Alcan Aluminium Limited

Annual Report 1994

ALCAN

COMPANY PROFILE

Alcan Aluminium Limited, a Canadian corporation, is the parent company of a multinational industrial group engaged in all aspects of the aluminum business. Through subsidiaries and related companies around the world, the activities of the Alcan Group include bauxite mining, alumina refining, aluminum smelting, manufacturing, sales and recycling. Approximately 37,500 people are directly employed by the Company, with thousands more employed in its related companies.

In the 93 years since it was established, Alcan has developed a unique combination of competitive strengths, with low-cost, owned hydroelectricity in Canada, proprietary process technology and international diversification. Today, Alcan is one of the world's largest aluminum companies. The word ALCAN and the Alcan symbol are registered trademarks in more than 100 countries and are synonymous with aluminum the world over.

The Alcan Group is a multicultural and multilingual enterprise reflecting the differing corporate and social characteristics of the many countries in which it operates. Within a universal framework of policies and objectives, individual subsidiaries conduct their operations with a large measure of autonomy.

Alcan Aluminium Limited has approximately 25,570 registered holders of its common shares and 1,800 registered holders of its preference shares widely distributed internationally, with the majority in North America.

Further information on Alcan and its activities is contained in various company publications, available by writing to the address shown on page 49.

COVER

The Alcan Group, the most international aluminum company in the world, has a unique combination of proprietary process technology and activities that include raw materials and chemicals, metal supply, fabricated products, sales and recycling. The Company is strategically positioned to exploit growth markets for rolled products, particularly can sheet, automotive and other specialty sheet end-uses worldwide.

CONTENTS

TERMS

A "subsidiary" is a company controlled by Alcan. A "related company" is one in which Alcan has significant influence over management but owns 50% or less of the voting stock.

The word "Company" refers to Alcan Aluminium Limited and, where applicable, one or more consolidated subsidiaries.

The "Alcan Group" refers to Alcan Aluminium Limited, its subsidiaries and related companies.

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.

Any reference to Western World aluminum industry data excludes the former Soviet Union, the East Bloc countries and China.

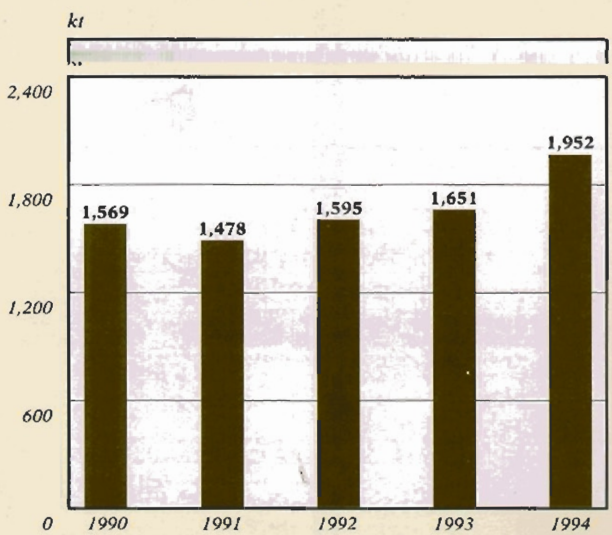
The following abbreviations are used:

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

	1994	1993	1992
FINANCIAL DATA *(in millions of US$, except per common share amounts)*			
Sales and operating revenues	8,216	7,232	7,596
Net income (Loss)	96	(104)	(112)
Return (%) on average common shareholders' equity	2	(3)	(3)
Total assets (at year-end)	9,989	9,810	10,146
Capital expenditures	356	370	474
Ratio of borrowings to equity (at year-end)	35:65	37:63	37:63
Per common share *(in US$)*			
Net income (Loss)	0.34	(0.54)	(0.60)
Cash from operating activities	0.29	1.98	2.08
Dividends	0.30	0.30	0.45
Common shareholders' equity (at year-end)	19.17	18.28	19.06
OPERATING DATA *(in thousands of tonnes)*			
Fabricated product shipments*	1,952	1,651	1,595
Ingot product shipments	897	887	870
Primary aluminum production	1,435	1,631	1,612
Secondary/recycled aluminum production	496	439	362

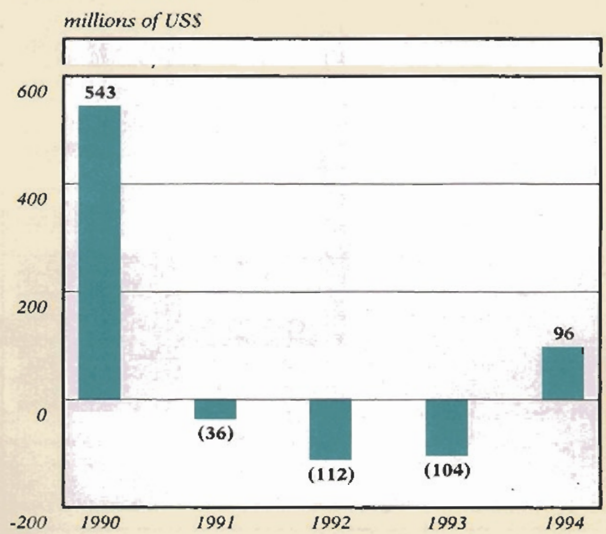
* Includes products fabricated from customer-owned metal.

Fabricated Product Shipments



Growing demand for aluminum products, together with incremental production from expanded rolled product facilities, led Alcan's fabricated product shipments to reach a new record level in 1994.

Net Income (Loss)



Alcan returned to profitability in 1994 following three years of losses. The turnaround in the Company's results for the year largely reflected an 18% increase in fabricated product shipments.

Raw Materials

Recent Events

- Safety performance at Alcan alumina refineries continued to improve during 1994 with notable achievements at our facilities in Ireland, Jamaica and Guinea.
- Productivity gains continued in 1994. The Aughinish plant in Ireland improved manpower productivity by 33% through a major restructuring.
- Cash operating costs at Alcan's major refineries were reduced by 9% compared to 1993, with Vaudreuil Works in Quebec and our operations in Jamaica being key contributors.

BAUXITE MINING
- 11 bauxite mines/reserves in six countries (including related companies).
- 166 Mt of reserves in subsidiaries and 59 Mt share in related companies.
- 9.9 Mt used in 1994.

ALUMINA REFINING
- 12 alumina plants in nine countries (including related companies).
- 3.1 Mt of annual capacity in subsidiaries and 1.2 Mt share in related companies.
- 3.2 Mt produced in subsidiaries and 1.2 Mt share in related companies.

Metal Supply

Recent Events

- Due to the increased demand for fabricated products as well as to the temporary closure of primary smelter capacity, Alcan doubled its purchases of primary ingot in 1994 compared to 1993.
- Expansion of a can recycling facility was started at the Oswego, New York, aluminum sheet rolling complex. When completed in May 1995, the plant's annual recycling capacity will almost double to 145 kt/y, processing more than 4 billion used beverage cans per year.

PURCHASED INGOT AND FABRICATED PRODUCTS†
- 754 kt of primary ingot and 131 kt of fabricated products purchased.

PRIMARY PRODUCTION†
- 13 smelters in four countries.*
- 1.6 Mt of annual capacity.*
- 1.4 Mt produced in 1994.
- $995 million (636 kt) in ingot sales.††

* Restated following the sale of the Company's interest in Alcan Australia Limited in mid-1994.

SECONDARY/RECYCLED ALUMINUM†
- 8 recycling plants in four countries.
- 593 kt of annual capacity.
- 496 kt produced in 1994.
- 460 kt of scrap purchased.
- $214 million (138 kt) in ingot sales.
- $166 million (123 kt) in scrap sales.

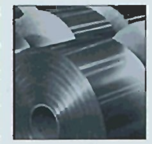
PROCESS SCRAP

POST-CONSUMER SCRAP

Fabricated and Non-Aluminum Products

Recent Events

- Alcan sold several businesses in 1994 as a result of a strategic review process. Among the operations divested were the building products and extrusion businesses in North America, Alcan's majority interest in Alcan Australia Limited, and some downstream businesses in Brazil and the U.K.
- In addition to increasing its rolling capacity at the Logan (Kentucky) and Norf (Germany) plants, Alcan acquired a rolling and finishing plant in Nachterstedt (Germany).
- Alcan's total fabricated product volumes for 1994, including conversion of customer-owned material, were 18% higher than in 1993, and a record for Alcan.



ROLLED PRODUCTS†
- $3.5 billion (1,327 kt) in sales.†††
- Fabricated 189 kt of customer-owned metal.

EXTRUDED AND DRAWN PRODUCTS†
- $1.3 billion (342 kt) in sales.

OTHER FABRICATED PRODUCTS†
- $431 million (94 kt) in sales.

NON-ALUMINUM PRODUCTS†
- $1.2 billion in sales.

SPECIALTY CHEMICALS†
- $101 million in sales.
- Alcan's chemicals businesses continued to grow in 1994, recording a 35% increase in profitability over 1993.

TOTAL FABRICATED AND NON-ALUMINUM PRODUCTS†
- Over 100 manufacturing plants in 11 countries.
- $6.4 billion in sales in 1994.†††
- 2 Mt of aluminum fabricated in Alcan facilities.

Customers and Markets

Recent Events

- Alcan is participating in the long-term evaluation and testing of the Ford AIV (aluminum intensive vehicle – photo on cover) and continues to work closely with General Motors to design the frame for its Impact-EV electric vehicle (see photo below), using Alcan's Aluminum Vehicle Technology and specially-developed sheet products.

CONTAINERS AND PACKAGING
- $2.2 billion in sales.
- 34% of total fabricated and non-aluminum product sales.
- End uses include beverage cans, household foil, foil dishes and containers, bottle closures and foil laminates for food and pharmaceutical packaging.

TRANSPORTATION
- $491 million in sales.
- 8% of total fabricated and non-aluminum product sales.
- End uses include car body and engine parts, wheels and radiators, aircraft structures, rail carriages, freight cars and ships.

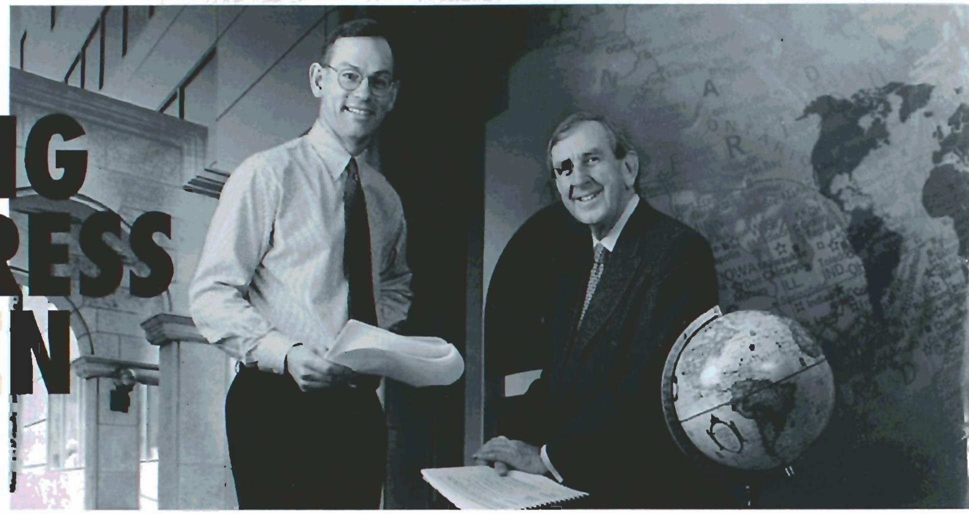
ELECTRICAL
- $580 million in sales.
- 9% of total fabricated and non-aluminum product sales.
- End uses include overhead transmission cable, cable wrap, condenser windings, underground distribution cable, heat sinks and house wiring.

BUILDING AND CONSTRUCTION
- $1.4 billion in sales.
- 22% of total fabricated and non-aluminum product sales.
- End uses include windows and doors, roofing and cladding, lighting poles and fixtures, structures and handrails.

OTHER MARKETS
- $1.7 billion in sales.
- 27% of total fabricated and non-aluminum product sales.
- End uses include machinery, appliances, heat exchangers, PVC pipe, wear components, synthetic marble and zirconium chemicals.

† *Excluding related companies.*
†† *Also includes purchased ingot.*
††† *Excluding fabrication of customer-owned metal.*

MAKING PROGRESS HAPPEN



Left: Jacques Bougie, President and Chief Executive Officer
Right: David Morton, Chairman of the Board.

Net income for the year was $96 million, and was a welcome return to profit, after the losses of previous years. The divestments made during the year also contributed to the improvement in the Company's debt-equity ratio to 35:65, from 37:63 at the end of 1993. Shipments of the Company's fabricated products hit new record levels in 1994. Coupled with the continued emphasis on cost reduction, this gave rise to a steady improvement in operating income through the year.

As 1994 progressed and more challenges were met, it became a turnaround year for the aluminum industry and for Alcan. Aluminum consumption grew at double the rate of industrial production. As a result of strong demand and production curtailments by Western World producers, world aluminum inventories began to fall, improving the supply and demand balance. The London Metal Exchange three-month price for aluminum hit the US$2,000-per-tonne level in November for the first time in four years.

GOOD PERFORMANCE AGAINST CORPORATE GOALS

For Alcan, 1994 was a year of record fabricated product shipments and a return to profitability for our shareholders. Our ongoing focus on performance improvement, particularly in the areas of customer service and product quality, played an important role in this achievement. A continued commitment to cost reduction in 1994 enabled the Company to realize additional cost savings of about $120 million, bringing the total to over $600 million, adjusted for currency exchange and other factors, in the last three years. Through it all, Alcan did not lose sight of its strategic priorities, revised in November 1993 following an intensive one-year study. The costs at our aluminum smelters, already among the lowest in the world, continued to be brought down. We are also coming closer to meeting the challenging target of bringing our alumina costs to below the world average.

During 1994, we were able to benefit from the output of the new sheet rolling capacity at the Logan plant in Kentucky. In Germany, the new rolling mill at Norf was brought on stream faster than planned, and we acquired a cold rolling and finishing plant, primarily for building and automotive sheet, at Nachterstedt. With these new investments, Alcan has become the world's largest producer of rolled products.

Our divestment program of non-strategic investments is well under way, and more divestments are planned for 1995. The refocusing of our R & D activities on core processes and products is also going well. About 90% of the activities at our R & D centres are now directed towards improved product quality and process development programs for our mainstream businessess. Overall R & D expenditures are down 30% from 1993.

Our R & D efforts in the development of Alcan's Aluminum Vehicle Technology for high-volume automobile production were rewarded in 1994 with Ford's unveiling of a test fleet of 40 aluminum sedans.

We are also pleased with our success in meeting our target of cash neutrality in 1994, taking into account the rise in working capital required to meet record fabricated product shipments. Capital expenditure, at $356 million, was slightly below the 1993 level of $370 million that will also be the approximate target figure for 1995.

Alcan's strategic priorities are:

- **Continue to reduce primary smelter costs and bring raw material costs to below world average.**
- **Exploit world growth markets for rolled products, especially in the beverage can, automotive and other specialty sheet end-uses.**
- **Maintain investment in only those downstream operations that create value for shareholders and have a strategic fit.**
- **Focus R & D on core processes and products.**
- **Continue to reduce corporate and business units' overhead costs.**

In British Columbia, the Kemano Completion Project was rejected by the government of British Columbia on January 23, 1995. Even though the British Columbia Utilities Commission report, issued after a two-year public review, recommended a number of modifications to the project, it did not, however, recommend its rejection. At this time, Alcan is reviewing its options in light of the government's decision and is engaged in discussions with government relating to a satisfactory resolution of this matter.

PEOPLE IN ALCAN

The achievements of the year reflect a continuation of the efforts of previous years to improve performance and reduce costs in all parts of the Company. They also took place amid considerable organizational change. It is greatly to the credit of all employees that the change has been achieved while the business of satisfying the customer has been so successfully carried on. On behalf of the Board of Directors, we would like to express our thanks and our appreciation of the individual efforts by employees throughout the Company that went to make up this success.

In August, Guy Saint-Pierre, President and Chief Executive Officer of SNC-Lavalin Group Inc., was appointed as a Director of the Company.

AN UPWARD TREND

What we have seen in 1994 is strong market demand combined with the result of several years of cumulative cost reductions to move Alcan's earnings upward. This trend should continue as we see the benefit of improved prices for fabricated products reflected in 1995 supply contracts. Strong market demand will also help to reduce world inventories, which will, in due course, allow the restart of our temporarily closed smelting capacity, further benefiting our earnings picture.

The trends, therefore, are encouraging. But they will in no way alter our resolve to maintain rigorous control on costs and on capital expenditure. The benefits of such rigour are becoming apparent in a climate of improving prices. Together with the continued drive on our strategic priorities, these benefits will aid us in pursuing the growth in shareholder value that is our overall objective.

David Morton
Chairman of the Board

Jacques Bougie
President and Chief Executive Officer

Montreal, February 9, 1995

STRAIGHT TALK!

On the heels of a turnaround year for the world aluminum industry and for Alcan, Jacques Bougie responds to some of the questions being asked by investors and analysts.

Q What is your vision for Alcan?

A In November 1993, following an intensive year-long study, Alcan embarked on a new set of strategic priorities. These priorities will lead to a simpler, more focused company with strong market positions. It will be a company capable of creating greater shareholder value. But that is only the first step. As our core assets become more effectively deployed, sales will rise — this is already evident with fabricated product sales in the second half of 1994 reaching a new record high, despite no longer including Australia, New Zealand and North American extrusions in the figures. The Alcan of the future will be dedicated to serving global rolled product markets, particularly the beverage can, automotive, and other specialty end-uses based mainly on world class rolling mills in North America, Europe and Brazil. It will also operate businesses that have a strategic fit with this core, and which offer good growth and profit potential. Alcan's strength will further lie in the lowest-cost smelter system in the world, supported by a growing recycling capability. Its internal growth will be augmented by the appropriate alliances and acquisitions that a strong balance sheet will make possible. Its technology, its culture and its people will continue to be truly multinational, a real competitive edge in the kinds of markets we see ahead.

Q With the changes you are making, will your peak earnings potential be higher than before?

A Our strategic review gave us a measure of how individual businesses were contributing to creating value for Alcan's shareholders. The range of these contributions was from strongly positive through to negative. By strengthening those which create wealth, improving or selling off those that dilute or reduce wealth and relentlessly striving to reduce our costs, we are certainly aiming for a higher potential return on our assets. Of course, we are still subject to the vagaries of the business climate, such as the recent abrupt over-supply situation caused by the collapse of Russia's economy and the dramatic increase of their aluminum exports to the West.

Q What is Alcan's strategy to exploit the prospects for the aluminum market?

A Globally, we are forecasting a continuing average overall growth rate of about 4% per year between now and the year 2000, about one-third faster than in the previous seven-year period. We expect above-average growth rates in Asia and South America and average growth in Europe. The maturing North American market will grow at below-average rates, but it will remain the largest market for aluminum for some time to come. Among the major end-users, the automotive market will be the star performer, both to the year 2000 and thereafter. The beverage can market outside North America will also be showing above-average growth, while the building and construction market will continue to grow, albeit at below the world average. The two fast growing end-use markets of automobiles and beverage cans will demand large and increasing quantities of aluminum sheet products.

With the increase of rolling capacity coming on stream at the Logan (Kentucky) and Norf (Germany) plants, the acquisition of a plant in Germany for building and auto sheet, and recent upgrades at other facilities, Alcan is the No. 1 rolled products producer in the world. Alcan also increased its total fabricated product volumes for 1994 which, at 18% higher than in 1993, set a new record for Alcan. It has a good strategic position in Asia through its affiliates in Japan and operations throughout East Asia. It is therefore well placed to serve all the important world markets.

Alcan has also invested $100 million over 10 years in its aluminum vehicle technology (AVT). This technology makes viable the use of aluminum sheet stampings to replace steel in the existing high volume production process for automobile structures. It has already been used in the Ford AIV (aluminum-intensive vehicle), based on the mid-size, high volume Taurus/Sable platform, of which 40 have been built for testing. I drive one of these AIV's and I love it!

In terms of product capability, geographical location and advanced technology, Alcan is therefore well equipped to exploit the exciting market prospects that lie ahead.

Q Does Alcan intend to continue to reduce costs?

A In measuring the effectiveness of our efforts to reduce costs year on year, it is important to exclude factors such as exchange rate movements, changes in outside metal purchases and higher variable costs due to increased sales volumes. Excluding these factors, the cost reductions in 1992 and 1993 totalled close to $500 million. In 1994, the cost reduction was estimated to be about $120 million.

These are fundamental changes in our cost base and we have programs in hand to do more. Cost reduction has become a way of life in Alcan.

Where are you focusing your R & D efforts and why?

Our R & D efforts are now closely related to our core processes and products. In 1990, when R & D investments reached a peak of $150 million, over one-third of those investments were related to technologies involved in new businesses. Since then, we have withdrawn from those activities, and R & D programs have been reduced accordingly. They have been further reduced due to the ongoing divestment of a number of our downstream activities, which had been receiving R & D technology support.

What are you doing about Alcan's environmental performance?

Alcan published its Environmental Policy Statement in 1990 following a commitment to environmental protection first set out in 1978, in the publication, *Alcan, Its Purpose, Objectives and Policies*.

Under this environmental policy (see page 49), a number of environmental management programs are in operation, under the overall surveillance of the Environment Committee of the Board. Prominent among these are compliance reviews, verifying at regular intervals the environmental performance of each plant, both against legal requirements and those of the policy statement. Over 130 plant compliance reviews have been completed worldwide, in all sectors of Alcan's operations. Another principal measure is our annual Representation Letter in which each business unit reports on its current environmental status and outlines its environmental plans and financial requirements.

Action plans from both the compliance reviews and the representation letters are vigorously followed up and most have been completed, with a number of longer-term plans scheduled for completion in 1995. Work on these plans is reflected in the annual expenditure on environment-related projects. In 1994, capital expenditure on those projects was $39 million, while a further $47 million was charged to operating costs.

An environmental review, outlining our environmental policy and management objectives, will be published in 1995.

SHARPENING OUR COMPETITIVE EDGE

Increased aluminum demand, resulting from buoyant economic conditions, together with further primary production cutbacks by Western producers, led to a marked recovery in industry fundamentals and ingot prices in 1994. Alcan's volumes reflected the strength of demand, reaching a new record level. The full benefit of higher ingot prices, however, did not carry through to fabricated products, but will be reflected in the prices for these products in 1995.

WORLD MARKET REVIEW

Primary Aluminum

Nineteen ninety-four was a turnaround year for the primary aluminum market. Following three years of depressed prices brought on by a severe glut of aluminum, inventories began to decline and prices rose steadily during the year. The dominant factor behind the change in market climate was the strong growth in demand for primary aluminum, itself the result of accelerating economic growth in North and South America and recoveries in Europe and Asia.

In 1994, Western World primary aluminum usage is estimated to have increased by approximately 10% to 17.0 million tonnes (Mt). This remarkable recovery, after two years of marginal growth, reflected the impact of strong economic growth, as well as the restocking of working inventories by the manufacturing and distribution sectors.

Western World primary aluminum production trended downward during the first half of 1994, as aluminum producers cut primary production in response to the oversupply situation. From an operating rate of 14.8 million tonnes per year (Mt/y) at the start of the year, production was cut back to a rate of 14.2 Mt/y by July, where it remained over the balance of the year. In total for the year, Western World production was 14.4 Mt, down from 15.0 Mt in 1993 and 14.8 Mt in 1992.

The other source of aluminum for the West was exports from the Commonwealth of Independent States (CIS), which remained at high levels during 1994. Since 1989, domestic aluminum demand in the CIS has fallen by approximately 75%, which has led to a sharp rise in the amount of aluminum available for export. Despite lower production levels in the CIS during 1994, net exports to the West are estimated to have increased slightly from the 1993 level of 1.8 Mt and are up significantly from the 1.0 Mt in 1992.

Accelerating demand together with lower production led to a drawdown in aluminum inventories in 1994. Total inventories held by producers and commodity exchanges started the year at 6.0 Mt, rose to a peak of 6.3 Mt in March, and then subsequently dropped to 5.2 Mt by year-end. This drop reversed a 43-month build-up that had added over 3 Mt of aluminum to world inventories. Included in the above figures is ingot held in London Metal Exchange (LME) warehouses. These LME inventories, which, in essence, represent the industry's surplus, reached a record 2.7 Mt in June 1994.

As a result of expansions and upgrades, Alcan is now the world's largest producer of rolled aluminum products.

Over the last half of the year, improved business conditions led to a 1 Mt decline in these inventories.

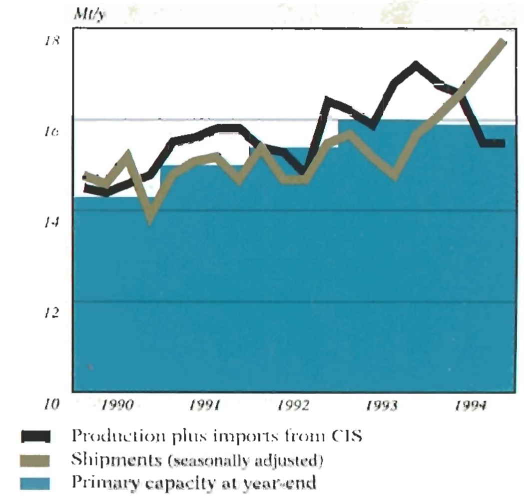
After remaining at depressed levels for nearly three years, ingot prices began to improve in November 1993. Prices on the LME opened 1994 at \$1,121 per tonne (/t), rose to a high for the year of \$2,015/t in November and ended the year at \$1,977/t. The average price for ingot in 1994 was \$1,500/t, up from \$1,161/t in 1993 and \$1,278/t in 1992.

Western World Consumption Compared to Alcan Sales

In 1994, it is estimated that Western World aluminum consumption reached 22.7 Mt, three-quarters of which was supplied from primary aluminum and the balance from recycled metal. This represented an 8% increase in total consumption from 1993. In North America, aluminum consumption accelerated for the third year in a row, achieving growth of 11% in 1994. Above-average growth was also experienced in South America, where consumption increased by 10%. Aluminum consumption grew by 6% in Europe, which bounced back from a drop in 1993, and by 7% in Asia. The Company expects that total aluminum consumption could rise by approximately 4% in 1995.

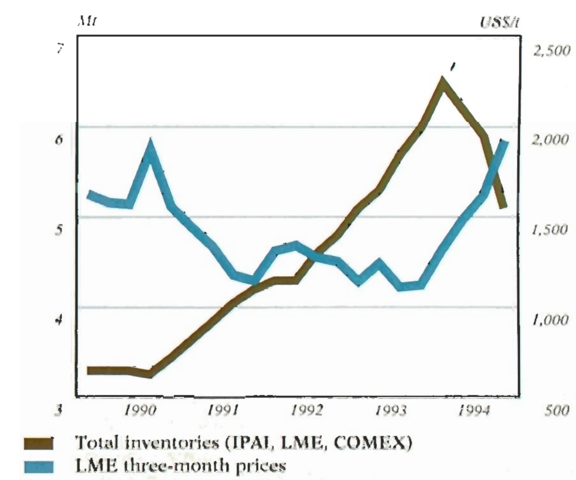
The world transportation market consumed 5.5 Mt of aluminum in 1994, 10% more than in the prior year. The main force behind this marked growth was a 10% increase in U.S. automobile production. It is estimated that approximately 200 lbs of aluminum are now used in the average North American passenger vehicle. Following a decline in 1993, aluminum usage in the European transportation market returned to 1992 levels due to a recovery in the auto sector. Alcan's shipments to the transportation market were up 17% in 1994 due to volume gains by German operations.

Western World Primary Aluminum Supply and Demand

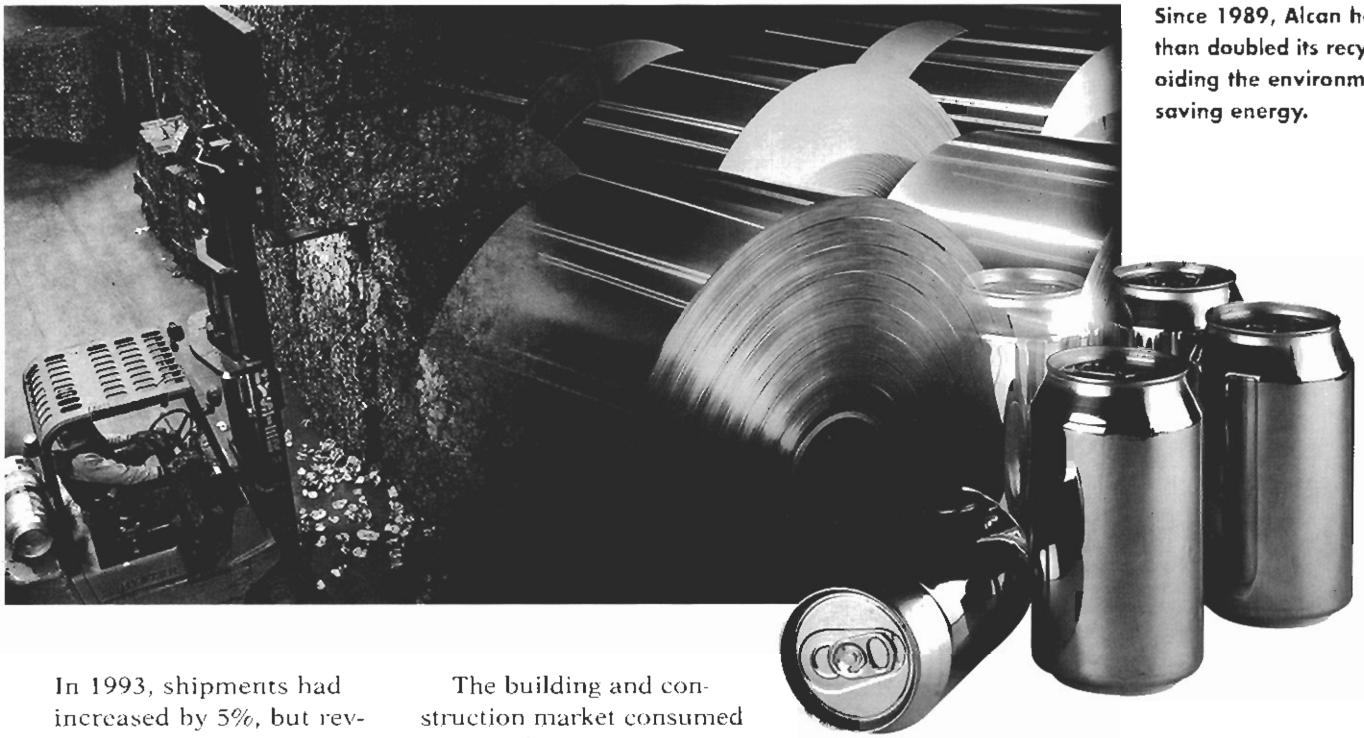


In 1994, strong growth in primary aluminum demand, together with further primary production cutbacks by Western World producers, reversed the over-supply problem that had been plaguing the industry since 1990.

Total Aluminum Inventories and Ingot Prices



Following three years of depressed aluminum prices brought on by a severe glut of primary aluminum, improved industry fundamentals in 1994 led to a decline in inventories and a steady rise in ingot prices.



Since 1989, Alcan has more than doubled its recycling capacity, aiding the environment and saving energy.

In 1993, shipments had increased by 5%, but revenues declined due to weaker prices.

The containers and packaging market consumed a total of 4.6 Mt of aluminum in 1994, of which about 70% was used in beverage cans. Following two years of relatively slow growth, aluminum usage in this market surged 8% in 1994. Consumption of can sheet in the U.S. and Japan rose as hot summer weather led to increased sales of beverages in cans. Growth was above average in the developing markets for aluminum beverage cans, such as the United Kingdom and Brazil. Alcan's packaging sales revenues rose 13% in 1994, mainly due to increased can sheet volumes in North America and Europe. Prices for can sheet were lower than in the previous year and did not benefit from the rise in metal prices in 1994 due to annual fixed price contracts with customers. Price improvement will be seen in 1995. In 1993, sales to this market had risen 8% due to higher volumes.

The building and construction market consumed 4.7 Mt of aluminum in 1994, 7% more than in the previous year. The increase reflected a continued rise in U.S. housing starts, as well as recoveries in the European and Japanese residential construction markets. Alcan's shipments to this market were little changed from 1993, as growth in volumes in Europe was offset by the impact of Alcan selling its building product businesses in North America and Australia. Better prices resulted in a 4% increase in revenues. In 1993, shipments had risen on the strength of the U.S. market, but revenues fell 6% due to weaker prices.

Aluminum consumption in the electrical market increased by 7% in 1994, to 2.0 Mt, largely due to increased construction activity in the U.S. and infrastructure investments by Southeast Asian countries. Alcan's shipments to this market rose 13% in 1994 due to the strength of U.S. demand. Revenues increased by 18%. In 1993, sales revenues had declined due to lower prices.

Other markets include machinery and equipment, durable goods and a number of other smaller end-use markets, which in aggregate consumed 5.9 Mt of aluminum in 1994. This was 9% more than in 1993 and reflected the generally robust level of economic activity in North America, Europe and Southeast Asia. Alcan's sales revenues from these other markets also include sales of alumina, bauxite, chemicals and other metals. In 1994, sales to other markets rose 13%, largely reflecting increased sales of alumina to third parties, as well as higher prices and volumes for aluminum products sold in other markets. In 1993, sales revenues had declined by 11% due to lower prices for most products.

REVIEW OF ALCAN'S OPERATIONS

In 1994, Alcan's sales and operating revenues were \$8.2 billion, roughly \$1 billion higher than in 1993, due to an 18% increase in fabricated product volumes and higher prices for ingot.

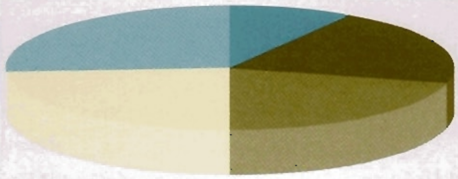
In 1993, sales and operating revenues had fallen by 5%, to \$7.2 billion, as higher volumes were more than offset by lower prices and a general weakening of local currencies against the U.S. dollar.

Fabricated Product Sales

Alcan's fabricated product volumes attained a record high level in 1994, despite the sale of several businesses during the year. Shipments of fabricated products, together with products fabricated from customer-owned metal (tolling), were 1,952 kt, 18% higher than in the previous year and 22% higher than in 1992. Since 1990, Alcan's fabricated product volumes have grown at a compound average annual growth rate of 6%.

Prices for some fabricated products began to recover in 1994 in response to rising demand and higher prices for ingot. In some end-markets, however, where annual fixed prices are customary, there was no benefit from the higher metal price. In 1994, over one-half of Alcan's fabricated product volume was sold under fixed-price contracts, with the single largest component of this being beverage can sheet. In addition, for several other products,

1994 Western World Aluminum Consumption by End-Use Market (22.7 million tonnes)



Electrical	9%
Containers & packaging	20%
Building & construction	21%
Transportation	24%
Other markets	26%

Accelerating economic growth in North and South America and recoveries in Europe and Asia fuelled an 8% increase in Western World aluminum consumption in 1994. By end-use, the strongest growth came from the transportation, construction and beverage can markets.

Alcan's Sales by Product

(in millions of US$)	1994		1993	1992	1991	1990
Rolled products	44%	3,469	3,045	3,023	3,103	3,736
Extruded and drawn products	16%	1,261	1,199	1,235	1,293	1,516
Other fabricated products	6%	431	396	510	508	459
Ingot products	18%					
• Surplus to internal needs		N/A	405	545	592	749
• Other*		1,375	700	599	636	690
Non-aluminum products	16%	1,282	1,147	1,228	1,237	1,303
Total sales	100%	7,818	6,892	7,140	7,369	8,453
Operating revenues		398	340	456	379	304
Total sales and operating revenues		8,216	7,232	7,596	7,748	8,757

Alcan's Gross Profit by Product

(in millions of US$)	1994		1993	1992	1991	1990
Total fabricated products (integrated)	86%	794	522	605	615	999
Ingot products	1%					
• Surplus to internal needs		N/A	55	47	46	144
• Other*		6	2	(4)	(7)	(13)
Non-aluminum products	13%	125	105	68	107	166
Gross profit on sales	100%	925	684	716	761	1,296
Gross profit on operating revenues		138	123	159	130	99
Total gross profit		1,063	807	875	891	1,395

* Offset by purchases to balance the logistical needs of Alcan's metal supply system.

Alcan's Fabricated and Non-Aluminum Sales by Market

(in millions of US$)	1994		1993	1992	1991	1990
Containers and packaging	34%	2,171	1,920	1,772	1,926	2,288
Transportation	8%	491	428	471	484	612
Electrical	9%	580	490	541	535	598
Building and construction	22%	1,460	1,410	1,494	1,517	1,714
Other	27%	1,741	1,539	1,718	1,679	1,802
Total fabricated and non-aluminum sales	100%	6,443	5,787	5,996	6,141	7,014
Aluminum ingot sales		1,375	1,105	1,144	1,228	1,439
Total sales		7,818	6,892	7,140	7,369	8,453

there is a three-to-six-month time lag before higher metal prices can be passed on to customers.

Fixed-price contracts in effect during the year reflected the weak industry conditions that prevailed at the time of their negotiation in late 1993. Contracts for 1995 will reflect higher metal prices.

While the average realized prices on shipments of fabricated products exhibited a slight upward trend during the year, the average realization for 1994, at $2,928/t, was $47/t less than in the previous year. In addition to factors discussed earlier, the average realization was also dampened by changes in the sales mix resulting from increased shipments of can sheet. In 1993, the average realized price fell 13% to $2,975/t, due to declining prices and weaker local currencies against the U.S. dollar.

The average unit cost of fabricated products in 1994 was $2,477/t, 6% lower than in the previous year. This cost includes metal from the Company's smelters and recycling units at their cost of production. The decline in unit costs largely reflected the impact of substantially higher fabricated product volumes, as well as further cost reductions. Over the last three years, unit costs have fallen by a total of 23%.

Lower unit costs in 1994 led to a $116/t improvement in the average gross margin per tonne. The gross margin was $335/t in 1993 and $435/t in 1992.

Rolled products

Since 1990, Alcan has made a significant investment in the expansion and upgrade of its rolled products facilities in North and South America and Europe. As a result, rolling capacity has increased by about 60%, and Alcan is now the largest producer of rolled aluminum products in the world.

Sales of rolled products rose to $3,469 million in 1994, a 14% increase over the previous year. Shipments were 1,327 kt as compared to 1,131 kt in 1993 and 939 kt in 1992. Together with products fabricated from customer-owned metal, total rolled product volumes were 1,516 kt in 1994 compared to 1,222 kt in 1993 and 1,145 kt in 1992.

In North America, shipments of rolled products climbed 30% in 1994 to a new record level. When coupled with gains achieved in 1993, the volume increase over two years has been approximately 40%. The greatest volume growth has been in the beverage can sheet market, but gains have also been made in the distributor, automotive and light-gauge sheet markets.

Commissioned in mid-1993, the 300-kt/y cold mill at Logan Aluminum in Russellville, Kentucky, reached full operation in 1994. The new mill, brought on stream ahead of schedule in response to strong demand growth for can sheet, has yielded significant improvements in unit costs, quality and productivity.

During the year, Alcan began to shift can sheet production from the Kingston, Ontario, rolling facility to the Logan plant in order to take full advantage of the new mill's state-of-the-art capabilities. Kingston will now focus on the production of sheet for the distributor and automotive markets.

Alcan's rolled product volumes in Europe also reached a new record level in 1994, increasing by approximately 20% over the previous year. Strong growth was evident in the building, transportation and beverage can markets.

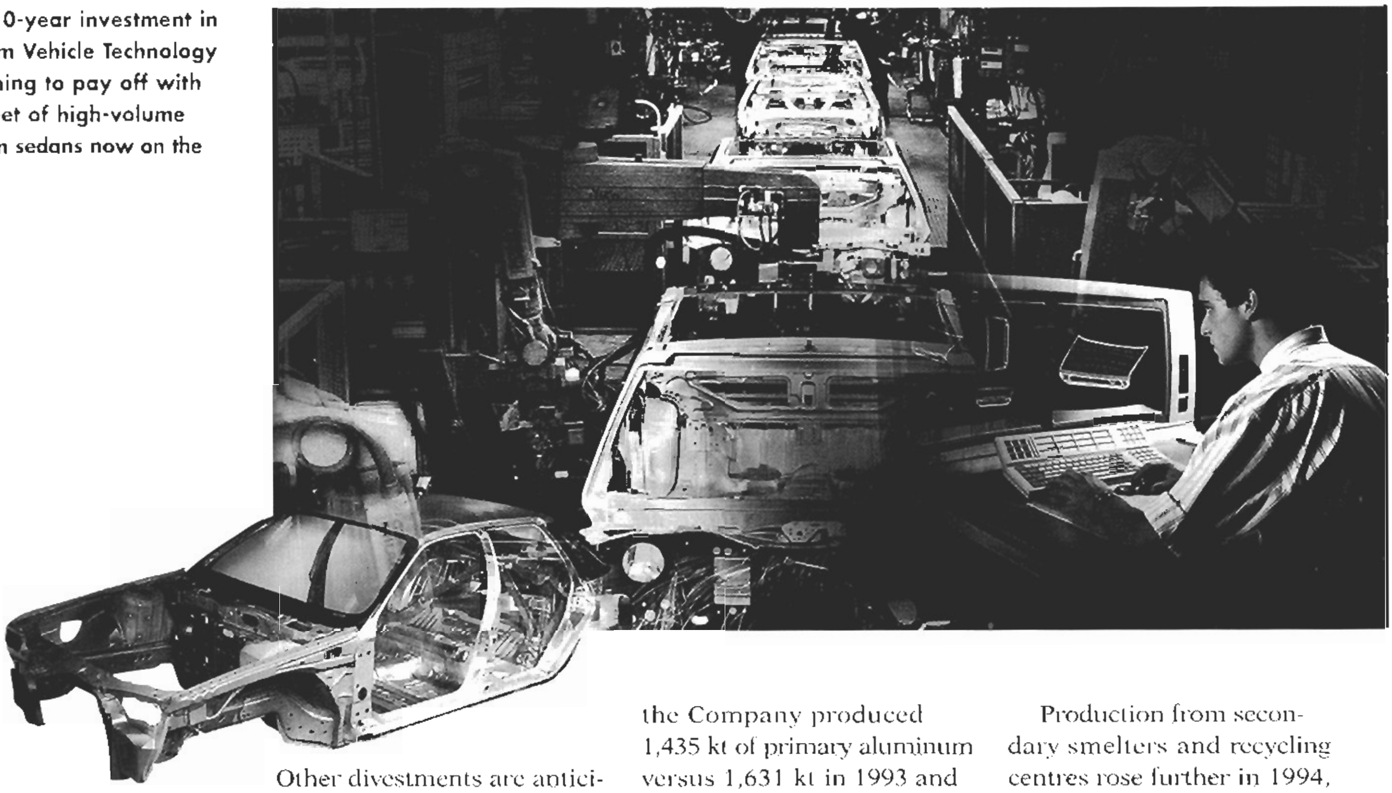
In Neuss, Germany, the expansion of hot and cold rolling capacity at the Norf rolling complex, which is 50%-owned by Alcan, was completed in 1994. In the second half of the year, the new capacity went into trial operation. Regular production started in January 1995. In mid-1994, Alcan acquired the assets of Leichtmetallwerke Nachterstedt GmbH from the Treuhandanstalt, the German government body charged with selling the state-owned enterprises of the former East Germany. This acquisition adds a major finishing plant to Alcan's rolling system in Europe and complements the Norf expansion. The 140-kt/y plant, to be restructured and upgraded over the next two years, will primarily produce automotive sheet as well as sheet for building, industrial and other transportation uses.

In South America, rolled product shipments were at record levels in 1994, largely benefiting from steady growth in the containers and packaging markets. Growth has been especially robust in the beverage can market, with can manufacturers installing new can lines to meet the increased demand. Alcan's rolling mill near São Paulo, Brazil, is the only mill in South America capable of producing high-quality can sheet. The Company is, therefore, well-positioned to capitalize on the growth in this market.

In the automotive area, work continued with car manufacturers to develop new uses for aluminum, particularly in sheet applications. Alcan entered the exterior body panel market in 1994 as a full-service supplier of automotive sheet, and is now supplying all of the sheet for the trunk lids of two popular Ford passenger car models.

Alcan's inroads into the automotive sheet market will provide further support for its efforts with automobile companies in designing and manufacturing cars with aluminum sheet structures. Ford, in partnership with Alcan, has produced a fleet of 40 aluminum intensive vehicles, based on the Taurus/Sable platform. This is the largest test fleet of stamped aluminum unibody sedans ever manufactured. A two-year program is now under way to test and evaluate the vehicles in terms of durability, handling, ride quality and customer acceptance. Alcan's Aluminum Vehicle Technology, has also been used in General Motors' electric car, the Impact-EV, where a light, reliable structure is critical to the performance and range of the vehicle.

Alcan's 10-year investment in Aluminum Vehicle Technology is beginning to pay off with a test fleet of high-volume aluminum sedans now on the road.



Other fabricating businesses

In 1993, Alcan completed an intensive review of its competitive position in the aluminum market. From that review, the Company concluded that it would maintain investment only in those downstream businesses that were a strategic fit and that created long-term value for shareholders. During 1994, Alcan divested several businesses that did not meet these criteria, including extrusions, pipe and building products units in North America, and packaging and building products units in the U.K. In addition, Alcan sold its interest in Alcan Australia Limited, a large supplier of extrusions and other fabricated products to the domestic market. In January 1995, Alcan announced that it had reached an agreement in principle to sell its U.S. metals distribution business. Other divestments are anticipated over the next couple of years.

Despite the sale of businesses during the year, shipments of fabricated products, other than rolled products, were 436 kt in 1994, little changed from the 1993 level of 429 kt. In 1992, shipments were 450 kt. Sales revenues in 1994 were $1,692 million, 6% higher than in 1993, but 3% lower than in 1992.

In North America, profits from the wire and cable division rose due to higher volumes and prices. Alcan's European building products business, headquartered in France, also experienced better volumes and results in 1994.

Ingot and Raw Materials

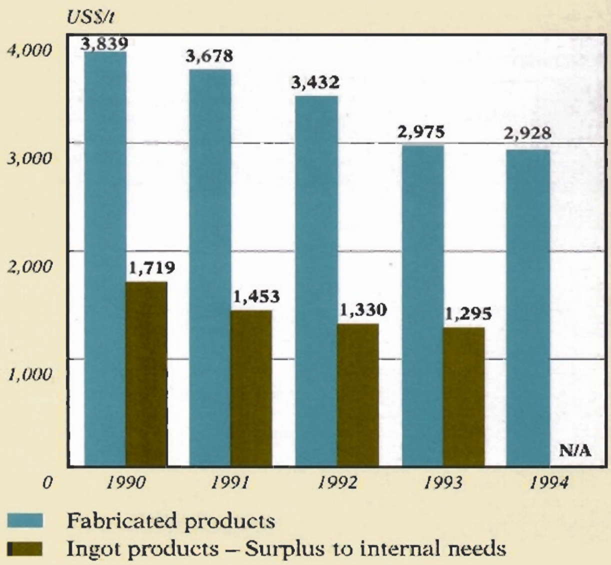
With the sale of its interest in Alcan Australia Limited in mid-1994, Alcan's total rated smelter capacity declined to 1,561 kt/y at year-end from 1,711 kt/y at the end of 1993. During 1994, the Company produced 1,435 kt of primary aluminum versus 1,631 kt in 1993 and 1,612 kt in 1992.

Since 1991, Alcan's worldwide smelter system has operated at less than full capacity due to temporary closures made in response to weak industry fundamentals. In the early part of 1994, the Company closed 156 kt/y of capacity on a temporary basis, affecting smelters in Canada, the U.S., the U.K. and Brazil. These latest closures, together with those made in 1991 and 1992, have reduced Alcan's operating rate to 85% of its total capacity.

Despite the impact of higher unit fixed costs resulting from the closure of smelter capacity during the year, Alcan's average ingot production cost in 1994 was $1,132/t, only $12/t higher than in the previous year. Cost reductions and favourable currency movements muted the negative impact of the closures. The Company's average production cost in 1993 was $1,120/t, $95/t lower than in 1992.

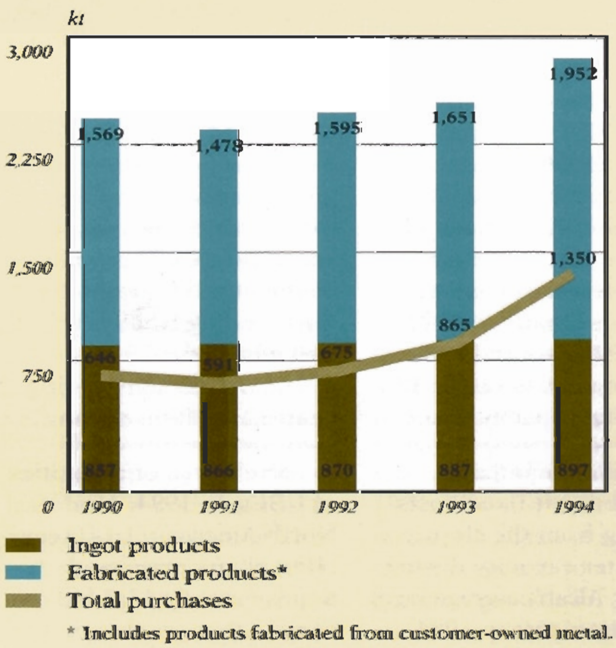
Production from secondary smelters and recycling centres rose further in 1994, reaching 496 kt compared to 439 kt in 1993 and 362 kt in 1992. Since 1989, Alcan has more than doubled its recycling capacity through acquisitions, construction of greenfield facilities and the expansion and upgrade of existing plants. During 1994, the Company broke ground on a $23-million expansion of its used beverage can (UBC) recycling centre at the Oswego, New York, rolling facility. This will add about 70 kt/y of capacity to the existing centre and allow Alcan to recycle greater quantities of UBCs. In 1994, Alcan's North American UBC recycling plants processed approximately 13.5 billion cans, 20% more than in the previous year. In the U.K., Alcan's UBC recycling plant at Warrington achieved a 60% productivity gain.

Realizations per Tonne



While market prices for aluminum ingot rose during the year, much of the benefit did not carry through to fabricated products due to annual fixed-price arrangements for certain products and normal time lags. Alcan did not report a realization for ingot products as the Company was a net purchaser of ingot in 1994.

Aluminum Shipments and Purchases



In 1994, higher fabricated product volumes, along with the impact of further primary production cutbacks, required Alcan to purchase greater quantities of aluminum, particularly ingot and scrap. For the year, ingot purchases exceeded primary ingot shipments.

Ingot products

Alcan experienced a significant change in its metal supply balance in 1994. While the Company has traditionally been a net seller of ingot, increased fabricated product demand and reduced primary metal supply due to smelter closures required Alcan to buy more ingot than it sold during the year.

Ingot is purchased chiefly for logistical reasons. For example, by purchasing ingot in Europe, Alcan is able to minimize the freight and duty costs associated with moving metal from its North American smelters to fabricating plants in Europe. An equivalent quantity of metal sold in North America and Asia is viewed as essentially offsetting these purchases. As the purchase and sale transactions tend to be at similar market prices, the gross profit or loss is generally not significant. In 1994, Alcan's ingot shipments were 897 kt, which included 636 kt of primary ingot, with the balance being scrap and secondary metal. Primary shipments during the year were more than offset by ingot purchases totalling 759 kt. Ingot purchases were 368 kt in 1993 and 272 kt in 1992.

While Alcan's smelter system will return to full operation when warranted by industry fundamentals, the Company is likely to continue to be a net buyer of metal due to further growth in its fabricated products business.

Prior to 1994, Alcan had available for sale ingot that was surplus to the needs of its fabricating businesses. The surplus was 312 kt in 1993 and 408 kt in 1992. The average realized prices on sales of this surplus ingot were $1,295/t in 1993 and $1,330/t in 1992. The cost associated with these sales is the Company's average cost of primary ingot production. The average gross margin per tonne was $175 in 1993 and $115 in 1992.

Raw materials

Alcan is largely self-sufficient in bauxite. Through subsidiaries and related companies, Alcan has access to over 200 Mt of proven bauxite reserves. These reserves are more than sufficient to meet the Company's needs well into the next century.

Historically, Alcan has produced alumina largely for its own use. In 1994, however, higher productivity at most plants, temporary smelter closures and the sale of the Company's interest in Alcan Australia Limited, left Alcan with approximately 1 Mt of surplus alumina, which it sold to third parties.

In 1994, further progress was made in improving costs, productivity and safety performance. Overall, Alcan's major alumina refineries reduced cash operating costs by 9%, with significant gains achieved in Jamaica, Ireland and Canada. At the Aughinish plant in Ireland, manpower productivity increased 33%, bringing the total improvement to 91% over the last five years.

Caustic soda, an important raw material in the production of alumina, was in very tight supply in 1994, resulting in a sharp rise in market prices in the latter part of the year. Fixed-price purchase contracts protected Alcan from this rise in 1994, but the impact of higher prices will be felt in 1995.

Non-Aluminum Products

This category includes sales of alumina, zirconium and other specialty chemicals worldwide, bauxite in Spain, and magnesium in the U.K., as well as copper, stainless steel, and nickel alloys, mainly sold through Alcan's U.S. distribution business. Sales of non-aluminum products rose 12% in 1994, to $1,282 million, largely reflecting increased sales of alumina and higher prices and volumes in the distribution business.

Sales of specialty alumina chemicals in the U.S. remained high in 1994 due to buoyant demand. In Europe, the chemicals market began to recover following a sharp recession in 1992 and 1993. Alumina chemical volumes were good throughout the year. Overall, the chemicals business recorded a 34% improvement in profitability over 1993.

Operating Revenues

Operating revenues were $398 million in 1994, compared with $340 million in 1993 and $456 million in 1992. These revenues are principally generated from sales of electricity and fees charged for smelting customer-owned alumina into primary ingot and for the conversion of customer-owned metal into fabricated products. The 17% rise in operating revenues in 1994 largely reflects the increased volume of customer-owned metal converted into fabricated products during the year.

GEOGRAPHIC REVIEW

For the first time in several years, there was growth in all of the major economies of the world. Alcan's results reflected this situation, with improved financial performance in every geographic region except Asia, where operating results continue to be dampened by poor business conditions in Japan.

Canada

Alcan's Canadian operations returned to profitability in 1994, largely on the strength of better ingot prices and increased rolled product demand. While market prices for primary aluminum rose during the year, the full benefit of the higher prices was not reflected in the net income for the year. This was largely due to ingot supplied to the Company's fabricating businesses in the U.S. and Europe at fixed forward prices, as an internal hedge in support of fabricated product sales to third-party customers. Results in Canada were further affected by the higher cost of purchased metal and losses on the sale of certain businesses.

Operations in Canada recorded net income of $16 million in 1994, which included losses on the sales of businesses and rationalization expenses totalling $16 million, after tax. This compared to losses of $32 million in 1993 and $120 million in 1992. Losses in these years included after-tax rationalization charges of $8 million and $36 million, respectively. Shipments to third-party customers in Canada were 257 kt in 1994, up from 227 kt in 1993 and 232 kt in 1992.

Economic growth in Canada accelerated in 1994, in turn increasing aluminum consumption. While the auto sector continued to exhibit good growth, it was the beverage can market that provided the greatest gains in aluminum usage. This resulted from the conversion of several steel can production lines to aluminum during the year. Alcan's shipments of fabricated products reflected the strong growth in the can market. In 1994, Alcan sold its building products and extrusion businesses in Canada.

Smelter operations implemented temporary closures totalling 70 kt/y, as part of the closure announcement made by the Company in January 1994. Despite the lower level of primary production that resulted from the closures, average unit production costs and manpower productivity were maintained at close to 1993 levels. In May 1995, existing labour contracts with Quebec-based smelter workers will expire.

In January 1995, the government of British Columbia announced that the Kemano Completion Project should not be allowed to proceed. For further information, see page 24 of this report.

United States

Strong volume gains led Alcan's U.S. operations to post a profit of $16 million in 1994, which included rationalization charges and a net loss on the sale of businesses of $6 million, after tax. This was an improvement over losses of $57 million in 1993 and $18 million in 1992, which included after-tax rationalization charges of $8 million and $15 million, respectively.

Shipments to U.S. customers, including products fabricated from customer-owned metal, were 1,381 kt, up substantially from 1,078 kt in 1993 and 949 kt in 1992.

The U.S. economy was in its third year of expansion in 1994, led by continued growth in the transportation and housing markets. Total aluminum consumption increased by 11%, following a 6% gain in 1993. The strong showing in 1994 reflected higher automobile production, a resurgence in demand for beverage can sheet caused by an unseasonably hot summer and customer restocking. Alcan brought its new rolling mill at Logan Aluminum up to full operation during the year to capitalize on the growth in the can sheet market. Together with gains achieved in other markets, Alcan's total volume in the U.S. increased by 28%. However, profit improvement in 1994 was limited by annual fixed prices for can sheet that were based on metal prices in late 1993. In 1995, prices for can sheet will be higher. During the year, Alcan sold its building products, pipe and extrusion businesses in the U.S., and, in early 1995, the Company announced that an agreement in principle had been reached for the sale of its metals distribution business.

South America

Strong demand growth in Brazil underpinned the Company's first profit in South America in five years. Net income for 1994 was $9 million, which included rationalization charges of $8 million, after tax. This compared to losses of $8 million in 1993 and $44 million in 1992. The loss for 1992 included after-tax rationalization charges of $3 million. Shipments to customers in the region rose to 120 kt, up from 108 kt in 1993 and 89 kt in 1992.

In Brazil, the economic stabilization plan introduced by the government in July 1994 has begun to produce favourable results. Aluminum consumption increased by a remarkable 17%, driven by a boom in the auto and construction sectors as well as by the continued success of the aluminum beverage can. Record rolled product shipments, concentrated in can sheet and foil, together with further cost reductions helped Alcan's operations in Brazil post their first profit since 1989. During 1994, the Company merged its wire and cable operations with those of a local cable producer.

Operations in Argentina recorded a profit in 1994 versus a loss in 1993. The improvement largely reflected the benefit of cost reduction efforts. In Uruguay, Alcan's operations were also profitable.

Europe

The strong economic recovery in Europe led to a dramatic turnaround in the financial performance of Alcan's operations in 1994. For the year, net income was $76 million, which included rationalization charges of $11 million after tax, versus a loss of $31 million in 1993, which included rationalization charges of $20 million after tax. In 1992, the Company recorded break-even results in Europe, after rationalization charges of $7 million, after tax. Shipments to customers in Europe, including products fabricated from customer-owned metal, were 738 kt in 1994, up from 626 kt in 1993 and 666 kt in 1992.

The German economy pulled out of recession in early 1994, fuelled initially by the strength of export markets. As the year progressed, domestic demand also began to recover. Aluminum consumption increased by 5% in 1994, after a sharp decline of 10% in the previous year. Transportation was the strongest sector for aluminum, although growth was not sufficient to offset the decline sustained in 1993. Profits from operations in Germany rose in 1994, as increased demand and the acquisition of a rolling mill boosted volumes. Revenue growth, however, lagged behind volume growth due to continuing price pressure.

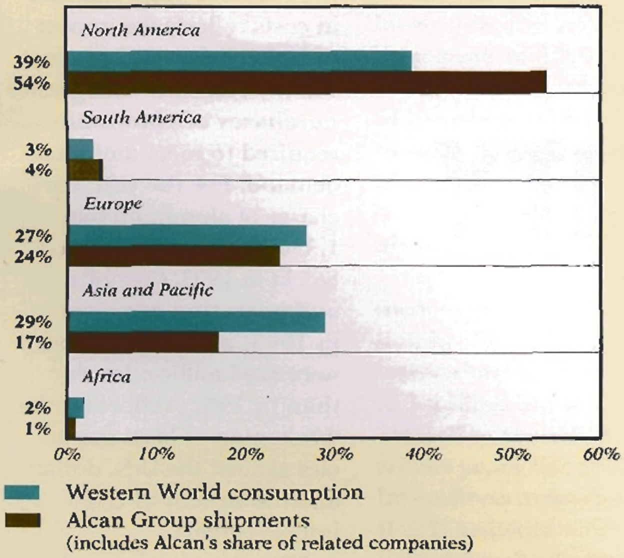
The U.K. economy experienced a second year of solid growth. Aluminum consumption rose 9% and reached a new record level, surpassing the previous peak set in 1990. While gains were made in the transportation and construction markets, the strongest growth in consumption came from the can market, which jumped 17% from the previous year. Results from Alcan operations in the U.K. showed a healthy recovery after the losses of recent years, a reflection of the underlying strength of demand. Profit margins also improved due to better capacity utilization, reduced costs and productivity improvements.

In Italy, despite continuing political uncertainty, economic conditions improved considerably from the previous year. Alcan's operations, benefiting from increased demand for painted sheet products, extrusions and secondary alloys, posted a profit for the year versus a loss in 1993.

While packaging operations in Switzerland achieved further volume gains in 1994, profit margins were under pressure from higher prices for purchased metal. Cost reductions, however, helped maintain net income at the previous year's level.

Alcan's European building products business, Technal, which operates in France, the U.K., Spain, and Portugal, encountered mixed business conditions in 1994. While increased residential construction activity reflected the improving economic scene, commercial construction remained depressed. Overall, volumes and results improved from the previous year.

1994 Aluminum Shipments by Region



Alcan is the most international aluminum company, with a strong presence in all of the major aluminum consuming markets. The Company's shipments in the Asia and Pacific region declined in 1994 due to the sale of its interest in a subsidiary in Australia.

Asia and Pacific

The Asia and Pacific region recorded a profit of $28 million in 1994, but this included special gains of $49 million, after tax. The gains resulted from the sale of Alcan Australia Limited (Alcanaust) and a dilution in Alcan's interest in Indian Aluminium Company, Limited. In 1993, the result for the region was a loss of $9 million, which included after-tax rationalization charges of $1 million, versus net income of $48 million in 1992, which included net non-operating gains of $3 million. On an operating basis, excluding special items, results in the region deteriorated in 1994, a reflection of continuing poor business conditions in Japan. Due to the sale of Alcanaust, shipments to customers in the region declined to 318 kt in 1994 from 412 kt in 1993 and 402 kt in 1992.

Following a review of the Australian aluminum market, Alcan concluded that the market was no longer a strategic priority for the Company. As a result, in July 1994, Alcan sold its 73.3% interest in Alcanaust. Alcan will continue to supply alumina and provide technology to Alcanaust under long-term agreements, as well as market Alcanaust's primary aluminum in Asia. Alcan retains its bauxite and mining rights in Australia, as well as its 21.4% shareholding in Queensland Alumina Limited.

In 1994, the Japanese economy began a slow recovery following the longest and deepest recession in its post-war history. Aluminum consumption increased 4%, stimulated by a long, hot summer, which led to increased demand for beverage can sheet and finstock for air conditioners. Alcan's 47.4%-owned related company, Nippon Light Metal Company, Ltd. (NLM), suffered from the weak Japanese economy. The company's exposure to the slumping commercial construction and auto markets, along with continued pressure on prices, led to increased losses during the year. Meanwhile, profits from Toyo Aluminium K.K, 48.8%-owned by Alcan, were better than in the previous year due to improvements in the global paste and powder market. Alcan's share of the combined results of the two companies was an equity loss of $51 million versus a loss of $27 million in 1993 and equity income of $26 million in 1992.

The economies of China and Southeast Asia continued to experience rapid growth in 1994, with NLM's business interests in this region thriving under the buoyant conditions. In Malaysia and Thailand, rolling capacity has been increased in response to rising demand. In China, the extrusion and building products venture located in Shenzhen, which was formed by Alcan, NLM and the Chinese government's non-ferrous metals agency, doubled its extrusion capacity in 1994.

In early 1994, Indian Aluminium Company, Limited (Indal) successfully completed its first international equity financing. Alcan did not participate in the share issue, and as a consequence its holding in Indal was diluted from 39.5% to 34.6%. The dilution resulted in an after-tax gain of $11 million in Alcan's accounts. Economic conditions in India showed further improvement in 1994. Growth in the packaging, construction, and consumer durable markets boosted aluminum consumption by 8%. During the year Indal commissioned a new cold rolling mill as well as a power plant for one of its smelters. The benefit of these investments, combined with lower interest costs and stronger markets, yielded a 60% improvement in results compared to 1993.

Other Areas

Activities in other areas include raw material operations in Jamaica and Guinea, and trading, shipping and insurance activities in Bermuda. In 1994, net income was $7 million compared to $28 million in 1993 and $30 million in 1992. Net income in 1994 included after-tax rationalization charges of $6 million.

Alcan also sells metal in other parts of the world, such as the Middle East and Africa. Such shipments were 35 kt in 1994 versus 87 kt in 1993 and 127 kt in 1992.

A RETURN TO PROFITABILITY IN 1994

Alcan returned to profitability in 1994 following three consecutive years of losses. The turnaround in the Company's results reflected strong growth in demand for fabricated products and the cumulative impact of cost reductions achieved over the last few years. With the additional benefit of cash from divestments, Alcan continued to strengthen its financial position.

RESULTS OF OPERATIONS

For 1994, Alcan reported consolidated net income of $96 million compared to losses of $104 million in 1993 and $112 million in 1992.

Net income for 1994 included $43 million in after-tax gains from the disposal of several businesses, offset by after-tax charges of $41 million largely for the rationalization of ongoing businesses and the early retirement of debt. On a pre-tax basis, $40 million of these special items was included in other income, and $33 million was included principally in other expenses.

In 1993, the loss for the year included special charges of $37 million, after tax, largely for employee reductions and other rationalization costs. The loss for 1992 included rationalization and special environmental costs of $58 million, after tax.

During 1994, Alcan made further progress in reducing costs. While on a reported basis, costs rose due to the higher cost of purchased aluminum and higher variable costs related to increased volumes, the Company estimates that productivity improvements and other reductions in controllable costs provided savings of about $120 million compared to the level in 1993.

Over the last three years, the cumulative cost reduction achieved by Alcan is over $600 million. Most of this improvement has come from productivity gains. While shipments have increased, there has been a large reduction in the Company's workforce. Since 1990, the total number of employees, after adjusting for acquisitions and divestments, has declined by 10,400, to 37,500 at year-end.

Cost of sales and operating expenses were $6,740 million in 1994, 12% higher than in the previous year. This rise in costs reflects the impact of higher fabricated product volumes, together with greater purchases of aluminum required to meet increased demand. For the year, purchases of aluminum totalled 1,350 kt as compared to 865 kt in 1993. Cost of sales and operating expenses in 1993, at $6,002 million, were $298 million lower than in 1992, reflecting the weakening of local currencies against the U.S. dollar and the benefit of cost improvements.

"Other income" principally includes interest revenue and non-operating gains. In 1994, the total amount of such income was $109 million versus $75 million in 1993. The increase in 1994 was largely due to pre-tax gains realized on the disposal of various businesses. Other income in 1992 was $69 million.

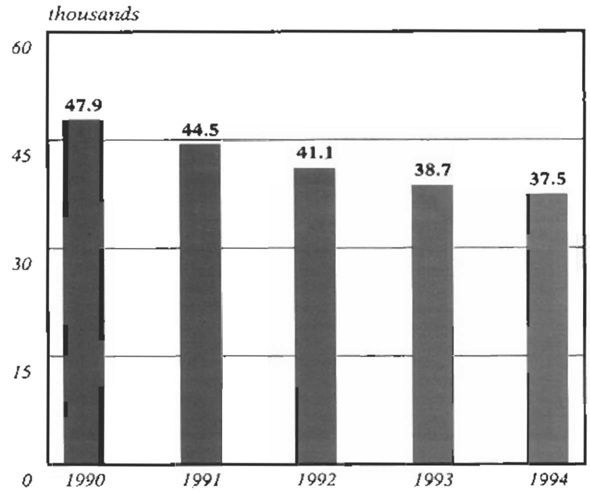
Depreciation expense was $431 million in 1994, compared to $443 million in 1993 and $449 million in 1992. The decline in 1994 was primarily the result of the sale of the Company's interest in Alcan Australia Limited, but also, in part, reflected the impact of lower capital spending in recent years. With a strong emphasis on cash conservation, capital spending has been less than depreciation since 1992.

Selling, administrative and general expenses were $528 million in 1994, 4% lower than in 1993 and 11% lower than in 1992. Since their peak in 1990, these expenses have declined by $131 million, largely due to staff reductions, other cost improvements and weaker local currencies against the U.S. dollar.

Research and development expenses were $72 million in 1994, $27 million lower than in 1993 and $53 million lower than in 1992. The reduction in recent years has resulted from efforts to realign Alcan's R & D activities more closely with the technology needs of its mainstream businesses, principally raw materials, smelting and rolling. This tighter focus has helped the Company to reduce R & D expenses by more than 50% since 1990. In 1995, spending is expected to be about the same as in 1994.

While the average amount of total borrowings for 1994 was lower than in the previous year, interest costs, including amounts capitalized, rose by $6 million to $235 million. The rise reflected the impact of increased rates applicable to floating-rate debt. As a consequence, the effective average interest cost for the year increased to 8.6% from 8.2% in 1993. The effective average rate in 1993 had declined from 8.9% in 1992 due to falling interest rates and the lower-cost refinancing of debt in Brazil. Capitalized interest was $16 million in 1994, $17 million in 1993 and $13 million in 1992.

Number of Employees
Adjusted for Acquisitions and Disposals
(at year-end)



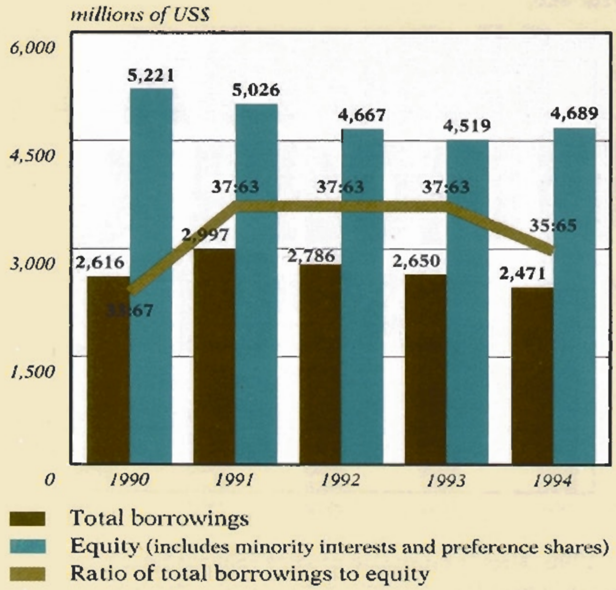
Since 1990, Alcan's fabricated product volumes have risen 24%, while over the same four-year period, employee numbers have declined by 22%.

Other expenses, which include items such as rationalization expenses and exchange losses, were $95 million in 1994, versus $106 million in 1993 and $118 million in 1992.

Included in total costs and expenses are amounts for safeguarding the environment and improving working conditions in plants. In 1994, such expenses totalled $47 million. This amount was largely for costs associated with reducing air emissions and mitigating the impact of waste and by-products. In 1993 and 1992, these expenses totalled $35 million and $80 million, respectively.

With the return to profitability in 1994, Alcan recorded income tax expense as compared to tax recoveries in each of the two previous years. The income tax expense of $112 million for 1994 represents an effective tax rate of 47% versus a composite statutory rate of 40%. The higher effective rate reflects the impact of non-deductible currency translation losses, withholding taxes on dividends and minimum taxes payable by large Canadian corporations, largely offset by reduced rate or tax-exempt items and foreign tax differences. In 1992 and 1993, the effective rates for the tax recoveries were 10% and 12%, respectively. The differences between those rates and the statutory rate reflected similar items to those mentioned above.

Total Borrowings and Equity
(at year-end)



Alcan reduced its total borrowings by approximately $120 million in 1994. Further aided by the deconsolidation of a former subsidiary in Australia and currency exchange movements, Alcan's ratio of total borrowings to equity improved to 35:65 at year-end.

Results from Alcan's related company in Japan, Nippon Light Metal Company, Ltd., deteriorated further in 1994 due to the continued weakness of the domestic economy. As a consequence, for the second consecutive year, Alcan recorded a loss from equity-accounted companies. For 1994, the loss was $29 million, versus $12 million in 1993. In 1992, Alcan recorded equity income of $53 million.

LIQUIDITY AND CAPITAL RESOURCES

Record fabricated product volumes and further cost reductions resulted in a significant improvement in cash generation in 1994. Calculated by taking the net income or loss for the year and adding back depreciation and deferred income tax expense, cash generation was $563 million, as compared to $285 million in 1993 and $250 million in 1992.

In the two earlier years, Alcan had successfully reduced operating working capital requirements, thereby releasing cash for use elsewhere in the Company. In 1994, however, much of the year's cash generation was reinvested in operating working capital needed to meet increased business activity. The net effect of this was to reduce cash from operating activities in 1994 to $65 million from $444 million in 1993 and $465 million in 1992.

Alcan's program to divest non-strategic assets was also an important source of cash in 1994. Several divestments were completed, with net proceeds totalling $427 million. This, together with cash generated from operating activities, exceeded capital expenditures and dividends paid to shareholders by $48 million. In addition, cash balances and time deposits were reduced.

Overall, Alcan reduced borrowings by $120 million in 1994. Further aided by the deconsolidation of a former subsidiary in Australia and currency movements, the total reduction in borrowings for the year was $179 million. As a result, at the end of the year, the ratio of total borrowings to equity improved to 35:65 from 37:63 at the end of 1993.

Operating Activities

While the absolute level of operating working capital rose in 1994, ratios for accounts receivable days' outstanding and inventory turnover continue to be satisfactory.

Unless metal prices rise substantially above their levels at the end of 1994, Alcan does not foresee any significant change in operating working capital in 1995.

Investment Activities

In 1994, proceeds from the disposal of businesses and other assets exceeded capital spending by $71 million. This situation arose due to the sale of certain non-strategic businesses, including a 73.3% interest in Alcan Australia Limited and the Company's building products and extrusion businesses in North America.

Capital spending remained constrained in 1994. For the year, it totalled $356 million, versus $370 million in 1993 and $474 million in 1992.

Over the last three years, approximately 60% of Alcan's capital spending has been directed to the expansion and upgrade of rolled products plants in North and South America and Europe. In the U.S., the new cold rolling mill at the Logan plant began operation in 1993.

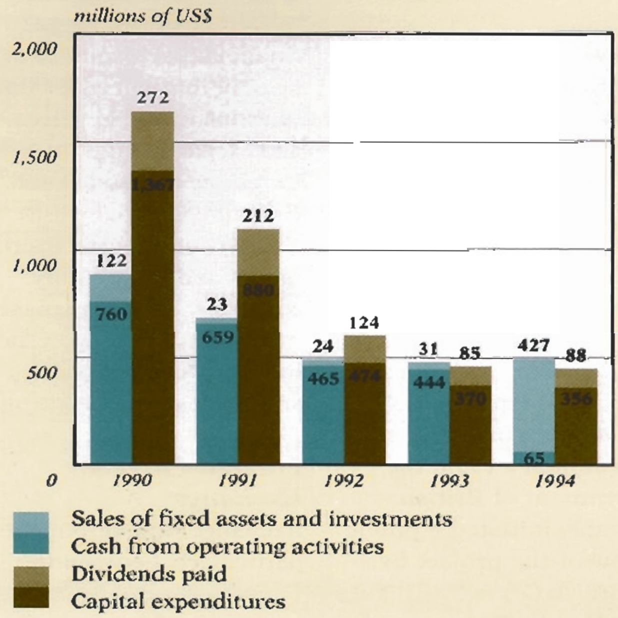
In Germany, the expansion of the Norf rolling complex was commissioned in 1994, ahead of schedule, and a cold mill and finishing plant, located in Nachterstedt, was acquired. In Italy a new cold mill began operation in 1992. As a result of these investments, Alcan is now the world's largest producer of rolled products.

Also included in capital spending in 1994 was $39 million for environment-related projects. Such spending was largely on equipment designed to reduce or contain air emissions generated by Alcan plants. Spending in 1992 and 1993 was $36 million and $34 million, respectively.

The remainder of capital spending was comprised of many small projects for the replacement or improvement of existing facilities.

With its major rolled products expansions now completed, Alcan expects that capital spending in 1995, net of routine disposals, will be about $375 million. This amount includes approximately $50 million representing the Company's share of capital expenditures of incorporated joint ventures that, beginning in 1995, will be proportionately consolidated. Further disposals of non-strategic businesses are also anticipated. In January 1995, Alcan announced that it had reached an agreement in principle to sell its U.S. metals distribution business.

Cash Flows



In 1994, the disposal of non-strategic businesses generated proceeds of $427 million. This more than offset reduced cash from operating activities, which declined due to additional investment in operating working capital needed to meet increased business activity.

Financing Activities

As mentioned above, Alcan reduced total borrowings in 1994. This brought the total reduction over the last three years to over $500 million. While some of this decline has been due to currency movements, the bulk of the improvement was due to the Company's cash conservation efforts and disposal of businesses.

In November 1994, British Alcan Aluminium plc redeemed £30 million of 10.375% debentures, due in 2011. In December 1994, Alcan also prepaid the $150 million of 9.4% debentures, due in June 1995.

Committed term credit lines with banks totalled $1,277 million at year-end, compared to $1,588 million at the end of 1993, and $1,777 million at the end of 1992. At the end of 1994, excluding amounts used to back outstanding commercial paper, $816 million of these lines of credit were available and unutilized.

For 1995, the Company expects that cash generated from operations will be more than sufficient to meet planned capital expenditures and dividends. However, should an unforeseen event occur, the above committed and unutilized credit facilities of $816 million provide more than adequate liquidity. Moreover, Alcan has access to capital markets through the issuance of debt, equity and hybrid instruments. The Company's investment-grade rating gives it ready access to such markets to meet its financing needs.

RISKS AND UNCERTAINTIES

Kemano Completion Project

In 1991, Alcan suspended construction of the Kemano Completion Project, for the installation of additional hydroelectric power-generating capacity at the Company's existing site in British Columbia, due to uncertainties arising from certain judicial proceedings. The judicial proceedings were decided in favour of the Company in 1993.

In January 1993, the government of British Columbia initiated a public review of the project by the British Columbia Utilities Commission. The report of the Commission, which was released on January 23, 1995, recommended certain changes to the project, but did not recommend its rejection. However, the government of British Columbia announced that the project should not be allowed to proceed.

Prior to suspension, Alcan had incurred expenditures of approximately $500 million, including capitalized interest of about $50 million. This amount is included in property, plant and equipment, mainly in construction work in progress. Costs incurred subsequent to suspension have been expensed.

The Company is currently reviewing its options in light of the government's announcement and is engaged in discussions with government. At this stage, it is not possible to assess the probable outcome of this matter.

Risk Management

As a multinational company engaged in a commodity-related business, Alcan's financial performance is heavily influenced by fluctuations in metal prices and exchange rates. In order to reduce the associated risks, the Company uses a variety of financial instruments and commodity contracts. All risk management activities are governed by clearly defined policies and management controls.

Foreign Currency Exchange

Exchange rate movements, particularly between the Canadian and U.S. dollars, have an important impact on Alcan's results. For example, on an annual basis, each US$0.01 permanent change in the value of the Canadian dollar has an after-tax impact of approximately $11 million on the Company's long-term profitability. Alcan benefits from a weakening in the Canadian dollar, but, conversely, is disadvantaged if it strengthens. In order to reduce the short-term risk arising from movements in exchange rates, Alcan hedges a substantial portion of its Canadian dollar exposure through the use of forward exchange contracts and currency options.

For further details, refer to Note 13 of the financial statements.

Aluminum Prices

Depending on market conditions and logistical considerations, Alcan may sell primary aluminum to third parties and may purchase primary aluminum and secondary aluminum, including scrap, on the open market to meet the requirements of its fabricating businesses. In addition, depending on pricing arrangements with fabricated product customers, Alcan may hedge the cost of some of its purchased metal supply in support of those sales.

Through the use of forward purchase and sales contracts and options, Alcan seeks to limit the risk of lower metal prices, while still retaining the ability to reap most of the benefit of higher prices. The Company may also, through a combination of hedging instruments, establish a range of revenue for a certain portion of its future sales.

For further details, refer to Note 13 of the financial statements.

The Environment

Annual environment-related spending, both capital and expense, is foreseen to average about $100 million per year over the next several years and is not expected to have a material effect on Alcan's competitive position. While the Company does not anticipate a material increase in the projected level of such expenditures, there is always a possibility that such increases may occur in the future in view of the uncertainties associated with environmental exposures, including new information concerning sites with identified environmental liabilities, and changes in laws and regulations and their application.

RESPONSIBILITY FOR THE ANNUAL REPORT

Alcan's management is responsible for the preparation, 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 and include, where appropriate, estimates based on the best judgement of management. They conform in all material respects with accounting principles established by the International Accounting Standards Committee. A reconciliation with accounting principles generally accepted in the United States is also presented. 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 Board of Directors oversees the Company's systems of internal accounting and administrative controls through its Audit Committee, which is comprised of directors who are not employees. The Audit Committee meets regularly with representatives of the shareholders' independent auditors and management, including internal audit staff, to satisfy themselves that Alcan's policy is being followed.

The Audit Committee has recommended the reappointment of Price Waterhouse as the independent auditors, subject to approval by the shareholders.

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 audited by Price Waterhouse, whose report is provided at right.

Jacques Bougie
Jacques Bougie,
Chief Executive Officer

S Thadhani
Suresh Thadhani,
Chief Financial Officer

February 9, 1995

OECD GUIDELINES

The Organization for Economic Cooperation and Development (OECD), which consists of 24 industrialized countries including Canada, has established guidelines setting out an acceptable framework of reciprocal rights and responsibilities between multinational enterprises and host governments.

Alcan supports and complies with the OECD guidelines, and the Company's own statement, *Alcan, Its Purpose, Objectives and Policies*, is consistent with them. This statement, first published in 1978, has been 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.

This statement, the Company's annual information form and its 10-K report are all available to shareholders on request. The latter two documents contain a complete list of significant Alcan Group companies worldwide.

AUDITORS' REPORT

To the Shareholders of Alcan Aluminium Limited

We have audited the consolidated balance sheet of Alcan Aluminium Limited as at December 31, 1994, 1993 and 1992 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994, 1993 and 1992 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1994, in accordance with Canadian generally accepted accounting principles.

Price Waterhouse

Montreal, Canada
February 9, 1995

Price Waterhouse
Chartered Accountants

Consolidated Statement of Income

(in millions of US$, except per share amounts)

Year ended December 31	1994	1993	1992
REVENUES			
Sales and operating revenues	$8,216	$7,232	$7,596
Other income	109	75	69
	8,325	7,307	7,665
COSTS AND EXPENSES			
Cost of sales and operating expenses	6,740	6,002	6,300
Depreciation (note 1)	431	443	449
Selling, administrative and general expenses	528	551	596
Research and development expenses	72	99	125
Interest	219	212	254
Other expenses	95	106	118
	8,085	7,413	7,842
Income (Loss) before income taxes and other items	240	(106)	(177)
Income taxes (note 3)	112	(13)	(17)
Income (Loss) before other items	128	(93)	(160)
Equity income (loss) (note 4)	(29)	(12)	53
Minority interests	(3)	1	(5)
Net income (Loss) (note 2)	$ 96	$ (104)	$ (112)
Dividends on preference shares	21	18	23
Net income (Loss) attributable to common shareholders	$ 75	$ (122)	$ (135)
Net income (Loss) per common share (note 1)	$ 0.34	$ (0.54)	$ (0.60)
Dividends per common share	$ 0.30	$ 0.30	$ 0.45

Consolidated Statement of Retained Earnings

(in millions of US$)

Year ended December 31	1994	1993	1992
Retained earnings – beginning of year	$2,813	$3,002	$3,238
Net income (Loss)	96	(104)	(112)
	2,909	2,898	3,126
Dividends – Common	67	67	101
– Preference	21	18	23
Retained earnings – end of year (note 11)	$2,821	$2,813	$3,002

Consolidated Balance Sheet

(in millions of US$)

December 31	1994	1993	1992
ASSETS			
Current assets			
Cash and time deposits	$ 27	$ 81	$ 149
Receivables	1,410	1,065	1,106
Inventories			
Aluminum	863	684	780
Raw materials	228	258	278
Other supplies	293	314	342
	1,384	1,256	1,400
	2,821	2,402	2,655
Deferred charges and other assets	441	350	312
Investments (note 4)	1,193	1,053	923
Property, plant and equipment (notes 5 and 6)			
Cost	10,718	11,092	11,015
Accumulated depreciation	5,184	5,087	4,759
	5,534	6,005	6,256
Total assets	$ 9,989	$ 9,810	$10,146
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables	$ 1,096	$ 991	$ 1,009
Short-term borrowings	195	293	426
Income and other taxes	23	16	37
Debt maturing within one year	70	35	73
	1,384	1,335	1,545
Debt not maturing within one year (notes 7 and 13)	2,206	2,322	2,287
Deferred credits and other liabilities (note 8)	796	746	692
Deferred income taxes	914	888	955
Minority interests	28	70	48
Redeemable non-retractable preference shares (note 9)	353	353	353
Common shareholders' equity			
Common shares (note 10)	1,195	1,183	1,178
Retained earnings (note 11)	2,821	2,813	3,002
Deferred translation adjustments (note 12)	292	100	86
	4,308	4,096	4,266
Commitments and contingencies (note 14)			
Total liabilities and shareholders' equity	$ 9,989	$ 9,810	$10,146

Approved by the Board:

Jacques Bougie,
Director

Warren Chippindale,
Director

Consolidated Statement of Cash Flows

(in millions of US$)

Year ended December 31	1994	1993	1992
OPERATING ACTIVITIES			
Net income (Loss)	$ 96	$(104)	$(112)
Adjustments to determine cash from operating activities:			
Depreciation	431	443	449
Deferred income taxes	36	(54)	(87)
Equity income – net of dividends	51	31	(4)
Change in receivables	(345)	41	114
Change in inventories	(128)	144	245
Change in payables	168	(18)	(139)
Change in income and other taxes payable	7	(21)	37
Changes in operating working capital due to:			
Deferred translation adjustments	60	(55)	(93)
Acquisitions, disposals and deconsolidations	(173)	12	(18)
Change in deferred charges, other assets, deferred credits and other liabilities – net	(86)	(15)	12
Gain on sales of businesses – net	(35)	—	—
Other – net	(17)	40	61
Cash from operating activities	65	444	465
FINANCING ACTIVITIES			
New debt	339	414	588
Debt repayments	(464)	(382)	(389)
	(125)	32	199
Short-term borrowings – net	8	(124)	(266)
Common shares issued	12	5	7
Preference shares issued	—	—	150
Preference shares redeemed	—	—	(9)
Shares issued by subsidiary companies	2	—	—
Dividends – Alcan shareholders (including preference)	(88)	(85)	(124)
– minority interests	—	—	(1)
Cash used for financing activities	(191)	(172)	(44)
INVESTMENT ACTIVITIES			
Property, plant and equipment	(264)	(251)	(389)
Investments	(81)	(119)	(85)
Other	(11)	—	—
	(356)	(370)	(474)
Net proceeds from disposal of businesses and other assets	427	31	24
Cash from (used for) investment activities	71	(339)	(450)
Effect of exchange rate changes on cash and time deposits	5	(1)	(8)
Decrease in cash and time deposits	(50)	(68)	(37)
Cash of companies deconsolidated	(4)	—	(19)
Cash and time deposits – beginning of year	81	149	205
Cash and time deposits – end of year	$ 27	$ 81	$ 149

(in millions of US$, except where indicated)

1. Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements, which are expressed in U.S. dollars, the principal currency of Alcan's business, are prepared in accordance with generally accepted accounting principles (GAAP) in Canada. They include the accounts of companies controlled by Alcan, virtually all of which are majority owned. Unincorporated joint ventures, irrespective of percentage of ownership, are included to the extent of Alcan's participation. Consolidated net income also 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 and deferred translation adjustments since acquisition. Investments in companies in which Alcan does not have significant influence over management are carried at cost less amounts written off.

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

FOREIGN CURRENCY

The financial statements of self-sustaining foreign operations are translated into U.S. dollars at prevailing exchange rates. Differences arising from exchange rate changes are included in the Deferred translation adjustments (DTA) component of Common shareholders' equity. If there is a reduction in the Company's ownership in a foreign operation, the relevant portion of DTA is recognized in Other income or Other expenses at that time.

Gains or losses on forward exchange contracts or currency options, all of which serve to hedge certain future identifiable foreign currency exposures, are included, together with related hedging costs, in Sales and operating revenues or Cost of sales and operating expenses, as applicable, concurrently with recognition of the underlying items being hedged.

Unrealized gains or losses on currency swaps, all of which are used to hedge certain identifiable foreign currency debt obligations, are recorded concurrently with the unrealized gains or losses on the debt obligations being hedged.

Other gains and losses from foreign currency denominated items are included in Other income or Other expenses.

COMMODITY CONTRACTS AND OPTIONS

Gains or losses on forward metal contracts and options, all of which serve to hedge certain future identifiable aluminum price exposures, are included, together with related hedging costs, in Sales and operating revenues or Cost of sales and operating expenses, as applicable, concurrently with recognition of the underlying items being hedged.

INTEREST RATE SWAPS

Net cash flows related to interest rate swaps are recorded in Interest concurrently with the interest expense on the underlying debt.

INVENTORY

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

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. The principal rates are 2½% for buildings and range from 1% to 4% for power assets and 3% to 6% for chemical, smelter and fabricating assets.

ENVIRONMENTAL COSTS AND LIABILITIES

Environmental expenses are accrued when it is probable that a liability for past events exists. For future removal and site restoration costs, provision is made in a systematic manner by periodic charges to income, except for assets that are no longer in use, in which case full provision is charged immediately to income. Environmental expenses are normally included in Cost of sales and operating expenses except for large, unusual amounts which are included in Other expenses. Accruals related to environmental costs are included in Deferred credits and other liabilities.

Environmental expenditures of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate or prevent environmental contamination that has yet to occur are included in Property, plant and equipment and are depreciated generally over the remaining useful life of the underlying asset.

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The costs of post-retirement benefits other than pensions are recognized on an accrual basis over the working lives of employees.

NET INCOME (LOSS) PER COMMON SHARE

Net income (Loss) per common share is calculated by dividing Net income (Loss) attributable to common shareholders by the average number of common shares outstanding (1994: 224.3 million; 1993: 223.9 million; 1992: 223.6 million).

2. Differences Between Canadian and United States Generally Accepted Accounting Principles (GAAP)

DEFERRED INCOME TAXES

Under Canadian GAAP, deferred income taxes are measured at tax rates prevailing at the time the provisions for deferred taxes are made. Deferred income taxes for U.S. GAAP are revalued each period using currently enacted tax rates.

Under Canadian GAAP, deferred income taxes of operations using the temporal method (integrated foreign operations and foreign operations located in hyperinflationary economies) are translated at historical exchange rates, while under U.S. GAAP deferred income taxes of all foreign operations are translated at current exchange rates.

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.

SHARE PURCHASE LOANS

Under Canadian GAAP, share purchase loans to employees are classified as receivables, whereas such loans are deducted from the stated value of common shares under U.S. GAAP.

RECONCILIATION OF CANADIAN AND U.S. GAAP

	1994		1993		1992	
	As Reported	**U.S. GAAP**	As Reported	U.S. GAAP	As Reported	U.S. GAAP
Net income (Loss) from continuing operations before cumulative effect of accounting changes*	$ 96	$ 175	$ (104)	$ (89)	$ (112)	$ (39)
Cumulative effect on prior years of accounting changes	—	—	—	106	—	(114)
Net income (Loss)	$ 96	$ 175	$ (104)	$ 17	$ (112)	$ (153)
Net income (Loss) attributable to common shareholders	$ 75	$ 154	$ (122)	$ (1)	$ (135)	$ (176)
Cumulative effect on prior years of accounting changes per common share	$ —	$ —	$ —	$ 0.47	$ —	$ (0.51)
Net income (Loss) per common share	$ 0.34	$ 0.69	$ (0.54)	$ —	$ (0.60)	$ (0.79)
Deferred income taxes – December 31	$ 914	$ 703	$ 888	$ 740	$ 955	$ 898
Common shares – December 31	**$1,195**	**$1,187**	$1,183	$1,173	$1,178	$1,165
Retained earnings – December 31	**$2,821**	**$3,111**	$2,813	$3,024	$3,002	$3,092
Deferred translation adjustments (DTA) – December 31	$ 292	$ 197	$ 100	$ 12	$ 86	$ 29

*In 1994, $85 ($17 in 1993 and $65 in 1992) of the net difference between "As Reported" and "U.S. GAAP" relates to accounting for deferred income taxes. In 1994, $68 of this difference arises from changes in tax rates enacted during the year.

Effective January 1, 1993, for U.S. GAAP reporting, the Company adopted the Financial Accounting Standards Board (FASB) Statement No. 109, Accounting for Income Taxes. The effect of this change, applied retroactively, was to improve U.S. GAAP Net income (Loss) in 1993 by $94, of which $106 related to the cumulative effect on prior years.

The cumulative effect on prior years of the change in accounting for post-retirement benefits other than pensions was charged to Retained earnings at the beginning of 1992 under Canadian GAAP and to the loss for 1992 under U.S. GAAP.

2. Differences Between Canadian and United States Generally Accepted Accounting Principles (GAAP) (cont'd)

The principal items included in Deferred income taxes under U.S. GAAP are:

	December 31 1994	1993
Liabilities:		
Depreciation	$ 933	$1,011
Undistributed earnings of equity companies	93	74
Inventory valuation	74	70
Other	45	30
	1,145	1,185
Assets:		
Tax benefit carryovers	346	355
Accounting provisions not currently deductible for tax	195	195
Other	12	14
	553	564
Valuation allowance (amount not likely to be recovered)	111	119
	442	445
Net deferred income tax liability	$ 703	$ 740

Under U.S. accounting regulations applicable prior to 1993, deferred income tax expense consisted of the following elements:

	1992
Tax benefit carryovers	$ (98)
Depreciation	62
Accounting provisions not currently deductible for tax	(23)
Inventory valuation	(4)
Investment tax credits	(4)
Other – net	(20)
	$ (87)

The difference between DTA under Canadian GAAP and U.S. GAAP arises principally from the impact of FASB Statement No. 109 and from the different treatment of exchange on long-term debt at January 1, 1983 resulting from the adoption of new accounting standards on foreign currency translation.

Net income (Loss) from continuing operations on a U.S. GAAP basis for the years 1991 and 1990 was $(31) and $537, respectively, compared to $(36) and $543, respectively, as reported. Net income (Loss) from continuing operations per common share on a U.S. GAAP basis for the years 1991 and 1990 was $(0.23) and $2.30, respectively, compared to $(0.25) and $2.33, respectively, as reported.

3. Income Taxes

	1994	1993	1992
Income (Loss) before income taxes and other items			
Canada	$ (15)	$ (67)	$(201)
Other countries	255	(39)	24
	240	(106)	(177)
Current income taxes			
Canada	5	9	—
Other countries	71	32	70
	76	41	70
Deferred income taxes			
Canada	30	(24)	(62)
Other countries	6	(30)	(25)
	36	(54)	(87)
Income tax provision (recovery)	$ 112	$ (13)	$ (17)

The composite of the applicable statutory corporate income tax rates in Canada is 40.1% (1993: 40.0%; 1992: 39.2%). The following is a reconciliation of income taxes calculated at the above composite statutory rates with the income tax provision:

	1994	1993	1992
Income taxes at the composite statutory rate	$ 96	$ (42)	$ (69)
Differences attributable to:			
Exchange translation items	39	13	38
Unrecorded tax benefits on losses – net	—	9	1
Investment and other allowances	(14)	(13)	(12)
Large corporations tax	7	7	9
Withholding taxes	20	7	6
Reduced rate or tax exempt items	(29)	(2)	(2)
Foreign tax rate differences	(19)	(1)	—
Other – net	12	9	12
Income tax provision (recovery)	$ 112	$ (13)	$ (17)

In 1994, $4 ($59 in 1993) of benefits related to income tax loss carryforwards were recorded in deferred income tax expense.

Based on rates of exchange at December 31, 1994, additional benefits of approximately $86 relating to prior and current years' tax losses will be recognized in income when realized.

4. Investments

	1994	1993	1992
Companies accounted for under the equity method	$ 1,185	$ 1,043	$ 909
Other investments – at cost, less amounts written off	8	10	14
	$ 1,193	$ 1,053	$ 923

The activities of the major equity-accounted companies are diversified aluminum operations in Japan and India, an aluminum rolling operation in Germany and the procurement and processing of raw materials in Australia, Brazil and Guinea. Their combined results of operations and financial position are summarized below:

	1994	1993	1992
Results of operations for the year			
Revenues	$ 8,073	$ 7,637	$ 7,217
Costs and expenses	7,892	7,399	6,811
Income before income taxes	181	238	406
Income taxes	218	217	217
Net income (Loss)	$ (37)	$ 21	$ 189
Alcan's share of net income (loss)	$ (29)	$ (12)	$ 53
Dividends received by Alcan	$ 22	$ 19	$ 49
Financial position at December 31			
Current assets	$ 4,029	$ 3,945	$ 4,049
Current liabilities	3,699	3,389	3,825
Working capital	330	556	224
Property, plant and equipment – net	4,209	4,067	3,445
Other assets (liabilities) – net	261	(140)	(53)
	4,800	4,483	3,616
Debt not maturing within one year	1,713	1,719	1,183
Net assets	$ 3,087	$ 2,764	$ 2,433
Alcan's equity in net assets (note 1)	$ 1,185	$ 1,043	$ 909

On December 31, 1994, the quoted market value of the Company's investments in Nippon Light Metal Company, Ltd. (NLM), Toyo Aluminium K.K. (Toyal) and Indian Aluminium Company, Limited (Indal) was $2,054 compared to their book value of $709.

5. Property, Plant and Equipment

	1994	1993	1992
Cost			
Land and property rights	$ 140	$ 149	$ 150
Buildings, machinery and equipment	9,930	10,301	10,022
Construction work in progress (note 6)	648	642	843
	$10,718	$11,092	$11,015

Accumulated depreciation relates primarily to Buildings, machinery and equipment.

Capital expenditures and investments, net of routine disposals, are expected to be about $375 in 1995. This amount includes approximately $50 representing the Company's share of capital expenditures of incorporated joint ventures that, beginning in 1995, will be proportionately consolidated.

6. Kemano Completion Project

In 1991, Alcan suspended construction of the Kemano Completion Project, for the installation of additional hydroelectric power-generating capacity at the Company's existing site in British Columbia, due to uncertainties arising from certain judicial proceedings. The judicial proceedings were decided in favour of the Company in 1993.

In January 1993, the government of British Columbia initiated a public review of the project by the British Columbia Utilities Commission. The report of the Commission, which was released on January 23, 1995, recommended certain changes to the project, but did not recommend its rejection. However, the government of British Columbia announced that the project should not be allowed to proceed.

Prior to suspension, Alcan had incurred expenditures of approximately $500, including capitalized interest of about $50. This amount is included in Property, plant and equipment, mainly in Construction work in progress. Costs incurred subsequent to suspension have been expensed.

The Company is currently reviewing its options in light of the government's announcement and is engaged in discussions with government. At this stage, it is not possible to assess the probable outcome of this matter.

7. Debt Not Maturing Within One Year

	1994	1993	1992
Alcan Aluminium Limited			
Commercial paper (a)	$ 117	$ —	$ 12
9.4% Debentures, due 1995 (b)	—	150	150
8.2% Debentures, due 1996	150	150	150
9.7% Debentures, due 1996	125	125	125
Lira bank loans, due 1996/1999 (L75 billion) (c)	46	44	51
Deutschmark bank loans, due 1996/2005 (DM395 million)	256	167	93
12.45% Canadian dollar debentures, due 1997 (d)	107	107	107
9.1% Debentures, due 1998	125	125	125
9.875% Debentures (b)	—	—	100
5.875% Debentures, due 2000 (e)	150	150	—
9.2% Debentures, due 2001 (f)	150	150	150
5.375% Swiss franc bonds, due 2003 (d)	105	105	105
CARIFA loan, due 2006 (g)	60	60	60
9.5% Debentures, due 2010 (h)	100	100	100
9.625% Sinking fund debentures, due 2019 (h)	150	150	150
8.875% Debentures, due 2022 (i)	150	150	150
Other debt, due 2001	8	8	9
Alcan Aluminum Corporation			
9.956% Bank loan, due 1995	25	25	25
6.375% Debentures, due 1997 (j)	150	150	150
7.25% Debentures, due 1999 (j)	100	100	100
Other debt, due 1995/2013	12	20	24
British Alcan Aluminium plc and subsidiary companies			
Bank loans, due 1995/2004 (£60 million) (k)	94	85	75
Bank loan (k)	—	81	91
10.375% Debentures	—	44	45
Other debt	—	2	11
Alcan Deutschland GmbH and subsidiary companies			
8.44% Bank loans, due 1995/2001 (DM27 million)	17	20	29
Bank loans, due 1995/1999 (DM55 million) (k)	36	32	34
Other companies			
Bank loans, due 1995/1999 (k)	13	16	42
5.625% Swiss franc bank loan	—	—	27
4% Eurodollar exchangeable debentures, due 2003 (l)	24	24	31
Other debt, due 1995/2004	6	17	39
	2,276	2,357	2,360
Debt maturing within one year included in current liabilities	(70)	(35)	(73)
	$2,206	$2,322	$2,287

7. Debt Not Maturing Within One Year (cont'd)

(a) Commercial paper is issued in Canada at market rates and is fully backed by a long-term credit agreement amounting to CAN$250 million. In addition, the Company has available in Canada and the United States long-term revolving credit agreements totalling $720 (of which $40 was utilized at December 31, 1994) which provide for loan facilities with interest related to U.S. LIBOR (London Interbank Offered Rate).

(b) The 9.4% debentures due in June 1995 and the 9.875% debentures, called for redemption as of January 15, 1994, were effectively extinguished in December 1994 and December 1993, respectively, through transactions whereby the Company placed government securities in trusts, the sole purpose of which was to fund the repayment of the debentures.

(c) Interest on principal amounts of lira 50 billion loans bearing interest at rates tied to lira LIBOR was swapped for a period to January 1995, at rates tied to U.S. LIBOR.

(d) The Canadian dollar debentures were issued as CAN$125 million and the Swiss franc bonds as SFr178 million. Both debts were immediately swapped for $107 and $105 at effective interest rates of 9.82% and 8.98%, respectively.

(e) Through an interest rate swap the Company has effectively converted the interest on the debentures to a rate tied to U.S. LIBOR for the period to October 1996.

(f) The Company has the right, beginning in 1998, to redeem the debentures at 100% of the principal amount.

(g) The Caribbean Basin Projects Financing Authority (CARIFA) loan bears interest at a rate related to U.S. LIBOR. The interest was swapped until April 1996 for a fixed rate of 6.74%. The Company has the option to redeem the loan on May 1, 1996, and on August 1, 2001, when interest rates are renegotiated.

(h) The Company can redeem the 9.5% debentures between the years 2000 and 2007 at amounts declining from 104% to 100% of the principal and can redeem the 9.625% debentures between the years 1999 and 2009 at amounts declining from 105% to 100% of the principal. In certain circumstances prior to January 30, 2000, for the 9.5% debentures, or prior to July 30, 1999, for the 9.625% debentures, the holders may retract the debentures at 100%.

(i) The interest was swapped until 1995 at a rate tied to U.S. LIBOR. The Company has the right to redeem the debentures during the years 2002 to 2012 at amounts declining from 104% to 100% of the principal amount.

(j) The following is summarized consolidated financial information for Alcan Aluminum Corporation, a wholly-owned subsidiary which consolidates virtually all of the Company's operations in the United States:

	1994	1993	1992
Results of operations for the year			
Revenues	$3,753	$3,028	$2,770
Costs and expenses	3,806	3,100	2,794
Income (Loss) before income taxes	(53)	(72)	(24)
Income taxes	(18)	(24)	(6)
Net income (Loss)	$ (35)	$ (48)	$ (18)
Financial position at December 31			
Current assets	$ 737	$ 600	$ 485
Current liabilities	676	578	425
Working capital	61	22	60
Property, plant and equipment – net	840	916	937
Other assets (liabilities) – net	(124)	(100)	(99)
	777	838	898
Debt not maturing within one year	257	283	295
Net assets	$ 520	$ 555	$ 603

The above figures are prepared using the accounting principles followed by the Company (see note 1), except that inventories have been valued principally by the last-in, first-out (LIFO) method.

Results of operations included after-tax rationalization charges, net of gains on disposals of businesses, of $6 (1993: $8; 1992: $15).

7. Debt Not Maturing Within One Year (cont'd)

(k) Interest rates fluctuate principally with the lender's prime commercial rate, the commercial bank bill rate, or are tied to LIBOR rates.

(l) Debenture holders are entitled to receive at their option 1,772 common shares held by the Company in NLM, a related company, in exchange for each ten thousand dollar principal amount of debentures. The Company can redeem the debentures between the years 1995 and 1999 at amounts declining from 102% to 100% of the principal.

In addition, the Company has swapped, to 1995, a portion of its interest payments on $300 of fixed rate debt in exchange for interest payments tied to U.S. LIBOR. The Company has swapped, to 1998 and 1999, the interest payments on $132 of its floating rate debt in exchange for fixed interest payments.

Based on rates of exchange at year-end, debt repayment requirements over the next five years amount to $70 in 1995, $300 in 1996, $292 in 1997, $279 in 1998 and $141 in 1999.

In addition to the facilities described in (a) above, the Company has additional unused committed credit lines of approximately $75.

8. Deferred Credits and Other Liabilities

Deferred credits and other liabilities comprise mainly deferred gains and revenues as well as provisions for post-retirement benefits, rationalizations, environmental liabilities, claims against the Company and other liabilities.

9. Preference Shares

AUTHORIZED:
2,000,000 Cumulative Redeemable First Preferred Shares, an unlimited number of Preference Shares issuable in series, and an unlimited number of Junior Preferred Shares. All shares are without nominal or par value.

AUTHORIZED AND OUTSTANDING:
During 1992, Alcan redeemed the 400,000 series F redeemable retractable preference shares, which were authorized and outstanding in 1991 with a stated value of $9, for CAN$25.00 per share.

In each of the years 1994, 1993 and 1992, there were authorized and outstanding 5,700,000 series C, 1,700,000 series D and 3,000,000 series E redeemable non-retractable preference shares with stated values of $106, $43 and $54, respectively. In 1992, 300 series G redeemable non-retractable preference shares were issued for a cash consideration of $150.

Outstanding shares are eligible for quarterly dividends as follows:

– Preference, series C, D and E – An amount related to the average of the Canadian prime interest rates for series C and E, and the average of the U.S. prime interest rates for series D, quoted by two major Canadian banks for stated periods.
– Preference, series G – An amount related to U.S. LIBOR until August 20, 1995. Subsequently, the dividend rate and reset date are to be renegotiated.

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

– Preference, series C and E (denominated in Canadian dollars) and D (denominated in U.S. dollars) – At $25.00 per share.
– Preference, series G – At 500 thousand dollars per share on dividend reset dates on or after August 20, 1995, but prior to May 21, 2002.

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

Preference, series G shares may be converted at the option of the holder into the Company's common shares on May 21, 2002, at a rate related to the market value of the common shares at the conversion date.

10. Common Shares

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

	Number (in thousands)			Stated Value		
	1994	1993	1992	1994	1993	1992
Outstanding – beginning of year	224,060	223,807	223,420	$1,183	$1,178	$1,171
Issued for cash:						
Executive share option plan	433	110	87	7	2	1
Dividend reinvestment and share purchase plans	192	143	300	5	3	6
Outstanding – end of year	224,685	224,060	223,807	$1,195	$1,183	$1,178

Under the executive share option plan, certain employees may purchase common shares at market value on the effective date of the grant of each option. The average price of the shares covered by the outstanding options is CAN$26.95 per share. These options expire at various dates during the next 10 years. Changes in the number of shares under option are summarized below:

	Number (in thousands)		
	1994	1993	1992
Outstanding – beginning of year	3,740	2,247	1,841
Granted	1,022	1,703	541
Exercised	(433)	(110)	(87)
Cancelled	(395)	(100)	(48)
Outstanding – end of year	3,934	3,740	2,247

SHAREHOLDER RIGHTS PLAN

In 1990, shareholders approved a plan whereby each common share of the Company carries one right to purchase additional common shares. Such rights are not currently exercisable but may become so in a variety of circumstances, the most important of which would arise upon the acquisition by one person, or a related group, of 20% or more of the Company's outstanding voting shares. Holders of rights, with the exception of such person or group, in such circumstances will be entitled to purchase from the Company, upon payment of the exercise price (currently $100.00), such number of additional common shares as can be purchased for twice the exercise price based on the market value of the Company's common shares at the time the rights become exercisable. Also, in the event of a proposed transaction such as an amalgamation, all holders of the Company's common shares will have the right to purchase from the other amalgamating entity, common shares of that entity at a 50% discount to market.

The rights expire in 1999, but may be redeemed earlier by the Company for 1 cent per right in certain events. In addition, the Plan must be submitted for reconfirmation by the shareholders at the 1995 Annual Meeting.

The Plan provides a procedure whereby a person making a take-over bid, satisfying certain fairness tests, and provided such person holds 5% or less of the Company's voting shares at the time of the bid, may request shareholder approval of the bid at a shareholder meeting. If the shareholders, other than such person, approve the bid by a majority of votes cast, the bid will be permitted to proceed without the rights becoming exercisable.

11. Retained Earnings

Consolidated retained earnings at December 31, 1994, includes $366 of undistributed earnings of companies accounted for under the equity method and $1,372 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.

12. Currency Gains and Losses

The following are the amounts recognized in the financial statements:

	1994	1993	1992
Currency losses excluding realized deferred translation adjustments:			
Forward exchange contracts and currency options	$ 62	$ 3	$ 5
Other	8	5	21
	$ 70	$ 8	$ 26
Deferred translation adjustments:			
Balance – beginning of year	$100	$ 86	$207
Effect of exchange rate changes	152	14	(120)
Losses (Gains) realized*	40	—	(1)
Balance – end of year	$292	$100	$ 86

*The losses realized in 1994 relate principally to the sale of Alcan Australia Limited.

13. Financial Instruments and Commodity Contracts

In conducting its business, the Company uses various instruments including forward contracts and options, to manage the risks arising from fluctuations in exchange rates, interest rates and aluminum prices. All such instruments are used for risk management purposes only.

FINANCIAL INSTRUMENTS — CURRENCY

The Company seeks to manage the risks arising from movements in exchange rates on identifiable firm commitments, principally Canadian dollar costs, and certain foreign currency denominated revenues. A combination of forward exchange contracts and options, covering periods of up to three years, are used to manage these risks.

At December 31, 1994, the contract amount of forward exchange contracts outstanding used to hedge future firm cost commitments was $1,568 ($1,405 in 1993 and $393 in 1992) while the contract amount of purchased options outstanding used to hedge future firm cost commitments was $145 ($711 in 1993 and $1,209 in 1992). At December 31, 1994, the contract amount of outstanding forward exchange contracts used to hedge future revenues was $268 ($390 in 1993 and $173 in 1992).

The market value of outstanding forward exchange contracts related to hedges of costs or revenues at December 31, 1994, was $1,841 ($1,814 in 1993 and $585 in 1992) such that if these contracts had been closed out, the Company would have received $5 ($19 in 1993 and $19 in 1992). Based on prevailing market prices, if the currency option contracts had been closed out on December 31, 1994, the Company would have paid $12 ($30 in 1993 and $61 in 1992). Unrealized gains and losses on outstanding forward contracts and options are not recorded in the financial statements until maturity of the underlying transactions.

In addition, in 1994 certain intercompany foreign currency denominated loans were hedged through the use of forward exchange contracts. At December 31, 1994, the contract amount of such forward contracts was approximately $208 and the market value was $206 such that if these contracts had been closed out, the Company would have paid $2.

Included in Deferred charges and other assets is an amount of $4 consisting of net realized losses on forward contracts used to hedge future costs. These deferred charges will be included in Cost of sales and operating expenses at the same time as the underlying transactions being hedged are recognized.

FINANCIAL INSTRUMENTS — INTEREST RATES

As stated in note 7, the Company entered into a number of interest rate swaps to manage funding costs as well as the volatility of interest rates. Net cash flows related to swaps are recorded in Interest concurrently with the interest expense on the underlying debt.

Changes in the fair value of the interest rate swaps are not recognized on a mark to market basis since these relate specifically to interest costs on identifiable debt.

If all interest rate swap agreements had been closed out on December 31, 1994, the Company would have paid $20 (paid $7 in 1993 and received $7 in 1992), based on prevailing interest rates.

13. Financial Instruments and Commodity Contracts (cont'd)

COMMODITY CONTRACTS — METAL

Depending on supply and market conditions, as well as for logistical reasons, the Company may sell primary metal to third parties and may purchase primary and secondary aluminum on the open market to meet its fabricated product requirements. In addition, the Company may hedge certain commitments arising from pricing arrangements with some of its customers.

Through the use of forward purchase and sales contracts and options, the Company seeks to limit the negative impact of low metal prices whilst retaining most of the benefit from higher metal prices.

At December 31, 1994, the Company had outstanding forward purchase contracts covering 490,000 tonnes and maturing at various dates in 1995. In addition, the Company held call options outstanding for 46,000 tonnes maturing at various dates in 1995.

At December 31, 1994, the Company held 558,000 tonnes of put options through dates in 1995. The Company also had sold 415,000 tonnes of call options which give the purchaser the right, at various dates in 1995, to any excess in metal prices above a pre-determined level. This results in the metal price component of revenues for 415,000 tonnes of the Company's future sales being established within a range and a minimum price being established in respect of 143,000 tonnes. Included in Deferred charges and other assets is $19 representing the net cost of outstanding options.

The option premiums paid and received, together with the realized gains or losses on the contracts, will be included in Sales and operating revenues or Cost of sales and operating expenses, as applicable, when the underlying exposures are recognized, which coincides with the maturity of the contracts.

Based on metal prices prevailing on December 31, 1994, if all commodity forward purchase contracts and options had been closed out, the net amount received by the Company would have been $37.

COUNTERPARTY RISK

As exchange rates, interest rates and metal prices fluctuate, the above contracts will generate gains and losses that will be offset by changes in the value of the underlying items being hedged. The Company may be exposed to losses in the future if the counterparties to the above contracts fail to perform; however, the Company is satisfied that the risk of such non-performance is remote.

DEBT NOT MATURING WITHIN ONE YEAR — MARKET VALUE

On December 31, 1994, the fair value of the Company's long-term debt totalling $2,276 ($2,357 in 1993 and $2,360 in 1992) was $2,294 ($2,545 in 1993 and $2,474 in 1992), based on market prices for the Company's fixed rate securities and the book value of variable-rate debt.

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 $115 in 1995, $95 in 1996, $155 in 1997, $91 in 1998, $91 in 1999 and $222 thereafter. Total charges from these related companies were $132 in 1994, $280 in 1993 and $309 in 1992. In addition, there are guarantees for the repayment of approximately $23 of indebtedness by related companies. Alcan believes that none of these guarantees is likely to be invoked. Commitments with third parties for supplies of other goods and services are estimated at $44 in 1995, $17 in 1996, $12 in 1997, $33 in 1998, $30 in 1999 and $189 thereafter. Total fixed charges from these third parties were $44 in 1994, $28 in 1993 and $35 in 1992.

Minimum rental obligations are estimated at $48 in 1995, $40 in 1996, $24 in 1997, $21 in 1998, $20 in 1999 and $57 thereafter. Total rental expenses amounted to $94 in 1994, $112 in 1993 and $114 in 1992.

Alcan, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Company does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

In addition, see reference to capital expenditures in note 5, Kemano Completion Project in note 6, debt repayments in note 7 and financial instruments and commodity contracts in note 13.

15. Supplementary Information

	1994	1993	1992
Income statement			
Interest on long-term debt	$ 208	$ 198	$ 209
Capitalized interest	(16)	(17)	(13)
Balance sheet			
Payables			
Accrued employment costs	$ 145	$ 232	$ 238
Short-term borrowings			
Commercial paper	—	30	—
Other (principally from banks)	195	263	426
Statement of cash flows			
Interest paid	$ 237	$ 233	$ 258
Income taxes paid (recovered)	62	39	(69)

Non-cash financing and investing activities:
In 1992, the Company exchanged half of its 25% interest in Mineração Rio do Norte S.A., with a book value of $42, for a 10% interest in the alumina assets of the Alumar Consortium and exchanged its interests in Malaysia, Thailand and China, having a book value of $39, for additional shares in NLM. No gain or loss was recorded on these transactions.

All time deposits qualify as cash equivalents.

16. Post-Retirement Benefits

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.

	1994	1993	1992
Service cost for the year	$ 85	$ 88	$ 91
Interest cost on projected benefit obligation	206	216	227
Actual return on assets	64	(517)	(260)
Variance of actual return from expected long-term rate of 7.4% (8.4% in 1993 and 1992) being deferred, and amortization of gains and losses	(312)	257	(8)
Net cost for the year	$ 43	$ 44	$ 50

Included in the net cost for 1994 are $16 of settlement gains and $11 of curtailment losses related to the disposal of certain businesses.

	1994	1993	1992
The plans' funded status at December 31 was:			
Actuarial accumulated benefit obligation, which is substantially vested	$2,553	$2,657	$2,417
Plan assets at market value	$3,087	$3,304	$2,983
Actuarial projected benefit obligation based on average compensation growth of 5.0% (4.9% in 1993 and 5.9% in 1992) and discount rate of 7.4% (7.1% in 1993 and 8.2% in 1992)	2,900	3,047	2,781
Plan assets in excess of projected benefit obligation	187	257	202
Unamortized actuarial gains – net*	(430)	(513)	(382)
Unamortized prior service cost*	300	338	337
Unamortized portion of net surplus at January 1, 1986*	(117)	(134)	(168)
Net pension liability in balance sheet	$ (60)	$ (52)	$ (11)

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

16. Post-Retirement Benefits (cont'd)

OTHER

The Company provides life insurance benefits under some of its retirement plans. Certain early retirement arrangements also provide for medical benefits, generally only until the age of 65. These plans are not funded.

	1994	1993	1992
Service cost for the year	$ 6	$ 6	$ 6
Interest cost on accumulated benefit obligation	14	14	14
Amortization of gains and losses	(12)	(1)	—
Total cost for the year	$ 8	$ 19	$ 20

Included in the total cost for 1994 is $11 of curtailment gains related to the disposal of certain businesses.

	1994	1993	1992
Accumulated benefit obligation (ABO) based on average compensation growth of 5.2% (5.1% in 1993 and 6.0% in 1992) and discount rate of 7.6% (6.7% in 1993 and 7.7% in 1992):			
Active employees			
– not fully eligible	$ 66	$ 84	$ 77
– fully eligible	25	29	34
Retired employees	91	96	77
Total ABO	182	209	188
Unamortized gains – net	28	4	—
ABO in balance sheet	$210	$213	$188

The assumed health care cost trend rate used in calculating the above amounts was 11% in 1994 (14% in 1993 and 16% in 1992), decreasing gradually to 6.0% (4.5% in 1993 and 5.5% in 1992) in 2006. If the average of such rate was increased by 1%, the ABO would increase by approximately $13 and the periodic cost of post-retirement benefits other than pensions would increase by approximately $2 per year.

17. Information by Geographic Areas

	Location	1994	1993	1992
Sales and operating revenues – subsidiaries	Canada	$ 2,300	$ 1,800	$ 1,825
	United States	453	333	314
	South America	15	10	40
	Europe	174	157	165
	Asia and Pacific	53	61	73
	All other	266	287	305
	Sub-total	3,261	2,648	2,722
	Consolidation eliminations	(3,261)	(2,648)	(2,722)
	Total	$ —	$ —	$ —
	Sales to subsidiary companies are made at fair market prices recognizing volume, continuity of supply and other factors.			
Sales and operating revenues – third parties	Canada	$ 952	$ 911	$ 996
	United States	3,288	2,689	2,452
	South America	556	468	418
	Europe	2,813	2,432	2,899
	Asia and Pacific	567	686	782
	All other	40	46	49
	Total	$ 8,216	$ 7,232	$ 7,596
Net income (Loss)	Canada	$ 16	$ (32)	$ (120)
	United States	16	(57)	(18)
	South America	9	(8)	(44)
	Europe	76	(31)	—
	Asia and Pacific	28	(9)	48
	All other	7	28	30
	Consolidation eliminations	(56)	5	(8)
	Total	$ 96	$ (104)	$ (112)
Total assets at December 31	Canada	$ 4,575	$ 4,242	$ 4,314
	United States	1,872	1,718	1,639
	South America	859	822	819
	Europe	3,087	2,562	2,806
	Asia and Pacific	1,019	1,154	1,170
	All other	373	394	402
	Consolidation eliminations	(1,796)	(1,082)	(1,004)
	Total	$ 9,989	$ 9,810	$10,146
Capital expenditures	Canada	$ 65	$ 66	$ 69
	United States	58	64	143
	South America	22	16	23
	Europe	197	187	185
	Asia and Pacific	4	10	34
	All other	10	27	20
	Total	$ 356	$ 370	$ 474
Average number of employees *(in thousands)*	Canada	12	13	14
	United States	7	7	7
	South America	6	7	7
	Europe	14	15	16
	Asia and Pacific	2	3	4
	All other	1	1	1
	Total	42	46	49

		1994	1993	1992
CONSOLIDATED INCOME STATEMENT ITEMS *(in millions of US$)*	Revenues			
	Sales and operating revenues	**8,216**	7,232	7,596
	Other income	109	75	69
	Total revenues	8,325	7,307	**7,665**
	Costs and expenses			
	Cost of sales and operating expenses	6,740	6,002	6,300
	Depreciation	431	443	449
	Selling, administrative and general expenses	528	551	596
	Research and development expenses	72	99	125
	Interest	219	212	254
	Special charges and rationalization expenses	—	—	—
	Other expenses	95	106	118
	Income taxes	112	(13)	(17)
	Equity income (loss)	(29)	(12)	53
	Minority interests	(3)	1	(5)
	* Net income (Loss)	96	(104)	(112)
	Preference dividends	21	18	23
	* Net income (Loss) attributable to common shareholders	75	(122)	(135)
CONSOLIDATED BALANCE SHEET ITEMS *(in millions of US$)*	Operating working capital	1,675	1,314	1,460
	Property, plant and equipment – net	5,534	6,005	6,256
	Total assets	9,989	9,810	10,146
	Total debt	**2,471**	2,650	2,786
	Deferred income taxes	914	888	955
	Preference shares	353	353	353
	Common shareholders' equity	4,308	4,096	4,266
PER COMMON SHARE *(in US$)*	* Net income (Loss)	0.34	(0.54)	(0.60)
	Dividends paid	0.30	0.30	0.45
	Common shareholders' equity	19.17	18.28	19.06
	Market price – NYSE close	25.38	20.75	17.63
OPERATING DATA *(in thousands of tonnes)*	Consolidated aluminum shipments			
	Ingot and ingot products	897	887	870
	Fabricated products	1,763	1,560	1,389
	Fabrication of customer-owned metal	189	91	206
	Total aluminum shipments	2,849	2,538	2,465
	Consolidated primary aluminum production	1,435	1,631	1,612
	Consolidated aluminum purchases	1,350	865	675
	Consolidated aluminum inventories *(end of year)*	435	403	418
	** Primary aluminum capacity			
	Consolidated subsidiaries	1,561	1,711	1,711
	Total consolidated subsidiaries and related companies	1,712	1,862	1,862
OTHER STATISTICS	Cash from operating activities *(in millions of US$)*	65	444	465
	Capital expenditures *(in millions of US$)*	**356**	370	474
	Ratio of total borrowings to equity *(%)*	35:65	37:63	37:63
	Average number of employees *(in thousands)*	42	46	49
	Common shareholders – registered *(in thousands at end of year)*	26	28	32
	Common shares outstanding *(in millions at end of year)*	225	224	224
	Registered in Canada *(%)*	55	59	69
	Registered in the United States *(%)*	44	40	30
	Registered in other countries *(%)*	1	1	1
	Return on average common shareholders' equity *(%)*	2	(3)	(3)

*Extraordinary gains relating to income tax recoveries in the years 1984 to 1986 have been reclassified and are included in income taxes.
**Primary aluminum capacity has been restated to reflect better the actual production levels achieved over a period of time.

1991	1990	1989	1988	1987	1986	1985	1984
7,748	8,757	8,839	8,529	6,797	5,956	5,718	5,467
82	162	208	97	81	100	113	109
7,830	8,919	9,047	8,626	6,878	6,056	5,831	5,576
6,455	6,996	6,682	6,072	5,117	4,635	4,692	4,228
429	393	333	316	296	276	258	250
635	659	600	525	447	406	385	393
131	150	136	132	95	77	77	66
246	197	130	137	177	202	232	244
—	—	—	—	—	—	416	—
163	65	62	91	113	52	53	38
(104)	126	350	497	230	134	(123)	114
89	211	97	97	35	5	15	46
—	(1)	(16)	(22)	(5)	(2)	(3)	(5)
(36)	543	835	931	433	277	(147)	284
20	22	21	30	36	33	33	31
(56)	521	814	901	397	244	(180)	253
1,717	1,842	1,774	1,764	1,735	1,594	1,614	1,503
6,525	6,167	5,260	4,280	3,965	3,949	3,875	3,600
10,816	10,649	9,508	8,615	7,660	7,118	6,861	6,690
2,997	2,616	1,724	1,518	1,525	1,616	1,939	1,726
1,126	1,092	1,044	1,006	754	554	409	562
212	212	212	211	405	421	398	405
4,730	4,942	4,610	4,109	3,565	3,116	2,746	2,916
(0.25)	2.33	3.58	3.85	1.68	1.09	(0.81)	1.15
0.86	1.12	1.12	0.59	0.39	0.35	0.49	0.53
21.17	22.19	20.30	18.06	15.05	13.18	12.23	13.07
20.00	19.50	22.88	21.75	17.92	12.55	12.89	12.78
866	857	743	832	787	731	878	577
1,333	1,488	1,518	1,446	1,410	1,388	1,340	1,213
145	81	75	80	99	107	100	83
2,344	2,426	2,336	2,358	2,296	2,226	2,318	1,873
1,695	1,651	1,643	1,619	1,587	1,641	1,644	1,560
591	646	718	716	593	489	465	496
463	447	539	480	496	579	625	708
1,676	1,685	1,685	1,680	1,680	1,841	1,841	1,646
1,827	1,836	1,836	1,831	1,861	1,905	1,905	2,097
659	760	970	1,370	879	725	586	489
880	1,367	1,466	676	415	342	597	427
37:63	33:67	26:74	26:74	27:73	31:69	37:63	34:66
54	57	57	56	63	67	70	70
34	38	40	41	46	49	59	67
223	223	227	228	237	237	225	224
68	54	44	54	44	43	46	56
31	44	54	43	53	52	49	39
1	2	2	3	3	5	5	5
(1)	11	19	24	12	8	(6)	9

All per-share amounts reflect the three-for-two share splits on May 5, 1987, and May 9, 1989.
See note 2 to the consolidated financial statements for U.S. GAAP information.

(in millions of US$)

(unaudited)	First	Second	Third	Fourth	Year
1994					
Revenues	$1,809	$2,068	$2,196	$2,252	$8,325
Cost of sales and operating expenses	1,497	1,689	1,757	1,797	6,740
Depreciation	109	113	104	105	431
Income taxes	—	28	51	33	112
Other items	228	231	218	269	946
Net income (Loss)[1]	$ (25)	$ 7	$ 66	$ 48	$ 96
Dividends on preference shares	4	5	6	6	21
Net income (Loss) attributable to common shareholders	$ (29)	$ 2	$ 60	$ 42	$ 75
Net income (Loss) per common share (in US$)[2]	$ (0.13)	$ 0.01	$ 0.27	$ 0.19	$ 0.34
Net income (Loss) under U.S. GAAP[5]	$ 5	$ 18	$ 15	$ 137	$ 175
1993					
Revenues	$ 1,750	$ 1,873	$ 1,824	$ 1,860	$ 7,307
Cost of sales and operating expenses	1,424	1,559	1,492	1,527	6,002
Depreciation	109	112	110	112	443
Income taxes	1	(5)	5	(14)	(13)
Other items	236	242	230	271	979
Net income (Loss)[1]	$ (20)	$ (35)	$ (13)	$ (36)	$ (104)
Dividends on preference shares	5	4	5	4	18
Net income (Loss) attributable to common shareholders	$ (25)	$ (39)	$ (18)	$ (40)	$ (122)
Net income (Loss) per common share (in US$)[2]	$ (0.11)	$ (0.18)	$ (0.08)	$ (0.17)	$ (0.54)
Net income (Loss) under U.S. GAAP[3][5]	$ 79	$ (23)	$ 13	$ (52)	$ 17
1992[4]					
Revenues	$ 1,855	$ 1,977	$ 1,970	$ 1,863	$ 7,665
Cost of sales and operating expenses	1,532	1,621	1,610	1,537	6,300
Depreciation	109	112	112	116	449
Income taxes	(6)	1	11	(23)	(17)
Other items	235	272	249	289	1,045
Net income (Loss)[1]	$ (15)	$ (29)	$ (12)	$ (56)	$ (112)
Dividends on preference shares	4	5	4	10	23
Net income (Loss) attributable to common shareholders	$ (19)	$ (34)	$ (16)	$ (66)	$ (135)
Net income (Loss) per common share (in US$)[2]	$ (0.09)	$ (0.15)	$ (0.07)	$ (0.29)	$ (0.60)
Net income (Loss) under U.S. GAAP[4][5]	$ (108)	$ (25)	$ 24	$ (44)	$ (153)

(1) The first quarter of 1994 included an after-tax rationalization charge of $11 and an offsetting gain of $11 from the dilution in Alcan's ownership in Indian Aluminium Company, Limited. The third quarter of 1994 included a net gain of $39 on disposal of businesses partly offset by after-tax provisions of $12 related to restructuring charges in Brazil and early retirement of debt in the U.K. The fourth quarter of 1994 included special charges of $25 after tax, related largely to the rationalization of ongoing businesses and losses on the disposal of certain other businesses.

The first, third and fourth quarters of 1993 included after-tax rationalization charges of $6, $6 and $25, respectively. The first and fourth quarters of 1992 included after-tax environmental and rationalization charges of $9 and $49, respectively.

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

(3) Effective January 1, 1993, the Company adopted the Financial Accounting Standards Board (FASB) Statement No. 109, Accounting for Income Taxes, for U.S. GAAP reporting. The effect of this change, applied retroactively, was to improve U.S. GAAP Net income (Loss) for the first quarter by $107, of which $106 related to the cumulative effect on prior years.

(4) The cumulative effect on prior years of the change in accounting for post-retirement benefits other than pensions amounting to $114 was charged to Retained earnings at the beginning of the first quarter of 1992 under Canadian GAAP and to Net income (Loss) for the first quarter of 1992 under U.S. GAAP.

(5) See note 2 to the consolidated financial statements for explanation of differences between Canadian and U.S. GAAP.

As at February 9, 1995

David Morton[3, 8]
Chairman of the Board
of Alcan Aluminium Limited,
Montreal
Age 65, director since 1985

Sonja I. Bata, O.C.[5, 7]
Director of Bata Limited,
Toronto
Age 68, director since 1979

W. R. C. Blundell[1, 7]
Director of various companies,
Toronto
Age 67, director since 1987

Jacques Bougie, O.C.[3, 5]
President and Chief Executive Officer
of Alcan Aluminium Limited,
Montreal
Age 47, director since 1989

Warren Chippindale, F.C.A.[2, 7]
Director of various companies,
Montreal
Age 66, director since 1986

Dr. John R. Evans, C.C.[3, 6, 7]
Chairman of Torstar Corporation,
Toronto
Age 65, director since 1986

Dr. L. E. Fouraker[5, 7]
Director and trustee
of various organizations,
Boston
Age 71, director since 1978

Allan E. Gotlieb, C.C.[3, 5, 7]
Director of various companies,
Toronto
Age 66, director since 1989

J. E. Newall, O.C.[3, 5, 7]
President and Chief Executive Officer
of Nova Corporation,
Calgary
Age 59, director since 1985

The Hon. John L. Nichol, O.C.[1, 4, 7]
President of a private investment
company,
Vancouver
Age 71, director since 1981

Dr. Peter H. Pearse, C.M.[5, 7]
Economist and Professor at
the University of British Columbia,
Vancouver
Age 62, director since 1989

Sir George Russell, C.B.E.[1, 3, 7]
Chairman of Marley plc,
Kent, England
Age 59, director since 1987

Guy Saint-Pierre, O.C.[7]
President and Chief Executive Officer
of SNC-Lavalin Group Inc.,
Montreal
Age 60, director since 1994

[1] *Member of Audit Committee*
[2] *Chairman of Audit Committee*
[3] *Member of Personnel Committee*
[4] *Chairman of Personnel Committee*
[5] *Member of Environment Committee*
[6] *Chairman of Environment Committee*
[7] *Member of Corporate Governance Committee**
[8] *Chairman of Corporate Governance Committee**

* *Established on September 22, 1994.*

Jacques Bougie
President and Chief Executive Officer

Robert L. Ball
Executive Vice President,
Rolled Products — North America

Claude Chamberland
Executive Vice President,
Smelting and Power

Robert J. Fox
Executive Vice President,
Raw Materials and Chemicals

S. Bruce Heister
Executive Vice President,
Asia/Pacific

Everaldo N. Santos
Executive Vice President,
Fabricated Products

Reinhold Wagner
Executive Vice President,
Rolled Products — Europe

Daniel Gagnier
Vice President, Corporate Affairs

John W. Kelly, M.D.
Vice President, Occupational Health
and Safety

Emery P. LeBlanc
Vice President, Research,
Technology and Environment

Gaston Ouellet
Vice President, Human Resources

P. K. Pal
Vice President, Chief Legal Officer
and Secretary

Suresh Thadhani
Vice President and Chief Financial
Officer

Geraldo Nogueira de Aguiar
Treasurer

Denis G. O'Brien
Controller

ANNUAL MEETING

The Annual Meeting of the holders of common shares of Alcan Aluminium Limited will be held on Thursday, April 27, 1995. The meeting will take place at 10:00 a.m. in the Congress Hall (407A — Level 4) of the Palais des Congrès de Montréal, 201 Viger Avenue West, Montreal, Quebec, Canada.

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, Chicago, Pacific, London, Paris, Brussels, Amsterdam, Frankfurt, Basel, Geneva, Zurich and Tokyo stock exchanges.

The transfer agents for the common shares are The R-M Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, Chemical Bank in New York, and The R-M Trust Company in England.

Common share dividends are paid quarterly on or about the 20th of March, June, September and December to shareholders of record on or about the 20th of February, May, August and November, respectively.

Dividend		Prices* and Average Daily Trading Volumes							
		New York Stock Exchange (US$)				Toronto Stock Exchange (CAN$)			
1994 Quarter	US$	High	Low	Close	Avg. Daily Volume	High	Low	Close	Avg. Daily Volume
First	0.075	25 1/8	20 3/4	22	589,814	34 1/2	27 3/4	30 5/8	687,576
Second	0.075	24 1/2	19 3/4	22 3/4	397,495	34	27 3/8	31 1/4	427,149
Third	0.075	27 1/2	22 5/8	26 3/8	482,264	37 1/4	31 1/2	35 3/8	447,728
Fourth	0.075	28 1/8	22 1/2	25 3/8	451,730	38 1/8	30 7/8	35 5/8	473,517
Year	0.30								
1993 Quarter									
First	0.075	19 3/4	16 7/8	19 1/8	410,013	25	21 5/8	24	376,266
Second	0.075	19 5/8	17 3/8	19 1/2	395,663	25	21 3/4	25	464,629
Third	0.075	21 5/8	18 1/4	18 5/8	342,242	28	23 7/8	24 7/8	305,797
Fourth	0.075	22 3/8	18 1/4	20 3/4	329,895	29 5/8	24 5/8	27 3/4	444,590
Year	0.30								

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

PREFERENCE SHARES

The preference shares (except series G) are listed on the Montreal, Toronto and Vancouver stock exchanges. The transfer agent for the preference shares is The R-M Trust Company.

INVESTMENT PLANS

The Company offers holders of common shares two convenient ways of buying additional Alcan common shares without payment of brokerage commissions. These are known as the Dividend Reinvestment Plan and the Share Purchase Plan. Copies of the prospectus describing these Plans may be obtained from Shareholder Services at the address on page 49.

SECURITIES REPORTS FOR 1994

The Company's annual information form, to be filed with the Canadian securities commissions, and the annual 10-K report, to be filed with the Securities and Exchange Commission in the United States, will be available to shareholders after April 1, 1995. Copies of both may be obtained from Shareholder Services at the address on page 49.

FURTHER INFORMATION

For shareholder account inquiries, contact:
Linda Burton
Manager, Shareholder Services
Telephone: (514) 848-8050

For financial and industry information, contact:
Duncan Curry
Manager, Investor Relations
Telephone: (514) 848-8368

It is the policy of Alcan Aluminium Limited to achieve compatibility between the environment and the processes and products of its operations. Alcan and its subsidiaries will take those practical steps necessary to prevent or abate adverse impacts on the environment which may result from their operations and products. They will respect the local legal standards and quickly implement such changes as are appropriate to achieve compliance. They will minimize waste and seek to achieve the most efficient use of energy and other raw materials.

In implementing this policy:

- For new investments and acquisitions, a comprehensive environmental review will form part of the authorization procedure, and satisfactory solutions to any problems will be found before the investment proceeds.
- New plants and equipment will incorporate the most appropriate environmental technology.
- Existing plants will establish and implement economically viable plans to minimize and make environmentally acceptable their process waste and emissions. Management will regularly re-evaluate risks to the environment and initiate corrective actions.
- Environmental objectives and plans will be communicated to employees and surrounding communities.
- Emergency preparedness action plans will be established and maintained. Employees will be trained to deal with environmental emergencies.
- Efforts will be directed to developing environmentally friendly products particularly by maximizing the advantages offered by aluminum's unique recyclability.
- Periodic reviews of environmental performance will be carried out and reports made regularly to the Board of Alcan Aluminium Limited.

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Alcan Aluminium Limited

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