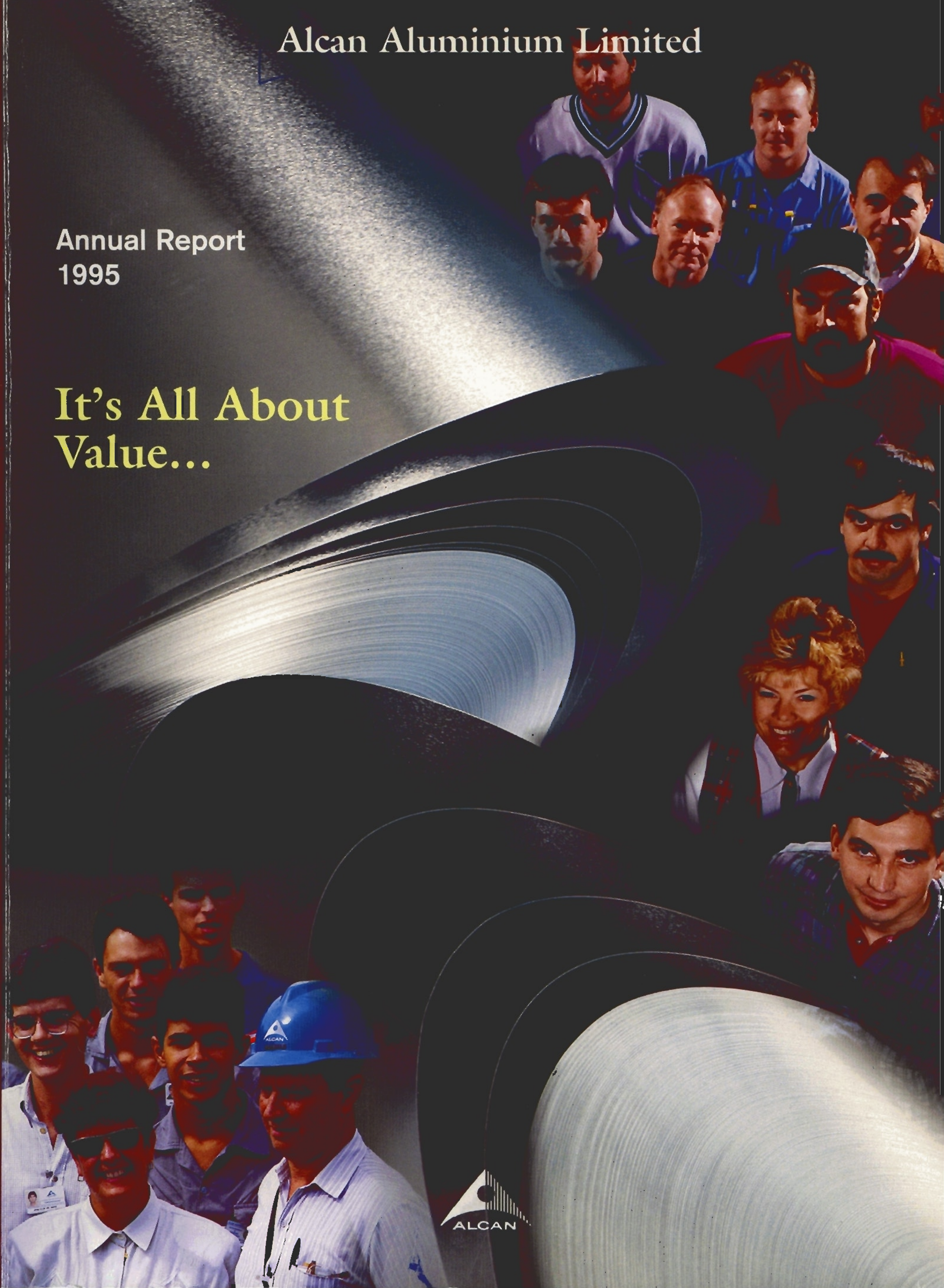
# Alcan Aluminium Limited

Annual Report
1995

## It's All About Value...



ALCAN

Alcan Aluminium Limited, a Canadian corporation, is the parent company of an international group involved in all aspects of the aluminum industry. Through subsidiaries and related companies around the world, the activities of the Alcan Group include bauxite mining, alumina refining, power generation, aluminum smelting, manufacturing and recycling. Approximately 39,000 people are directly employed by the Company, with thousands more employed in its related companies.

In the 94 years since it was established, Alcan has developed a unique combination of competitive strengths, with owned hydroelectricity in Canada, proprietary process technology and international presence. With operations and sales offices in some 30 countries, the Alcan Group is the most international aluminum company as well as the largest producer and marketer of flat-rolled aluminum products. 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 22,560 registered holders of its common shares and 1,650 registered holders of its preference shares. While distributed internationally, the Company's shares are mostly held in North America.

Further information on Alcan and its activities is contained in various company publications. One such brochure, *A Commitment to Continual Environmental Improvement*, has just been published and is available by writing to the address shown on page 57.

**Terms**

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

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 |

**Annual Meeting**

The Annual Meeting of the holders of common shares of Alcan Aluminium Limited will be held on Wednesday, April 24, 1996. The meeting will take place at 10:00 a.m. in the Ballroom of the Chateau Champlain hotel, 1 Place du Canada, Montreal, Quebec, Canada.

**Cover**

Alcan employees around the world are creating value for our shareholders, for our customers and for the communities in which we operate. Shown in the photos are employees from the Logan and Pindamonhangaba rolling mills in the U.S. and Brazil, respectively.

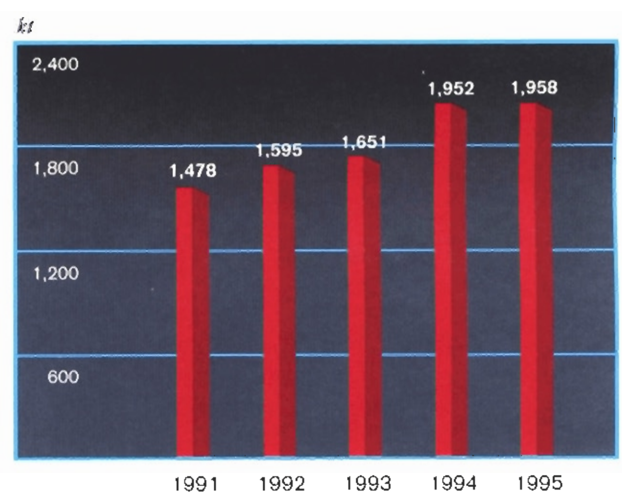
# Highlights of 1995

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Financial Data** | | | |
| *(in millions of US$, except per common share amounts)* | | | |
| Sales and operating revenues | **9,287** | 8,216 | 7,232 |
| Net income (Loss) before extraordinary item | **543** | 96 | (104) |
| Net income (Loss) | **263** | 96 | (104) |
| Return (%) on average common shareholders' equity | **11*** | 2 | (3) |
| Total assets (at year end) | **9,702** | 9,989 | 9,810 |
| Capital expenditures | **441** | 356 | 370 |
| Ratio of borrowings to equity (at year end) | **29:71** | 35:65 | 37:63 |
| Per common share *(in US$)* | | | |
| Net income (Loss) before extraordinary item | **2.30** | 0.34 | (0.54) |
| Net income (Loss) | **1.06** | 0.34 | (0.54) |
| Cash from operating activities | **4.63** | 0.29 | 1.98 |
| Dividends | **0.45** | 0.30 | 0.30 |
| Common shareholders' equity (at year end) | **19.84** | 19.17 | 18.28 |
| **Operating Data** | | | |
| *(in thousands of tonnes)* | | | |
| Fabricated products shipments** | **1,958** | 1,952 | 1,651 |
| Ingot products shipments | **801** | 897 | 887 |
| Primary aluminum production | **1,278** | 1,435 | 1,631 |
| Secondary/recycled aluminum production | **523** | 496 | 439 |

* Before extraordinary item.
** Includes products fabricated from customer-owned metal.

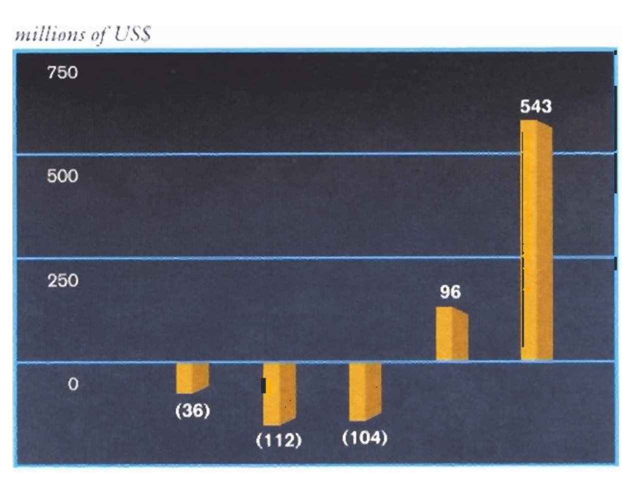
## Fabricated Products Shipments

Alcan's shipments continued at the record level set in 1994. However, if the impact of business divestments is taken into account, fabricated products shipments from continuing businesses grew by over 6%.




## Net Income (Loss) before Extraordinary Item

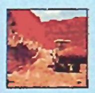
Net income, before an extraordinary item, improved substantially. The increase largely reflected the benefit of better prices for fabricated products.




## Contents

# The Alcan Group's Businesses at a Glance


## Raw Materials and Chemicals



### Bauxite Mining

- 11 bauxite mines/reserves in six countries (including related companies).
- 260 Mt of reserves in subsidiaries and 62 Mt share in related companies.
- 10.4 Mt used in 1995.
- $58 million in bauxite sales.

### Alumina Refining

- 12 alumina plants in nine countries (including related companies).
- 3.7 Mt of annual capacity in subsidiaries and 1.2 Mt share in related companies.
- 3.3 Mt produced in subsidiaries and 1.2 Mt share in related companies.
- $253 million in alumina sales.

### Specialty Chemicals

- 8 specialty chemicals plants in four countries (including related companies).
- $207 million in sales.
- Alcan's chemicals businesses recorded a 20% increase in profitability over 1994.

## Metal Supply

### Purchased Ingot and Fabricated Products†

- 785 kt of primary ingot, 4 kt of secondary ingot and 67 kt of fabricated products purchased.

### Primary Production†

- 13 smelters in four countries.
- 1.6 Mt of annual capacity.
- 1.3 Mt produced in 1995.
- $1.1 billion (549 kt) in ingot sales.††

### Secondary/Recycled Aluminum

- 8 recycling plants in four countries.
- 693 kt of annual capacity.
- 523 kt produced in 1995.
- 509 kt of scrap purchased.
- $246 million (124 kt) in ingot sales.
- $213 million (128 kt) in scrap sales.

Process Scrap

Post-Consumer Scrap

## Fabricated and Non-Aluminum Products

### Rolled Products†

- $4.2 billion (1,368 kt) in sales.†††
- Fabricated 225 kt of customer-owned metal.

### Extruded and Drawn Products†

- $1.2 billion (268 kt) in sales.

### Other Fabricated Products†

- $698 million (97 kt) in sales.

### Non-Aluminum Products†

- $1.1 billion in sales, including bauxite, alumina and specialty chemicals sales (*indicated at left on page 2*), and other non-aluminum products.

### Total Fabricated and Non-Aluminum Products†

- Over 100* manufacturing plants in 11 countries.
- $7.2 billion in sales in 1995.†††
- 1.7 Mt of aluminum fabricated in Alcan facilities.

*Does not reflect the sale of non-strategic downstream businesses of British Alcan Aluminium plc announced on February 12, 1996. See page 57.*

## Customers and Markets

### Containers and Packaging

- $3.0 billion in sales.
- 41% 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 packaging applications.

### Transportation

- $557 million in sales.
- 8% of total fabricated and non-aluminum product sales.
- End uses include automotive structures, body panels and engine parts, wheels and radiators, aircraft structures, rail carriages, freight cars and ships.

### Electrical

- $612 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.

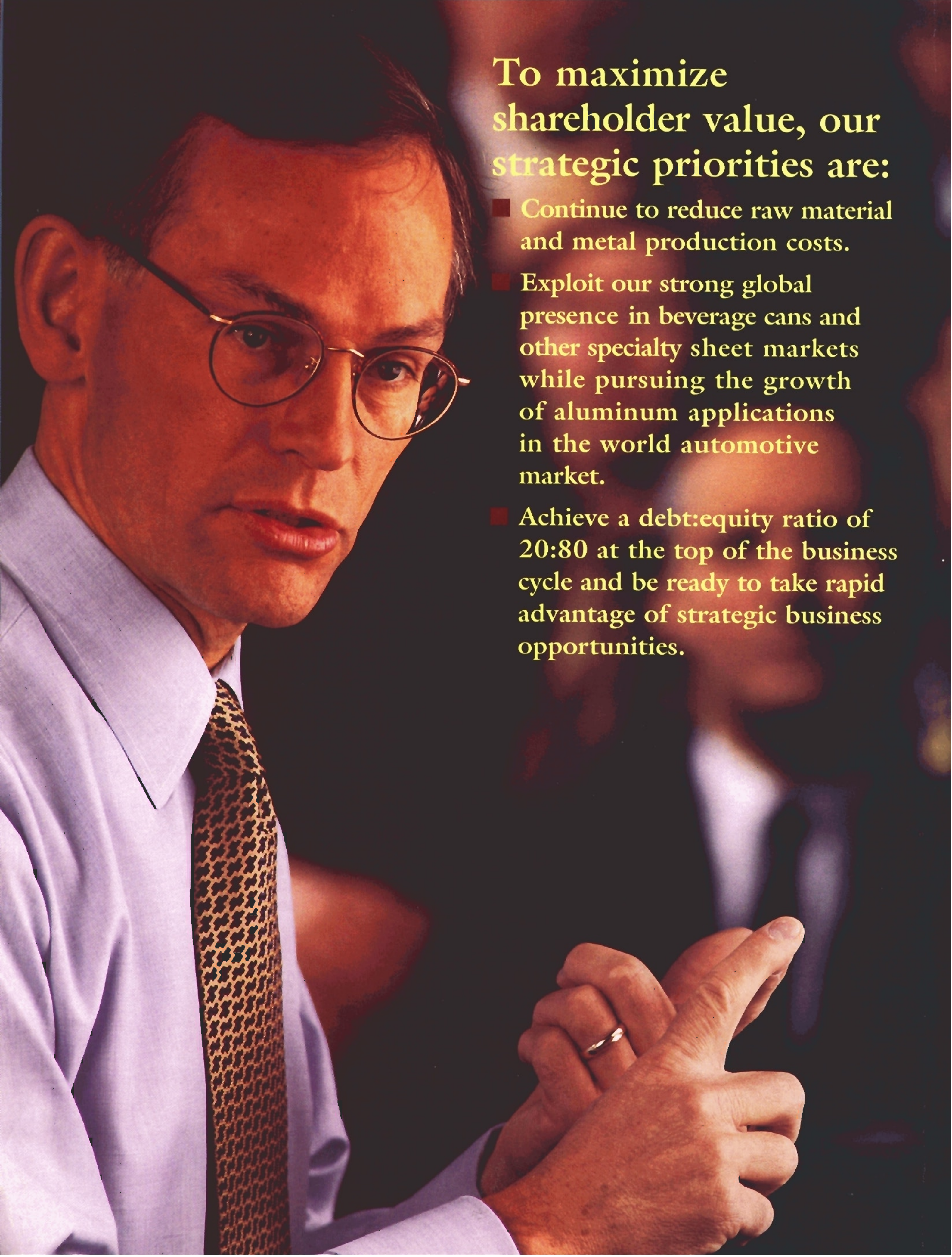
### Building and Construction

- $1.2 billion in sales.
- 17% 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

- $1.8 billion in sales.
- 25% 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.*



## To maximize shareholder value, our strategic priorities are:

- Continue to reduce raw material and metal production costs.
- Exploit our strong global presence in beverage cans and other specialty sheet markets while pursuing the growth of aluminum applications in the world automotive market.
- Achieve a debt:equity ratio of 20:80 at the top of the business cycle and be ready to take rapid advantage of strategic business opportunities.

## Message to Shareholders

**The aluminum industry's profitability improved in 1995. For Alcan, it was a year marked by significantly higher earnings and cash generation. In fact, on the basis of operating income, it was the third-best year in our history. We are now seeing the results from our cost reduction efforts over the past four years and the implementation of revised business priorities announced in late 1993.**

**Western World aluminum consumption continued to grow in 1995, but at a slower pace than in the previous year, reflecting the impact of a slowing world economy and inventory reductions by customers. The decline in world aluminum inventories that began in 1994 continued through most of the year, reducing surplus inventories by over one million tonnes in 1995. In the second half of the year, as demand softened and some idled smelter capacity was restarted, supply and demand for primary aluminum moved into balance and prices came under pressure.**

### Alcan's 1995 Highlights

Although business slowed towards the end of the year, our total fabricated product volumes, when adjusted for divestments, grew by over 6%, approximately three times the industry average for 1995. The average realized price on fabricated product shipments was 21% higher than in 1994, reflecting price increases that came into effect early in the year.

In all of our operations, productivity improvements and cost control continue. In fact, Alcan's cost base did not increase over 1994 – showing our ability to manage the impact of inflation.

Our net income for 1995, before an extraordinary loss, was $543 million. Results for the year would have been approximately $70 million higher had it not been for a 10-day strike at three Quebec smelters. Also, the extraordinary loss of $280 million, after tax, for the write-down of the Kemano Completion Project (KCP) in British Columbia reduced Alcan's consolidated net income to $263 million for 1995.

Our decision to write off the KCP investment resulted from the British Columbia government's announcement in January 1995 that the project should not be allowed to proceed. We have re-established working relationships with that government and discussions are under way. We aim to protect our interests, including the supply of energy from alternative sources, for possible future smelter expansions in the province.

Jacques Bougie, President and CEO, reviews Alcan's strategic priorities at a meeting with Montreal office employees.

**— reduced our debt:equity ratio to 29:71**

One of our strategic priorities is to increase our financial flexibility by reducing debt. In 1995 we were successful in reducing our debt by $644 million – yielding a debt:equity ratio of 29:71, a six-point improvement over 1994.

## Challenges and Opportunities

There were important developments in each of our business sectors in 1995 that lay the foundation for future value creation.

In the raw materials area, overall cost reductions in alumina plants were hindered by labour difficulties in Quebec and Jamaica. On the positive side, 1995 saw Alcan acquire full ownership of Aughinish Alumina in Ireland. Aughinish is a world-class refinery with a workforce that is committed to cost containment, productivity and safety. This acquisition creates a number of strategic options for Alcan to lower costs in our world alumina system.

In primary metal production, Alcan's quest for "best-in-class" operating results was stalled due to the Quebec labour disputes mentioned earlier. While we maintain good relations with employees in these operations, we were not able, during our 1995 labour contract negotiations, to reach agreement with their representatives without a strike. On the other side of the world, Alcan signed a memorandum of understanding with the China National Non-Ferrous Metals Industry Corporation to explore the possible construction of a 240,000-tonne-capacity smelter and a dedicated power plant in Shanxi Province of the People's Republic of China. Such a project could ultimately offer Alcan a sustainable competitive advantage in a huge developing market.

**— fabricated products shipments reached record levels**

In 1995, Alcan's fabricated products shipments reached new record levels due to our expanded capacity in Germany and truly superb operating efficiencies in our North American rolling mills. In Brazil, our ability to produce can stock has more than doubled and a further expansion is being planned to meet customers' requirements. These achievements have made Alcan the No.1 aluminum sheet producer in the world.

**— leadership in technology and product quality emphasized**

In all of our business groups, we aggressively search for strategic opportunities. This is especially evident in rolled products where we are pursuing long-term partnerships with customers, emphasizing our leadership position in technology and product quality. For example, following our success in developing an aluminum intensive vehicle with Ford, we were proud to be associated with General Motors' recent launch of the GM EV1. This is the first production car in North America to use an all-aluminum structure – an electric car built using Alcan's Aluminum Vehicle Technology (AVT). Identifying new applications for aluminum is something we do well, and we are confident that Alcan will continue to be recognized by automakers as a leader in technology and product development.

— ultimate goal: zero spills and zero injuries in all of our operations

As part of our corporate strategy, divestment of our non-strategic businesses will largely be completed by mid-1996. The sale of these downstream operations, including those in Australia, the U.K., the U.S. and Brazil, will, when completed, have provided over $1 billion for use elsewhere in support of Alcan's strategies. For the remaining downstream businesses, we have identified profitable growth opportunities.

Finally, but importantly, we believe that it is the absolute right of all our employees, and the communities in which we operate, to expect an outstanding performance from Alcan in ensuring the protection of the environment, their health and their safety. During the last five years we, as a team, have made substantial progress through our emphasis on continuous improvement — to the point where we are now striving towards the ultimate goal of zero spills and zero injuries in all of our operations.

## Acknowledgements

— extraordinary determination and professionalism throughout Alcan

Responding to the demands of our revised priorities has required an extraordinary level of determination and professionalism throughout Alcan. On behalf of the Board, we would like to applaud and thank all the people who have made the changes work. The foundation is now in place for a new, more focused Alcan.

The Board also wishes to express sincere appreciation to David Morton, who stepped down as Chairman and a director of the Company at the Annual Meeting in April 1995. Mr. Morton was Chairman since 1989 and Chief Executive Officer from 1989 to 1993.

In his 41-year career, Mr. Morton made his mark at all levels of the Company, culminating in the intensive strategic study that led to the current realignment of the Company's business priorities. His tenure as Chairman and CEO coincided with one of the most turbulent eras in the history of the aluminum industry, but Alcan emerged a leaner, lower-cost company. The Company owes David Morton a great debt of gratitude, and we wish him well in his retirement. Succeeding Mr. Morton as non-executive Chairman is Dr. John Evans, a director of Alcan since 1986.

Dr. L. E. Fouraker, a director since 1978, did not stand for re-election. We are grateful to him for his long and valued contribution over the years, particularly to the Personnel Committee of the Board where he served as Chairman since 1984.

At our forthcoming Annual Meeting, the Hon. John L. Nichol, presently Chairman of the Personnel Committee of the Board, will be stepping down after 15 years as a Board member. We wish to express our sincere appreciation to Mr. Nichol for his distinguished service to Alcan.

Lastly, on behalf of the Board, we are pleased to welcome D. Travis Engen, who was appointed a director effective January 1, 1996. Mr. Engen is chairman, president and CEO of New York-based ITT Industries, Inc.

Dr. John R. Evans (left), Chairman of the Board, and Jacques Bougie, President and Chief Executive Officer.

## Looking Ahead

For Alcan, 1996 is a year of consolidation. The first four years of our restructuring focused initially on cost reduction and then on strategic evaluation and realignment.

The big changes have been made. We are now in the fine-tuning process to build a seamless network of operations, thereby maximizing the value of our assets. Alcan's performance should improve further in 1996 based on the combined strength of these changes and improved industry fundamentals, barring a recession in the developed economies. But the real measure of our success will continue to be the creation of long-term value for all our stakeholders.

It is a challenge that we face with confidence.

**Dr. John R. Evans**
Chairman of the Board

**Jacques Bougie**
President and Chief Executive Officer

February 8, 1996

# It's All About Value

For the past 94 years, we have been creating value for our shareholders, for our customers and for the communities in which we operate around the world. This value comes from the skills and integrity of our people, putting to work the assets entrusted to us by our shareholders, as well as from the unmatched properties of aluminum itself.

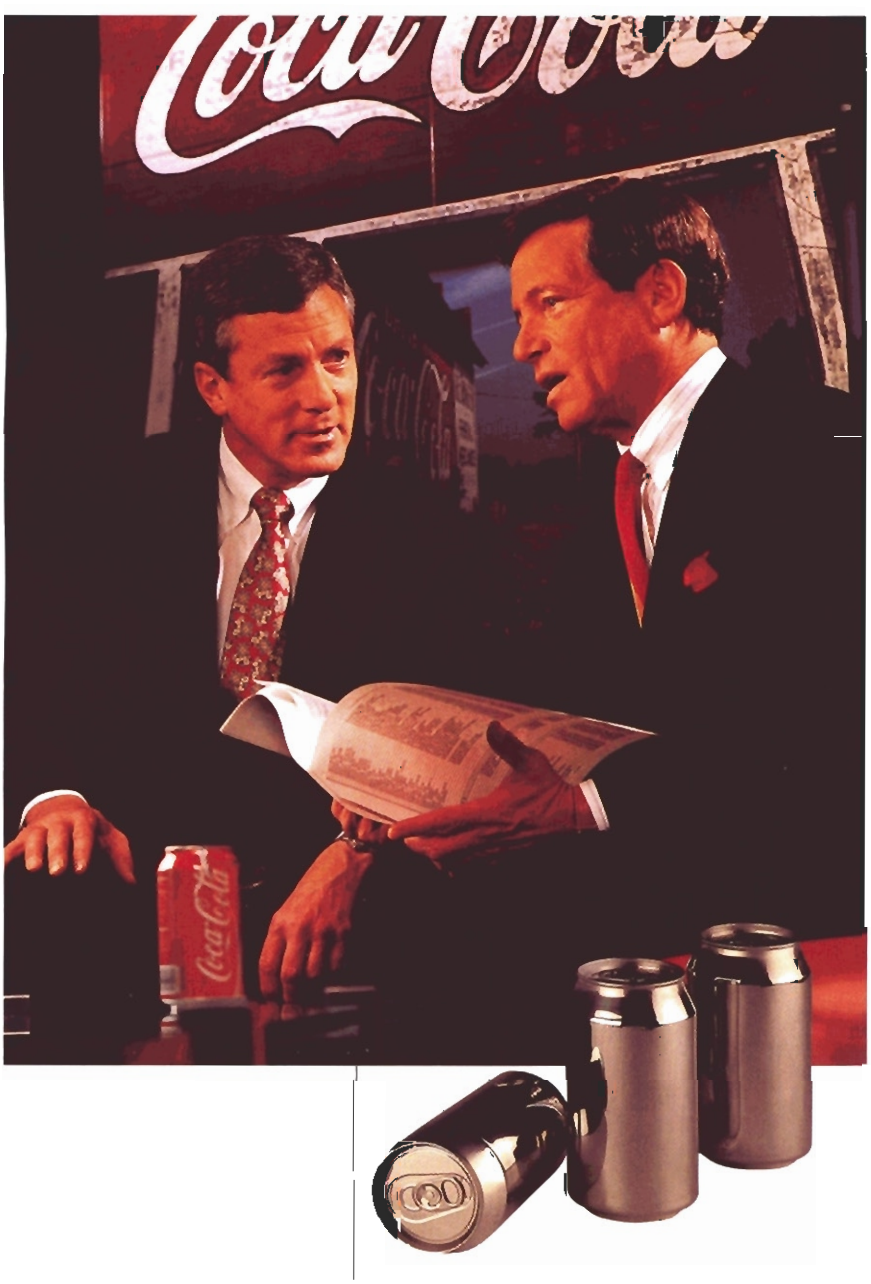
Maximizing shareholder value is the ultimate aim of any business. It results from doing the right things and doing them right. To achieve our goal requires increasing customer satisfaction and employee involvement, making better management decisions and being good partners in the communities in which we work. The following are some of the ways in which we are doing this...

# Global Excellence Leads to Customer Satisfaction

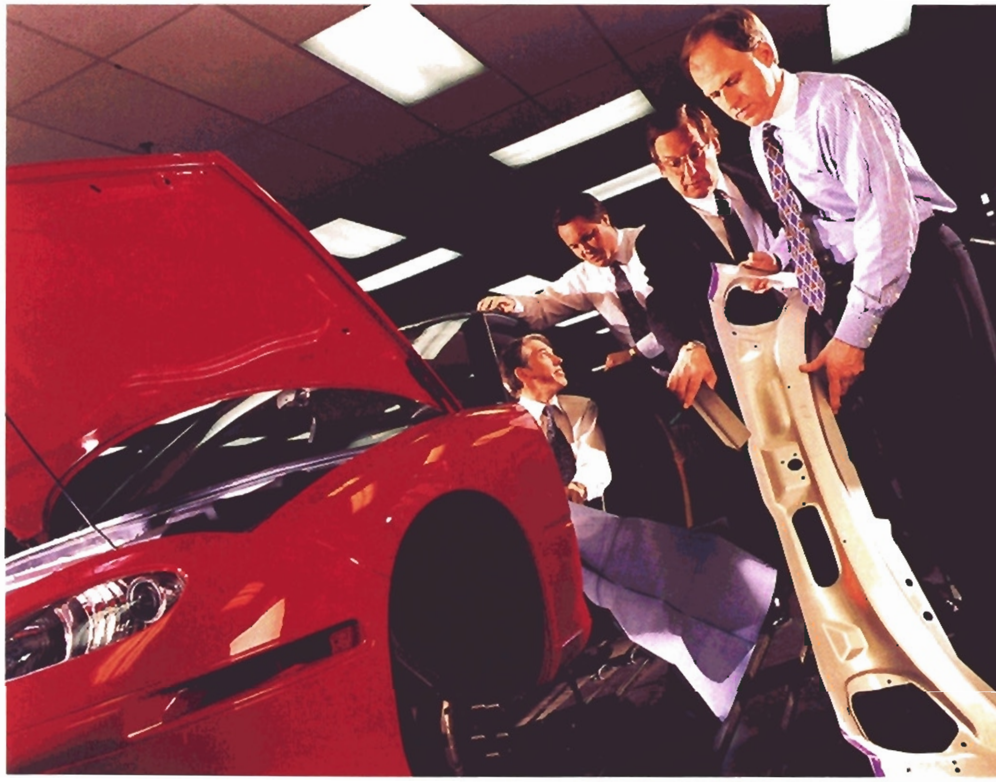
**One of Alcan's real strengths lies in our people of all nationalities around the world. This global culture reinforces our international operations as they, in turn, match the growing globalization of key markets such as the beverage can and the automobile.**

Matching our processes, products and people with the customer's needs yields the kind of profitable partnership that is the hallmark of customer satisfaction. In support of this commitment, a large number of Alcan facilities around the world have already earned the International Organization for Standardization's certification (ISO 9000 series) for quality assurance.

Whether aimed at tackling the technical challenges of automotive structures with car manufacturers, or ensuring the consistent quality of product and service for can stock customers serving Coca-Cola Enterprises, Alcan's people are committed to increasing customer value, both in the present and for the future.



Alcan's Worldwide Can Sheet Products President Brian W. Sturgell (at left) discusses customer needs with Coca-Cola Enterprises' President and Chief Operating Officer Henry A. Schimberg.



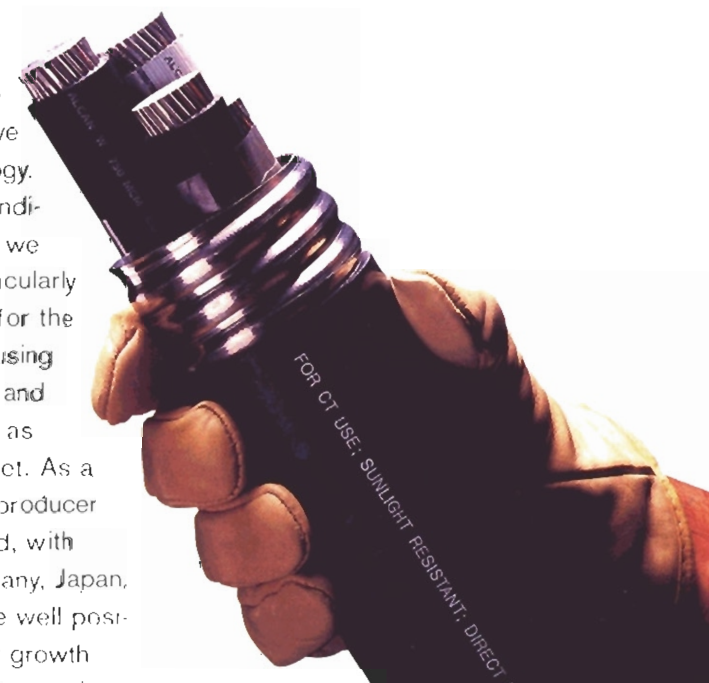
Reviewing final preparations for the electric vehicle launch are (from left) Alcan's Tony Warren and David Rinehart with General Motors' EV1 team members Gary C. Wahl and Len Fedoruk. The EV1 is the first production vehicle in North America to feature an all-aluminum structure, using Alcan's Aluminum Vehicle Technology system.

Technical know-how and attention to detail recently earned Alcan Nürnberg a coveted supplier award from the Volkswagen Group. At the Nürnberg plant in Germany, Peter Feulner ensures quality for high-speed diesel engine pistons, using fully automatic inspection and assembly systems.

## Innovative Technology

A profitable partnership for the long-term also means perceptive investment in the right technology. Despite the weak industry conditions over the past few years, we have continued to invest, particularly in aluminum rolling capacity, for the markets on which we are focusing — beverage cans, automotive and other specialty end-uses such as building and lithographic sheet. As a result, we are now the largest producer of aluminum sheet in the world, with major facilities in Brazil, Germany, Japan, the U.K. and the U.S. We are well positioned to support the forecast growth of our target markets, wherever in the world it occurs.

Product quality, first-class service, the right technology, and investments in place to meet future as well as present demand — these are all part of the customer value package.




In conjunction with Square D, a major electrical equipment manufacturer, Alcan Cable in the U.S. has introduced PowerPartners Software™. The Alcan Cable portion of the software allows ease of design by specifying engineers as well as energy conservation and cost savings over the life cycle of the product.

# Partnership Builds Value for the Community

**In the long run, we operate in a community only because society and that community allow us to do so. As we are partners with our customers, so we are with the community. The value that we provide is our people.**

Alcan Jamaica leases 4,081 hectares of mined-out land from its bauxite operations to 2,660 farmers and provides them with agricultural courses, loan programs and marketing assistance. Here Selvin Williamson plants pine trees.

There are both environmental and economic benefits to recycling aluminum. The Alcan Group plays a leading role with its commercial partners as well as through specific initiatives, such as school, charitable, and employee projects, to promote the collection and recycling of beverage cans.

Collectively, as an employer and as a taxpayer, we are a major financial support. As a corporate citizen, we are sponsors and donors, supporting cultural, health, youth and other organizations. We provide a return to the community on the resources — both physical and social — from which the Company draws its livelihood. As individuals, our people reach out and give their time and their concern to help in meeting the community's needs.

### Aluminum and the Environment

Our product, too, benefits society. Aluminum is everywhere in today's world, making things lighter, longer-lasting and more energy efficient. As new demands arise, aluminum is there to satisfy them. At the end of an aluminum product's life, the metal's recyclability makes a valuable contribution to the conservation of the world's natural resources.

Consultation with lakeside residents and various levels of government is vital for the continued success of the Lake Saint-Jean shoreline protection program in Quebec. From the left are Claude Duchesne, Proprietor of Camping Villa des Sables in Métabetchouan, Raymond Larouche, Project Leader; Richard Daigle, Community Relations, and Claude Boivin, a Saint-Henri-de-Taillon resident.

In our manufacturing operations, we are committed to the process of continual environmental improvement. We are also committed to communicating our plans and listening to local communities so that we build a shared understanding of any environmental concerns. Excellence in environmental management is a non-negotiable responsibility of our managers everywhere.

As we implement our revised business priorities, we are strengthening the long-term profitability of the Company, and with it the value that lies in our many partnerships within communities around the world.

# Management Focus Creates Shareholder Value

**The management discipline of identifying and then exploiting a company's comparative advantage is essential to its success. For Alcan, our owned hydroelectric power and smelter base, our international presence, our world-class rolling system and our strong market positions are formidable advantages.**

**At all Alcan facilities, safety is a paramount criterion of performance. During 1995, Alcan in Brazil completed the auditing of all its plants through the Safety and Occupational Health Audit System. At most plants, such as the Pindamonhangaba rolling mill, employees of each department meet weekly to define priority actions and identify opportunities for improvement of safety in their workplace.**

Alcan is now clearly focused on three major sectors — raw materials, primary smelting and large-scale rolling — together with a number of other growing and profitable smaller businesses, such as electric cable, alumina-based chemicals and automotive pistons. When divestment of other businesses is complete, over $1 billion will have been liberated for use elsewhere in the Company.

## Employee Productivity and Safety

Not least among the changes in Alcan in the past few years is the increased generation and application of ideas from all levels in the organization.

Productivity gains in all locations continue to be significant, supported by the teamwork approach to continuous improvement. Employee selection, assessment and training are ensuring that the right skills are in the right place at the right time.

In all our facilities, safety is a paramount criterion of performance. At a number of our plants, we have witnessed impressive improvements in attaining our objective of zero lost-time accidents in the last few years. The mindset, as well as the target, of a zero-injury level as being the only acceptable standard is spreading to all our operations.

## The Tasks Ahead

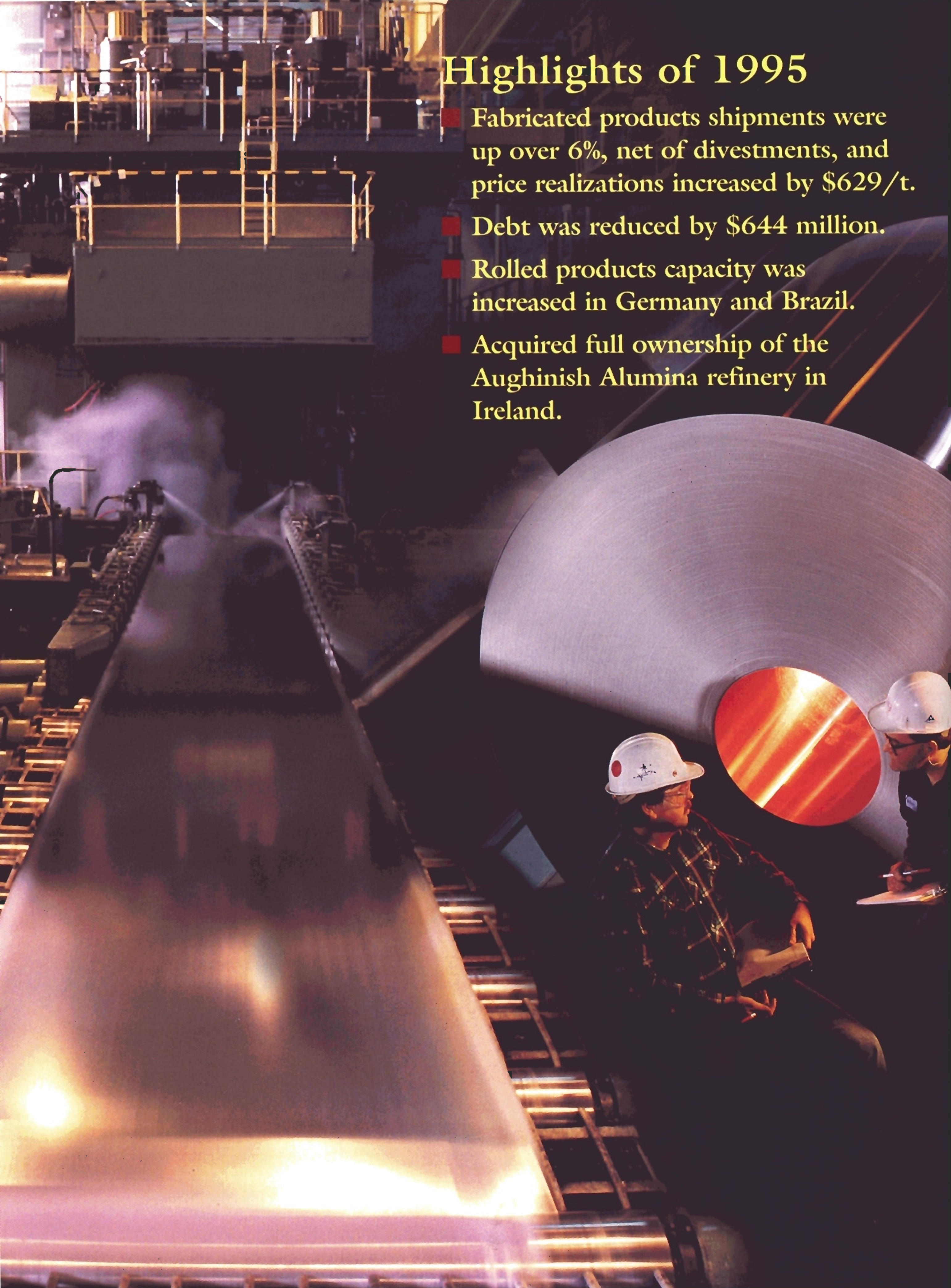
To increase shareholder value, our main tasks now are to:

- Strengthen the balance sheet to provide the flexibility to take advantage of business opportunities over the business cycle. Our target is to achieve a debt:equity ratio of 20:80 over the next 12-18 months.
- Extract the maximum value from all our assets, through focused management of our capital employed, our product mix and our costs.
- Seize strategic opportunities and create new competitive advantages for Alcan. Acquiring full ownership of the Aughinish alumina refinery in Ireland is a good example, creating a number of strategic options for Alcan to lower costs in its world alumina system.

Plans are in place to achieve these commitments, strengthening our ties with our customers and continuing to support our communities. It is our people who will ensure our success and who will also reap the benefits, ultimately increasing value for our stakeholders. After all, it's all about value... value for everyone.

# Highlights of 1995

- Fabricated products shipments were up over 6%, net of divestments, and price realizations increased by $629/t.
- Debt was reduced by $644 million.
- Rolled products capacity was increased in Germany and Brazil.
- Acquired full ownership of the Aughinish Alumina refinery in Ireland.



## World Market Review

### Primary Aluminum

The draw down in world inventories of aluminum that began in mid-1994 continued through most of 1995. In the latter stages of the year, however, the primary aluminum market moved into balance as slowing economic growth in North America and Europe dampened demand for aluminum. Prices for primary aluminum trended downward through 1995 but were, on average, higher than in the previous year.

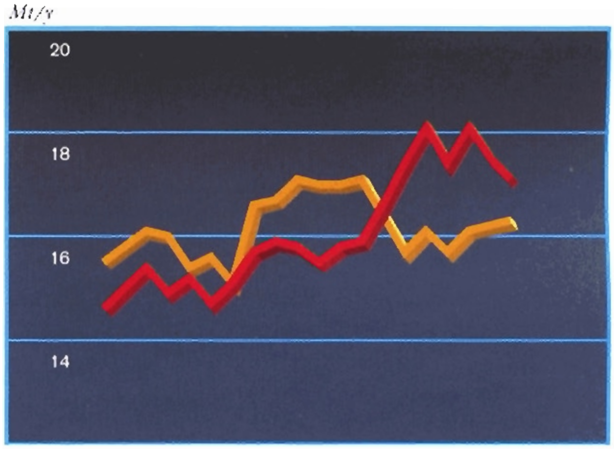
Primary aluminum usage in the Western World is estimated to have increased by approximately 3% in 1995, to 17.5 million tonnes (Mt). This followed the remarkable recovery seen in 1994, when usage increased by over 8%. The slowdown in the developed economies in the second half of 1995 weakened demand for aluminum and led to inventory destocking by manufacturers and distributors. As a consequence, aluminum industry shipments of primary metal fell in the second half of the year.

After having declined in 1994, Western World primary aluminum production increased by 2% in 1995, to 14.6 Mt. The annual rate of production rose gradually through the year due to the restart of some smelter capacity that had been idled in earlier years and the start-up of a new smelter in South Africa. At the end of 1995, approximately 1 Mt of the Western World's smelter capacity remained idled. A number of smelter expansion plans were announced during the year, which, in aggregate, could add about 1 Mt to world smelter capacity after 1997.

The Commonwealth of Independent States (CIS) continued to be an important source of aluminum, exporting an estimated 2 Mt to the West in 1995. In Russia, which accounts for the bulk of the exports, domestic usage of aluminum remains low. Unless there is a turnaround in the Russian economy, which leads to increased domestic consumption, exports are expected to continue at close to current levels. China, by contrast, grew strongly in 1995 and was a net importer of aluminum from both the West and the CIS.

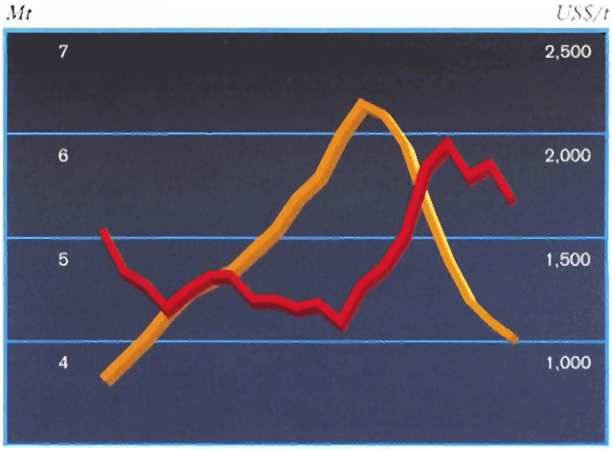
Slower economic growth dampened demand for primary aluminum in the second half of 1995. This, coupled with higher production, moved the industry's supply and demand into balance by year-end.

### Western World Primary Aluminum Supply and Demand

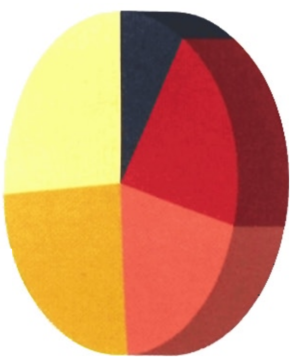



Inventories continued to decline through 1995. Softening demand and inventory reductions by customers kept prices under pressure.

### Total Aluminum Inventories and Ingot Prices



**1995 Western World Aluminum Consumption by End-Use Market**
**(23.9 million tonnes)**



| | |
|---|---|
| Electrical | 9% |
| Containers and packaging | 20% |
| Building and construction | 20% |
| Transportation | 25% |
| Other | 26% |

**Aluminum consumption grew by 2% in 1995 versus 11% in the previous year, reflecting slower growth in the major world economies.**

Inventories were another major source of metal in 1995. Total stocks held by producers and in London Metal Exchange (LME) warehouses fell by 1.2 Mt, to end the year at 4.0 Mt. Since their peak early in the second quarter of 1994, inventories have declined by a total of 2.3 Mt.

Ingot prices opened 1995 at $1,980 per tonne (/t) and reached the year's high of $2,194/t in late January. Thereafter, prices declined slowly to close the year at $1,706/t. The average price for the year was $1,830/t, up from $1,500/t in 1994 and $1,161/t in 1993.

Barring a recession in the major Western economies, Alcan expects that the primary aluminum market will remain in reasonable balance in 1996.

## Western World Consumption Versus Alcan Sales

In 1995, it is estimated that Western World aluminum consumption reached 23.9 Mt, three quarters of which was supplied from primary aluminum and the balance from recycled metal. Growth for the year was 2%, well down from 1994 when the robust recovery of most of the major economies boosted consumption by 11%. The lower rate of growth in 1995 reflected slowing economic conditions during the year and inventory reductions by customers.

Transportation, the largest market for aluminum, consumed nearly 6.0 Mt of the metal in 1995. While growth in consumption slowed as world auto production levelled off, increased usage of aluminum in cars and trucks resulted in a 3% gain for the year. Alcan's sales revenues in this market increased by 13% in 1995, reflecting better prices and volumes.

Aluminum consumption in the containers and packaging market grew by 3% in 1995 to 4.8 Mt, of which 3.3 Mt was used in beverage cans. Growth in can sheet usage for the year grew by 4%, which was lower than the 9% increase seen in 1994. Growth continued to be strongest outside North America, with good gains made in Europe and Brazil. Alcan's sales revenues increased 37% in 1995, largely due to improved prices. The Company's volume growth exceeded that for the market due to gains in the U.S. and Europe.

Building and construction activity declined in most countries in 1995. As a result, aluminum consumption fell by 2% to 4.7 Mt. Alcan's sales revenues in this market were 15% lower than in 1994, largely reflecting the divestiture of some fabricating businesses.

Aluminum consumption in the electrical market rose by 4% in 1995, to 2.1 Mt. The growth in this market largely reflected infrastructure investments in Eastern Europe and Asia. Alcan's sales revenues were 5% ahead of the previous year. Prices improved in 1995, but volumes were lower in North and South America due to reduced government investment in power projects.

Other markets include machinery and equipment, durable goods, and several smaller end use markets. In aggregate, aluminum consumption in these markets grew by 4% in 1995 to 6.3 Mt. Overall growth was lower than in 1994 reflecting slowing economic activity. Alcan's sales revenues in other markets, which also include sales of bauxite, alumina and chemicals, increased by 5% in 1995. The improvement reflected higher prices for aluminum and alumina, partially offset by lower shipments resulting from the sale of downstream businesses.

## Review of Alcan's Operations

Sales and operating revenues rose to a record high of $9.3 billion in 1995 as the Company benefited from strong demand and higher prices for both fabricated and ingot products. In 1994, sales and operating revenues were $8.2 billion, or $1 billion higher than in the previous year. This improvement reflected an 18% increase in fabricated products volumes and better prices for ingot.

### Fabricated Products Sales

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Shipments *(kt)* | **1,733** | 1,763 | 1,560 |
| Fabrication of customer owned metal | **225** | 189 | 91 |
| Total volume | **1,958** | 1,952 | 1,651 |
| Average price *($/tonne)* | **3,557** | 2,928 | 2,975 |
| Average cost | **2,804** | 2,477 | 2,640 |
| Average margin | **753** | 451 | 335 |

Despite slowing demand in the second half of 1995 and the divestiture of some fabricating businesses, Alcan's fabricated products volumes were maintained at the record level set in 1994. Adjusting for the impact of divestitures made over the last two years, fabricated products volumes have risen by 33% since 1993 due to substantial investment in the rolled products business.

Profit margins improved by $302/t in 1995, as prices for all of the Company's products increased to reflect the rapid rise in primary aluminum prices that occurred in the previous year. The most notable improvement was seen in products sold under fixed price contracts, where it had not been possible to pass on higher metal prices in 1994. As these contracts were renegotiated for 1995, prices were increased to reflect the higher market price for the metal. The most notable improvement was in the beverage can sheet market, where, effective January 1, 1995, pricing moved from fixed price arrangements to a "metal price plus conversion fee" price structure.

Some of the benefit of higher prices in 1995 was offset by increased costs. The average unit cost of fabricated products was 13% higher than in the previous year. This cost includes metal from the Company's smelters and recycling units at their cost of production, as well as purchases of scrap and ingot. The rise in 1995 largely reflects higher purchased metal costs and higher smelter production costs, which is discussed in "Ingot Products".

In 1994, price realizations had declined slightly, but profit margins improved due to lower costs. The decline in unit costs largely reflected the impact of substantially higher fabricated products volumes as well as further cost reductions.

**Alcan's Sales by Product**

| *(millions of US$)* | | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| Rolled products | **48%** | **4,219** | 3,469 | 3,045 | 3,023 | 3,103 |
| Extruded and drawn products | **14%** | **1,248** | 1,261 | 1,199 | 1,235 | 1,293 |
| Other fabricated products | **8%** | **698** | 431 | 396 | 510 | 508 |
| Ingot products | **18%** | | | | | |
| • Surplus to internal needs | | **N/A** | N/A | 405 | 545 | 592 |
| • Other* | | **1,589** | 1,375 | 700 | 599 | 636 |
| Non-aluminum products | **12%** | **1,048** | 1,282 | 1,147 | 1,228 | 1,237 |
| Total sales | **100%** | **8,802** | 7,818 | 6,892 | 7,140 | 7,369 |
| Operating revenues | | **485** | 398 | 340 | 456 | 379 |
| Total sales and operating revenues | | **9,287** | 8,216 | 7,232 | 7,596 | 7,748 |

**Alcan's Gross Profit by Product**

| *(millions of US$)* | | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| Total fabricated products (integrated) | **90%** | **1,305** | 794 | 522 | 605 | 615 |
| Ingot products | **—%** | | | | | |
| • Surplus to internal needs | | **N/A** | N/A | 55 | 47 | 46 |
| • Other* | | **—** | 6 | 2 | 4 | (7) |
| Non-aluminum products | **10%** | **144** | 125 | 105 | 68 | 107 |
| Gross profit on sales | **100%** | **1,449** | 925 | 684 | 716 | 761 |
| Gross profit on operating revenues | | **174** | 138 | 123 | 159 | 130 |
| Total gross profit | | **1,623** | 1,063 | 807 | 875 | 891 |

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

**Alcan's Fabricated and Non-Aluminum Sales by Market**

| *(millions of US$)* | | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| Containers and packaging | **41%** | **2,977** | 2,171 | 1,920 | 1,772 | 1,926 |
| Transportation | **8%** | **557** | 491 | 428 | 471 | 484 |
| Electrical | **9%** | **612** | 580 | 490 | 541 | 535 |
| Building and construction | **17%** | **1,237** | 1,460 | 1,410 | 1,494 | 1,517 |
| Other | **25%** | **1,830** | 1,741 | 1,539 | 1,718 | 1,679 |
| Total fabricated and non-aluminum sales | **100%** | **7,213** | 6,443 | 5,787 | 5,996 | 6,141 |
| Aluminum ingot sales | | **1,589** | 1,375 | 1,105 | 1,144 | 1,228 |
| Total sales | | **8,802** | 7,818 | 6,892 | 7,140 | 7,369 |

## 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, Alcan is now the largest producer of rolled aluminum products in the world.

Sales of rolled products rose to $4,219 million in 1995, a 22% increase over the previous year. Shipments were 1,368 kt as compared to 1,327 kt in 1994 and 1,131 kt in 1993. Together with products fabricated from customer-owned metal, total rolled products volumes were 1,593 kt in 1995 compared to 1,516 kt in 1994 and 1,222 kt in 1993.

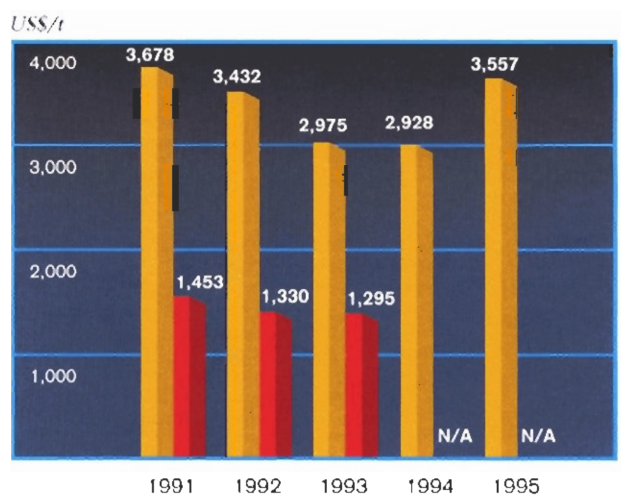
In North America, rolled products volumes were up 10% in 1995, topping the previous year's record and providing for a three-year cumulative gain of 60%. The greatest volume gains in recent years have come from the beverage can sheet market, where Alcan is a leader in terms of product quality and service. In 1995, can sheet volumes were up 15%, versus market growth of 2%. Significant volume gains were also achieved in distributor, heat exchanger finstock and transportation markets. With the new 300 kt/y cold mill at Logan Aluminum in Kentucky now fully operational, the North American rolled products group is focusing its efforts on further enhancing productivity.

Alcan's rolled products volumes in Europe also reached a new record level in 1995, increasing 6% over the previous year. The newly expanded hot and cold rolling capacity at the Norf rolling complex in Germany, which is 50%-owned by Alcan, began regular operation in January 1995. The start-up progressed well and, by year-end, the new 300-kt/y cold mill was operating almost at full capacity. The upgrade of the 140 kt/y Nachterstedt rolled products facility, acquired in 1994, proceeded on schedule. When completed in 1996, the restructured facility will add a major finishing plant to Alcan's European rolling system and will complement the recent expansion at Norf. The facility will produce automotive sheet,

The average realized price on fabricated products sales increased by $629/t in 1995. This reflected continuing strong demand and higher market prices for primary aluminum.

### Realizations per Tonne

Fabricated products
Ingot products – Surplus to internal needs
N/A – not applicable

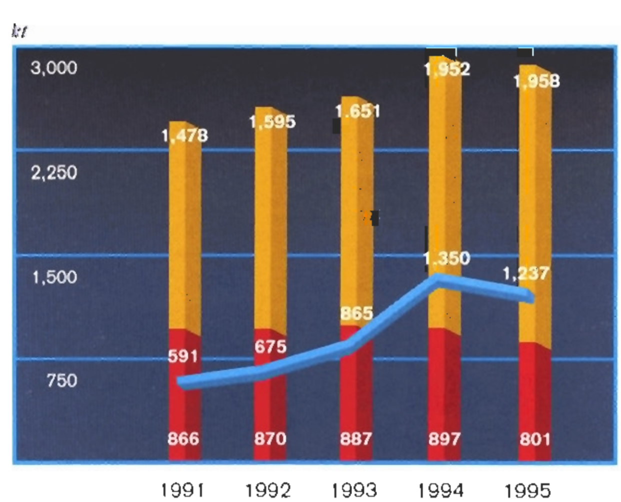



With fabricated products volumes at high levels and primary production cut-backs in effect, Alcan continued to be a net purchaser of aluminum in 1995.

### Aluminum Shipments and Purchases

Ingot products
Fabricated products*
Total purchases

*Includes products fabricated from customer-owned metal.



as well as sheet for building, industrial and other transportation uses.

In South America, Alcan's rolled products shipments reached a new record level in 1995, principally due to increased demand for beverage can sheet. Strong growth in beverage consumption coupled with increasing consumer demand for aluminum beverage cans has led can manufacturers to step up investment in new can lines in Brazil, Argentina and Chile. Alcan's Pindamonhangaba rolling mill near São Paulo, Brazil, is the only mill in South America capable of producing high quality can sheet. In 1995, the mill underwent an upgrade that increased its capacity by 25%. A further expansion of this plant is being planned.

### *Automotive*

One of the most promising markets for aluminum, particularly rolled products, is in the automotive area. Over the last decade, Alcan has invested $140 million in developing technology and partnerships with automakers to ensure its position as a leading supplier to this market.

In early 1996, General Motors unveiled the EV1, the first consumer available electric passenger vehicle and the first North American production vehicle to feature an all aluminum structure. The EV1 uses Alcan's Aluminum Vehicle Technology (AVT) system for the sheet based structural components.

Through partnerships with automakers, AVT has evolved into a fully validated system for building cars. While the EV1 is a limited production vehicle, Alcan's AVT system lends itself well to high volume production using the carmakers' existing production infrastructure.

A test fleet of 40 aluminum intensive vehicles, produced by Ford in partnership with Alcan, reached the half way mark in a two year evaluation program with very encouraging results. In terms of durability, handling, ride quality, and safety, the fleet has performed extremely well.

In another area, Alcan's DURALCAN aluminum matrix composite has been selected as the material for the brake components on GM's EV1, as well as another new low volume aluminum intensive production car, Chrysler's Plymouth Prowler.

**Attention to product quality and systems, such as at Alcan Cable's Roseburg, Oregon, plant has enabled all Alcan Cable facilities in North America to earn certification from the International Organization for Standardization (ISO 9002 series).**

## 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. Over the past two years, Alcan has divested itself of several businesses that did not meet these criteria, including packaging and building products units in the U.K. and extrusions, pipe, building products and metals distribution businesses in North America. In 1994, the Company sold its 73.3% interest in Alcan Australia, which was a manufacturer of extrusions and other fabricated products for the domestic market. In February 1996, Alcan sold its remaining U.K. downstream businesses. The Company expects to complete its divestiture program by mid 1996.

Largely reflecting the impact of business divestitures, shipments of fabricated products by downstream businesses declined to 365 kt in 1995 from 436 kt in 1994 and 429 kt in 1993. Despite this, strengthening selling prices boosted sales revenues to $1,946 million for the year, up from $1,692 million in 1994 and $1,595 million in 1993.

In North America, Alcan's wire and cable division continued to post strong results in 1995, although profits were down from 1994 due to lower shipments. Results from Alcan's building products business, based in France, improved in 1995.

## Ingot Products

### *Primary Production*

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Production *(kt)* | **1,278** | 1,435 | 1,631 |
| Average cost of production *($/tonne)* | **1,288** | 1,132 | 1,120 |

Since 1991, Alcan's worldwide smelter system has operated at less than its full capacity primarily due to temporary closures made in response to weak industry fundamentals. In 1995, primary production was further affected by a strike that closed three of the Company's Quebec smelters for 10 days in October. As a result, primary production for the year was lower than in 1994. Production had also declined in 1994 due to temporary smelter closures made early that year.

During the strike and subsequent restart period in the fourth quarter of 1995, Alcan lost 75 kt of ingot production. To partially offset this loss, the Company announced the restart of about 60 kt/y of capacity in Quebec, British Columbia, and the U.K. that had been part of previous temporary shutdowns. Earlier in the year, the Company had restarted a 28 kt/y potline in Brazil. Even though these restarts are now in full operation, Alcan continues to have close to 160 kt/y, or 10%, of its total rated smelter capacity, temporarily idled. This capacity will be restarted when warranted by industry fundamentals.

The average ingot production cost for the year increased by $156/t in 1995, reflecting the additional costs incurred due to the strike and the higher cost of purchased materials and Company-produced alumina. The latter is discussed in "Raw Materials". In 1994, despite the impact of higher unit fixed costs resulting from the closure of smelter capacity during the year, Alcan's average ingot production cost was only $12/t higher than in 1993. Cost reductions and favourable currency movements mitigated the negative impact of the closures.

In October 1995, Alcan signed a new three-year collective agreement with unionized workers in Quebec and a new four year labour agreement with employees at the Sebree, Kentucky, smelter. In 1996, the Company will negotiate a new labour contract at its Kitimat, B.C., smelter.

Large aluminum ingots are produced at Alcan's casting facilities at Grande-Baie (photo above) and Laterrière in Quebec and at Kitimat in British Columbia for shipment to various rolling mills in North America, Europe and the Asia/Pacific region.

### *Secondary Production*

Production from secondary smelters and recycling centres rose further in 1995, reaching 523 kt in 1995, up from 496 kt in 1994 and 439 kt in 1993. In order to support its growing rolled products business, since 1989, Alcan has more than doubled its recycling capacity through acquisitions, the construction of greenfield facilities and the expansion and upgrade of existing plants.

In May 1995, Alcan commissioned a new used beverage can (UBC) recycling centre, adjacent to its Oswego, New York, rolling facility. The new unit has doubled the capacity of the recycling operation. At other UBC recycling facilities in the U.S., record outputs were achieved in 1995, along with significant gains in productivity and quality. In 1995, Alcan's North American UBC recycling plants processed a record 15.5 billion UBCs, 15% more than in the previous year. In the U.K., the national recycling rate for UBCs continued to grow, leading to a 20% increase in the amount of UBCs processed by Alcan's Warrington recycling plant.

### *Ingot Product Sales*

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Shipments *(kt)* | | | |
| Primary ingot | **549** | 636 | 680 |
| Secondary and scrap | **252** | 261 | 207 |
| | **801** | 897 | 887 |
| Primary ingot purchases | **785** | 754 | 362 |
| Net primary ingot surplus (shortage) | **(236)** | (118) | 318 |

Alcan has experienced a significant change in its metal supply balance over the last two years. While the Company has traditionally been a net seller of ingot, increased production of fabricated products and reduced primary metal supply due to smelter closures required Alcan to purchase more primary ingot than it sold in both 1994 and 1995.

In 1995, Alcan acquired full ownership of Aughinish Alumina, a world-class, 1.2 million-tonnes-per-year alumina refinery in Ireland with a workforce that is committed to cost containment, productivity and safety. This acquisition creates a number of strategic options for Alcan to lower costs in our world alumina system.

Ingot is purchased for logistical reasons in order to balance the Company's metal supply system. For example, by purchasing ingot in Europe, where the Company is metal short, Alcan is able to avoid the freight and duty costs associated with moving metal from its North American smelters to fabricating plants in Europe. However, this results in an equivalent quantity of metal being available for sale from the smelters in North America. The Company treats these purchases and sales as offsets. Because both transactions tend to be at similar market prices, the gross profit or loss is generally not significant.

Most of Alcan's primary shipments are in the form of value added ingot, such as extrusion billet, which is sold mainly to third-party extruders in North America, Asia and the Middle East.

## Raw Materials

### *Bauxite*

Through subsidiaries and related companies, Alcan has access to approximately 322 Mt of proven bauxite reserves.

In 1995, Alcan acquired an additional 6% interest in Halco (Mining) Inc., bringing its total interest to 33%. Halco owns 51% of Compagnie des Bauxites de Guinee, the world's largest bauxite mine.

### *Alumina*

In 1995, Alcan acquired the Royal Dutch/Shell Group's 35% interest in the Aughinish alumina refinery, located in Limerick, Ireland, giving Alcan full ownership of the 1.2 Mt/y facility.

Historically, Alcan has produced alumina largely for its own use. However, with productivity gains in recent years, the sale of Alcan Australia in 1994, and the acquisition of full ownership in the Aughinish refinery in 1995, Alcan now has approximately 1.3 Mt of alumina capacity surplus to its ongoing needs.

Record alumina production was achieved in Ireland, Australia and Brazil in 1995, but production declined in Jamaica and Canada due to labour disruptions. Production costs increased due to higher prices for bauxite, caustic soda and oil.

## Non-Aluminum Products

This category comprises sales of a wide range of products, including bauxite, alumina, zirconium and other specialty chemicals, magnesium and copper wire. In 1995, sales of non aluminum products declined by 19%, to $1,048 million. Increased sales of bauxite and the benefit of higher prices for alumina, specialty chemicals, magnesium and copper were more than offset by the impact of Alcan's divestment of its building products and metals distribution businesses in North America. In 1994, non aluminum sales had risen by 12% from the previous year due to increased sales of alumina and higher prices and volumes in the distribution business.

Alcan sold 1.3 Mt of alumina in 1995. Market conditions for alumina strengthened during the year and spot prices rose sharply. Contract prices also improved, but to a lesser extent.

Sales of specialty alumina chemicals in Europe increased in 1995 due to a modest growth in volumes and better prices towards year-end. In North America, sales in all product areas were above those in 1994.

## Operating Revenues

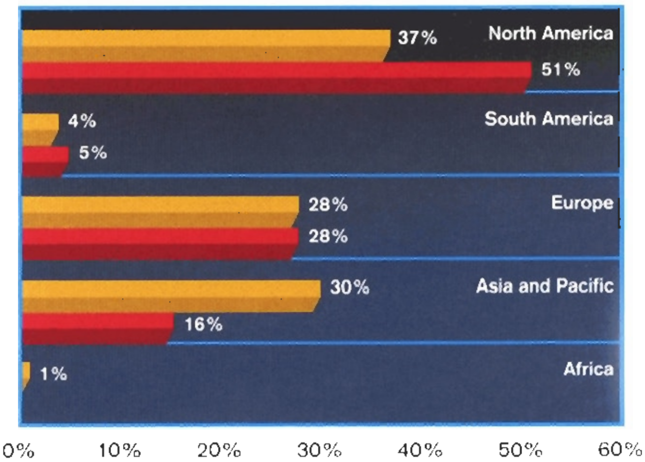
Operating revenues were $485 million in 1995, compared with $398 million in 1994 and $340 million in 1993. These revenues are principally generated from fees charged for the conversion of customer owned metal into fabricated products and for the smelting of customer-owned alumina into primary ingot, as well as sales of electricity. The rise in operating revenues over the last two years largely reflects the increased volume of customer owned metal converted into fabricated products.

**Alcan is the most international aluminum company, with a strong presence in all the major aluminum-consuming markets of the world.**

### 1995 Aluminum Shipments by Region

Western World consumption

Alcan Group shipments (includes Alcan's share of related companies)




## Geographic Review

All of Alcan's operations reported substantially improved results in 1995. Results in the last half of the year, however, were generally lower than in the first half due to slowing economic activity.

The shipment data provided in the Geographic Review is classified according to customer location.

### Canada

| (millions of US$) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss)* | **216** | 16 | (32) |
| Net income (Loss) excluding special items* | **231** | 32 | (24) |
| Shipments (kt) | **232** | 257 | 227 |

* Net income in 1995 is before an extraordinary loss. Special items include: 1995 loss on early retirement of debt, 1994 loss on sale of businesses and rationalization expenses, 1993 rationalization expenses.

Higher sales prices for ingot products led to much improved results from Canadian operations in 1995. The strength of the recovery, however, was dampened by a strike in Quebec, which reduced net income by about $70 million. In 1994, market prices for primary aluminum had risen sharply from the depressed levels of the previous year; however, the full benefit of the higher prices was not reflected in net income due to fixed price commitments to the Company's U.S. and European fabricating units.

There was little or no increase in domestic aluminum consumption in 1995. Growth in the beverage can and transportation markets was offset by a collapse in housing starts. Alcan's shipments of fabricated products declined reflecting the impact of businesses sold in 1994.

For information regarding the Kemano Completion Project, see page 29.

### United States

| (millions of US$) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss) | **123** | 16 | (57) |
| Net income (Loss) excluding special items* | **99** | 22 | (49) |
| Shipments** (kt) | **1,298** | 1,381 | 1,078 |

* Special items include: 1995 gain on sale of a business, 1994 net loss on sale of businesses and rationalization expenses, 1993 rationalization expenses.

** Includes fabrication of customer owned metal.

Higher prices for rolled products, together with further volume gains, led to a significant improvement in net income in 1995. The most notable improvement in pricing was in the beverage can sheet market, where a new price structure came into effect at the start of the year. While there was little growth in aluminum consumption in the U.S. in 1995, Alcan's rolled products volumes grew by about 10% due to increased shipments to the beverage can, distributor, heat exchanger finstock and transportation markets. The return to profitability in 1994 principally reflected increased shipments of beverage can sheet, resulting in large part from the start up of the cold mill at Logan Aluminum in Kentucky.

In 1995, higher can sheet shipments led to record rolled products volumes for Alcan's operations in Brazil. At all facilities in Brazil, such as at the Pindamonhangaba rolling mill, employees are committed to teamwork and continuous improvement in both productivity and safety areas.

At Alcan Rolled Products UK in Glasgow, Scotland, product development requirements for a container market customer are reviewed by the market manager, operation team leader and quality manager. Noted for their outstanding teamwork, employees produce quality plain and laminated foils for packaging applications.

## South America

| *(millions of US$)* | **1995** | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss) | **15** | 9 | (8) |
| Net income (Loss) excluding special items* | **15** | 17 | (8) |
| Shipments *(kt)* | **146** | 120 | 108 |

* Special items in 1994 were rationalization expenses

Despite slowing business conditions in Brazil in the second half of 1995 and a recession in Argentina, Alcan's operations in South America posted a second year of profits.

The Brazilian economy started the year strongly, led by a boom in demand for consumer durables and automobiles. However, growth slowed in the second half due to government actions to rein in the economy. Overall, aluminum consumption grew by 8%, driven mainly by the fast growing beverage can market. Higher can sheet shipments led to record rolled products volumes for Alcan's operations in Brazil. During the year, the Company restarted a 28 kt/y potline at the Aratu smelter. In 1995, can sheet capacity was increased at the Pindamonhangaba rolling mill, and a further expansion planned to start in 1996.

In Argentina, the economy slipped into recession in 1995 and, as a result, Alcan's shipments and results fell. A major restructuring of the operations was completed during the year.

Business conditions slowed in Uruguay, but Alcan's operations had record volumes.

## Europe

| *(millions of US$)* | **1995** | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss) | **161** | 76 | (31) |
| Net income (Loss) excluding special items* | **161** | 87 | (11) |
| Shipments** *(kt)* | **851** | 738 | 626 |

* Special items in 1993 and 1994 were rationalization expenses

** Includes fabrication of customer owned metal

In Europe, business conditions started 1995 at a brisk pace, but slowed markedly as the year progressed. While this situation was reflected in Alcan's results, profits in Europe for the entire year were substantially higher than in 1994. The bulk of the improvement came from operations in the United Kingdom, but better results were also recorded by businesses in France, Italy, and alumina operations in Ireland. Increased aluminum shipments over the last two years mainly reflect the benefit of rolled products expansions.

Despite a slowdown in business towards year end, net income in the U.K. increased substantially in 1995 to record levels. The increase was due mainly to improved prices and margins, and higher shipments of rolled products. Downstream fabricating businesses also posted better results, benefiting from cost reductions and higher volumes and margins.

In Germany, economic conditions deteriorated in the second half of 1995 after a promising start to the year. While demand for rolled products softened, Alcan's volumes and revenues increased due to incremental production from the Norf expansion and the Nachterstedt plant, acquired in 1994. Profits from German operations declined slightly in 1995 due to higher purchased metal costs and the additional costs associated with the start-up of new rolling capacity.

In Italy, profits improved mainly due to increased prices and volumes for rolled products.

Alcan's packaging operations in Switzerland had a record year in terms of shipments and revenues.

Results for Alcan's European building products business, Technal, improved in 1995 despite difficult market conditions. The impact of lower volumes due to declining non-residential construction in France (the company's home market) was more than offset by productivity gains, the rationalization of loss-making operations and good performance in other markets.

In October 1995, Alcan signed a memorandum of understanding with China National Non-Ferrous Metals Industry Corporation to explore the feasibility of a 240,000-tonne-capacity aluminum smelter and a dedicated coal-fired power station in Shanxi Province of the People's Republic of China. The proposed smelter would serve domestic needs and be double the size of China's largest smelter today.

### Asia and Pacific

| *(millions of US$)* | **1995** | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss) | **43** | 28 | (9) |
| Net income (Loss) excluding special items* | **43** | (21) | (8) |
| Shipments *(kt)* | **225** | 318 | 412 |

* Special items include: 1994 gains from the sale of Alcan Australia Limited and a dilution in Alcan's interest in Indal; 1993 rationalization expenses.

Excluding the impact of special items in 1994, results from the Asia and Pacific region experienced a sharp turnaround in 1995. This was due largely to lower losses from Nippon Light Metal Company, Ltd. (NLM), a related company in Japan, and higher prices on alumina sales sourced from Australia.

For NLM, 47.4%-owned by Alcan, 1995 was a year of significant improvement. Despite a continuation of sluggish economic conditions in Japan, losses were reduced due to focused attention on costs and improved pricing in some markets. However, business conditions remain weak, particularly in the building sector, which is a key market for that company. For Toyo Aluminium K.K., 48.8% owned by Alcan, results improved despite difficult economic conditions as domestic and export shipments of foil, powder and paste registered small gains. Alcan's share of the combined results of the two companies was an equity loss of $9 million versus losses of $51 million in 1994 and $27 million in 1993.

In October 1995, Alcan signed a memorandum of understanding with China National Non-Ferrous Metals Industry Corporation (CNNC) to explore construction of a 240 kt/y aluminum smelter and a dedicated coal-fired power station in Shanxi Province. Alcan and CNNC will jointly develop a project prospectus for use in discussions with government bodies and potential partners in the smelter, after which a thorough engineering and feasibility study will be conducted.

Buoyed by another year of good economic growth, aluminum consumption in India increased by 8% in 1995. Indian Aluminium Company, Limited (Indal), 34.6% owned by Alcan, benefited from the strong market conditions, posting higher revenues and profits for the year.

In 1994, Alcan sold its 73.3% interest in a smelting and fabricating company in Australia. Alcan continues to supply alumina and provide technology to that company under long-term agreements, and to market the former subsidiary's primary aluminum in Asia. Alcan retained its bauxite and mining rights in Australia, as well as its 21.4% shareholding in Queensland Alumina Limited. The decline in shipments in 1994 and 1995 reflects the sale of the subsidiary.

### Other Areas

| *(millions of US$)* | **1995** | 1994 | 1993 |
|---|---|---|---|
| Net income | **39** | 7 | 28 |
| Net income excluding special items* | **39** | 13 | 28 |
| Shipments *(kt)* | **7** | 35 | 87 |

* Special items in 1994 were rationalization expenses.

Activities in other areas include raw material operations in Jamaica and Guinea, and trading, shipping and insurance activities in Bermuda. Alcan also sells metal in other parts of the world, such as the Middle East and Africa. The improvement in profitability in 1995 largely reflects the benefit of higher prices for alumina.

## Financial Review

Higher prices for fabricated products led to a strong recovery in Alcan's profitability and cash generation in 1995. This, in turn, enabled the Company to make good progress towards further strengthening its financial position.

### Results of Operations

| *(millions of US$)* | 1995 | 1994 | 1993 |
|---|---|---|---|
| Net income (Loss) before extraordinary item | **543** | 96 | (104) |
| Extraordinary loss | **(280)** | | |
| Net income (Loss) | **263** | 96 | (104) |

For 1995, Alcan reported consolidated net income, before an extraordinary loss, of $543 million, well up from the results for the previous two years. Net income for 1995 was adversely affected by a strike at three of the Company's Quebec smelters. Alcan estimates that were it not for the strike, net income for 1995 would have been approximately $70 million higher.

The extraordinary loss of $280 million, after tax, was for the write-down of the Company's investment in the Kemano Completion Project (KCP). The write-down had no impact on Alcan's cash position. A detailed discussion of KCP can be found on page 29.

Net income in 1995 also included an after-tax gain of $24 million, which arose from the sale of the Company's metals distribution business in the U.S., partially offset by an after-tax loss of $15 million on the early retirement of debt.

Net income for 1994 included $43 million in after-tax gains from the disposal of several businesses, offset by charges of $41 million, after tax, largely for the rationalization of ongoing businesses and the early retirement of debt.

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

### Costs and Expenses

During 1995, Alcan continued its drive to control costs and increase productivity. After adjusting for the impact of divestitures, costs, excluding interest and taxes, rose by about $1.2 billion. Virtually all of the increase was due to the higher cost of purchased aluminum and other inputs, the Quebec strike, strengthening European currencies and higher fabricated products production. The Company was therefore able to offset the impact of inflation on wages through productivity improvements in 1995.

From 1991 to 1994, Alcan reduced its annual cost base by over $600 million. Most of this improvement came from productivity gains. Shipments increased substantially during this period, despite large reductions in the Company's work force. At the end of 1995, Alcan employed 38,800 people which, after adjusting for business acquisitions and disposals, was 21% fewer than at the end of 1990.

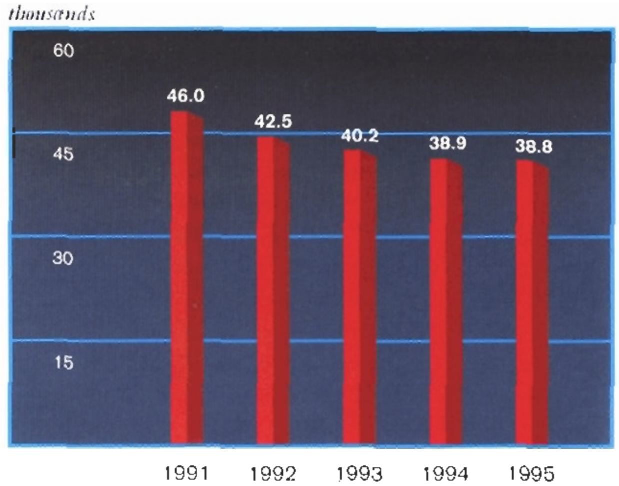
Cost of sales and operating expenses were $7,233 million in 1995, 7% higher than in the previous year. The increase in the cost of products sold principally reflects higher prices for purchased ingot and raw materials, such as caustic soda, petroleum coke and oil, as well as the additional costs incurred due to the Quebec strike. In 1994, higher fabricated products volumes and greater purchases of aluminum caused cost of sales and operating expenses to increase by 12% to $6,740 million.

| *(kt)* | 1995 | 1994 | 1993 |
|---|---|---|---|
| Purchases | | | |
| Ingot products | **789** | 759 | 368 |
| Scrap | **509** | 460 | 402 |
| Fabricated products | **67** | 131 | 95 |
| | **1,365** | 1,350 | 865 |

In 1995, total purchases of aluminum were 1,365 kt, similar to the previous year's level. However, aluminum prices were on average about 20% higher than in 1994, increasing the total cost of purchased metal. Alcan's purchase requirements rose sharply in 1994 due to increased demand for metal from the Company's fabricating businesses and the temporary closure of smelter capacity early in the year. Scrap purchases have risen in recent years in line with the Company's needs in its growing rolled products business. Lower fabricated products purchases reflect the sale of a metals distribution business in the U.S. in January 1995.

The decline in employment in recent years reflects the Company's drive to reduce costs and increase productivity throughout the organization.

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




"Other income" principally includes non-operating gains and interest revenue. In 1995, the total amount of such income was $100 million versus $109 million in 1994 and $75 million in 1993. The increase in 1994 was largely due to pre-tax gains realized on the disposal of various businesses.

Depreciation expense was $447 million in 1995, compared to $431 million in 1994 and $443 in 1993. After having declined in 1994 as a result of the sale of a number of downstream businesses, depreciation expense rose in 1995, largely reflecting the consolidation of joint ventures previously accounted for as equity companies.

Selling, administrative and general expenses declined for the fifth consecutive year. In 1995, these expenses were $484 million, 8% lower than in 1994 and 12% lower than in 1993. Since their peak in 1990, these expenses have declined by $175 million, or 27%, largely due to staff reductions, divestitures, other cost improvements, and weaker local currencies against the U.S. dollar.

Research and development expenses were $76 million in 1995, little changed from their level in 1994, but $23 million lower than in 1993. The reduction in recent years has resulted from efforts to align 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 reduce R & D expenses by nearly 50% since 1990. In 1996, spending is expected to be at about the same level as in 1995.

| *(millions of US$)* | **1995** | 1994 | 1993 |
|---|---|---|---|
| Interest expense | **204** | 219 | 212 |
| Interest capitalized | **2** | 16 | 17 |
| Total interest costs | **206** | 235 | 229 |
| Effective average interest rate | **8.2%** | 8.7% | 8.3% |

During 1995, Alcan reduced its total borrowings, as discussed on page 27, and as a consequence, total interest costs for the year declined by $29 million. The average effective interest rate for the year also declined, reflecting the repayment of higher cost long-term debt. In 1994, the average amount of total borrowings outstanding during the year was lower than in 1993, but interest costs rose due to the impact of increased rates applicable to floating-rate debt.

Other expenses, which include items such as rationalization expenses and exchange losses, were $61 million in 1995, versus $95 million in 1994 and $106 million in 1993. The decline in 1995 was mainly due to lower rationalization expenses.

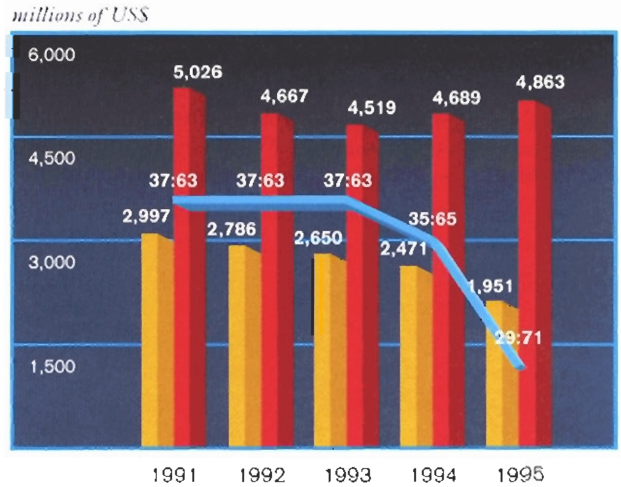
## Income Taxes

Income tax expense of $340 million for 1995 represents an effective tax rate of 39% versus a composite statutory rate of 40%. In 1994, Alcan's effective tax rate was 47%. The difference between the rates is primarily due to investment and other allowances and reduced rate and tax exempt items, partially offset by non-deductible currency translation losses and minimum taxes payable by large Canadian companies. In 1993, Alcan reported a loss, and the effective rate of 12% for the tax recovery was lower than the statutory rate largely reflecting the impact of potential future tax benefits that could not be recognized.

**Improved cash generation allowed Alcan to repay $644 million of borrowings in 1995. As a result, the Company's borrowings to equity ratio improved to 29:71 at year-end.**

**Total Borrowings and Equity**
**(at year-end)**

- Total borrowings
- Equity (includes minority interests and preference shares)
- Ratio of total borrowings to equity




## Equity Companies

Alcan's share of the losses of equity-accounted companies was only $3 million in 1995 versus $29 million in 1994 and $12 million in 1993. The improvement largely reflected cost reductions and business rationalization in Japan.

## Liquidity and Capital Resources

Higher fabricated products prices led to a significant improvement in cash generation in 1995. Calculated by taking the net income or loss for the year, before an extraordinary item, and adding back depreciation and deferred income taxes, cash generation was $1,164 million, as compared to $563 million in 1994 and $285 million in 1993.

For 1995, cash generation exceeded the Company's combined cash requirements for capital expenditures, working capital and dividends, by $498 million. Proceeds from the disposal of non-strategic businesses and other assets totalled $168 million and further increased cash flow available for debt repayment.

During the year, Alcan reduced its total borrowings by $644 million. This was partially offset by the impact of consolidating joint ventures previously accounted for as equity companies, as well as movements in currency exchange rates. At the end of the year, the ratio of total borrowings to equity improved to 29:71 from 35:65 at the end of 1994 and 37:63 at the end of 1993.

Excluding the impact of consolidating joint ventures, divestitures of businesses and exchange rate movements, net operating working capital increased by $100 million in 1995. This was principally due to increased inventory requirements during the start-up of the Norf and Nachterstedt rolling mills in Germany, and the effect of higher fabricated products prices on trade receivables. Despite the increase in operating working capital, ratios for accounts receivable days' outstanding and inventory turnover continue to be satisfactory. In 1994, $411 million of the Company's cash generation for the year was reinvested in operating working capital in order to meet increased business activity.

Alcan does not foresee any significant change in operating working capital in 1996.

## Investment Activities

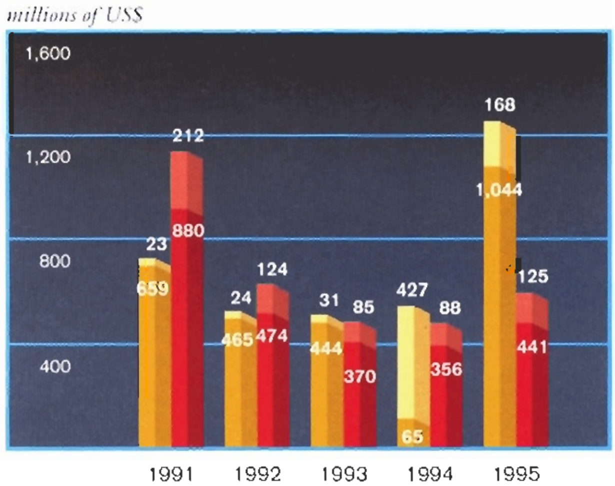
Capital spending remained constrained in 1995. For the year it totalled $441 million, versus $356 million in 1994 and $370 million in 1993. The increase in 1995 largely reflected the impact of consolidating joint ventures previously accounted for as equity companies, as well as the acquisition of the minority interest in the Aughinish alumina refinery.

The acquisition of the Royal Dutch/Shell Group's 35% interest in the Aughinish refinery gives Alcan full ownership of the 1.2 Mt/y facility. In a related transaction, Alcan also acquired Royal Dutch/Shell's 6% interest in Halco (Mining) Inc., raising its share to 33%.

**Cash generation, together with proceeds from divestments, far exceeded cash required for dividends and capital spending. The excess cash was used to repay debt.**

## Cash Flows

- Sales of assets and investments
- Cash from operating activities
- Dividends paid
- Capital expenditures




Over the last four years, Alcan has invested approximately $800 million in the expansion and upgrade of its rolled products plants in North and South America, and Europe. This represents about 50% of total capital spending during this period. In Italy, a new cold mill began operations in 1992. In the U.S., the new cold mill at the Logan facility was commissioned in 1993. In Germany, the expansion of the Norf rolling complex was commissioned in 1994 and a cold mill and finishing plant, located in Nachterstedt, was acquired. The upgrade of the Company's rolling mill in Pindamonhangaba, Brazil, is currently under way, with plans for a future expansion soon to be finalized. As a result of the considerable investment made in recent years, Alcan is now the world's largest producer of rolled aluminum products.

The remainder of capital spending comprised a large number of smaller projects for the replacement or improvement of existing facilities, as well as environment-related expenditures.

Alcan expects capital expenditures in 1996 to be about $600 million, of which approximately $400 million will be to maintain the integrity of its existing assets. The remaining expenditures will be to improve and round out fabricating facilities and to extend the lives of the Company's smelters.

Alcan's program to divest itself of nonstrategic businesses continued in 1995. Over the last two years, the Company has sold a number of businesses including a 73.3% interest in Alcan Australia Limited, building products and extrusion businesses in North America and a metals distribution business in the U.S. Proceeds generated from the sales of non-strategic businesses total $550 million and have largely been used to reduce debt. In 1995, Alcan entered into exclusive negotiations for the sale of its portfolio of downstream businesses in the U.K.; the sale was concluded in February 1996.

### Financing Activities

As discussed earlier, Alcan further reduced total borrowings in 1995, bringing the total reduction over the last three years to approximately $850 million.

During the year, the Company prepaid $425 million of debentures, including, $150 million of 8.2% debentures due in 1996, $125 million of 9.7% debentures due in 1996, and $150 million of 9.2% debentures due in 2001, but callable in 1998. Other repayments of long term debt amounted to $194 million, while short term borrowings were reduced by $25 million.

As a result of the early retirement of the debentures, which carried interest rates that were higher than current market rates, Alcan incurred after tax charges of $15 million in 1995.

Increased operating income, which excludes special items, together with lower interest charges led to a significant improvement in Alcan's pre-tax interest coverage ratio. For 1995, the ratio was 4.8 times as compared to 1.8 times in 1994 and 0.6 times in 1993.

In July, Alcan increased the quarterly dividend on common shares from 7.5 cents per share to 15 cents per share. As a consequence, total dividends paid to common shareholders in 1995 rose to $101 million from $67 million in 1994 and 1993.

Committed term credit lines with banks totalled $947 million at year end, compared to $1,277 million at the end of 1994, and $1,588 million at the end of 1993. At the end of 1995, $895 million of these lines of credit were available and unutilized.

For 1996, the Company expects that cash generated from operations will once again be more than sufficient to meet planned capital expenditures and dividends. However, should any major unforeseeable events occur, the above committed and unutilized credit facilities of $895 million would provide more than adequate liquidity. Moreover, Alcan has access to capital markets through the issuance of a wide range of securities. The Company's investment-grade rating gives it ready access to such markets.

## Kemano Completion Project

In 1991, Alcan suspended construction of the Kemano Completion Project (KCP), 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 subsequently decided in favour of the Company.

In 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 but did not recommend its rejection. Despite these findings, and in breach of long-standing agreements with both the Company and the government of Canada, the government of British Columbia unilaterally announced in January 1995 its decision not to allow KCP to proceed and has indicated its preparedness to confirm this prohibition by legislation.

Shortly after the government's announcement, Alcan and the government began talks to explore the possibility of a negotiated settlement. In July 1995, Alcan and the government of British Columbia announced that they had reached an agreement on a framework to govern future negotiations. The agreement committed both parties to make their best efforts to reach a settlement during the subsequent nine months.

In recognition of the fact that the project could not be completed due to the government's prohibition and that the value of any settlement would be contingent on future events, in September 1995, Alcan wrote-down its investment in KCP. Alcan had invested approximately $500 million in KCP, of which $60 million had been put to use for existing operations. After estimated disposal proceeds and site restoration costs, the amount of the write-down was $420 million, resulting in an extraordinary loss of $280 million on an after-tax basis.

The Company continues in negotiations with the government with a view to protecting its interests, including the supply of energy from alternative sources for possible future smelter expansions in British Columbia.

## Environmental Matters

Alcan is committed to the continual environmental improvement of its operations and products. The Company has devoted, and will continue to devote, significant resources to control air and water pollutants, to dispose of wastes and to remediate sites of past waste disposal. Alcan estimates that annual environment-related spending, both capital and expense, will average about $150 million per year over the next several years and is not expected to have a material effect on its 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.

Included in total operating costs and expenses for the year are amounts for safeguarding the environment and improving working conditions in plants. In 1995, these expenses totalled $76 million. This amount was largely for costs associated with reducing air emissions and mitigating the impact of waste and by products. In 1994 and 1993, these expenses totalled $47 million and $35 million, respectively.

Included in capital spending in 1995 was $53 million for environment related projects. Such spending was largely on equipment designed to reduce or contain air emissions generated by Alcan plants. Spending in 1994 and 1993 was $39 million and $34 million, respectively.

## Risks and Uncertainties

### 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. Transactions in derivative financial instruments for which there is no underlying exposure are prohibited.

The decision whether and when to commence a hedge, along with the duration of the hedge, can vary from period to period depending on market conditions and the relative costs of various hedging instruments. The duration of a hedge is always linked to the timing of the underlying transaction, with the connection between the two constantly monitored to ensure effectiveness.

### *Foreign Currency Exchange*

Exchange rate movements, particularly between the Canadian dollar and U.S. dollar, 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 volatility in costs 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 16 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 products customers, Alcan may hedge some of its purchased metal supply in support of those sales.

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

For further details, refer to Note 16 of the financial statements.

## 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 below.

| | |
|---|---|
| Jacques Bougie, | Suresh Thadhani, |
| Chief Executive Officer | Chief Financial Officer |

February 8, 1996

## 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, 1995, 1994 and 1993 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1995. 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, 1995, 1994 and 1993 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1995, in accordance with Canadian generally accepted accounting principles.

| | |
|---|---|
| Montreal, Canada | Price Waterhouse |
| February 8, 1996 | Chartered Accountants |

## Consolidated Statement of Income

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

| Year ended December 31 | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Revenues** | | | |
| Sales and operating revenues | $9,287 | $8,216 | $7,232 |
| Other income | 100 | 109 | 75 |
| | 9,387 | 8,325 | 7,307 |
| **Costs and expenses** | | | |
| Cost of sales and operating expenses | 7,233 | 6,740 | 6,002 |
| Depreciation (note 2) | 447 | 431 | 443 |
| Selling, administrative and general expenses | 484 | 528 | 551 |
| Research and development expenses | 76 | 72 | 99 |
| Interest | 204 | 219 | 212 |
| Other expenses | 61 | 95 | 106 |
| | 8,505 | 8,085 | 7,413 |
| Income (Loss) before income taxes and other items | 882 | 240 | (106) |
| Income taxes (note 6) | 340 | 112 | (13) |
| Income (Loss) before other items | 542 | 128 | (93) |
| Equity loss (note 8) | (3) | (29) | (12) |
| Minority interests | 4 | (3) | 1 |
| **Net income (Loss) before extraordinary item** | $ 543 | $ 96 | $ (104) |
| Extraordinary loss (note 4) | 280 | — | |
| **Net income (Loss)** | $ 263 | $ 96 | $ (104) |
| Dividends on preference shares | 24 | 21 | 18 |
| **Net income (Loss) attributable to common shareholders** | $ 239 | $ 75 | $ (122) |
| **Net income (Loss) per common share before extraordinary item (note 2)** | $ 2.30 | $ 0.34 | $ (0.54) |
| Extraordinary loss per common share (note 4) | 1.24 | | - |
| **Net income (Loss) per common share (note 2)** | $ 1.06 | $ 0.34 | $ (0.54) |
| **Dividends per common share** | $ 0.45 | $ 0.30 | $ 0.30 |

## Consolidated Statement of Retained Earnings

*(in millions of US$)*

| Year ended December 31 | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Retained earnings — beginning of year** | $2,821 | $2,813 | $3,002 |
| Net income (Loss) | 263 | 96 | (104) |
| | 3,084 | 2,909 | 2,898 |
| Dividends — Common | 101 | 67 | 67 |
| — Preference | 24 | 21 | 18 |
| **Retained earnings — end of year (note 14)** | $2,959 | $2,821 | $2,813 |

# Consolidated Balance Sheet

*(in millions of US$)*

| December 31 | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and time deposits | $ 66 | $ 27 | $ 81 |
| Receivables | 1,449 | 1,410 | 1,065 |
| Inventories | | | |
| Aluminum | 888 | 863 | 684 |
| Raw materials | 321 | 228 | 258 |
| Other supplies | 281 | 293 | 314 |
| | 1,490 | 1,384 | 1,256 |
| | 3,005 | 2,821 | 2,402 |
| Deferred charges and other assets | 330 | 441 | 350 |
| Investments (notes 3 and 8) | 695 | 1,193 | 1,053 |
| Property, plant and equipment (notes 3, 4 and 9) | | | |
| Cost | 11,735 | 10,718 | 11,092 |
| Accumulated depreciation | 6,063 | 5,184 | 5,087 |
| | 5,672 | 5,534 | 6,005 |
| **Total assets** | $ 9,702 | $ 9,989 | $ 9,810 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities** | | | |
| Payables | $ 1,107 | $ 1,096 | $ 991 |
| Short-term borrowings | 212 | 195 | 293 |
| Income and other taxes | 101 | 23 | 16 |
| Debt maturing within one year | 28 | 70 | 35 |
| | 1,448 | 1,384 | 1,335 |
| Debt not maturing within one year (notes 10 and 16) | 1,711 | 2,206 | 2,322 |
| Deferred credits and other liabilities (note 11) | 701 | 796 | 746 |
| Deferred income taxes | 979 | 914 | 888 |
| Minority interests | 28 | 28 | 70 |
| Redeemable non-retractable preference shares (note 12) | 353 | 353 | 353 |
| **Common shareholders' equity** | | | |
| Common shares (note 13) | 1,219 | 1,195 | 1,183 |
| Retained earnings (note 14) | 2,959 | 2,821 | 2,813 |
| Deferred translation adjustments (note 15) | 304 | 292 | 100 |
| | 4,482 | 4,308 | 4,096 |
| Commitments and contingencies (note 17) | | | |
| **Total liabilities and shareholders' equity** | $ 9,702 | $ 9,989 | $ 9,810 |

Approved by the Board:

Jacques Bougie,
Director

Warren Chippindale,
Director

# Consolidated Statement of Cash Flows

*(in millions of US$)*

| Year ended December 31 | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income (Loss) before extraordinary item | $ 543 | $ 96 | $ (104) |
| Adjustments to determine cash from operating activities | | | |
| Depreciation | 447 | 431 | 443 |
| Deferred income taxes | 174 | 36 | 54 |
| Equity income – net of dividends | 12 | 51 | 31 |
| Change in receivables | (38) | 345 | 41 |
| Change in inventories | (107) | 128 | 144 |
| Change in payables | 11 | 168 | (18) |
| Change in income and other taxes payable | 78 | – | (21) |
| Changes in operating working capital due to | | | |
| Deferred translation adjustments | 33 | 60 | 55 |
| Acquisitions, disposals and consolidations/deconsolidations | (77) | 173 | 12 |
| Change in deferred charges, other assets, deferred credits and other liabilities – net | 30 | 86 | 15 |
| Gain on sales of businesses – net | (34) | (35) | |
| Other – net | (28) | (17) | 40 |
| **Cash from operating activities** | **1,044** | 65 | 444 |
| **Financing Activities** | | | |
| New debt | 90 | 339 | 414 |
| Debt repayments | (738) | (464) | (382) |
| | (648) | (125) | 32 |
| Short term borrowings – net | 4 | 8 | 124 |
| Common shares issued | 24 | 12 | 5 |
| Shares issued by subsidiary companies | 1 | 2 | |
| Dividends – Alcan shareholders (including preference) | (125) | (88) | (85) |
| **Cash used for financing activities** | **(744)** | (191) | (172) |
| **Investment Activities** | | | |
| Property, plant and equipment | (390) | (264) | (251) |
| Investments | (38) | (81) | (119) |
| Other | (13) | (11) | |
| | (441) | (356) | (370) |
| Net proceeds from disposal of businesses and other assets | 168 | 427 | 31 |
| **Cash from (used for) investment activities** | **(273)** | 71 | 339 |
| Effect of exchange rate changes on cash and time deposits | 1 | 5 | (1) |
| **Increase (Decrease) in cash and time deposits** | **28** | (50) | (68) |
| Cash of companies consolidated (deconsolidated) – net | 11 | 4 | |
| Cash and time deposits – beginning of year | 27 | 81 | 149 |
| Cash and time deposits – end of year | $ 66 | $ 27 | $ 81 |

## 1. Nature of Operations

Alcan is engaged, together with subsidiaries and related companies, in all aspects of the aluminum business on an international scale. Its operations include the mining and processing of bauxite, the basic aluminum ore; the refining of bauxite into alumina; the generation of electric power for use in smelting aluminum; the smelting of aluminum from alumina; the recycling of used and scrap aluminum; the fabrication of aluminum, aluminum alloys and non-aluminum materials into semi-fabricated and finished products; the distribution and marketing of aluminum and non-aluminum products; and, in connection with its aluminum operations, the production and sale of industrial chemicals. Alcan, together with its subsidiaries and related companies, has bauxite holdings in six countries, produces alumina in nine, smelts primary aluminum in six, operates aluminum fabricating plants in 16 and has sales outlets and maintains warehouse inventories in the larger markets of the world. Alcan also operates a global transportation network that includes bulk cargo vessels, port facilities and freight trains.

Since the metal aluminum, from the raw material to the semi-fabricated or finished product, is the prime concern of the Company, and since its operations are vertically integrated on an international basis, the Company is engaged in one industry. Operations other than those related to aluminum, process materials and by-products are not material.

## 2. Summary of Significant Accounting Policies

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 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. Joint ventures, irrespective of percentage of ownership, are proportionately consolidated 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.

## 2. Summary of Significant Accounting Policies
(cont'd)

### 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 Payables and 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 (1995: 225.3 million; 1994: 224.3 million; 1993: 223.9 million).

## 3. Accounting Change

In the first quarter of 1995, the Company adopted new recommendations of the Canadian Institute of Chartered Accountants, which require that all joint ventures be accounted for using the proportionate consolidation method. Prior to 1995, incorporated joint ventures had been accounted for using the equity method. This change has been applied prospectively and has no impact on net income. The impact on revenues and expenses is not significant. The major impact of the change is to replace $461 of Investments as at January 1, 1995, by the Company's proportionate share of the underlying assets (principally Property, plant and equipment of $574 and liabilities (including total debt of $94) in incorporated joint ventures.

## 4. Extraordinary Loss – Kemano Completion Project

In the third quarter of 1995, the Company wrote down its investment in Kemano Completion Project (KCP). After estimated disposal proceeds and site restoration costs, the amount of the write-down is $420, resulting in an extraordinary loss of $280 on an after-tax basis or US$1.24 per common share.

In January 1995, the government of British Columbia unilaterally announced that it would not allow KCP to proceed and indicated its preparedness to confirm this prohibition by legislation. This highly unusual action by the government was in breach of long standing legal agreements with both the Company and the government of Canada under which the Company was carrying out the project.

Shortly after the government's announcement, Alcan and the government began talks for the purpose of attempting to reach a satisfactory resolution of this matter and, in July 1995, the parties announced a framework agreement to govern future negotiations. The Company continues in negotiations with the government with a view to protecting its interests including the supply of energy from alternative sources for possible future smelter expansions in British Columbia.

The write-down of KCP recognizes that the project cannot be completed due to the government's prohibition. Under the terms of the framework agreement, the value of any settlement would be contingent on future events and in accordance with generally accepted accounting principles, the value of such a settlement cannot be recognized in the Company's financial statements. This treatment does not in any way affect the Company's legal rights nor its determination to seek an equitable result in this matter.

Any future quantifiable benefit received as compensation for the government's rejection of KCP will be treated as an extraordinary gain.

## 5. 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 operations and foreign operations located in hyperinflationary economies) are translated at historical exchange rates, while under U.S. GAAP deferred income taxes of all 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.

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

### Reconciliation of Canadian and U.S. GAAP

| | 1995 | | 1994 | | 1993 | |
|---|---|---|---|---|---|---|
| | **As Reported** | **U.S. GAAP** | As Reported | U.S. GAAP | As Reported | U.S. GAAP |
| Net income (Loss) from continuing operations before extraordinary item and cumulative effect of accounting change | **$ 543** | **$ 561** | $ 96 | $ 175 | $ 104 | $ 89 |
| Extraordinary loss | **280** | **295** | | | | |
| Cumulative effect on prior years of accounting change | — | — | — | — | . | 106 |
| Net income (Loss)* | **$ 263** | **$ 266** | $ 96 | $ 175 | $ 104 | $ 17 |
| Net income (Loss) attributable to common shareholders | **$ 239** | **$ 242** | $ 75 | $ 154 | $ (122) | $ (1) |
| Extraordinary loss per common share | **$ 1.24** | **$ 1.31** | $ | $ — | $ — | $ — |
| Cumulative effect on prior years of accounting change per common share | **$ —** | **$ —** | $ — | $ . | $ | $ 0.47 |
| Net income (Loss) per common share | **$ 1.06** | **$ 1.07** | $ 0.34 | $ 0.69 | $ (0.54) | $ |
| Deferred income taxes – December 31 | **$ 979** | **$ 762** | $ 914 | $ 703 | $ 888 | $ 740 |
| Common shares – December 31 | **$1,219** | **$1,213** | $1,195 | $1,187 | $1,183 | $1,173 |
| Retained earnings – December 31 | **$2,959** | **$3,252** | $2,821 | $3,111 | $2,813 | $3,024 |
| Deferred translation adjustments (DTA) – December 31 | **$ 304** | **$ 214** | $ 292 | $ 197 | $ 100 | $ 12 |

* In 1995, $1 ($85 in 1994 and $123 in 1993) of the net difference between "As Reported" and "U.S. GAAP" relates to accounting for deferred income taxes. In 1994, $68 of this difference arose 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.

**5. 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 1995 | 1994 | 1993 |
|---|---|---|---|
| **Liabilities:** | | | |
| Depreciation | $ 844 | $ 933 | $1,011 |
| Undistributed earnings of equity companies | 86 | 93 | 74 |
| Inventory valuation | 48 | 74 | 70 |
| Other | 57 | 45 | 30 |
| | 1,035 | 1,145 | 1,185 |
| **Assets:** | | | |
| Tax benefit carryovers | 184 | 346 | 355 |
| Accounting provisions not currently deductible for tax | 199 | 195 | 195 |
| Other | 9 | 12 | 14 |
| | 392 | 553 | 564 |
| Valuation allowance (amount not likely to be recovered) | 119 | 111 | 119 |
| | 273 | 442 | 445 |
| **Net deferred income tax liability** | $ 762 | $ 703 | $ 740 |

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, before cumulative effect on prior years of accounting change, on a U.S. GAAP basis for the years 1992 and 1991 was $(39) and $(31), respectively, compared to $(112) and $(36), respectively, as reported. Net income (Loss) from continuing operations, before cumulative effect on prior years of accounting change, per common share on a U.S. GAAP basis for the years 1992 and 1991 was $(0.28) and $(0.23), respectively, compared to $(0.60) and $(0.25), respectively, as reported.

Beginning with its 1996 annual financial statements, the Company will be publishing pro-forma note disclosure of compensation costs related to share options, in accordance with FASB Statement No. 123, "Accounting for Stock-Based Compensation."

**6. Income Taxes**

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Income (Loss) before income taxes and other items** | | | |
| Canada | $ 300 | $ (15) | $ (67) |
| Other countries | 582 | 255 | (39) |
| | 882 | 240 | (106) |
| **Current income taxes** | | | |
| Canada | 29 | 5 | 9 |
| Other countries | 137 | 71 | 32 |
| | 166 | 76 | 41 |
| **Deferred income taxes** | | | |
| Canada | 114 | 30 | 24 |
| Other countries | 60 | 6 | (30) |
| | 174 | 36 | (54) |
| **Income tax provision (recovery)** | $ 340 | $ 112 | $ (13) |

## 6. Income Taxes
(cont'd)

The composite of the applicable statutory corporate income tax rates in Canada is 40.3% (1994: 40.1%; 1993: 40.0%). The following is a reconciliation of income taxes calculated at the above composite statutory rates with the income tax provision.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Income taxes at the composite statutory rate | $ 355 | $ 96 | $ (42) |
| Differences attributable to: | | | |
| Exchange translation items | 17 | 39 | 13 |
| Unrecorded tax benefits on losses – net | (5) | | 9 |
| Investment and other allowances | (24) | 14 | 13 |
| Large corporations tax | 6 | 7 | 7 |
| Withholding taxes | 6 | 20 | 7 |
| Reduced rate or tax exempt items | (21) | 29 | 2 |
| Foreign tax rate differences | (6) | (19) | 1 |
| Other – net | 12 | 12 | 9 |
| **Income tax provision (recovery)** | **$ 340** | $112 | $ (13) |

In 1995, $2 ($4 in 1994; $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, 1995, additional benefits of approximately $94 relating to prior and current years' tax losses will only be recognized in income when realized.

## 7. Joint Ventures

The activities of the Company's major joint ventures are the procurement and processing of raw materials in Australia, Brazil and Guinea, as well as aluminum rolling operations in Germany and the United States.

Beginning in 1995, Alcan's proportionate interest in all joint ventures is included in the consolidated financial statements (see note 3). Summarized financial information relating to Alcan's share of these joint ventures is provided below.

Because most of the activities of the Company's joint ventures relate to supplying the Company's other operations, the portion of the Company's third-party revenues, and related costs and expenses, conducted through joint ventures is insignificant.

| | 1995 |
|---|---|
| **Financial Position at December 31** | |
| Inventories | $ 158 |
| Property, plant and equipment – net | 1,037 |
| Other assets | 114 |
| Total assets | $1,309 |
| Short term debt | $ 15 |
| Debt not maturing within one year | 102 |
| Other liabilities | 145 |
| Total liabilities | $ 262 |
| **Cash flow information for the year ended December 31** | |
| Cash from financing activities | $ 18 |
| Cash used for investment activities | $ (28) |

## 8. Investments

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Companies accounted for under the equity method | $ 679 | $ 1,185 | $ 1,043 |
| Other investments — at cost, less amounts written off | 16 | 8 | 10 |
| | $ 695 | $ 1,193 | $ 1,053 |

The activities of the major equity accounted companies are diversified aluminum operations in Japan and India. Their combined results of operations and financial position are included in the summary below.

The information for 1994 and 1993 also includes the results of operations and financial position for an aluminum rolling operation in Germany and for operations related to the procurement and processing of raw materials in Australia, Brazil and Guinea. Beginning in 1995, these joint ventures are proportionately consolidated and summarized financial information about these is included in note 7.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Results of operations for the year ended December 31** | | | |
| Revenues | $ 7,896 | $ 8,073 | $ 7,637 |
| Costs and expenses | 7,816 | 7,892 | 7,399 |
| Income before income taxes | 80 | 181 | 238 |
| Income taxes | 84 | 218 | 217 |
| Net income (Loss) | $ (4) | $ (37) | $ 21 |
| Alcan's share of net income (loss) | $ (3) | $ (29) | $ (12) |
| Dividends received by Alcan | $ 9 | $ 22 | $ 19 |
| **Financial position at December 31** | | | |
| Current assets | $ 3,842 | $ 4,029 | $ 3,945 |
| Current liabilities | 3,438 | 3,699 | 3,389 |
| Working capital | 404 | 330 | 556 |
| Property, plant and equipment — net | 2,347 | 4,209 | 4,067 |
| Other assets (liabilities) — net | 153 | 261 | (440) |
| | 2,904 | 4,800 | 4,183 |
| Debt not maturing within one year | 1,351 | 1,713 | 1,719 |
| Net assets | $ 1,553 | $ 3,087 | $ 2,764 |
| Alcan's equity in net assets | $ 679 | $ 1,185 | $ 1,043 |

On December 31, 1995, 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 $1,740 compared to their book value of $673.

## 9. Property, Plant and Equipment

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Cost** | | | |
| Land and property rights | $ 247 | $ 140 | $ 149 |
| Buildings, machinery and equipment | 11,201 | 9,930 | 10,301 |
| Construction work in progress | 287 | 648 | 642 |
| | $11,735 | $10,718 | $11,092 |

Accumulated depreciation relates primarily to Buildings, machinery and equipment.

Capital expenditures including investments, net of routine disposals, are expected to be about $600 in 1996.

## 10. Debt Not Maturing Within One Year

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Alcan Aluminium Limited** | | | |
| Commercial paper (a) | $ — | $ 117 | $ |
| 9.4% Debentures (b) | — | | 150 |
| 8.2% Debentures (b) | — | 150 | 150 |
| 9.7% Debentures (b) | — | 125 | 125 |
| Lira bank loans | — | 46 | 44 |
| Deutschmark bank loans, due 1996/2005 (DM395 million) (i) | 276 | 256 | 167 |
| 12.45% Canadian dollar debentures, due 1997 (c) | 107 | 107 | 107 |
| 9.1% Debentures, due 1998 | 125 | 125 | 125 |
| 9.875% Debentures (b) | — | | |
| 5.875% Debentures, due 2000 (d) | 150 | 150 | 150 |
| 9.2% Debentures (b) | — | 150 | 150 |
| 5.375% Swiss franc bonds, due 2003 (e) | 105 | 105 | 105 |
| CARIFA loan, due 2006 (e) | 60 | 60 | 60 |
| 9.5% Debentures, due 2010 (f) | 100 | 100 | 100 |
| 9.625% Sinking fund debentures, due 2019 (f) | 150 | 150 | 150 |
| 8.875% Debentures, due 2022 (g) | 150 | 150 | 150 |
| Other debt, due 2001 | 8 | 8 | 8 |
| **Alcan Aluminum Corporation** | | | |
| 9.956% Bank loan | — | 25 | 25 |
| 6.375% Debentures, due 1997 (h) | 150 | 150 | 150 |
| 7.25% Debentures, due 1999 (h) | 100 | 100 | 100 |
| Other debt, due 1996/2013 | 6 | 12 | 20 |
| **British Alcan Aluminium plc and subsidiary companies** | | | |
| Bank loans, due 1996/2001 (£35 million) (i) | 54 | 94 | 85 |
| Bank loan | — | | 81 |
| 10.375% Debentures | — | | 44 |
| Other debt | — | | 2 |
| **Alcan Deutschland GmbH and subsidiary companies** | | | |
| 6.78% Bank loans, due 1996/1997 (DM6 million) | 4 | 17 | 20 |
| 7.75% Bank loans, due 2001 (DM15 million) | 11 | - | |
| Bank loans, due 2000 (DM55 million) (i) | 38 | 36 | 32 |
| **Queensland Alumina Limited** | | | |
| Bank loans, due 1997/2002 (i) | 67 | | |
| **Other companies** | | | |
| Bank loans, due 1996/2011 (i) | 48 | 13 | 16 |
| 4% Eurodollar exchangeable debentures, due 2003 (j) | 24 | 24 | 24 |
| Other debt, due 1996/2025 | 6 | 6 | 17 |
| | 1,739 | 2,276 | 2,357 |
| Debt maturing within one year included in current liabilities | (28) | (70) | 35 |
| | $1,711 | $2,206 | $2,322 |

(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 $22 was utilized at December 31, 1995) which provide for loan facilities with interest related to U.S. LIBOR (London Interbank Offered Rate).

(b) The 9.875% debentures, called for redemption as of January 15, 1994, the 9.4% debentures due June 1995, the 8.2% debentures due 1996, the 9.7% debentures due 1996 and the 9.2% debentures due 2001 (callable in 1998) were effectively extinguished in December 1993, December 1994, June 1995, September 1995 and December 1995, respectively, through transactions whereby the Company placed government securities in trusts, the sole purpose of which was to fund the repayment of the debentures and related interest.

## 10. Debt Not Maturing Within One Year

(cont'd)

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Results of operations for the year ended December 31** | | | |
| Revenues | $3,937 | $3,753 | $3,028 |
| Costs and expenses | 3,708 | 3,806 | 3,100 |
| Income (Loss) before income taxes | 229 | (53) | (72) |
| Income taxes | 86 | (18) | (24) |
| Net income (Loss) | $ 143 | $ (35) | $ (48) |
| **Financial position at December 31** | | | |
| Current assets | $ 615 | $ 737 | $ 600 |
| Current liabilities | 353 | 676 | 578 |
| Working Capital | 262 | 61 | 22 |
| Property, plant and equipment — net | 795 | 840 | 916 |
| Other assets (liabilities) — net | (138) | (124) | (100) |
| | 919 | 777 | 838 |
| Debt not maturing within one year | 256 | 257 | 283 |
| Net assets | $ 663 | $ 520 | $ 555 |

The above figures are prepared using the accounting principles followed by the Company (see note 2), except that inventories have been valued principally by the last-in, first-out (LIFO) method.

Results of operations in 1995 included net after-tax gains on disposals of businesses of $24. In 1994 and 1993, results of operations included after-tax rationalization charges, net of gains on disposals of businesses, of $6 and $8, respectively.

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

(j) 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 1996 and 1999 at amounts declining from 102% to 100% of the principal.

The Company has swapped, to 1998, the interest payments on $100 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 $28 in 1996, $301 in 1997, $149 in 1998, $144 in 1999 and $240 in 2000.

## 11. Deferred Credits and Other Liabilities

Deferred credits and other liabilities comprise the following elements:

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Deferred revenues | $ 87 | $ 117 | $ 152 |
| Post-retirement and post employment benefits | 426 | 432 | 347 |
| Environmental liabilities | 38 | 58 | 54 |
| Rationalization costs | 27 | 48 | 83 |
| Claims | 41 | 46 | 53 |
| Other | 82 | 95 | 57 |
| | $ 701 | $ 796 | $ 746 |

## 12. 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

In each of the years 1995, 1994 and 1993, there were authorized and outstanding 5,700,000 series C, 1,700,000 series D, 3,000,000 series E, and 300 series G redeemable non retractable preference shares with stated values of $106, $43, $54, and $150, respectively.

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, 1996. 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 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.

## 13. 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 | | |
|---|---|---|---|---|---|---|
| | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 |
| **Outstanding — beginning of year** | 224,685 | 224,060 | 223,807 | $1,195 | $1,183 | $1,178 |
| **Issued for cash:** | | | | | | |
| Executive share option plan | 1,039 | 433 | 110 | 18 | 7 | 2 |
| Dividend reinvestment and share purchase plans | 189 | 192 | 143 | 6 | 5 | 3 |
| **Outstanding — end of year** | 225,913 | 224,685 | 224,060 | $1,219 | $1,195 | $1,183 |

## 13. Common Shares
(cont'd)

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$30.74 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) | | |
|---|---|---|---|
| | **1995** | 1994 | 1993 |
| **Outstanding – beginning of year** | **3,934** | 3,740 | 2,247 |
| Granted | **752** | 1,022 | 1,703 |
| Exercised | **(1,039)** | 433 | (110) |
| Cancelled | **(174)** | 395 | 100 |
| **Outstanding – end of year** | **3,473** | 3,934 | 3,740 |

### Shareholder Rights Plan

In 1990, shareholders approved a plan whereby each common share of the Company carries one right to purchase additional common shares. The plan, with certain amendments, was reconfirmed at the 1995 Annual Meeting. The rights under the plan are not currently exercisable but may become so upon the acquisition by a person or group of affiliated or associated persons ("Acquiring Person"), of beneficial ownership of 20% or more of the Company's outstanding voting shares or upon the commencement of a takeover bid. Holders of rights, with the exception of an Acquiring Person, 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.

The plan has a permitted bid feature which allows a take-over bid to proceed without the rights under the plan becoming exercisable, provided that it meets certain minimum specified standards of fairness and disclosure, even if the Board does not support the bid.

The rights expire in 1999, but may be redeemed earlier by the Board, with the prior consent of the holders of rights or common shares, for 1 cent per right. In addition, should a person or group of persons acquire outstanding voting shares pursuant to a permitted bid or a share acquisition in respect of which the Board has waived the application of the plan, the Board shall be deemed to have elected to redeem the rights at 1 cent per right.

## 14. Retained Earnings

Consolidated retained earnings at December 31, 1995, includes $267 of undistributed earnings of companies accounted for under the equity method and $1,603 of undistributed earnings of subsidiaries and joint ventures, 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.

## 15. Currency Gains and Losses

The following are the amounts recognized in the financial statements:

| | **1995** | 1994 | 1993 |
|---|---|---|---|
| **Currency losses excluding realized deferred translation adjustments:** | | | |
| Forward exchange contracts and currency options | **$ 56** | $ 62 | $ 3 |
| Other | **1** | 8 | 5 |
| | **$ 57** | $ 70 | $ 8 |
| **Deferred translation adjustments:** | | | |
| Balance – beginning of year | **$292** | $100 | $ 86 |
| Effect of exchange rate changes | **12** | 152 | 14 |
| Losses realized* | **—** | 40 | — |
| Balance – end of year | **$304** | $292 | $100 |

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

## 16. 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, 1995, the contract amount of forward exchange contracts outstanding used to hedge future firm cost commitments was $2,017 ($1,568 in 1994 and $1,405 in 1993) while the contract amount of purchased options (including range forward contracts) outstanding used to hedge future firm cost commitments was $550 ($145 in 1994 and $711 in 1993). At December 31, 1995, the contract amount of outstanding forward exchange contracts used to hedge future revenues was $256 ($268 in 1994 and $390 in 1993).

The market value of outstanding forward exchange contracts related to hedges of costs or revenues at December 31, 1995, was such that if these contracts had been closed out, the Company would have received $37 ($5 in 1994 and $19 in 1993). Based on prevailing market prices, if the currency option contracts (including range forward contracts) had been closed out on December 31, 1995, the Company would have paid $2 ($12 in 1994 and $30 in 1993). 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, certain intercompany foreign currency denominated loans were hedged through the use of forward exchange contracts. At December 31, 1995, the contract amount of such forward contracts was approximately $236 ($208 in 1994) and the market value was such that if these contracts had been closed out, the Company would have paid $4 ($2 in 1994).

Included in Deferred charges and other assets is an amount of $3 ($4 in 1994) consisting of net losses on terminated 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 10, 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, 1995, the Company would have paid $12 ($20 in 1994 and $7 in 1993), based on prevailing interest rates.

### 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 products 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, 1995, the Company had outstanding forward purchase contracts covering 472,400 tonnes (490,000 tonnes at December 31, 1994) and maturing at various dates in 1996 and 1997 (1995 at December 31, 1994). In addition, the Company held call options outstanding for 146,500 tonnes (46,000 tonnes at December 31, 1994) maturing at various dates in 1996 and 1997 (1995 at December 31, 1994).

## 16. Financial Instruments and Commodity Contracts
(cont'd)

At December 31, 1994, the Company held 558,000 tonnes of put options which matured in 1995. The Company also had sold 415,000 tonnes of call options which gave the purchaser the right, at various dates in 1995, to any excess in metal prices above a predetermined level. This resulted in the metal price component of revenues for 415,000 tonnes of the Company's 1995 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 $7 ($19 in 1994) representing the net cost of outstanding options.

The option premiums paid and received, together with the realized gains or losses on the contracts, are 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, 1995, if all commodity forward purchase contracts and options had been closed out, the net amount received by the Company would have been $5 ($37 in 1994).

### 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, 1995, the fair value of the Company's long-term debt totalling $1,739 ($2,276 in 1994 and $2,357 in 1993) was $1,834 ($2,294 in 1994 and $2,545 in 1993), based on market prices for the Company's fixed rate securities and the book value of variable rate debt.

## 17. Commitments and Contingencies

In prior years, commitments pertaining to certain related companies were reported. As explained in note 3, these companies are now proportionately consolidated and, accordingly, the information previously reported on commitments is no longer applicable.

There are guarantees for the repayment of approximately $22 of indebtedness by third parties. Alcan believes that none of these guarantees is likely to be invoked. Commitments with third parties for supplies of goods and services are estimated at $73 in 1996, $30 in 1997, $54 in 1998, $43 in 1999, $39 in 2000 and $203 thereafter. Total fixed charges from these third parties were $53 in 1995, $44 in 1994 and $28 in 1993.

Minimum rental obligations are estimated at $42 in 1996, $35 in 1997, $30 in 1998, $27 in 1999, $18 in 2000 and $55 thereafter. Total rental expenses amounted to $94 in 1995, $94 in 1994 and $112 in 1993.

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 9, debt repayments in note 10, and financial instruments and commodity contracts in note 16.

## 18. Supplementary Information

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Income statement** | | | |
| Interest on long term debt | $ 175 | $ 208 | $ 198 |
| Capitalized interest | (2) | (16) | (17) |
| **Balance sheet** | | | |
| Payables | | | |
| Accrued employment costs | $ 150 | $ 145 | $ 232 |
| Short term borrowings | | | |
| Commercial paper | — | — | 30 |
| Other (principally from banks) | 212 | 195 | 263 |

At December 31, 1995, the weighted average interest rate on short-term borrowings was 7.3% (9.1% in 1994 and 6.2% in 1993). Excluding the effects of $25 of short-term borrowings in Brazil ($8 in 1994 and $14 in 1993), the weighted average interest rate on short-term borrowings at December 31, 1995 was 7.1% (7.6% in 1994 and 4.9% in 1993).

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| **Statement of cash flows** | | | |
| Interest paid | $ 218 | $ 237 | $ 233 |
| Income taxes paid | 71 | 62 | 39 |

All time deposits qualify as cash equivalents.

## 19. 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.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Service cost for the year | $ 76 | $ 85 | $ 88 |
| Interest cost on projected benefit obligation | 215 | 206 | 216 |
| Actual return on assets | (483) | 64 | (517) |
| Variance of actual return from expected long term rate of 7.5% (7.4% in 1994 and 8.4% in 1993) being deferred, and amortization of gains and losses | 221 | (312) | 257 |
| **Net cost for the year** | $ 29 | $ 43 | $ 44 |

Included in the net cost for 1995 are $16 of settlement gains ($16 in 1994) and $1 of curtailment losses ($11 in 1994) related to the disposal of certain businesses.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| The plans' funded status at December 31 was: | | | |
| Actuarial accumulated benefit obligation, which is substantially vested | $2,818 | $2,553 | $2,657 |
| Plan assets at market value | $3,447 | $3,087 | $3,304 |
| Actuarial projected benefit obligation based on average compensation growth of 4.8% (5.0% in 1994 and 4.9% in 1993) and discount rate of 7.1% (7.4% in 1994 and 7.1% in 1993) | 3,210 | 2,900 | 3,047 |
| Plan assets in excess of projected benefit obligation | 237 | 187 | 257 |
| Unamortized actuarial gains – net* | (495) | (430) | (513) |
| Unamortized prior service cost* | 287 | 300 | 338 |
| Unamortized portion of net surplus at January 1, 1986* | (93) | (117) | (134) |
| **Net pension liability in balance sheet** | $ (64) | $ (60) | $ (52) |

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

## 19. 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.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Service cost for the year | $ 4 | $ 6 | $ 6 |
| Interest cost on accumulated benefit obligation | 13 | 14 | 14 |
| Amortization of gains and losses | (15) | (12) | (1) |
| **Total cost for the year** | $ 2 | $ 8 | $ 19 |

Included in the total cost for 1995 is $12 of curtailment gains ($11 in 1994) related to the disposal of certain businesses.

| | 1995 | 1994 | 1993 |
|---|---|---|---|
| Accumulated benefit obligation (ABO) based on average compensation growth of 5.2% (5.2% in 1994 and 5.1% in 1993) and discount rate of 7.0% (7.6% in 1994 and 6.7% in 1993): | | | |
| Active employees | | | |
| – not fully eligible | $ 66 | $ 66 | $ 84 |
| – fully eligible | 28 | 25 | 29 |
| Retired employees | 97 | 91 | 96 |
| Total ABO | 191 | 182 | 209 |
| Unamortized gains – net | 11 | 28 | 4 |
| **ABO in balance sheet** | $202 | $210 | $213 |

The assumed health care cost trend rate used in calculating the above amounts was 11% in 1995 (11% in 1994 and 14% in 1993), decreasing gradually to 5.0% (6.0% in 1994 and 4.5% in 1993) in 2006. If the average of such rate was increased by 1%, the ABO would increase by approximately $6 and the periodic cost of post retirement benefits other than pensions would increase by approximately $2 per year.

## 20. Information by Geographic Areas

| | Location | 1995 | 1994 | 1993 |
|---|---|---|---|---|
| **Sales and operating revenues — subsidiaries** | Canada | $ 2,740 | $ 2,300 | $ 1,800 |
| | United States | 552 | 453 | 333 |
| | South America | 41 | 15 | 10 |
| | Europe | 222 | 174 | 157 |
| | Asia and Pacific | 96 | 53 | 61 |
| | All other | 338 | 266 | 287 |
| | Sub-total | 3,989 | 3,261 | 2,648 |
| | Consolidation eliminations | (3,989) | (3,261) | (2,648) |
| | 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 | $ 1,258 | $ 952 | $ 911 |
| | United States | 3,306 | 3,288 | 2,689 |
| | South America | 719 | 556 | 468 |
| | Europe | 3,632 | 2,813 | 2,432 |
| | Asia and Pacific | 326 | 567 | 686 |
| | All other | 46 | 40 | 46 |
| | Total | $ 9,287 | $ 8,216 | $ 7,232 |
| **Net income (Loss)** | Canada | $ 216 | $ 16 | $ 32 |
| | United States | 123 | 16 | 57 |
| | South America | 15 | 9 | 8 |
| | Europe | 161 | 76 | 31 |
| | Asia and Pacific | 43 | 28 | 9 |
| | All other | 39 | 7 | 28 |
| | Consolidation eliminations | (54) | (56) | 5 |
| | Net income (Loss) before extraordinary item | 543 | 96 | 104 |
| | Extraordinary loss — Canada | 280 | | |
| | Total | $ 263 | $ 96 | $ (104) |
| **Total assets at December 31** | Canada | $ 3,999 | $ 4,575 | $ 4,242 |
| | United States | 1,679 | 1,872 | 1,718 |
| | South America | 854 | 859 | 822 |
| | Europe | 3,520 | 3,087 | 2,562 |
| | Asia and Pacific | 1,078 | 1,019 | 1,154 |
| | All other | 463 | 373 | 394 |
| | Consolidation eliminations | (1,891) | (1,796) | (1,082) |
| | Total | $ 9,702 | $ 9,989 | $ 9,810 |
| **Capital expenditures** | Canada | $ 99 | $ 65 | $ 66 |
| | United States | 63 | 58 | 64 |
| | South America | 45 | 22 | 16 |
| | Europe | 196 | 197 | 187 |
| | Asia and Pacific | 3 | 4 | 10 |
| | All other | 35 | 10 | 27 |
| | Total | $ 441 | $ 356 | $ 370 |
| **Average number of employees** *(in thousands)* | Canada | 11 | 12 | 13 |
| | United States | 4 | 7 | 7 |
| | South America | 6 | 6 | 7 |
| | Europe | 15 | 14 | 15 |
| | Asia and Pacific | — | 2 | 3 |
| | All other | 3 | 1 | 1 |
| | Total | 39 | 42 | 46 |

# Quarterly Financial Data

*(in millions of US$)*

| *(unaudited)* | First | Second | Third | Fourth | Year |
|---|---|---|---|---|---|
| **1995** | | | | | |
| Revenues | $2,455 | $2,449 | $2,288 | $2,195 | $9,387 |
| Cost of sales and operating expenses | 1,874 | 1,843 | 1,750 | 1,766 | 7,233 |
| Depreciation | 109 | 113 | 115 | 110 | 447 |
| Income taxes | 102 | 99 | 86 | 53 | 340 |
| Other items | 196 | 214 | 194 | 220 | 824 |
| Net income before extraordinary item | 174 | 180 | 143 | 46 | 543 |
| Extraordinary loss | — | — | 280 | — | 280 |
| Net income (Loss) (1) | $ 174 | $ 180 | $ (137) | $ 46 | $ 263 |
| Dividends on preference shares | 6 | 6 | 5 | 7 | 24 |
| Net income (Loss) attributable to common shareholders | $ 168 | $ 174 | $ (142) | $ 39 | $ 239 |
| Net income before extraordinary item per common share (in US$) (2) | $ 0.75 | $ 0.77 | $ 0.61 | $ 0.17 | $ 2.30 |
| Extraordinary loss per common share (in US$) | — | — | 1.24 | — | 1.24 |
| Net income (Loss) per common share (in US$) (2) | $ 0.75 | $ 0.77 | $(0.63) | $ 0.17 | $ 1.06 |
| Net income before extraordinary item under U.S. GAAP (4) | $ 176 | $ 172 | $ 119 | $ 94 | $ 561 |
| Net income (Loss) under U.S. GAAP (4) | $ 176 | $ 172 | $ (176) | $ 94 | $ 266 |
| **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 under U.S. GAAP (4) | $ 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)(4) | $ 79 | $ 23 | $ 13 | $ (52) | $ 17 |

(1) The first quarter of 1995 included an after-tax gain of $24 from the sale of Alcan's metal distribution business in the U.S. The second, third and fourth quarters of 1995 included after-tax charges of $3, $4 and $8, respectively, on the in-substance defeasance of debentures.

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.

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

# Eleven-Year Summary

| | | 1995 | 1994 | 1993 |
|---|---|---|---|---|
| **Consolidated Income Statement Items** *(in millions of US$)* | **Revenues** | | | |
| | Sales and operating revenues | **9,287** | 8,216 | 7,232 |
| | Other income | **100** | 109 | 75 |
| | Total revenues | **9,387** | 8,325 | 7,307 |
| | **Costs and expenses** | | | |
| | Cost of sales and operating expenses | **7,233** | 6,740 | 6,002 |
| | Depreciation | **447** | 431 | 443 |
| | Selling, administrative and general expenses | **484** | 528 | 551 |
| | Research and development expenses | **76** | 72 | 99 |
| | Interest | **204** | 219 | 212 |
| | Special charges and rationalization expenses | **—** | — | — |
| | Other expenses | **61** | 95 | 106 |
| | Income taxes | **340** | 112 | (13) |
| | Equity income (loss) | **(3)** | (29) | (12) |
| | Minority interests | **4** | (3) | 1 |
| | Net income (Loss) before extraordinary item | **543** | 96 | (104) |
| | Extraordinary loss | **280** | — | — |
| | Net income (Loss) | **263** | 96 | (104) |
| | Preference dividends | **24** | 21 | 18 |
| | Net income (Loss) attributable to common shareholders | **239** | 75 | (122) |
| **Consolidated Balance Sheet Items** *(in millions of US$)* | Operating working capital | **1,731** | 1,675 | 1,314 |
| | Property, plant and equipment — net | **5,672** | 5,534 | 6,005 |
| | Total assets | **9,702** | 9,989 | 9,810 |
| | Total debt | **1,951** | 2,471 | 2,650 |
| | Deferred income taxes | **979** | 914 | 888 |
| | Preference shares | **353** | 353 | 353 |
| | Common shareholders' equity | **4,482** | 4,308 | 4,096 |
| **Per Common Share** *(in US$)* | Net income (Loss) before extraordinary item | **2.30** | 0.34 | (0.54) |
| | Net income (Loss) | **1.06** | 0.34 | (0.54) |
| | Dividends paid | **0.45** | 0.30 | 0.30 |
| | Common shareholders' equity | **19.84** | 19.17 | 18.28 |
| | Market price — NYSE close | **31.13** | 25.38 | 20.75 |
| **Operating Data** *(in thousands of tonnes)* | **Consolidated aluminum shipments** | | | |
| | Ingot and ingot products | **801** | 897 | 887 |
| | Fabricated products | **1,733** | 1,763 | 1,560 |
| | Fabrication of customer-owned metal | **225** | 189 | 91 |
| | Total aluminum shipments | **2,759** | 2,849 | 2,538 |
| | Consolidated primary aluminum production | **1,278** | 1,435 | 1,631 |
| | Consolidated aluminum purchases | **1,365** | 1,350 | 865 |
| | Consolidated aluminum inventories *(end of year)* | **449** | 435 | 403 |
| | * **Primary aluminum capacity** | | | |
| | Consolidated subsidiaries | **1,561** | 1,561 | 1,711 |
| | Total consolidated subsidiaries and related companies | **1,712** | 1,712 | 1,862 |
| **Other Statistics** | Cash from operating activities *(in millions of US$)* | **1,044** | 65 | 444 |
| | Capital expenditures *(in millions of US$)* | **441** | 356 | 370 |
| | Ratio of total borrowings to equity *(%)* | **29:71** | 35:65 | 37:63 |
| | Average number of employees *(in thousands)* | **39** | 42 | 46 |
| | Common shareholders — registered *(in thousands at end of year)* | **23** | 26 | 28 |
| | Common shares outstanding *(in millions at end of year)* | **226** | 225 | 224 |
| | Registered in Canada *(%)* | **61** | 55 | 59 |
| | Registered in the United States *(%)* | **38** | 44 | 40 |
| | Registered in other countries *(%)* | **1** | 1 | 1 |
| | Return on average common shareholders' equity *(%)* | **5** | 2 | (3) |
| | Before extraordinary item *(%)* | **11** | | |

*Primary aluminum capacity has been restated to reflect better the actual production levels achieved over a period of time.

| 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|---|---|
| 7,596 | 7,748 | 8,757 | 8,839 | 8,529 | 6,797 | 5,956 | 5,718 |
| 69 | 82 | 162 | 208 | 97 | 81 | 100 | 113 |
| 7,665 | 7,830 | 8,919 | 9,047 | 8,626 | 6,878 | 6,056 | 5,831 |
| 6,300 | 6,455 | 6,996 | 6,682 | 6,072 | 5,117 | 4,635 | 4,692 |
| 449 | 429 | 393 | 333 | 316 | 296 | 276 | 258 |
| 596 | 635 | 659 | 600 | 525 | 447 | 406 | 385 |
| 125 | 131 | 150 | 136 | 132 | 95 | 77 | 77 |
| 254 | 246 | 197 | 130 | 137 | 177 | 202 | 232 |
| — | — | — | — | — | — | — | 416 |
| 118 | 163 | 65 | 62 | 91 | 113 | 52 | 53 |
| (17) | (104) | 126 | 350 | 497 | 230 | 134 | (123) |
| 53 | 89 | 211 | 97 | 97 | 35 | 5 | 15 |
| (5) | — | (1) | (16) | (22) | (5) | (2) | (3) |
| (112) | (36) | 543 | 835 | 931 | 433 | 277 | (147) |
| — | — | — | — | — | — | — | — |
| (112) | (36) | 543 | 835 | 931 | 433 | 277 | (147) |
| 23 | 20 | 22 | 21 | 30 | 36 | 33 | 33 |
| (135) | (56) | 521 | 814 | 901 | 397 | 244 | (180) |
| 1,460 | 1,717 | 1,842 | 1,774 | 1,764 | 1,735 | 1,594 | 1,614 |
| 6,256 | 6,525 | 6,167 | 5,260 | 4,280 | 3,965 | 3,949 | 3,875 |
| 10,146 | 10,816 | 10,649 | 9,508 | 8,615 | 7,660 | 7,118 | 6,861 |
| 2,786 | 2,997 | 2,616 | 1,724 | 1,518 | 1,525 | 1,616 | 1,939 |
| 955 | 1,126 | 1,092 | 1,044 | 1,006 | 754 | 554 | 409 |
| 353 | 212 | 212 | 212 | 211 | 405 | 421 | 398 |
| 4,266 | 4,730 | 4,942 | 4,610 | 4,109 | 3,565 | 3,116 | 2,746 |
| (0.60) | (0.25) | 2.33 | 3.58 | 3.85 | 1.68 | 1.09 | (0.81) |
| (0.60) | (0.25) | 2.33 | 3.58 | 3.85 | 1.68 | 1.09 | (0.81) |
| 0.45 | 0.86 | 1.12 | 1.12 | 0.59 | 0.39 | 0.35 | 0.49 |
| 19.06 | 21.17 | 22.19 | 20.30 | 18.06 | 15.05 | 13.18 | 12.23 |
| 17.63 | 20.00 | 19.50 | 22.88 | 21.75 | 17.92 | 12.55 | 12.89 |
| 870 | 866 | 857 | 743 | 832 | 787 | 731 | 878 |
| 1,389 | 1,333 | 1,488 | 1,518 | 1,446 | 1,410 | 1,388 | 1,340 |
| 206 | 145 | 81 | 75 | 80 | 99 | 107 | 100 |
| 2,465 | 2,344 | 2,426 | 2,336 | 2,358 | 2,296 | 2,226 | 2,318 |
| 1,612 | 1,695 | 1,651 | 1,643 | 1,619 | 1,587 | 1,641 | 1,644 |
| 675 | 591 | 646 | 718 | 716 | 593 | 489 | 465 |
| 418 | 463 | 447 | 539 | 480 | 496 | 579 | 625 |
| 1,711 | 1,676 | 1,685 | 1,685 | 1,680 | 1,680 | 1,841 | 1,841 |
| 1,862 | 1,827 | 1,836 | 1,836 | 1,831 | 1,861 | 1,905 | 1,905 |
| 465 | 659 | 760 | 970 | 1,370 | 879 | 725 | 586 |
| 474 | 880 | 1,367 | 1,466 | 676 | 415 | 342 | 597 |
| 37:63 | 37:63 | 33:67 | 26:74 | 26:74 | 27:73 | 31:69 | 37:63 |
| 49 | 54 | 57 | 57 | 56 | 63 | 67 | 70 |
| 32 | 34 | 38 | 40 | 41 | 46 | 49 | 59 |
| 224 | 223 | 223 | 227 | 228 | 237 | 237 | 225 |
| 69 | 68 | 54 | 44 | 54 | 44 | 43 | 46 |
| 30 | 31 | 44 | 54 | 43 | 53 | 52 | 49 |
| 1 | 1 | 2 | 2 | 3 | 3 | 5 | 5 |
| (3) | (1) | 11 | 19 | 24 | 12 | 8 | (6) |

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

# Corporate Governance

The business and affairs of Alcan are managed by its Board of Directors acting through the Management of the Company. The Directors and Officers of Alcan are named on the opposite page. In discharging its duties and obligations, the Alcan Board acts in accordance with the provisions of (a) the Canada Business Corporations Act, (b) the Company's constituting documents and by-laws and (c) other applicable legislation and Alcan policies.

Alcan does not have a controlling shareholder nor do any of the Directors represent the investment of any minority shareholder.

Corporate governance has traditionally received the active attention of Alcan's Board. For instance, an intensive review of the guiding principles of Alcan conducted by the Board in the 1970s led to the publication in 1978 of a policy statement titled *Alcan, Its Purpose, Objectives and Policies*, which has remained fundamentally unchanged. That statement represents the basic business principles which guide Alcan employees in conducting a widespread international enterprise and has helped Alcan achieve public understanding and trust. In 1995, in a survey of corporate governance practices, one of the largest institutional investors in the United States placed Alcan on its highest award list.

The Montreal and Toronto stock exchanges now require a formal description of corporate governance practices by all listed companies. Alcan's disclosure in this regard is published in the Management Proxy Circular issued in connection with the forthcoming Annual Meeting; a copy is available from Shareholder Services at the address on page 57.

Committees of the Board (described briefly at right) assist the Board in carrying out its functions and make recommendations to it on various matters. Membership of these Committees is indicated on the opposite page.

The Corporate Governance Committee has the responsibility for reviewing Board compensation, practices and performance, candidates for directorship and Board Committee membership. It also considers recommendations from the Personnel Committee regarding the appointments of the Chairman of the Board and the Chief Executive Officer.

The Audit Committee assists the Board in fulfilling its functions relating to corporate accounting and reporting practices as well as financial and accounting controls, in order to provide effective oversight of the financial reporting process; it also reviews financial statements as well as proposals for issues of securities.

The Environment Committee has the responsibility for reviewing policy, management practices and performance of Alcan in environmental matters.

The Personnel Committee has the responsibility for reviewing all personnel policy and employee relations matters (including compensation), and for making recommendations to the Corporate Governance Committee on Board compensation and on the appointments of the Chairman of the Board and the Chief Executive Officer. All matters relating to the Chief Executive Officer are dealt with by non-executive members of the Committee.

A special committee composed of members of the Personnel Committee, except the Chief Executive Officer, administers the Alcan Executive Share Option Plan.

# Directors and Officers

*As at January 1, 1996*

## Directors

**Dr. John R. Evans, C.C.**[1, 3, 8]
Chairman of the Board
of Alcan Aluminium Limited,
Montreal
*Age 66, director since 1986*

**Sonja I. Bata, O.C.**[5, 7]
Director of Bata Limited,
Toronto
*Age 69, director since 1979*

**W. R. C. Blundell**[1, 7]
Director of various companies,
Toronto
*Age 68, director since 1987*

**Jacques Bougie, O.C.**[3, 5]
President and Chief Executive Officer
of Alcan Aluminium Limited,
Montreal
*Age 48, director since 1989*

**Warren Chippindale, F.C.A.**[2, 3, 7]
Director of various companies,
Montreal
*Age 67, director since 1986*

**D. Travis Engen**[7]
Chairman, President and
Chief Executive Officer of
ITT Industries, Inc.,
New York
*Age 51, director since 1996*

**Allan E. Gotlieb, C.C.**[3, 5, 7]
Director of various companies,
Toronto
*Age 67, director since 1989*

**J. E. Newall, O.C.**[3, 6, 7]
President and Chief Executive Officer
of NOVA Corporation,
Calgary
*Age 60, 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 63, director since 1989*

**Sir George Russell, C.B.E.**[1, 3, 7]
Chairman of Marley plc,
Kent, England
*Age 60, director since 1987*

**Guy Saint-Pierre, O.C.**[1, 7]
President and Chief Executive
Officer of SNC-Lavalin Group Inc.,
Montreal
*Age 61, 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*

## Officers

**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,
Environment and Corporate Development

**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

# Shareholder Information

## Common Shares

The principal markets for trading in Alcan's 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 Mellon Shareholder Services, L.L.C. 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$) | | | | Toronto Stock Exchange (CAN$) | | | |
| 1995 Quarter | US$ | High | Low | Close | Avg. Daily Volume | High | Low | Close | Avg. Daily Volume |
| First | 0.075 | 27 1/4 | 23 3/8 | 26 5/8 | 446,694 | 38 5/8 | 33 1/8 | 37 1/8 | 540,557 |
| Second | 0.075 | 30 3/8 | 26 1/4 | 30 1/4 | 394,053 | 41 3/4 | 36 5/8 | 41 1/2 | 638,672 |
| Third | 0.150 | 36 5/8 | 30 1/2 | 32 3/8 | 734,227 | 49 5/8 | 41 3/4 | 43 1/2 | 778,956 |
| Fourth | 0.150 | 34 1/2 | 28 5/8 | 31 1/8 | 492,815 | 47 1/8 | 39 3/8 | 42 3/8 | 811,183 |
| Year | 0.450 | | | | | | | | |
| 1994 Quarter | | | | | | | | | |
| 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 | 0.300 | | | | | | | | |

* 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 57.

## Securities Reports for 1995

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, 1996. Copies of both may be obtained from Shareholder Services at the address on page 57.

## 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

Copies of the Company's press releases are available by fax. Simply call 1-800-251-3553. There is no charge for this service.

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# The Alcan Group Worldwide*

*This list names only the principal subsidiaries, related companies or divisions in each country where the Alcan Group has a significant presence as at December 31, 1995, unless otherwise indicated. A complete list is contained in the Company's 10-K Report, available from Alcan's headquarters in Montreal.

## North America

**Bermuda**
Alcan (Bermuda) Limited

**Canada**
Alcan Aluminium Limited
Alcan Cable
Alcan International Limited
Alcan Recycling
Alcan Rolled Products Company
Alcan Rolled Products Recycling
Alcan Smelters and Chemicals Ltd.

**Jamaica**
Alcan Jamaica Company

**United States**
Alcan Aluminum Corporation
Alcan Cable
Alcan Ingot
Alcan Recycling
Alcan Rolled Products Company
Alcan Rolled Products Recycling

## South America

**Argentina**
C & K Aluminio S.A. (50%)

**Brazil**
Alcan Aluminio do Brasil S.A.
Consorcio Aluminio do Maranhão (Alumar Consortium) (10%)
FICAP S.A. (25%)
Mineração Rio do Norte S.A. (12.5%)
Petrocoque S.A. – Industria & Comércio (25%)

**Uruguay**
Alcan Alumínio del Uruguay S.A. (89.9%)

## Africa

**Ghana**
Ghana Bauxite Company Limited (45%)

**Guinea**
Compagnie des Bauxites de Guinée (16.8%)
Friguia (10.2%)

## Europe

**France**
Alcan France (Technal)

**Germany**
Alcan Deutschland GmbH
Aluminium Norf GmbH (50%)

**Ireland**
Aughinish Alumina Limited

**Italy**
Alcan Alluminio S.p.A.

**Norway**
Vigeland Metal Refinery A/S (50%)

**Spain**
Productos Aluminio do Consumo S.A.

**Switzerland**
Alcan Aluminium AG
Alcan Rorschach AG

**United Kingdom**
British Alcan Aluminium plc[3]

## Pacific

**Australia**
Alcan South Pacific Pty Limited
Queensland Alumina Limited (21.4%)

**China**
Nonfemet International Aluminium Company Limited (21.3%)[1]

**Hong Kong**
Alcan Asia Limited
Alcan Nikkei China Limited (73.2%)[2]
Alcan Nikkei Korea Limited (73.2%)[2]

**India**
Indian Aluminium Company, Limited (34.6%)

**Japan**
Alcan Pacific Limited
Alcan Asia Limited (Japan Branch)
Nippon Light Metal Company, Ltd. (47.4%)
Toyo Aluminium K.K. (48.8%)

**Korea**
Alcan Nikkei Korea Limited (Seoul Branch)

**Malaysia**
Aluminium Company of Malaysia Berhad (30.5%)[1]

**Thailand**
Nikkei Siam Aluminium Company, Ltd. (33.2%)[1]
Nikkei Thai Aluminium Company, Ltd. (36.8%)[1]

[1] Interest held through Nippon Light Metal Company, Ltd. (NLM), which is 47.4% owned by Alcan.

[2] Alcan's direct interest is 49%, the remaining interest is held through NLM.

[3] On February 12, 1996, Alcan announced the sale of a portfolio of non-strategic downstream businesses. The portfolio consists of 12 businesses in the U.K. and the U.S. and involves about 4,200 employees.

## Parent Company and World Headquarters

**Alcan Aluminium Limited**
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## Version française

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Alcan Aluminium Limited