Aluminum Company of Canada, Limited

ALCAN

ANNUAL REPORT 1983

PRESIDENT'S MESSAGE

In 1983, the Company's net income was $80 million compared to $48 million in 1982 and $288 million in 1981. The increase over 1982 was mainly due to a steady improvement in prices of ingot products and a larger volume of fabricated product sales. Prices of fabricated products also began to show some improvement in the last few months of the year.

Aluminum shipments in 1983 were at almost the same level as in 1982. The second and third potlines at the Grande Baie smelter were brought into production bringing this smelter to capacity operation, and previous cutbacks at some other locations were restored. At Aughinish, in Ireland, the new 800,000 tonnes-per-annum alumina plant, in which the Company has a 40% interest, commenced production towards the end of the year.

New labour contracts were signed with employees at the Company's Kitimat smelter and the Kingston sheet and extrusion plant. Negotiations for new labour contracts for employees in the smelters and related facilities in Quebec have started and are progressing satisfactorily. In Jamaica, the collective agreement for the bauxite and alumina production employees expired in January 1984 and negotiations for a new agreement are also in progress.

The Company's parent, Alcan Aluminium Limited, recently reached agreement in principle to acquire part of the assets of the aluminum business of Atlantic Richfield Company (Arco). The proposed transaction is subject to clearance under the anti-trust regulations in the U.S. It is intended that these assets will be transferred to the Company after they are acquired from Arco. The facilities consist of a 163,000 tonnes-per-annum smelter at Sebree, Kentucky; rolling mills in Terre Haute, Indiana, and Louisville and Logan, Kentucky, packaging operations in Louisville, Kentucky and Arco's 25% interest in the alumina plant at Aughinish, Ireland. The acquisition of these facilities will strengthen the Company's operating base in the U.S., which continues to be the world's largest market for fabricated aluminum products. The Company also intends soon to commence construction of the first phase of a new smelter at Laterrière, in Quebec. In British Columbia, the Company has filed an application with the provincial government seeking public approval of its proposed Kemano completion project as the next step in this long-term program.

The continuing economic recovery and increase in demand for aluminum should enable the Company to improve its financial performance in 1984.

HOWARD ROSS LIBRARY OF MANAGEMENT
MAR 7 1984
McGILL UNIVERSITY

Montreal, Canada
8 February 1984

David Morton
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Sales revenues were $2,455 million in 1983 compared with $2,204 million in 1982 and $2,582 million in 1981. The 11% increase in revenues over 1982, on slightly lower tonnage, reflects the improvement in ingot prices and higher shipments of fabricated products during 1983.

Despite higher metal production in 1983, shipments at 1,001,000 tonnes were 25,000 tonnes lower than in 1982 due to the large volume of export sales made in 1982 in order to reduce inventories which had built up in late 1981. At the end of 1983, metal inventories were 32,000 tonnes lower than at the end of 1982. The 1983 fabricated product shipments represented 52% of total shipments, compared to only 39% in 1982.

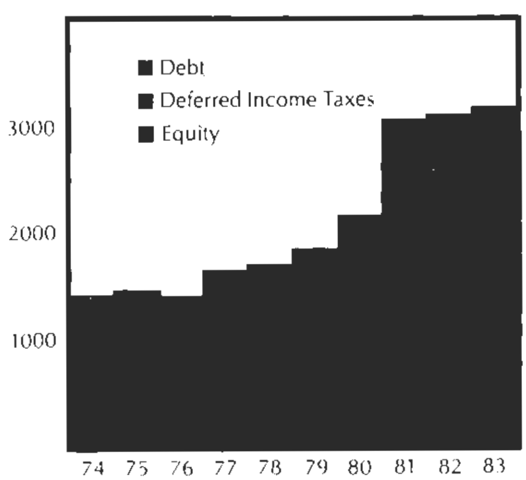
As a result of increased smelter production and fabricated product sales, there was a reduction in the sale of surplus power and tolling of customers' metal, resulting in a 34% drop in operating revenues.

The increase in depreciation charges for the year relates to the new smelter facilities at Grande Baie and the alumina plant at Aughinish.

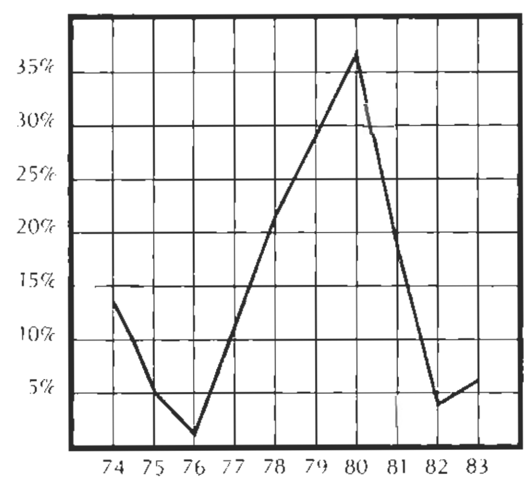
Total interest charges for 1983 at $108 million (including $27 million of capitalized interest) were well below the total for 1982 of $136 million (including $61 million of capitalized interest) due to a reduction in interest rates on floating rate debt.

The Company's effective tax rate for the year was 22% compared to a negative 4.3% in 1982. The higher rate reflects a reduction in tax allowances available in 1983 due mainly to the substantial reduction in capital spending in Canada.

FINANCIAL HIGHLIGHTS



Capital Employed
(U.S. millions)



Return on Capital Employed
(as a %)

Liquidity and Capital Resources

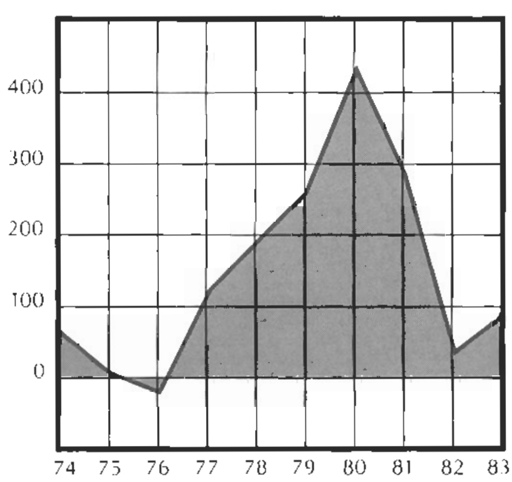
Capital expenditures of $196 million (compared to $331 million in 1982), an increase in working capital (excluding short-term borrowings and demand loan from parent company) of $41 million and dividend payments of $43 million were financed almost entirely by funds from operations. There was a net increase of $16 million in total borrowings.

The Company's 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 at 31:69 on 31 December 1983 was the same as at the end of 1982. At the end of 1981, the ratio was 33:67.

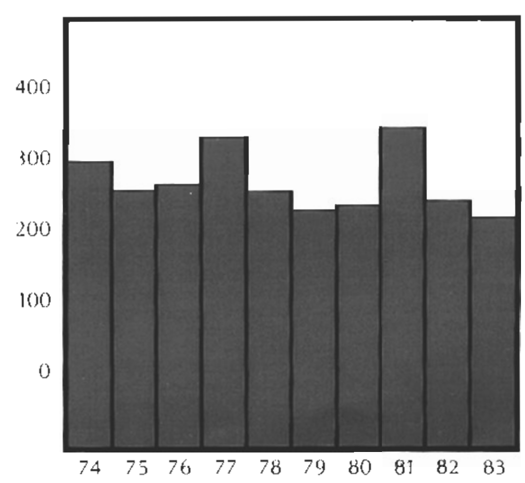
During the year, the revolving credit facilities with a group of banks were reduced from $600 million to $400 million, as these facilities had remained largely unutilized for a long period of time. There were no other changes in existing credit lines, and facilities available now total $650 million and Can. $200 million, of which $611 million and Can. $152 million were unutilized at 31 December 1983 (after deducting the amount required to back-up short-term promissory notes). In addition, the Company's United States subsidiary has revolving credit facilities totalling $150 million, of which $93 million was unutilized at 31 December 1983. This subsidiary also has separate facilities for discounting trade bills (bankers' acceptances).

During the year, the Company reduced its borrowings from banks and some of its short-term promissory notes by an increase in borrowings from the parent company.

A Registration Statement, filed with the Securities and Exchange Commission for proposed debt issues of up to $250 million, remains in effect.



Net Income
(U.S. millions)



Year-End Aluminum Inventories
('000 metric tonnes)

QUARTERLY FINANCIAL DATA
(unaudited)

(in millions of U.S. dollars)	1983			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales and operating revenues	$535	$679	$660	$688
Gross profit	47	87	106	138
Net income (Loss)	(10)	21	23	46
	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)
	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

CONSOLIDATED STATEMENT OF INCOME

Year Ending 31 December *(in millions of U.S. dollars)*	**1983**	1982	1981
Revenues			
Sales (note 3)	**$2,455**	$2,204	$2,582
Operating revenues	**107**	163	158
Other income	**18**	14	13
	2,580	2,381	2,753
Costs and Expenses			
Cost of sales and operating expenses (note 3)	**2,045**	1,946	1,946
Depreciation	**139**	125	115
Selling, research and administrative expenses	**201**	183	186
Interest	**81**	75	62
Other expenses	**11**	6	2
	2,477	2,335	2,311
Income Before Income Taxes	**103**	46	442
Income Taxes (note 5)	**23**	(2)	154
Net Income (note 2)	**$ 80**	$ 48	$ 288

Net income per common share and average number of shares outstanding are not reported as all of the common shares are owned by Alcan Aluminium Limited, the parent company.

CONSOLIDATED BALANCE SHEET

ASSETS

31 December (in millions of U.S. dollars)	1983	1982	1981
Current Assets			
Cash and time deposits	**$ 18**	$ 18	$ 45
Receivables	**441**	286	370
Inventories			
Aluminum	**339**	359	477
Raw materials	**263**	277	316
Other supplies	**152**	157	164
	1,213	1,097	1,372
Deferred Charges	**51**	30	25
Deferred Receivables (note 6)	**43**	49	58
Investment in Related Companies	**47**	51	55
Property, Plant and Equipment			
Cost (note 7)	**4,056**	3,887	3,578
Accumulated depreciation	**1,721**	1,597	1,491
	2,335	2,290	2,087
Total Assets	**$3,689**	$3,517	$3,597

LIABILITIES AND COMMON SHAREHOLDER'S EQUITY

31 December *(in millions of U.S. dollars)*	**1983**	1982	1981
Current Liabilities			
Payables	**$ 335**	$ 260	$ 376
Demand loan from parent company	**323**	107	100
Short-term borrowings (principally from banks)	**61**	42	66
Debt maturing within one year (note 8)	**19**	18	10
	738	427	552
Debt Not Maturing Within One Year (note 8)	**594**	814	844
Deferred Credits (note 4)	**133**	105	93
Deferred Income Taxes	**522**	503	506
Redeemable Preferred Shares (note 9)	**337**	340	289
Common Shareholder's Equity (note 10)			
Common shares	**336**	336	336
Retained earnings	**1,029**	992	977
	1,365	1,328	1,313
Commitments (note 11)			
Total Liabilities and Common Shareholder's Equity	**$3,689**	$3,517	$3,597

Iorton, Director
rratt, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ending 31 December *(in millions of U.S. dollars)*	**1983**	1982	1981
Source of Funds			
Net income	**$ 80**	$ 48	$ 288
Depreciation	**139**	125	115
Deferred income taxes	**28**	—	101
Other – net	**(11)**	(1)	(4)
From operations	**236**	172	500
New debt	**95**	409	474
Preferred shares	**—**	204	150
Other – net	**21**	11	5
	352	796	1,129
Application of Funds			
Plant and equipment	**196**	331	710
Debt repayments	**307**	435	17
Redemption of preferred shares	**1**	151	1
Dividends	**43**	29	142
	547	946	870
Increase (Decrease) in Working Capital (note 12)	**(195)**	(150)	259
Working Capital – Beginning of Year	**670**	820	561
Working Capital – End of Year	**$ 475**	$ 670	$ 820

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ending 31 December *(in millions of U.S. dollars)*	**1983**	1982	1981
Retained Earnings – Beginning of Year	**$ 992**	$ 977	$ 831
Net Income	**80**	48	288
	1,072	1,025	1,119
Share Issue Expenses (net of income taxes)	**—**	4	—
Dividends			
Preferred	**31**	29	14
Common	**12**	—	128
	43	33	142
Retained Earnings – End of Year (note 10)	**$1,029**	$ 992	$ 977

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 equity in the 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 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, under translation procedures recommended by the Canadian Institute of Chartered Accountants (CICA).

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

OTHER

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

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

Certain balance sheet items in 1982 and 1981 have been reclassified for purposes of comparability with the 1983 presentation.

2 Currency Translation

Currency translation gains included in income were $5 (losses of $31 in 1982 and $12 in 1981), including losses of $9 ($28 in 1982 and $12 in 1981), arising from the translation of cost of inventories.

The currency translation recommendations of the CICA largely parallel those of the US Financial Accounting Standards Board (FASB), with two principal exceptions. The first is the CICA recommendation to defer and amortize unrealized exchange gains and losses on long-term monetary items whereas the FASB recommends immediate absorption in income. The second exception is the CICA recommendation that deferred income taxes of companies using the temporal method be translated at historical exchange rates instead of current rates. The initial effect of translating deferred income taxes at current rates, in accordance with FAS 52, amounted to $41 and has been reflected in Consolidated Retained Earnings – Beginning of year 1983.

The following table compares results reported with those that would have been reported under the FASB method together with the cumulative effect on retained earnings.

	1983		1982		1981	
	As Reported	FASB Method	As Reported	FASB Method	As Reported	FASB Method
Consolidated net income (loss)						
First quarter (unaudited)	$ (10)	$ (2)	$21	$ 18	$95	$ 95
Second quarter (unaudited)	21	19	26	20	87	90
Third quarter (unaudited)	23	25	17	26	73	73
Fourth quarter (unaudited)	46	45	(16)	(13)	33	33
	80	87	48	51	288	291
Consolidated retained earnings						
Beginning of year	992	1,059	977	1,000	831	851
End of year	1,029	1,103	992	1,018	977	1,000

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 16). Cost of sales includes purchases from related companies as follows:

	1983	1982	1981
Alumina	$89	$67	$ 48
Bauxite	83	95	97

4 Deferred Credits

Deferred credits include a prepayment by a related company under an alumina tolling arrangement of $61 ($61 in 1982 and $57 in 1981), and unamortized net amount of unrealized exchange of $30 ($26 in 1982 and $23 in 1981).

5 Income Taxes

	1983	1982	1981
Income before income taxes			
Canada	$106	$ 67	$358
Other countries	(3)	(21)	84
	103	46	442
Current income taxes			
Canada	(1)	(5)	31
Other countries	(4)	3	22
	(5)	(2)	53
Deferred income taxes			
Canada	6	8	94
Other countries	22	(8)	7
	28	—	101
Total income tax provision (recovery)	$ 23	$ (2)	$154

The composite of the applicable statutory corporate income tax rates in Canada is presently 45.7% (47.8% in 1982 and 51.2% in 1981). Profits earned by subsidiary companies located outside Canada are generally subject to income taxes at rates comparable to this composite rate. However, no tax recovery has been anticipated in respect of losses by operations outside Canada. 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:

	1983	1982	1981
Income taxes at the composite rate	$ 47	$ 22	$226
Increase (Decrease) attributable to:			
Investment and other allowances	(26)	(22)	(69)
Other – net	2	(2)	(3)
Income tax provision (recovery)	$ 23	$ (2)	$154

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

	1983	1982	1981
Depreciation claimed for tax purposes in excess of depreciation recorded for book purposes	$ 14	$ 53	$119
Cost of sales claimed for U.S. tax purposes in excess of (less than) that recorded for book purposes	18	(17)	1
Investment tax credits, foreign tax credits and other tax benefits	(4)	(41)	(22)
Other – net	—	5	3
	$ 28	$ —	$101

6 Deferred Receivables

Deferred receivables include $29 ($32 in 1982 and $33 in 1981) due with interest over the period 1985 to 1991 from the Government of Guyana in respect of the nationalization in 1971 of the Company's bauxite and alumina assets.

7 Property, Plant and Equipment

	1983	1982	1981
Land, and property rights	$ 59	$ 56	$ 52
Buildings, machinery and equipment	3,833	3,155	2,861
Construction work in progress	164	676	665
	$4,056	$3,887	$3,578

Capital expenditures in 1984 are expected to be about $265.

8 Debt Not Maturing Within One Year

	1983	1982	1981
Bank loans under $400 revolving credit agreement (a)	$ —	$100	$460
Bank loans under $150 credit agreement (b)	—	50	—
Notes payable (commercial paper) (c)	79	112	—
14¼% Notes, due 1992	100	100	—
5.10% Notes, due 1984/1992	41	45	50
9½% Notes, due 1984/1994	40	41	42
15¾% Eurodollar debentures, due 1992	75	75	—
9½% Sinking fund debentures, due 1995	61	75	80
10¾% Sinking fund debentures, due 1994 (Can. $52)	42	43	53
9⅜% Sinking fund debentures, due 1991 (Can. $41)	33	36	38
9½% Sinking fund debentures, due 1988	31	33	35
8¾% Loan, due 1984/1992 (£35)	51	57	35
Other debt, due 1984/2005	60	65	61
	613	832	854
Debt maturing within one year included in current liabilities	(19)	(18)	(10)
	$594	$814	$844

8 Debt Not Maturing Within One Year (cont'd)

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 the London interbank offered rate (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 1986, the termination date of the credit agreement.

(b) This credit agreement is with a group of banks providing for loans bearing interest 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 amounting to $100 and Can. $200 in addition to those available under (a) and (b).

Based on rates of exchange at year end and after allowing for prepayments, sinking fund and other requirements over the next five years amount to $19 in 1984, $21 in 1985, $31 in 1986, $44 in 1987 and $66 in 1988.

9 Redeemable Preferred Shares

AUTHORIZED PREFERRED CAPITAL

3,810,303 Cumulative Redeemable First Preferred Shares without nominal or par value, issuable in series. The first series consists 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 first three series consist together of 4,000,000 floating rate shares in U.S. currency.

An unlimited number of Preference Shares without nominal or par value, issuable in series. The first series consists of 7,750,000 Can. $2.3125 Cumulative Redeemable Retractable Preference Shares, Series A and the second series consists of 1,850,000 $2.1875 Cumulative Redeemable Retractable Preference Shares, Series B.

OUTSTANDING PREFERRED CAPITAL	31 December		
	1983	**1982**	**1981**
First preferred – 1,771,703 shares (1982 – 1,803,503; 1981 – 1,863,503)	$ 35	$ 37	$ 39
Second preferred – 4,000,000 shares	100	100	100
Preference, series A – 7,750,000 shares	156	157	—
Preference, series B – 1,850,000 shares	46	46	—
Third preferred – redeemed during 1982	—	—	150
	$337	$340	$289

9 Redeemable Preferred Shares (Cont'd)

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 calendar 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 U.S. $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 U.S. $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% quarterly 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 U.S. $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. $26.20 per share during the twelve-month period beginning 1 December 1983 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.

10 Common Shareholder's Equity

COMMON SHARES

The authorized share capital is an unlimited number of common shares, without nominal or par value. At 31 December 1983, 1982 and 1981 there were 11,480,712 shares outstanding.

RETAINED EARNINGS

Consolidated retained earnings at 31 December 1983 include $529 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.

11 Commitments

Minimum rental obligations amount to $17 in 1984, $13 in 1985, $9 in 1986, $7 in 1987, $6 in 1988 and lesser annual amounts thereafter. Total rental expense amounted to $32 ($30 in 1982 and $53 in 1981).

See also reference to capital expenditures in note 7, debt repayments in note 8 and redeemable preferred shares in note 9.

12 Changes in Working Capital

	1983	1982	1981
Current assets			
Cash and time deposits	$ —	$ (27)	$ 26
Receivables	155	(84)	(25)
Inventories	(39)	(164)	223
	116	(275)	224
Current liabilities			
Payables	75	(116)	(67)
Demand loan from parent company	216	7	2
Short-term borrowings	19	(24)	30
Debt maturing within one year	1	8	—
	311	(125)	(35)
Increase (decrease) in working capital	$(195)	$(150)	$ 259

13 Supplementary Income Statement Information

	1983	1982	1981
Repairs and maintenance	$244	$227	$228
Taxes, other than payroll and income taxes	95	82	71
Research and development	36	25	36
Interest on long-term debt	84	113	71
Capitalized interest	(27)	(61)	(41)

14 Pension Plans

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense in 1983 was $42 ($32 in 1982 and $47 in 1981). Pension expense includes amortization of unfunded actuarial liabilities which the Company and its subsidiaries are funding and expensing 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 $748, ($555 in 1982 and $519 in 1981), the present value of non-vested benefits was $14, ($11 in 1982 and $10 in 1981), and the value of the net assets available for benefits was $841, ($686 in 1982 and $665 in 1981), at market prices prevailing at the time of actuarial valuation. These present values were determined using a weighted average assumed rate of return of 6.3%, (6.9% in 1982 and 1981). The increase in present values in 1983 is due principally to improved benefits in the Canadian plans, and a change in the interest rate assumption used for the actuarial valuation of the major Canadian plan. 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 date of the principal actuarial reports was 1 January 1983 for the two Canadian plans and the major United States plan.

15 Proposed Acquisition

In January 1984, the Company's parent agreed in principle to acquire certain assets of the aluminum business of Atlantic Richfield Company (Arco). The proposed transaction is subject to the signing of a definitive agreement and to pre-merger notification obligations under the United States federal anti-trust laws. It is intended that the assets will be transferred to the Company after they have been acquired from Arco.

16 Information by Geographic Areas

	Canada	United States	Other	Eliminations	Consolidated
Year 1983					
Sales and operating revenues					
Third parties	$ 688	$1,358	$ 19	$ —	$2,065
Related companies	390	1	106	—	497
Subsidiaries	609	63	26	(698)	—
Total	1,687	1,422	151	(698)	2,562
Net income (Loss)	106	24	(46)	(4)	80
Identifiable assets	2,486	802	634	(233)	3,689
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 (Loss)	41	(1)	(14)	22	48
Identifiable assets	2,402	661	577	(123)	3,517
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	2,579	716	438	(136)	3,597

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

Net income (Loss) 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 1983, 1982 and 1981 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 1983, 1982 and 1981 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
8 February 1984

PRICE WATERHOUSE
Chartered Accountants

RESPONSIBILITY FOR THE ANNUAL REPORT

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

The Company'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 financial statements and other information in this annual report have been approved by the Board of directors. In addition, the financial statements have been examined by Price Waterhouse, whose opinion is included in their report 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)

This information has been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA).

The primary emphasis of the data 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 although this would not always be the case. The current cost of sales was determined by adjusting the historical costs by the estimated specific price changes which occured between the time of production and the time of sale.

The current cost losses of $70 for 1983 and $77 for 1982, as shown in the schedule below, are based on an operating capability concept of capital. This concept measures income/loss generated by an enterprise from all sources of capital, whether provided by lenders or shareholders. To measure income attributable to the common shareholder on a current cost basis, the CICA recommends the calculation of a "financing adjustment". It is based on the supposition that the funds required to maintain a company's operating capability (replace the assets it consumes) will be provided by a combination of shareholder and borrowed funds. The financing adjustment (calculated by reference to the existing level of debt and the specific price change during the year for inventory and property, plant and equipment) aims to provide a measure of the increases in current costs that would be financed by debt. Recognizing this adjustment produces current cost losses attributable to the common shareholder of $58 for 1983 ($58 for 1982), after giving effect to preferred dividends of $31 in 1983 ($29 in 1982).

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" provides a comparison with the specific price change for these assets. The latter for 1983 was $27 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 has greater monetary liabilities than monetary assets and the general purchasing power gain thereon helps to preserve the general purchasing power of common shareholder's equity. It should be noted that, unlike the Financial Accounting Standards Board (FASB) in the United States, the CICA does not consider deferred income taxes to be a monetary item. Therefore, under the FASB recommendations the Company would report a general price level gain on net monetary liabilities of $53 ($70 for 1982).

The present low levels of inflation are encouraging and hopefully indicate a longer term movement away from the exceedingly high rates of inflation experienced in the later 1970's and early 1980's. However, the effect of past inflation on the Company remains significant because of the cumulative inflation effect on the Company's assets from the time they were acquired. Accordingly, the Company continues to support the disclosure of inflation accounting information to enable readers of the financial statements to obtain a more realistic assessment of its results.

CONSOLIDATED STATEMENT OF INCOME

	Historical as reported		Current Cost Basis in average 1983 $	
	1983	**1982**	**1983**	**1982**
Sales and operating revenues	$2,562	$2,367	$2,562	$2,438
Cost of sales and operating expenses	2,045	1,946	2,082	2,012
Depreciation expense	139	125	256	250
Selling, research and administrative expenses	201	183	201	189
Interest	81	75	81	77
Other (income) expenses – net	(7)	(8)	(11)	(11)
	2,459	2,321	2,609	2,517
Income (Loss) before income taxes	103	46	(47)	(79)
Current income taxes	(5)	(2)	(5)	(2)
Deferred income taxes	28	—	28	—
Net income (Loss)	$ 80	$ 48	$ (70)	$ (77)

SCHEDULE OF CONSOLIDATED ASSETS

	Historical as reported		Current Cost Basis in year-end 1983 $	
	1983	**1982**	**1983**	**1982**
Inventory	$ 754	$ 793	$ 810	$ 887
Property, plant and equipment – net	2,335	2,290	4,530	4,716
Net assets (common shareholder's equity)	1,365	1,328	3,620	3,790

SUPPLEMENTARY INFORMATION

	(in average 1983 $)	
	1983	**1982**
Increase in current cost amounts of inventory and property, plant and equipment based on:		
Specific prices	$ 228	$ 183
General inflation	201	157
Difference	$ 27	$ 26
General purchasing power gain on net monetary liabilities	$ 29	$ 52
Financing adjustment on specific price increases of inventory and property, plant and equipment	$ 43	$ 48

Based on the current cost adjustments made to income during the year, the financing adjustment amounts to $28 ($33 for 1982)

SELECTED FINANCIAL DATA

Operating Data *(thousands of tonnes except as indicated)*	1974	1975	1976	1977	1978	1979	1980	1981	1982	**1983**
Aluminum shipments										
Ingot and ingot products	699	702	484	526	665	450	456	365	628	**478**
Fabricated products	435	311	383	397	484	500	517	506	398	**523**
Total	1,134	1,013	867	923	1,149	950	973	871	1,026	**1,001**
Primary aluminum production	874	761	493	826	898	709	918	962	917	**945**
Aluminum inventories (end of year)	304	271	282	348	270	240	244	369	259	**227**
Primary aluminum capacity (end of year)	939	907	894	894	894	904	961	1,018	1,075	**1,075**
Net realization on sales of ingot and ingot products (U.S.$ per tonne)	682	716	837	1,023	1,062	1,295	1,578	1,526	1,064	**1,309**
Consolidated Income Statement Items *(millions of U.S. dollars)*										
Total revenues										
Sales of aluminum ingot and ingot products	477	503	405	538	707	583	719	557	668	**626**
Sales of aluminum fabricated products	618	544	665	760	962	1,129	1,281	1,335	1,054	**1,334**
Sales of all other products	334	360	385	428	476	599	761	690	482	**495**
Operating revenues	81	73	81	130	135	170	171	158	163	**107**
Other income	8	8	11	6	11	31	17	13	14	**18**
Costs and expenses										
Cost of sales and operating expenses	1,171	1,242	1,348	1,457	1,709	1,865	1,960	1,946	1,946	**2,045**
Depreciation	60	65	67	75	82	84	85	115	125	**139**
Interest	66	67	62	53	51	48	32	62	75	**81**
Other expenses	97	102	103	116	135	141	164	188	189	**212**
Income taxes	47	6	(23)	56	123	132	287	154	(2)	**23**
Net income (Loss)*										
As reported	77	6	(10)	105	191	242	421	288	48	**80**
FASB method	76	11	(10)	115	200	243	418	291	51	**87**
Consolidated Balance Sheet Items *(millions of U.S. dollars)*										
Working capital	409	439	409	526	575	565	561	820	670	**475**
Property, plant and equipment – net	830	866	868	913	986	1,146	1,503	2,087	2,290	**2,335**
Long-term debt	638	618	562	471	393	357	380	844	814	**594**
Deferred income taxes	140	145	118	175	248	311	405	506	503	**522**
Redeemable preferred shares	31	78	74	172	171	155	140	289	340	**337**
Common shareholder's equity	523	525	576	646	770	922	1,165	1,313	1,328	**1,365**
Total assets	1,716	1,738	1,762	1,893	2,120	2,342	2,765	3,597	3,517	**3,689**
Other Statistics										
Funds from operations (millions of U.S. dollars)	176	75	29	237	346	388	599	500	172	**236**
Property, plant and equipment expenditures (millions of U.S. dollars)	151	113	67	131	156	257	450	710	331	**196**
Employees (thousands at end of year)	29	27	25	26	26	27	28	27	24	**24**

Mining – Bauxite Reserves 1983

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 106 million crude tonnes as of the beginning of the year 1983 (108 million crude tonnes at the beginning of 1982) with a total weighted average aluminum content of 26%. The Company estimates that these reserves are sufficient to meet 34 years' requirement 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 2.4 million crude tonnes (2.0 million crude tonnes in 1982).

*See note 2 to the financial statements which explains the reasons for the differences between the As Reported and FASB methods.

DIRECTORS

David M. Culver, o.c.	Montreal	President and Chief Executive Officer Alcan Aluminium Limited
J. Jacques Gagnon	Montreal	Retired, formerly 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
Eric A. Trigg	Montreal	Senior Vice President Alcan Aluminium Limited
John H. Hale	London	Managing Director S. Pearson & Son plc, London, a diversified holding company
H. Stewart Ladd	Montreal	Retired, formerly 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
Douglas M. Ritchie	Montreal	President and Chief Executive Officer Alcan Smelters and Chemicals Limited
Richard F. Sharratt	Montreal	Executive Vice President and Chief Financial Officer and Treasurer
Sanford M. Treat, Jr.	Toronto	President and Chief Executive Officer Alcan Canada Products Limited

OFFICERS

David M. Culver, o.c.	Chairman of the Board
David Morton	President and Chief Executive Officer
Roy A. Gentles	Executive Vice President
Richard F. Sharratt	Executive Vice President and Chief Financial Officer and Treasurer
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
R.E. Rosane	Vice President, Caribbean and Ireland
Claude M. Tétrault	Vice President, Chief Legal Officer and Secretary
Sanford M. Treat, Jr.	Vice President, Canadian Fabricating & Sales
Jacques Vaillancourt	Vice President, Government Relations
F.C. Winser	Vice President
Suresh Thadhani	Controller