Aluminum Company of Canada, Limited

ANNUAL REPORT 1982

PRESIDENT'S MESSAGE

The Company's net income for the year was $48 million compared with $288 million in 1981 and $421 million in 1980. This year's earnings were the lowest since 1976 when operations were adversely affected by a smelter strike. The main cause for the deterioration in earnings year on year was a further erosion in prices of ingot.

In spite of lower volumes of sales in North America, the overall tonnage shipped by the Company was more than sustained by increased sales through associate companies offshore, particularly to the Far East. These sales combined with a modest cutback in production from the smelters resulted in a decrease in inventories back to approximately normal operating levels.

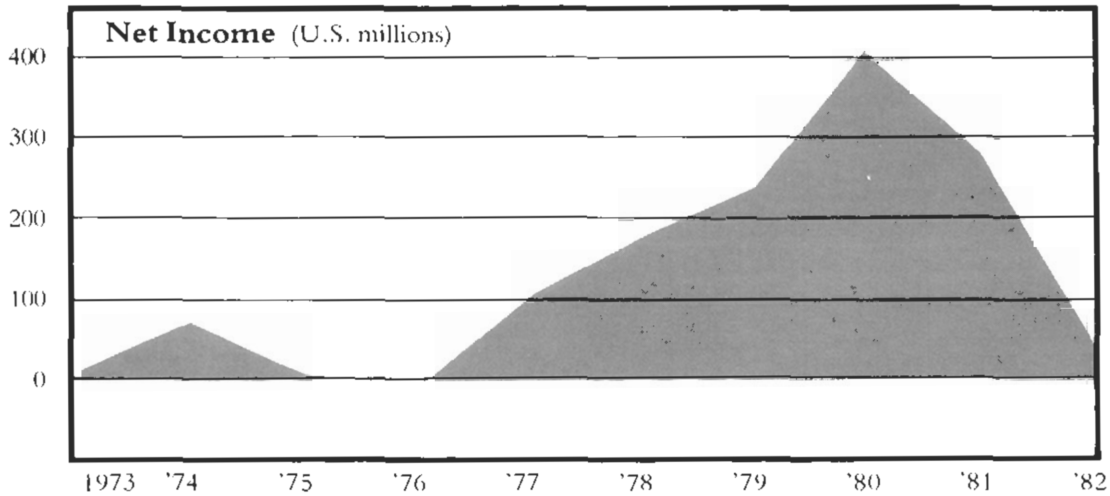
The financial strength of the Company was maintained by extensive cash conservarion programs including a reduction of capital expenditures from $710 million in 1981 to $331 million in 1982. Steps were taken to improve the availability of funds by new issues of debt and preference shares.

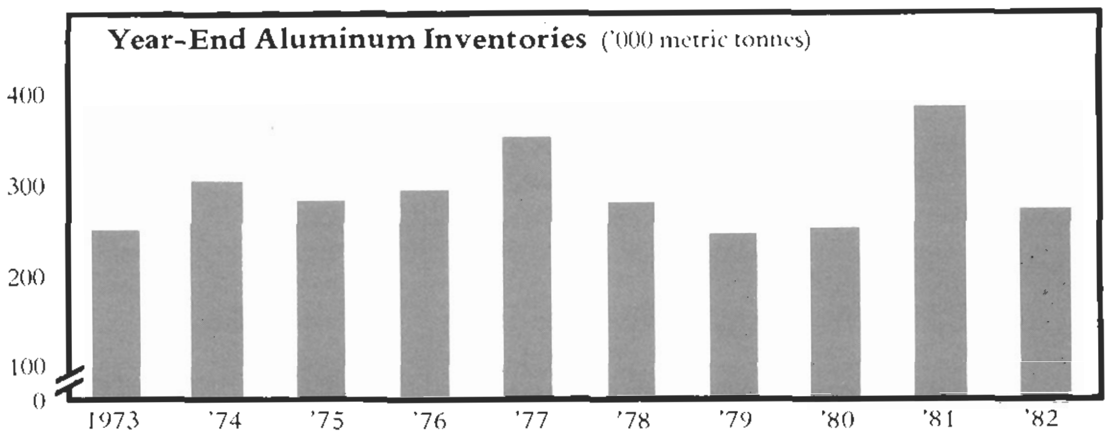
Labour relations were satisfactory at all locations. The Company has several contracts expiring in 1983, the major ones being at the Kitimat smelter in April, at the Kingston Sheet and Extrusion Plant in May and the Eastern smelter system at the end of the year.

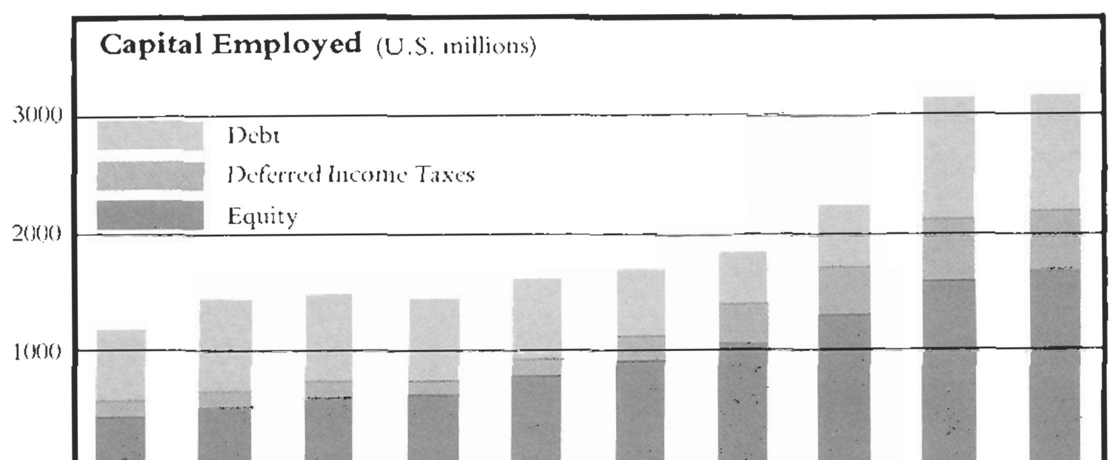
The Company remains well positioned to take advantage of an improvement in the economy. The financial position is strong and adequate operating capacity is available in all the main sectors of the Company. At the turn of the year there are some positive indications of higher demand which gives grounds for cautious optimism.

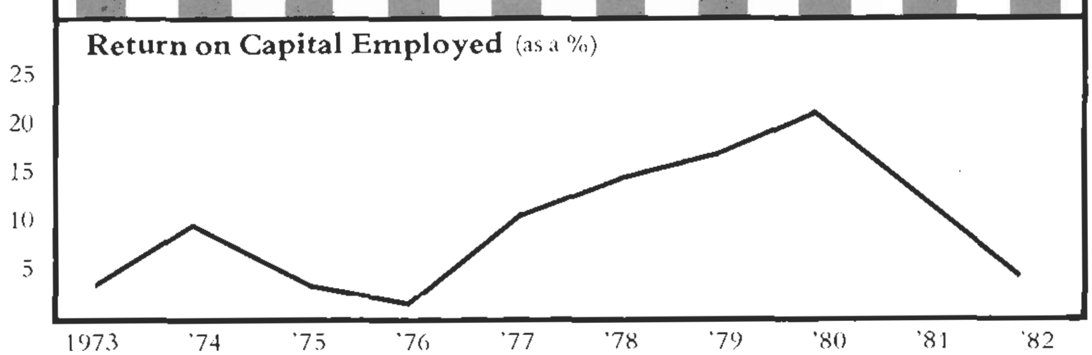
Montreal, Canada
4 February 1983

David Morton
President and
Chief Executive Officer


Net Income (U.S. millions)
400
300
200
100
0
1973 '74 '75 '76 '77 '78 '79 '80 '81 '82


Year-End Aluminum Inventories ('000 metric tonnes)
400
300
200
100
0
1973 '74 '75 '76 '77 '78 '79 '80 '81 '82


Capital Employed (U.S. millions)
Debt
Deferred Income Taxes
Equity
3000
2000
1000


Return on Capital Employed (as a %)
25
20
15
10
5
1973 '74 '75 '76 '77 '78 '79 '80 '81 '82

Results of Operations

Sales revenues of $2,204 million were 15% less than the 1981 sales of $2,582 million, largely due to lower prices of ingot and ingot products.

Average realizations on sales of ingot were $1,064 per tonne in 1982 compared with $1,526 per tonne in 1981. Realizations on fabricated products, however, held up reasonably well during the year. Shipments of aluminum products totalled 1,026,000 tonnes in 1982 compared with 871,000 tonnes in 1981.

Interest costs totalled $136 million in 1982 compared with $103 million in 1981, due to higher average interest rates and an increase in the average amount of borrowings during the year. Of the total interest costs, $75 million and $62 million respectively were charged against income in 1982 and 1981 with the balance being capitalized to projects under construction.

Total costs and expenses were only 1% above those for 1981. The fall in income before taxes was attributable almost entirely to low prices for ingot products and lower volume of fabricated product sales.

The effective income tax rate for the year was a negative 4.3%, compared to a rate of 34.8% in 1981, due mainly to the continued availability of tax incentives in Canada on a much reduced pre-tax income.

Liquidity and Capital Resources

Lower earnings in 1982 resulted in funds from operations totalling only $173 million compared with $503 million in 1981. As a result of the lower earnings, no dividends were paid on the Company's common shares. Dividends on preferred shares totalled $29 million.

The ratio of total debt (including short-term borrowings and a demand loan from the parent company) to equity, deferred income taxes and redeemable preferred shares was 32:68 at the end of 1982 compared to 33:67 at the end of 1981.

During 1982, the Company obtained further bank credit lines of $100 million and $150 million in March and April 1982, and increased its Can. $100 million bank line of credit to Can. $200 million in September 1982. At 31 December 1982, the unutilized balance available under these credit lines (after deducting the amount required to back up short-term promissory notes outstanding) was $751 million. In addition, $5 million was unutilized under certain low cost export credit facilities available in respect of the alumina plant under construction in Ireland.

The Company also converted a portion of its floating rate debt to fixed rate debt through a $75 million 10 year Eurodollar debenture issue and a $100 million 10 year U.S. note issue. An issue of cumulative redeemable, retractable preference shares totalling $204 million took place in November 1982. The funds were used to redeem $150 million of third preferred shares held by the parent company and to reduce long-term borrowings.

The Company's United States subsidiary, Alcan Aluminum Corporation, has revolving credit facilities totalling $150 million of which $114 million was unutilized at 31 December 1982. The subsidiary also has separate facilities totalling $226 million from banks for discounting trade bills (bankers' acceptances) and, at year end 1982, $3 million was outstanding under these facilities.

QUARTERLY FINANCIAL DATA (unaudited)

(in millions of U.S. dollars)	1982			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales and operating revenues	$625	$599	$598	$545
Gross profit	88	73	76	59
Net income (Loss)	21	26	17	(16)

(in millions of U.S. dollars)	1981			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales and operating revenues	$735	$766	$663	$576
Gross profit	210	196	166	107
Net income	95	87	73	33

(in millions of U.S. dollars)	1980			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales and operating revenues	$722	$730	$759	$721
Gross profit	219	235	220	213
Net income	108	104	106	103

CONSOLIDATED STATEMENT OF INCOME

Year Ending 31 December *(in millions of U.S. dollars)*	**1982**	1981	1980
Revenues			
Sales (note 3)	**$2,204**	$2,582	$2,761
Operating revenues	**163**	158	171
Other income	**14**	13	17
	2,381	2,753	2,949
Costs and Expenses			
Cost of sales and operating expenses (note 3)	**1,946**	1,946	1,960
Depreciation	**125**	115	85
Selling, research and administrative expenses	**183**	186	161
Interest (note 12)	**75**	62	32
Other expenses	**6**	2	3
	2,335	2,311	2,241
Income Before Income Taxes	**46**	442	708
Income Taxes (note 4)			
Current	**(2)**	53	193
Deferred	**—**	101	94
	(2)	154	287
Net Income (note 2)	**$ 48**	$ 288	$ 421

CONSOLIDATED BALANCE SHEET

ASSETS

31 December *(in millions of U.S. dollars)*	**1982**	1981	1980
Current Assets			
Cash and time deposits	**$ 18**	$ 45	$ 19
Receivables	**286**	370	395
Inventories			
Aluminum	**359**	477	308
Raw materials	**277**	316	281
Other supplies	**157**	164	145
	1,097	1,372	1,148
Deferred Charges	**30**	25	18
Deferred Receivables (note 5)	**52**	54	71
Investments in Related Companies	**51**	55	25
Property, Plant and Equipment			
Cost (note 6)	**3,887**	3,578	2,911
Accumulated depreciation	**1,597**	1,491	1,408
	2,290	2,087	1,503
Total Assets	**$3,520**	$3,593	$2,765

CONSOLIDATED BALANCE SHEET

LIABILITIES AND COMMON SHAREHOLDER'S EQUITY

31 December *(in millions of U.S. dollars)*	1982	1981	1980
Current Liabilities			
Payables	**$ 260**	$ 376	$ 341
Demand loan from parent company	**107**	100	98
Short-term borrowings (principally from banks)	**42**	66	36
Income and other taxes	**—**	—	102
Debt maturing within one year (note 7)	**18**	10	10
	427	552	587
Debt Not Maturing Within One Year (note 7)	**837**	858	396
Deferred Credits (note 3)	**79**	70	67
Deferred Income Taxes	**503**	506	405
Redeemable Preferred Shares (note 8)	**346**	294	145
Common Shareholder's Equity (note 9)			
Common shares	**336**	336	334
Retained earnings	**992**	977	831
	1,328	1,313	1,165
Commitments (note 10)			
Total Liabilities and Common Shareholder's Equity	**$3,520**	$3,593	$2,765

Approved by the Board: David Morton, Director
R.F. Sharratt, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ending 31 December *(in millions of U.S. dollars)*	1982	1981	1980
Source of Funds			
Net income	$ 48	$ 288	$ 421
Depreciation	125	115	85
Deferred income taxes	—	101	94
Other	—	(1)	(1)
From operations	173	503	599
New debt	409	474	46
Preferred shares	204	150	—
Other — net	10	2	18
	796	1,129	663
Application of Funds			
Plant and equipment	331	710	450
Debt repayments	435	17	22
Redemption of preferred shares	151	1	16
Dividends	29	142	179
	946	870	667
Increase (Decrease) in Working Capital (note 11)	(150)	259	(4)
Working Capital — Beginning of Year	820	561	565
Working Capital — End of Year	$ 670	$ 820	$ 561

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ending 31 December *(in millions of U.S. dollars)*	1982	1981	1980
Retained Earnings — Beginning of Year	$ 977	$ 831	$ 589
Net Income	48	288	421
	1,025	1,119	1,010
Cost of Preferred Share Issue, *net of applicable income tax*	4	—	—
Dividends			
Preferred	29	14	12
Common	—	128	167
	33	142	179
Retained Earnings — End of Year (note 9)	$ 992	$ 977	$ 831

NOTES TO FINANCIAL STATEMENTS

(in millions of U.S. dollars)

1. Summary of Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in Canada, include the accounts of all companies more than 50% owned and the Company's pro rata share equal to its interest in joint venture operations. In addition, under the equity accounting principle, consolidated net income includes the Company's equiry in net income or loss of all companies 20-50% owned and the investments in these companies have been increased or decreased by the Company's share of their undistributed net income or loss since acquisition. When the cost of an investment differs from the book value of the Company's equity therein at the date of acquisition, the difference is amortized over the estimated average useful life of the fixed assets acquired.

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

TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS

The consolidated financial statements are expressed in U.S. dollars, the principal currency of international trade and of the Company's business.

Current assets (excluding inventories), current liabilities and long-term monetary assets and liabilities included in the consolidated balance sheet are translated at the rates of exchange at year end. Other balance sheet items are translated at the rates prevailing at the respective transaction dates. Accounts included in the consolidated statement of income are translated at the average rates prevailing during the year except for the cost of inventories and depreciation which are translated at rates prevailing when the related assets were acquired. Translation gains and losses are included in net income except for gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of rhe related items.

OTHER

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

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

2. Currency Translation

Currency translation losses included in net income were $27 ($12 in 1981 and $2 in 1980), including losses of $28 ($12 in 1981 and $7 in 1980) arising from the translation of cost of inventories.

The Financial Accounting Standards Board in the United States in Statement No. 8 requires that companies reporting to investors in the United States follow the practice of absorbing immediately in income unrealized exchange gains and losses on the translation of non-U.S. dollar long-term monetary assets and liabilities. However, the Company follows the practice recommended by The Canadian Institute of Chartered Accountants of deferring such unrealized exchange gains and losses and amortizing them over the remaining lives of the related items. The following table compares reported net income under the Company's method with the net income that would have been reported under the FAS 8 method together with the cumulative effect on retained earnings.

	1982		1981		1980	
	Company Method	FAS 8 Method	Company Method	FAS 8 Method	Company Method	FAS 8 Method
Consolidated net income (loss)						
First quarter (unaudited)	$ 21	$ 18	$ 95	$ 95	$108	$110
Second quarter (unaudited)	26	20	87	90	104	97
Third quarter (unaudited)	17	26	73	73	106	108
Fourth quarter (unaudited)	(16)	(13)	33	33	103	103
	48	51	288	291	421	418
Consolidated retained earnings						
Beginning of year	977	1,000	831	851	589	612
End of year	992	1,018	977	1,000	831	851

3. Related Party Transactions

Sales and cost of sales include transactions with related companies. Sales to related companies are disclosed under Information by Geographic Areas (note 14). Cost of sales includes purchases from related companies as follows:

	1982	1981	1980
Alumina	$ 67	$ 48	$ 62
Bauxite	95	97	115

Deferred credits include a prepayment of $61 ($57 in 1981 and $51 in 1980) by a related company under an alumina tolling arrangement.

The Company received Can. $17 from its parent company, Alcan Aluminium Limited, to perform certain research and development activities on the latter's behalf pursuant to an agreement entered into in 1982. By virtue of this agreement, the Company is obliged to pay to its parent during the years 1983 through 1987 a royalty of 1.5% of certain incremental sales revenues over a designated base, up to an aggregate maximum of Can. $27.

4. Income Taxes

	1982	1981	1980
Income before income taxes			
Canada	$ 67	$358	$553
Other countries	(21)	84	155
	46	442	708
Current income taxes			
Canada	(5)	31	147
Other countries	3	22	46
	(2)	53	193
Deferred income taxes			
Canada	8	94	75
Other countries	(8)	7	19
	—	101	94
Total income tax provision (recovery)	$ (2)	$154	$287

The composite of the applicable statutory corporate income tax rates in Canada is presently 47.8% (51.2% in 1981 and 51.0% in 1980). Profits earned by subsidiary companies located outside Canada are generally subject to income taxes at rates comparable to this composite rate. Dividends paid by these subsidiary companies are generally tax-exempt upon receipt in Canada. Taxes withheld at source are included in current income taxes — other countries.

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

	1982	1981	1980
Income taxes at the above composite rates	$ 22	$226	$361
Reduction attributable to:			
Investment and other allowances	22	69	71
Other — net	2	3	3
Income tax provision (recovery)	$ (2)	$154	$287

The deferred income tax provision resulted from the following timing differences:

	1982	1981	1980
Depreciation claimed for tax purposes in excess of depreciation recorded for book purposes	$ 53	$119	$ 69
Cost of sales claimed for U.S. tax purposes in excess of (less than) that recorded for book purposes	(17)	1	15
Investment tax credits, foreign tax credits and other tax benefits carried forward	(41)	(22)	—
Other — net	5	3	10
	$ —	$101	$ 94

5. Deferred Receivables

Deferred receivables include $32 ($33 in 1981 and $35 in 1980) due with interest over the period 1984 to 1991 from the Government of Guyana in respect of the nationalization in 1971 of the Company's bauxite and alumina assets.

6. Property, Plant and Equipment, at Cost

	1982	1981	1980
Land, and property rights	$ 56	$ 52	$ 51
Buildings, machinery and equipment	3,155	2,861	2,306
Construction work in progress	676	665	554
	$3,887	$3,578	$2,911

Capital expenditures in 1983 are expected to be about $210.

7. Debt Not Maturing Within One Year

	1982	1981	1980
Aluminum Company of Canada, Limited			
Bank loans under $600 revolving credit agreement, due 1986/1990 (a)	$100	$460	$ 40
Bank loans under $150 credit agreement, due 1987/1991 (b)	50	—	—
Notes payable (commercial paper) (c)	112	—	—
9½% Sinking fund debentures, due 1995	75	80	82
10¾% Sinking fund debentures, due 1994 (Can. $53)	43	53	55
9⅜% Sinking fund debentures, due 1991 (Can. $45)	36	38	38
9½% Sinking fund debentures, due 1988	33	35	37
15¾% Eurodollar debentures, due 1992	75	—	—
14¼% Notes, due 1992	100	—	—
8½% Loan, due 1983/1992 (£31)	51	35	—
5.10% Notes, due 1983/1992	45	50	54
Other debt, due 1983/2001	46	32	9
Alcan Aluminum Corporation (USA)			
4¾% Notes, due 1983/1984	7	10	14
9½% Notes, due 1983/1994	41	42	44
Other debt, due 1983/2005	18	19	16
Other subsidiaries	—	—	1
	832	854	390
Debt maturing within one year included in current liabilities	(18)	(10)	(10)
Unamortized amount of unrealized exchange	23	14	16
	$837	$858	$396

7. Debt Not Maturing Within One Year (continued)

The Company and its subsidiaries have a number of agreements for the purpose of assuring future credit availability, the most significant of which are:

(a) This revolving credit agreement is with a group of banks providing for loans bearing interest at a rate equal to the base rate of Citibank, N.A. or rates related to LIBOR. Loans under this agreement are to be repaid in five annual instalments of 10%, 15%, 25%, 25% and 25%, beginning one year after 1 May 1985, rhe termination date of the credit agreement.

(b) This credit agreement is with a group of banks providing for loans bearing interesr at a rate related to LIBOR. Loans under this agreement are to be repaid in four equal instalments on 27 April 1987, 27 April 1990, 27 October 1990, and 27 April 1991.

(c) Notes payable (commercial paper) are issued in Canada and the United States at market rates and are fully backed up by unutilized long-term credit agreements.

Based on rates of exchange at year end and after allowing for prepayments, as at 31 December 1982 sinking fund and other requirements over the next five years amount to $18 in 1983, $27 in 1984, $30 in 1985, $40 in 1986 and $59 in 1987.

8. Redeemable Preferred Shares

AUTHORIZED PREFERRED CAPITAL

3,810,303 Cumulative Redeemable First Preferred Shares without nominal or par value, issuable in series, of which the first series consisrs of 1,810,303 Can. $2.00 Tax Deferred Cumulative Redeemable Retractable First Preferred Shares.

10,000,000 Second Preferred Shares without nominal or par value, issuable in series. The firsr three series consist together of 4,000,000 floating rate shares in U.S. currency;

An unlimited number of Preference Shares withour nominal or par value, issuable in series, consisting of 7,750,000 Can. $2.3125 Cumulative Redeemable Retractable Preference Shares, Series A, and 1,850,000 $2.1875 Cumulative Redeemable Retractable Preference Shares, Series B.

OUTSTANDING PREFERRED CAPITAL

	31 December		
	1982	**1981**	**1980**
First preferred — 1,803,503 shares (1981 — 1,863,503; 1980 — 1,923,503)	$ 37	$ 39	$ 40
Second preferred — 4,000,000 shares	100	100	100
Preference, series A — 7,750,000 shares	157	—	—
Preference, series B — 1,850,000 shares	46	—	—
Third preferred — redeemed during 1982	—	150	—
	340	289	140
Unamortized amount of unrealized exchange	6	5	5
	$346	$294	$145

8. Redeemable Preferred Shares (continued)

The Company shall, during each calendar quarter, purchase for cancellation 15,000 first preferred shares in the open market if available at a price not exceeding Can. $25.00 per share. If after all reasonable efforts the Company is unable to purchase an aggregate of 60,000 shares in any calendar year, the obligation for that year shall be extinguished.

The dividend rate on the outstanding second preferred shares is related to the prime commercial rate of certain Canadian banks for U.S. dollar demand loans in Canada. The shares, which were issued in three equal series on 5 July 1977, are retractable at $25.00 per share in series at the option of the holder on 5 July 1984, 1985 and 1986.

The dividend rates on the series A and series B preference shares are 9.25% and 8.75%, respectively. The shares which were issued on 24 November 1982 are retractable at the option of the holder on 31 December 1989 at Can. $25.00 per series A preference share and $25.00 per series B preference share. During each calendar quarter commencing 1 January 1985, the Company will make reasonable efforts to purchase in the open market for cancellation 58,125 series A and 13,875 series B preference shares up to and including 31 December 1989, and thereafter 1% of each of the series A and series B preference shares outstanding on 1 January 1990 at a price of Can. $25.00 per series A preference share and $25.00 per series B preference share. This obligation is cumulative only within each calendar year.

The above preferred and preference shares also may be called for redemption at the option of the Board of directors at the following prices:

Can. $2.00 tax deferred cumulative redeemable retractable first preferred shares — on 30 days' notice at Can. $26.50 per share during the twelve-month period beginning 1 December 1982 and reducing by Can. $0.30 per share in each of the succeeding twelve-month periods until 30 November 1987, after which the shares will be redeemable at Can. $25.00 per share.

Floating rate second preferred shares — on any dividend payment date on 90 days' notice at $25.00 per share.

Cumulative redeemable retractable preference shares, series A — on 30 days' notice at Can. $26.25 during the twelve-month period beginning 31 December 1987 and reducing by Can. $0.25 per share in each of the succeeding twelve-month periods until 31 December 1992, after which the shares will be redeemable at Can. $25.00 per share.

Cumulative redeemable retractable preference shares, series B — on 30 days' notice at $26.25 per share during the twelve-month period beginning 31 December 1987 and reducing by $0.25 per share in each of the succeeding twelve-month periods until 31 December 1992, after which the shares will be redeemable at $25.00 per share.

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

9. Common Shareholder's Equity

COMMON SHARES

Authorized share capital consists of an unlimited number of common shares without nominal or par value. As at 31 December 1982, there were 11,480,712 common shares outstanding (11,480,712 in 1981 and 11,467,372 in 1980).

RETAINED EARNINGS

Consolidated retained earnings at 31 December 1982 include $555 which, pursuant to the provisions of certain debt and share issues of the Company, is not distributable as dividends either in cash or in kind to the common shareholder, Alcan Aluminium Limited.

10. Commitments

Minimum rental commitments amount to $17 in 1983, $15 in 1984, $12 in 1985, $10 in 1986, $9 in 1987 and lesser annual amounts thereafter. Total rental expense amounted to $30 in 1982 ($53 in 1981 and $71 in 1980).

See also reference to research and development in note 3, capital expenditures in note 6, debt repayments in note 7 and redeemable preferred shares in note 8.

11. Changes in Working Capital

	1982	1981	1980
Current assets			
Cash and time deposits	$ (27)	$ 26	$(29)
Receivables	(84)	(25)	14
Inventories	(164)	223	91
	(275)	224	76
Current liabilities			
Payables and income and other taxes	(116)	(67)	53
Demand loan from parent company	7	2	(2)
Short-term borrowings	(24)	30	35
Debt maturing within one year	8	—	(6)
	(125)	(35)	80
Increase (decrease) in working capital	$(150)	$259	$ (4)

12. Supplementary Income Statement Information

	1982	1981	1980
Repairs and maintenance	$227	$228	$202
Taxes, other than payroll and income taxes	82	71	46
Research and development	25	36	31
Interest on long-term debt	113	71	37
Capitalized interest	(61)	(41)	(24)

13. Pension Plans

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contibutory and generally open to all employees. The total pension expense in 1982 was $32 ($47 in 1981 and $41 in 1980). Pension expense includes amortization of unfunded actuarial liabilities which the Company and its subsidiaries are funding for the most part over periods of 15 years or less.

Based on the most recent actuarial reports the present value of vested accumulated plan benefits was $555 ($519 in 1981 and $412 in 1980), and of non-vested benefits was $11 ($10 in 1981 and $9 in 1980). These present values were determined using a weighted average assumed rate of return of 6.9%. The net assets available for benefits amounted to $686 ($665 in 1981 and $521 in 1980) at market values. The apparent surplus will be needed to meet increases in pension liabilities arising from future increases in salaries, which have not been allowed for in the above present values. The effective dates of the principal actuarial reports were 1 January 1982 for the major Canadian plan and the United States plans, and 1 January 1981 for the other Canadian plan.

Improved benefits granted subsequenr to the above effective dates of the actuarial reports will increase the present value of vested accumulated plan benefits by approximately $88.

14. Information by Geographic Areas

	Canada	United States	Other	Eliminations	Consolidated
Year 1982					
Sales and operating revenues					
Third parties	$ 636	$1,093	$ 25	$ (7)	$1,747
Related companies	516	3	101	—	620
Subsidiaries	371	60	39	(470)	—
Total	1,523	1,156	165	(477)	2,367
Net income	31	(1)	(4)	22	48
Identifiable assets	2,405	661	577	(123)	3,520
Year 1981					
Sales and operating revenues					
Third parties	$ 963	$1,319	$ 69	$ —	$2,351
Related companies	303	8	78	—	389
Subsidiaries	569	93	203	(865)	—
Total	1,835	1,420	350	(865)	2,740
Net income	231	18	35	4	288
Identifiable assets	2,575	716	438	(136)	3,593
Year 1980					
Sales and operating revenues					
Third parties	$1,097	$1,273	$ 54	$ —	$2,424
Related companies	492	16	—	—	508
Subsidiaries	514	71	356	(941)	—
Total	2,103	1,360	410	(941)	2,932
Net income	338	33	52	(2)	421
Identifiable assets	1,962	697	269	(163)	2,765

Sales to subsidiary and related companies are made at a fair market price recognizing volume, continuity of supply and other factors.

Net income is total revenues less expenses directly related to the geographic area in accordance with generally accepted accounting principles.

Identifiable assets represent the total book value of the assets located in each area.

AUDITORS' REPORT

To the Shareholders of Aluminum Company of Canada, Limited

We have examined the consolidated balance sheets of Aluminum Company of Canada, Limited as at 31 December 1982, 1981 and 1980 and the consolidated statements of income, retained earnings and changes in financial position for the three years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 31 December 1982, 1981 and 1980 and the results of its operations and the changes in its financial position for the three years then ended, in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

Montreal, Canada
4 February 1983

PRICE WATERHOUSE
Chartered Accountants

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

The Company's policy is to maintain systems of internal accounting and administrative controls 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.

The annual financial statements are approved by the Board of directors. In addition, the financial statements are examined by the shareholders' independent auditors, Price Waterhouse, whose report appears on page 18.

GENERAL INFORMATION

10-K Report

A copy of the Company's current annual 10-K Report filed with the United States Securities and Exchange Commission will be available after 1 April upon written request to the Secretary of the Company.

Terms

All amounts are reported in United States dollars and all quantities are in metric tons, or 'tonnes'. A tonne is 1,000 kilograms, or 2,204.6 pounds.

'Parent company' means Alcan Aluminium Limited.

'Subsidiary' means a company in which Aluminum Company of Canada, Limited owns more than 50% of the voting stock.

'Related company' means a subsidiary of the parent company, or a company in which the parent company owns from 20% to 50% of the voting stock, or a company in which Aluminum Company of Canada, Limited owns from 20% to 50% of the voting stock.

INFLATION ACCOUNTING *(in millions of U.S. dollars)*
(unaudited)

Introduction

Although inflation has started to decline somewhat, the need for inflation accounting still continues. Even if inflation were to disappear entirely, it will be many years before the old, lower historical costs of fixed assets are removed from the system. Therefore, as long as there is inflation or until there has been zero inflation for several years, there will be inflation induced distortions in the historical cost financial statements. The Company believes these distortions should be recognized if readers of the financial statements are to obtain a realistic assessment of the Company's resulrs.

The Company has voluntarily published inflation accounting information in recent years in accordance with Statement No. 33 of the Financial Accounting Standards Board (FASB) in the United States. However, beginning in 1982, the Company has complied with the requirements of the recently published recommendations of The Canadian Institute of Chartered Accountants (CICA) for reporting the effects of changing prices. These are basically the same as the FASB's current cost reporting requirements except as noted below.

INFLATION ACCOUNTING continued *(in millions of U.S. dollars)*
(unaudited)

Current Cost Accounting

The primary emphasis of the inflation accounting data presented below is on current cost (CC) accounting. This focuses upon the specific changes in prices of assets and in expenses associated with the use of fixed assets or sale of inventories. It is a method of measuring their current values in terms of what the assets would cost to purchase or produce at the balance sheet date or at the date of use of fixed assets or sale of goods produced.

CC amounts for the Company's assets were determined primarily by using appropriate specific indexes or reliable market prices. For property, plant and equipment this method assumes the assets would be replaced with like technology which would not always be the case. Current cost of sales was determined by adjusting historical costs by the estimated specific price changes which occurred between the time of production and the time of sale.

The net current cost values for property, plant and equipment are based on the original estimated lives used for the historical cost accounts except for the Company's hydroelectric power facilities in Canada. These assets have proven to have a life span much longer than the original estimates. Accordingly, their lives have been changed and when applied retroactively portray a more realistic assessment of their net current cost values by approximately one billion dollars as compared with the values which would have been obtained using the original estimated lives. Current cost depreciation expense was not affected materially by this change.

The current cost income (loss) in the schedule below (loss of $74 for 1982, net income of $200 for 1981) are those attributable to the enterprise. To assess income attributable to the common shareholder on a current cost basis, two further factors need to be considered, that is, the "financing adjustment" and "dividends on preferred shares". The financing adjustment is based on the realistic supposition that the funds required to maintain a company's operating capability (i.e. to replace the assets it consumes) will be provided by a combination of shareholder funds and borrowed funds. The financing adjustment calculated by reference to the specific price change during the year for inventory and property, plant and equipment provides a measure of the increases in current costs that will be financed by debt ($47 in 1982, $115 in 1981). Therefore, the current cost net income (loss) attributable to the common shareholder produces a loss of $56 for 1982 (net income of $301 for 1981), after giving effect to preferred dividends of $29 in 1982 ($14 in 1981). The FASB does not require a financing adjustment calculation.

General Inflation Information

In compliance with the CICA requirements, two items of general inflation information are presented. The first, "increase in current cost amounts of inventory and property, plant and equipment based on general inflation" can be compared to the specific price change for these assets. The latter for 1982 was $26 greater than the amount that would have resulted if the specific costs had increased by the rate of general inflation. The second is the "general purchasing power gain on net monetary liabilities". Holders of cash and other monetary assets lose purchasing power during periods of inflation; debtors gain. The Company's general purchasing power gain on net monetary liabilities is $50 for 1982 ($84 for 1981). It should be noted that, unlike the FASB, the CICA does not consider deferred income taxes to be a monetary item. Therefore, the Company would report a general price level gain on net monetary liabilities of $68 ($124 in 1981) under the FASB rules.

INFLATION ACCOUNTING *(in millions of U.S. dollars)*

(unaudited)

CONSOLIDATED STATEMENT OF INCOME

Year ending 31 December

	Historical as reported		Current Cost Basis in average 1982 $	
	1982	**1981**	**1982**	**1981**
Sales and operating revenues	$2,367	$2,740	$2,367	$2,908
Cost of sales and operating expenses	1,946	1,946	1,953	2,087
Depreciation	125	115	242	205*
Selling, research and administrative expenses	183	186	183	198
Interest	75	62	75	67
Other income — net	(8)	(11)	(10)	(12)
	2,321	2,298	2,443	2,545
Income (Loss) before income taxes	46	442	(76)	363
Current income taxes	(2)	53	(2)	56
Deferred income taxes	—	101	—	107
Net income (Loss)	$ 48	$ 288	$ (74)	$ 200

*Revised to reflect improved calculation techniques.

SCHEDULE OF CONSOLIDATED ASSETS

31 December

	Historical as reported		Current Cost Basis in year-end 1982 $	
	1982	**1981**	**1982**	**1981**
Inventory	$ 793	$ 957	$ 856	$1,050
Property, plant and equipment — net	2,290	2,087	4,543	4,461
Net assets (common shareholder's equity)	1,328	1,313	3,651	3,740

SUPPLEMENTARY INFORMATION

	in average 1982 $	
	1982	**1981**
Increase in current cost amounts of inventory and property, plant and equipment based on:		
Specific prices	$ 178	$ 506
General inflation	152	420
Difference	$ 26	$ 86
Financing adjustment on specific price increases of inventory and property, plant and equipment	$ 47	$ 115
Based on the current cost adjustments made to income during the year, the financing adjustment amounts to $32 (1981: $20).		
General purchasing power gain on net monetary liabilities	$ 50	$ 84

SELECTED FINANCIAL DATA*

Operating Data *(thousands of tonnes except as indicated)*	1973	1974	1975	1976	1977	1978	1979	1980	1981	**1982**
Aluminum shipments										
Ingot and ingot products	722	699	702	484	526	665	450	456	365	**628**
Fabricated products	439	435	311	383	397	484	500	517	506	**398**
Total	1,161	1,134	1,013	867	923	1,149	950	973	871	**1,026**
Primary aluminum production	792	874	761	493	826	898	709	918	962	**917**
Aluminum inventories (end of year)	249	304	271	282	348	270	240	244	369	**259**
Primary aluminum capacity (end of year)	939	939	907	894	894	894	904	961	1,018	**1,075**
Net realization on sales of ingot and ingot products (U.S.$ per tonne)	487	682	716	837	1,023	1,062	1,295	1,578	1,526	**1,064**
Consolidated Income Statement Items *(millions of U.S. dollars)*										
Total revenues										
Sales of aluminum ingot and ingot products	352	477	503	405	538	707	583	719	557	**668**
Sales of aluminum fabricated products	464	618	544	665	760	962	1,129	1,281	1,335	**1,054**
Sales of all other products	231	334	360	385	428	476	599	761	690	**482**
Operating revenues	60	81	73	81	130	135	170	171	158	**163**
Other income	9	8	8	11	6	11	31	17	13	**14**
Costs and expenses										
Cost of sales and operating expenses	928	1,171	1,242	1,348	1,457	1,709	1,865	1,960	1,946	**1,946**
Depreciation	60	60	65	67	75	82	84	85	115	**125**
Interest	46	66	67	62	53	51	48	32	62	**75**
Other expenses	81	97	102	103	116	135	141	164	188	**189**
Income taxes	(4)	47	6	(23)	56	123	132	287	154	**(2)**
Net income (Loss)	5	77	6	(10)	105	191	242	421	288	**48**
Consolidated Balance Sheet Items *(millions of U.S. dollars)*										
Working capital	244	409	439	409	526	575	565	561	820	**670**
Property, plant and equipment — net	744	830	866	868	913	986	1,146	1,503	2,087	**2,290**
Long-term debt	491	636	621	565	484	415	374	396	858	**837**
Deferred income taxes	101	140	145	118	175	248	311	405	506	**503**
Redeemable preferred shares	35	31	78	74	172	171	162	145	294	**346**
Common shareholder's equity	432	523	525	576	646	770	922	1,165	1,313	**1,328**
Total assets	1,361	1,716	1,738	1,762	1,893	2,120	2,341	2,765	3,593	**3,520**
Other Statistics										
Funds from operations (millions of U.S. dollars)	45	176	75	29	237	346	388	599	503	**173**
Property, plant and equipment expenditures (millions of U.S. dollars)	61	151	113	67	131	156	257	450	710	**331**
Employees (thousands at end of year)	28	29	27	25	26	26	27	28	27	**24**

Mining — Bauxite Reserves 1982

Under a joint bauxite mining and alumina refining agreement with the Jamaican government, the Company has special mining leases covering proved and probable bauxite reserves of about 108 million crude tonnes as of the beginning of the year 1982 (108 million crude tonnes at the beginning of 1981) with a total weighted average aluminum content of 26%. The Company estimates that these reserves are sufficient to meet 35 years' requirements at annual rated production levels. The amount of aluminum extractable is always less than the total aluminum content, varying according to the nature of the bauxite, the process technology employed to extract the intermediate product, alumina, and the alumina plant efficiency. Bauxite mined during the year totalled 2.0 million crude tonnes (2.8 million crude tonnes in 1981).

**Restated where practical to give retroactive effect to changes in accounting practices.*

DIRECTORS

David M. Culver, Montreal	President and Chief Executive Officer Alcan Aluminium Limited
J. Jacques Gagnon, Montreal	Senior Executive Vice President
Dr. Roger Gaudry, c.c., Montreal	Director of various companies
Roy A. Gentles, Cleveland	President and Chief Executive Officer Alcan Aluminum Corporation
Robert E. Grote, Jr. St. Louis	Retired Chairman of Alcan Aluminum Corporation
John H. Hale, Montreal	Senior Vice President Alcan Aluminium Limited
H. Stewart Ladd, Montreal	Vice President, Organization and Management Alcan Aluminium Limited
Pierre Laurin O.C., Montreal	Vice President, Corporate Planning and Administration
David Morton, Montreal	President and Chief Executive Officer
Hon. John L. Nichol, O.C., Vancouver	President of a private investment company
William J. Rich, Vancouver	Vice President, British Columbia
Richard F. Sharratt, Montreal	Executive Vice President and Chief Financial Officer

OFFICERS

John H. Hale	Chairman of the Board
David Morton	President and Chief Executive Officer
J. Jacques Gagnon	Senior Executive Vice President
Roy A. Gentles	Executive Vice President
R. F. Sharratt	Executive Vice President and Chief Financial Officer
Pierre Laurin, O.C.	Vice President, Corporate Planning and Administration
Hugues Leydet	Vice President, Personnel
William J. Rich	Vice President, British Columbia
Douglas M. Ritchie	Vice President, Canadian Smelting
Claude M. Tétrault	Vice President, Chief Legal Officer and Secretary
Sanford M. Treat, Jr.	Vice President, Canadian Fabricating and Sales
Jacques Vaillancourt	Vice President, Government Relations
F.C. Winser	Vice President
Suresh Thadhani	Treasurer

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