$ (33)	$ (99)
Effect of exchange rate changes	(16)	129	54
Amounts realized on certain investments	4	4	12
Balance – end of year	$ 88	$ 100	$ (33)

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 as used under U.S. GAAP.

Tax recovery
Under Canadian GAAP tax benefits of a purchased subsidiary arising from losses which occurred prior to acquisition 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 as reported with the net income that would have been reported under U.S. GAAP together with the cumulative effect on Retained earnings and Deferred translation adjustments.

	1988		1987		1986	
	As Reported	U.S. GAAP	As Reported	U.S. GAAP	As Reported	U.S. GAAP
Net income						
First quarter*	$ 175	$ 161	$ 71	$ 57	$ 40	$ 43
Second quarter*	243	244	104	113	114	98
Third quarter*	258	260	122	113	62	33
Fourth quarter*	255	249	136	130	61	68
	$ 931	$ 914	$ 433	$ 413	$ 277	$ 242
Net income attributable to common shareholders	$ 901	$ 884	$ 397	$ 377	$ 244	$ 209
Income per common share	5.77	5.67	2.52	2.39	1.63	1.39
Income before income tax recovery**	931	914	433	413	251	234
Per common share	5.77	5.67	2.52	2.39	1.46	1.34
Retained earnings						
End of year	2,874	2,900	2,282	2,325	1,977	2,040
Deferred translation adjustments						
End of year	88	33	100	16	(33)	(86)

The difference between 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

**Equivalent to Net income (Loss) from continuing operations. Income (Loss) before income tax recovery for 1985 and 1984 on a U.S. GAAP basis was $(199) and $273 respectively (compared to $(183) and $247 as reported). Income (Loss) before income tax recovery per common share for 1985 and 1984 on a U.S. GAAP basis was $(1.56) and $1.65 respectively (compared to $(1.45) and $1.47 as reported).

No effect has been provided in this note for the Financial Accounting Standards Board Statement No. 96 concerning Accounting for Income Taxes. The Company intends to adopt Statement No. 96 for U.S. GAAP reporting commencing January 1, 1990. The impact on 1990 earnings cannot reliably be estimated at this time and will depend upon tax legislation and exchange rates prevailing at that time.

5. INCOME TAXES

	1988	1987	1986
Income before income taxes and other items			
Canada	$ 756	$ 353	$ 258
Other countries	597	280	150
	1,353	633	408
Current income taxes			
Canada	138	4	(26)
Other countries	105	35	20
	243	39	(6)
Deferred income taxes			
Canada	149	124	96
Other countries	105	67	70
	254	191	166
Total income tax provision	$ 497	$ 230	$ 160

The composite of the applicable statutory corporate income tax rates in Canada is 41.4% (45.4% in 1987 and 46.9% in 1986). The following is a reconciliation of income taxes calculated at the above composite rates with the total income tax provision:

	1988	1987	1986
Income taxes at the composite rate	$ 560	$ 287	$ 191
Increase (Reduction) attributable to:			
Investment and other allowances	(30)	(29)	(35)
Exchange translation items	(13)	(14)	30
Income and expenses without tax effect	(12)	(1)	(24)
Foreign tax rate differences	(16)	(11)	(9)
Tax rate changes on previously recorded benefits	13		
Other – net	(5)	(2)	7
Income tax provision	$ 497	$ 230	$ 160

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

	1988	1987	1986
Realization of tax benefit carryovers	$ 87	$ 77	$ 67
Depreciation	63	61	40
Research expense carryovers	39	3	(11)
Inventory valuation	36	16	13
Investment and foreign tax credits	17	25	21
Other – net	12	9	36
	$ 254	$ 191	$ 166

6. INVESTMENTS

	1988	1987	1986
Companies accounted for under the equity method (note 1)	$ 352	$ 284	$ 225
Other investments – at cost, less amounts written off	23	14	15
	$ 375	$ 298	$ 240

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

	1988	1987	1986
Results of operations for the year			
Revenues	$5,827	$4,454	$3,798
Costs and expenses	5,322	4,182	3,647
Income before income taxes	505	272	151
Income taxes	230	144	106
Net income	$ 275	$ 128	$ 45
Alcan's share of net income	$ 97	$ 35	$ 5
Dividends received by Alcan	$ 25	$ 15	$ 25
Financial position at December 31			
Current assets	$2,788	$2,387	$2,227
Current liabilities	2,665	2,068	1,989
Working capital	123	319	238
Property, plant and equipment – net	1,864	1,710	1,703
Other assets – net	274	311	207
	2,261	2,340	2,148
Debt not maturing within one year	1,211	1,455	1,427
Net assets	$1,050	$ 885	$ 721
Alcan's equity in net assets	$ 352	$ 284	$ 225

7. DEBT NOT MATURING WITHIN ONE YEAR

	1988	1987	1986
Alcan Aluminium Limited			
15¾% Eurodollar debentures, due 1992 (DM 141) (b)	$ 79	$ 89	$ 75
14¼% Notes, due 1992	100	100	100
11¼% Debentures, due 1995	100	100	100
9⅝% Debentures, due 1998	100	100	100
5⅜% Swiss franc bonds, due 2003 (c)	105	105	—
Other debt, due 1989/2001	48	61	76
Alcan Aluminum Corporation			
9.956% Bank loan, due 1995	25	25	25
Other debt, due 1989/2013	28	27	67
Alcan Empreendimentos Ltda and subsidiary companies (Brazil)			
Bank loans, due 1989/1992 (a)	34	72	182
Other debt, due 1989/1993	22	25	26
British Alcan Aluminium plc and subsidiary companies			
10⅜% Debentures, due 2011 (£30)	54	56	44
Bank loans, due 1989/1997 (£87) (a)	156	148	124
Other debt, due 1989/1996 (£12)	21	25	24
Alcan Deutschland GmbH and subsidiary companies			
7.19% Bank loans, due 1989/1996 (DM 121)	68	75	81
Bank loans, due 1989/1996 (DM 58) (a)	32	54	31
Alcan South Pacific Limited and subsidiary companies			
Notes payable (a) (f)	—	175	175
Bank loans and other debt, due 1989/1993 (A$2)	2	41	69
Other companies			
4% Eurodollar exchangeable debentures, due 2003 (e)	150	—	—
5⅜% Swiss franc bank loan, due 1993 (SFr 40) (d)	26	31	25
Bank loans, due 1989/1997 (a)	52	43	34
Other debt, due 1989/2002	66	64	98
	1,268	1,416	1,456
Debt maturing within one year included in current liabilities	(69)	(80)	(90)
	$1,199	$1,336	$1,366

7. DEBT NOT MATURING WITHIN ONE YEAR (CONT'D)

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

(b) In August 1987, the 15-3/4% $75 Eurodollar debentures were swapped for a DM obligation for a two-year period with an effective interest rate of 12.6%. The debt is treated as a hedge of the Company's investment in Germany and, accordingly, the exchange gain or loss is allocated to the Deferred translation adjustments component of Common shareholders' equity.

(c) These bonds were issued as SFr 178 and immediately swapped for $105 at an effective interest rate of 8.98%.

(d) The debt is treated as a hedge of the Company's investment in Switzerland and, accordingly, the exchange gain or loss is allocated to the Deferred translation adjustments component of Common shareholders' equity.

(e) Debenture holders are entitled to receive at their option 1,562 common shares of Nippon Light Metal Company, Ltd., a related company, in exchange for each ten thousand dollar principal amount of debentures.

(f) $125 outstanding at December 31, 1988 reclassified as short-term borrowings.

Based on rates of exchange at year-end, debt repayment requirements over the next five years amount to $69 in 1989, $57 in 1990, $62 in 1991, $263 in 1992 and $93 in 1993.

8. PROPERTY, PLANT AND EQUIPMENT, AT COST

	1988	1987	1986
Land, and property rights	$ 114	$ 113	$ 109
Buildings, machinery and equipment	7,246	6,933	6,626
Construction work in progress	500	282	219
	$7,860	$7,328	$6,954

Capital expenditures in 1989 are expected to be about $1,200.

9. PROVISION FOR RATIONALIZATION AND RELATED LIABILITIES

In 1985, Alcan made provisions aggregating $416 to cover losses, asset write-downs and expenses related to several rationalization programs. Of this amount, $341 has been utilized for these programs to the end of 1988 and the balance is expected to be utilized for rationalizations and write-downs of identified businesses.

10. 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, $120 have been fully abated and $40 are expected to be fully abated based on 1988 metal prices. 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 $1.36 per pound in 1989 to $1.99 per pound in 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 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.

11. PREFERENCE SHARES

Authorized

2,000,000 Cumulative Redeemable First Preferred Shares.

An unlimited number of Preference Shares (issuable in series):

- Cumulative Redeemable Retractable Preference Shares

series F		400,000 shares

- Floating Rate Cumulative Redeemable Non-retractable Preference Shares:

series C	1984	4,200,000 shares
	1985	1,500,000 shares
series D	1984	1,300,000 shares
	1985	400,000 shares

- Cumulative Redeemable Non-retractable Preference Shares

series E		3,000,000 shares

An unlimited number of Junior Preferred Shares. None are outstanding as at December 31, 1988.

All shares are without nominal or par value.

	Number (in thousands)			Stated Value		
Outstanding	1988	1987	1986	1988	1987	1986
Redeemable retractable preference shares						
First Preferred (redeemed during 1987)	—		1,761	$ —	$ —	$ 32
Preference, series A (redeemed during 1988)	—	7,747	7,747	—	148	140
Preference, series B (redeemed during 1988)	—	1,840	1,843	—	46	46
Preference, series F	400	400	—	8	8	
				$ 8	$202	$218
Redeemable non-retractable preference shares						
Preference, series C	5,700	5,700	5,700	$106	$106	$106
Preference, series D	1,700	1,700	1,700	43	43	43
Preference, series E	3,000	3,000	3,000	54	54	54
				$203	$203	$203

Dividends

Outstanding shares are eligible for quarterly dividends as follows:

- Preference, series C and D – An amount related to the average of the Canadian prime interest rates for Series C and the average of the U.S. prime interest rates for Series D quoted by two major Canadian banks for stated periods.
- Preference, series E – CAN$2.16 per share per annum up to October 31, 1991, and thereafter at an amount related to the average of the Canadian prime interest rates quoted by two major Canadian banks for stated periods.
- Preference, series F – CAN$2.00 per share per annum.

Retraction Privileges

Preference, series F shares are retractable at CAN$25.00 per share on March 31, 1992.

Redemption

Outstanding shares may be called for redemption at the option of the Company on 30 days' notice as follows:

- Preference, series C (denominated in Canadian dollars) and D (denominated in U.S. dollars) – At $26.20 per share during the twelve-month period commencing January 1, 1989, and reducing by $0.30 per share in each of the succeeding twelve-month periods until December 31, 1992, after which the shares may be redeemed at $25.00 per share.
- Preference, series E – At CAN$25.00 per share commencing October 31, 1991
- Preference, series F – At CAN$25.00 per share commencing March 31, 1992

Any partial redemption must be made on a pro-rata basis or by lot.

12. COMMON SHARES

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

	Number (in thousands)			Stated Value		
	1988	1987	1986	1988	1987	1986
Outstanding – beginning of year	157,976	157,562	149,670	$1,183	$1,172	$1,032
Purchased for cancellation	(6,893)	—	—	(52)	—	—
Issued for cash:						
Executive share option plan	302	124	54	7	3	1
Dividend reinvestment and share purchase plans	308	290	191	9	8	4
Exercise of warrants	—	—	7,557	—	—	133
Issued under stock dividend plan	—	—	90	—	—	2
Outstanding – end of year	151,693	157,976	157,562	$1,147	$1,183	$1,172

Under the executive share option plan, certain key employees may purchase common 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$28.73 per share. These options expire at various dates during the next 10 years. Changes in shares under option are summarized below:

	1988	1987	1986
Outstanding – beginning of year	929,586	632,042	573,515
Granted	—	618,000	219,900
Exercised	(301,549)	(123,047)	(54,228)
Cancelled	(55,096)	(197,409)	(107,145)
Outstanding – end of year	572,941	929,586	632,042

Included in the issued common share capital of the Company is $41 of subordinate non-voting common shares. As all of these shares are held by a wholly-owned subsidiary, they have been eliminated upon consolidation.

During 1988, the Company purchased and cancelled 6,893,500 of its common shares at a total cost of $213 under share buy-back programs and at year-end had regulatory approval to purchase an additional 7,106,500 shares to October 26, 1989.

13. RETAINED EARNINGS

Consolidated retained earnings at December 31, 1988, include:

- $157 of undistributed earnings of companies accounted for under the equity method
- $1,408 of undistributed earnings of subsidiaries, some part of which may be subject to certain taxes and other restrictions on distribution to the parent company; no provision is made for such taxes because these earnings are reinvested in the business.

14. 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 and "take-or-pay" obligations, are estimated at $127 in 1989, $128 in 1990, $126 in 1991, $152 in 1992, $118 in 1993 and $382 thereafter. Total charges from these related companies were $267 in 1988, $231 in 1987 and $201 in 1986. In addition, there are guarantees for the repayment of approximately $25 of indebtedness by related companies. Commitments with third parties for supplies of other inputs are estimated at $39 in 1989, $35 in 1990, $34 in 1991, $34 in 1992, $30 in 1993 and $245 thereafter. Total charges from these third parties were $33 in 1988, $41 in 1987 and $24 in 1986.

Minimum rental obligations amount to $57 in 1989, $50 in 1990, $41 in 1991, $36 in 1992, $30 in 1993 and lesser annual amounts thereafter. Total rental expenses amounted to $102 in 1988, $87 in 1987 and $72 in 1986.

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

In addition, see reference to debt repayments in note 7, capital expenditures in note 8, abatable preferred shares in note 10, and preference share retractions in note 11.

15. 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 36-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.

Pension Cost	1988	1987	1986
Service cost for the year	$ 76	$ 63	$ 53
Interest cost on projected benefit obligations	153	130	112
Actual return on assets	(222)	(84)	(280)
Variance of actual return from expected long-term rate of 8.1% (8.0% in 1987 and 7.9% in 1986) being deferred, and amortization of other gains and losses	22	(111)	122
Net cost for the year	$ 29	$ (2)	$ 7
The plans' funded status at December 31 was:			
Actuarial accumulated benefit obligation, including vested benefit obligations of $1,740 ($1,544 in 1987 and $1,255 in 1986)	$1,771	$1,571	$1,284
Plan assets at market value	2,468	2,204	1,996
Actuarial projected benefit obligation based on average compensation growth of 6.2% (6.1% in 1987 and 5.9% in 1986) and discount rate of 8.2% (8.1% in 1987 and 7.9% in 1986)	2,080	1,879	1,551
Plan assets in excess of projected benefit obligation	388	325	445
Unamortized actuarial gains – net*	(218)	(139)	(125)
Unamortized prior service cost*	134	150	15
Unamortized portion of actuarial surplus at January 1, 1986*	(301)	(329)	(357)
Pension asset (liability) in balance sheet	$ 3	$ 7	$ (22)

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

16. INFORMATION BY GEOGRAPHIC AREAS

	Location	1988	1987	1986
Sales and operating revenues to subsidiaries	Canada	$2,104	$1,380	$1,205
	United States	197	143	102
	Latin America	61	17	9
	Europe	205	49	93
	Pacific	87	4	50
	All other	314	113	203
	Sub-total	2,968	1,706	1,662
	Consolidation eliminations	(2,968)	(1,706)	(1,662)
	Total	$ —	$ —	$ —
Sales and operating revenues to third parties	Canada	$1,226	$ 909	$ 794
	United States	2,967	2,181	1,998
	Latin America	416	407	348
	Europe	2,756	2,285	2,065
	Pacific	1,074	920	665
	All other	90	95	86
	Total	$8,529	$6,797	$5,956
	Sales to subsidiary companies are made at a fair market price recognizing volume, continuity of supply and other factors.			
Net income (Loss)	Canada	$ 453	$ 227	$ 150
	United States	101	27	43
	Latin America	72	58	2
	Europe	120	61	82
	Pacific	176	32	(20)
	All other	64	56	25
	Consolidation eliminations	(55)	(28)	(5)
	Total	$ 931	$ 433	$ 277
Total assets at December 31	Canada	$3,160	$2,936	$2,575
	United States	1,448	1,145	1,115
	Latin America	724	728	713
	Europe	2,726	2,366	1,956
	Pacific	1,009	831	878
	All other	673	383	496
	Consolidation eliminations	(1,125)	(729)	(615)
	Total	$8,615	$7,660	$7,118
Capital expenditures	Canada	$ 297	$ 144	$ 98
	United States	106	48	52
	Latin America	32	26	60
	Europe	201	149	96
	Pacific	31	42	27
	All other	9	6	9
	Total	$ 676	$ 415	$ 342
Average number of employees (in thousands)	Canada	15	15	16
	United States	7	7	7
	Latin America	9	9	9
	Europe	18	18	20
	Pacific	5	12	13
	All other	2	2	2
	Total	56	63	67
	1987 and 1986 include the employees of Indian Aluminium Company, Limited			

QUARTERLY FINANCIAL DATA*

(millions of US$)	First	Second	Third	Fourth	Year
1988					
Revenues	$1,969	$2,218	$2,185	$2,254	$8,626
Cost of sales and operating expenses	1,440	1,572	1,495	1,565	6,072
Depreciation	76	74	81	85	316
Income taxes	84	130	153	130	497
Interest and other items	194	199	198	219	810
Net income	$ 175	$ 243	$ 258	$ 255	$ 931
Dividends on preference shares	(9)	(9)	(8)	(4)	(30)
Net income attributable to common shareholders	166	234	250	251	901
Net income per common share (in US$)	$ 1.05	$ 1.48	$ 1.61	$ 1.64	$ 5.77
1987					
Revenues	$1,540	[illegible]	[illegible]	[illegible]	[illegible]
Cost of sales and operating expenses	1,183	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation	[illegible]	74	[illegible]	77	[illegible]
Income taxes	29	64	62	75	[illegible]
Interest and other items	185	185	198	234	802
Net income	[illegible]	$ 103	$ 122	[illegible]	[illegible]
Dividends on preference shares	[illegible]	[illegible]	(9)	(9)	(36)
Net income attributable to common shareholders	[illegible]	[illegible]	[illegible]	[illegible]	397
Net income per common share (in US$)	$ 0.39	$ 0.60	$ 0.72	$ 0.81	[illegible]
1986					
Revenues	[illegible]	$1,607	$1,492	$1,504	$6,056
Cost of sales and operating expenses	1,154	1,189	1,144	1,148	4,635
Depreciation	66	69	68	73	276
Income taxes	23	66	39	32	160
Interest and other items	178	177	186	193	734
Income tax recovery	8	8	[illegible]	[illegible]	[illegible]
Net income	$ 40	$ 114	$ 62	$ 61	[illegible]
Dividends on preference shares	(8)	(8)	(8)	(9)	[illegible]
Net income attributable to common shareholders	32	106	54	52	[illegible]
Income per common share (in US$)					
Before income tax recovery	[illegible]	0.65	0.31	0.33	1.46
Income tax recovery	0.05	0.05	0.05	0.02	0.17
Total income per common share	$ 0.22	$ 0.70	$ 0.36	$ 0.35	$ 1.63

*Unaudited.

Total income per common share calculations are based on the average number of common shares outstanding in each period.

AN ELEVEN-YEAR SUMMARY

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
CONSOLIDATED INCOME STATEMENT ITEMS (in millions of US$)											
Revenues											
Sales and operating revenues	**8,529**	6,797	5,956	5,718	5,467	5,208	4,644	4,978	5,215	4,390	3,711
Other income	**97**	81	100	113	109	97	65	75	49	60	27
Total revenues	**8,626**	6,878	6,056	5,831	5,576	5,305	4,709	5,053	5,264	4,450	3,738
Costs and expenses											
Cost of sales and operating expenses	**6,072**	5,117	4,635	4,692	4,228	4,185	3,818	3,801	3,669	3,236	2,709
Depreciation	**316**	296	276	258	250	238	221	202	162	149	138
Selling, administrative and general expenses	**525**	447	406	385	393	392	362	365	319	284	245
Research and development expenses	**132**	95	77	77	66	60	55	48	47	34	33
Interest	**137**	177	202	232	244	255	234	186	107	114	88
Special charges and rationalization expenses	**—**	—	—	416	—	—	—	—	—	—	—
Other expenses	**91**	113	52	53	38	32	30	22	23	14	17
Income taxes	**497**	230	160	(87)	151	73	(9)	142	393	211	190
Minority interests	**(22)**	(5)	(2)	(3)	(5)	9	3	(5)	(16)	(18)	(19)
Equity income	**97**	35	5	15	46	10	(46)	(4)	26	27	8
***Net income (Loss) from continuing operations**	**931**	433	251	(183)	247	89	(45)	278	554	417	307
Extraordinary gain	**—**	—	26	36	37	15	—	—	—	21	—
***Net income (Loss)**	**931**	433	277	(147)	284	104	(45)	278	554	438	307
Preference dividends	**30**	36	33	33	31	31	13	14	12	11	10
***Net income (Loss) attributable to common shareholders**	**901**	397	244	(180)	253	73	(58)	264	542	427	297
CONSOLIDATED BALANCE SHEET ITEMS (in millions of US$)											
Working capital	**2,115**	2,039	1,660	1,452	1,488	1,452	1,361	1,486	1,373	1,275	1,113
Property, plant and equipment – net	**4,280**	3,965	3,949	3,875	3,600	3,550	3,701	3,267	2,441	1,915	1,638
Total assets	**8,615**	7,660	7,118	6,861	6,690	6,600	6,632	6,339	5,470	4,490	3,967
Long-term debt	**1,199**	1,336	1,366	1,600	1,350	1,499	1,749	1,589	930	796	716
Deferred income taxes	**1,006**	754	554	409	562	537	535	564	514	397	344
Preference shares	**211**	405	421	398	405	337	340	139	140	155	171
Common shareholders' equity	**4,109**	3,565	3,116	2,746	2,916	2,799	2,511	2,631	2,463	2,030	1,688
PER COMMON SHARE (in US$)											
***Net income (Loss) from continuing operations**	**5.77**	2.52	1.46	(1.45)	1.47	0.43	(0.46)	2.16	4.47	3.34	2.45
***Net income (Loss)**	**5.77**	2.52	1.63	(1.21)	1.73	0.54	(0.46)	2.16	4.47	3.52	2.45
Dividends paid	**0.88**	0.58	0.53	0.73	0.80	0.60	0.90	1.20	0.90	0.70	0.52
Common shareholders' equity	**27.09**	22.57	19.77	18.35	19.61	19.25	19.65	21.22	20.30	16.73	13.91
Market price – NYSE close	**32.63**	26.88	18.83	19.33	19.17	26.50	18.59	15.33	22.17	15.63	11.29
OPERATING DATA (in thousands of tonnes)											
Consolidated aluminum shipments											
Ingot and ingot products	**832**	787	731	878	577	728	758	510	533	496	615
Fabricated products	**1,446**	1,410	1,388	1,340	1,213	1,174	949	1,037	1,055	1,036	982
Total aluminum shipments	**2,278**	2,197	2,119	2,218	1,790	1,902	1,707	1,547	1,588	1,532	1,597
Consolidated primary aluminum production	**1,619**	1,587	1,641	1,644	1,560	1,383	1,297	1,395	1,302	1,063	1,198
Consolidated aluminum inventories (end of year)	**480**	496	579	625	708	534	620	666	485	410	518
Primary aluminum capacity											
Consolidated subsidiaries	**1,680**	1,680	1,841	1,841	1,646	1,619	1,593	1,483	1,426	1,347	1,258
Total consolidated subsidiaries and related companies	**1,831**	1,861	1,905	1,905	2,097	2,070	2,035	1,987	1,930	1,959	2,086
OTHER STATISTICS											
Cash from operating activities (in millions of US$)	**1,370**	879	725	586	489	324	255	240	675	563	499
Capital expenditures (in millions of US$)	**676**	415	342	597	427	382	643	974	752	495	333
Ratio of total borrowings to equity (%)	**26:74**	27:73	31:69	37:63	34:66	36:64	43:57	41:59	30:70	28:72	32:68
Average number of employees (in thousands)	**56**	63	67	70	70	71	67	67	66	64	62
Common shareholders (in thousands at end of year)	**41**	46	49	59	67	59	51	47	37	35	37
Common shares outstanding (in millions at end of year)	**152**	158	158	150	149	145	128	125	121	121	121
Registered in Canada (%)	**54**	44	43	46	56	48	51	48	39	39	43
Registered in the United States (%)	**43**	53	52	49	39	48	42	45	53	53	45
Registered in other countries (%)	**3**	3	5	5	5	4	7	7	8	8	12
Return on average common shareholders' equity (%)	**24**	12	8	(6)	9	3	(2)	10	24	23	19

*All net income figures include the after-tax impact of unusual charges, such as special charges and rationalization expenses of $252 million ($1.69 per common share) in 1985, and the gains and losses from the disposal of various assets and investments.

See note 4 to the financial statements for U.S. GAAP information.

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Vice President, Corporate Affairs

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Ihor Suchoversky
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Maurice D. Taylor
Treasurer

Suresh Thadhani
Controller

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Gerald Clark
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S. Bruce Heister
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President and Chief Executive Officer, Alcan Deutschland GmbH, *Eschborn, West Germany*

[1] Member of Audit Committee
[2] Chairman of Audit Committee
[3] Member of Personnel Committee
[4] Chairman of Personnel Committee

ANNUAL MEETING

The Annual Meeting of the holders of common shares of Alcan Aluminium Limited will be held on Thursday, April 27, 1989. The meeting will take place at 10:00 a.m. in the Assembly Hall of the International Civil Aviation Organization at 1000 Sherbrooke Street West, Montreal.

COMMON SHARES

The principal markets for trading in the common shares are the New York and Toronto stock exchanges. The common shares are also traded on the Montreal, Vancouver, Midwest, Pacific, London, Paris, Brussels, Amsterdam, Frankfurt, Basel, Geneva, Lausanne and Zurich stock exchanges.

The transfer agents for the common shares are National Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver; Manufacturers Hanover Trust Company in New York; Manufacturers Hanover Trust Company of California in San Francisco; and The Royal Trust Company in London.

PREFERENCE SHARES

The preference shares are listed on the Montreal, Toronto and Vancouver stock exchanges. The transfer agent for the preference shares is The Royal Trust Company.

DIVIDENDS AND PRICES PER COMMON SHARE

	Dividend*	Price*			
1988		NYSE - US$**		TSE - CAN$**	
Quarter	US$	High	Low	High	Low
First	0.180	30⅜	23⅞	39	30¼
Second	0.180	33⅜	24¼	40½	32½
Third	0.220	33⅛	28⅛	40⅛	34½
Fourth	0.300	32¾	28⅞	39⅛	35⅛
Year	0.880				
1987					
Quarter					
First	0.133	26⅝	19	35	26
Second	0.150	32¼	25	43¼	32
Third	0.150	37⅜	30⅜	49	40⅛
Fourth	0.150	37⅞	18	49½	27½
Year	0.583				

*Amounts for the first quarter of 1987 reflect the three-for-two share split on May 5, 1987.

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

INVESTMENT PLANS

The Company offers holders of common shares two convenient ways of buying additional Alcan common shares at regular intervals and without payment of brokerage commissions. These are the Dividend Reinvestment Plan and the Share Purchase Plan. For information, contact Alcan Shareholder Services at the address below.

10-K REPORT

A copy of the Company's annual 10-K report for 1988, 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 Alcan Shareholder Services at the address below.

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