ANNUAL REPORT

ALUMINIUM LIMITED

1950

Annual Report FOR THE

YEAR ENDING 31ST DECEMBER 1950

ALUMINIUM LIMITED

MONTREAL CANADA

The first Canadian aluminium smelter (left) started at Shawinigan Falls in 1900 and the modern aluminium fabricating plant (below) at Rogerstone, South Wales, completed in 1950 – two milestones, separated by half a century, in the progress of the enterprise headed by Aluminium Limited.

Painting by Franklin Arbuckle, R.C.A.

Report

TO THE SHAREHOLDERS OF ALUMINIUM LIMITED

A statement of the affairs and the financial position of your Company is submitted herewith on behalf of the Board of Directors. The financial statements of Aluminium Limited and its consolidated subsidiaries, in Canadian dollars, for the year ending December 31st, 1950, as certified by your auditors, Price Waterhouse & Co., are shown on subsequent pages of this report.

Net profit for the year 1950, after depreciation, income taxes and all other charges, was $32,608,353 or the equivalent of $8.77 per share of the capital stock as compared with $27,006,181 or $7.25 per share in 1949.

Provision for Canadian and foreign income taxes was increased from $20,339,704 in 1949 to $26,212,019 in 1950, — the increase being attributable mainly to the higher Canadian corporate tax rates and a more profitable level of operations.

Sales, both in terms of physical volume and of dollar income, exceeded the level of previous postwar years. Consolidated sales were $226,610,826 in 1950 compared to $199,406,294 in 1949.

Dividends of 60c. per share in Canadian funds were paid on March 4th and on June 5th, 1950. On September 5th, the dividend was increased to 75c. per share in Canadian funds. On October 18th, with the approval of the Canadian Foreign Exchange Control Board, a quarterly dividend of 75c. per share and a year-end extra dividend of 75c. per share were declared payable December 5th, 1950, both in United States funds. Total dividends declared and paid in 1950 were $13,092,367 in terms of Canadian dollars, compared to $9,677,330 in 1949.

The statements reflect the sale in Canada by Aluminum Company of Canada, Ltd. of a $50,000,000 issue of twenty-year 3½% sinking fund debentures, dated January 2nd, 1951. Net working assets have increased by $55.7 millions as compared to December 31st, 1949 and substantial additional funds will be provided in 1951 under an agreement with the British Government referred to later in this report.

In 1950 the Canadian subsidiaries adopted in their accounts a diminishing-balance principle of depreciation recently authorized by Canadian taxation authorities. Largely as a result of this change, the year's provision for depreciation was increased to $14,276,948 from $9,898,714 in 1949.

Construction work in progress in below-zero weather on a new hydroelectric power site on the Peribonka River in Northern Quebec. The plant will make possible increased aluminium production in Canada's Saguenay Valley. The cost of the project, begun in the autumn of 1950 and scheduled for completion in the spring of 1952, is estimated at $31,000,000.

Your attention is drawn to certain changes made in the presentation of the Company's financial statements. To comply with the regulations of the Securities and Exchange Commission of the United States, with which body the Company's shares were registered in May, 1950 when admitted to trading on the New York Stock Exchange, the reserves for amortization, depreciation and depletion are shown on the asset side of the balance sheet as a deduction from fixed plant rather than on the liability side of the balance sheet which was the practice during the past two years.

GENERAL

From the beginning of the year under review, the production of primary aluminium ingot by the Company's principal subsidiary, Aluminum Company of Canada, Ltd., has been maintained at the maximum capacity determined by the availability of hydro-electric power. During the early months of the year, however, ingot production exceeded demand. During this period many of the pressing postwar demands for aluminium had been filled, competitive materials were available and relatively normal market conditions prevailed. Our products flowed into the traditional commercial outlets and into such new commercial outlets as had been created largely as a result of the extensive research and sales development programme undertaken by ourselves and others in the aluminium industry over the course of many years.

In the first half of the year it was gratifying to observe that many uses and applications for aluminium, particularly in the container, construction and transportation fields, were creating a demand which justified the long development period devoted to them. The Company's ability to serve these fields was greatly enhanced by the commencement of operation in England of new large-scale fabricating facilities erected and installed since the end of World War II by Northern Aluminium Company, Ltd.

As the year progressed, the growing international tension strengthened demand and the outbreak of hostilities in Korea rapidly transformed market conditions. Defence preparedness gave rise to strong buying in all international markets, not only by governmental agencies but also by private fabricators. In the latter months of 1950 total demand for aluminium in the western world was beyond the industry's capacity to produce despite the large increases in capacity built during the past decade.

The conclusion in October of negotiations with the Quebec provincial authorities, granting Aluminum Company of Canada, Ltd. rights to develop additional hydroelectric facilities in the Saguenay area, permitted that company in the fall of the year to proceed with the construction of a new hydroelectric generating plant on the Peribonka River and to commence construction and reactivation of additional ingot-producing facilities as described in more detail under the heading "Capital Expenditures."

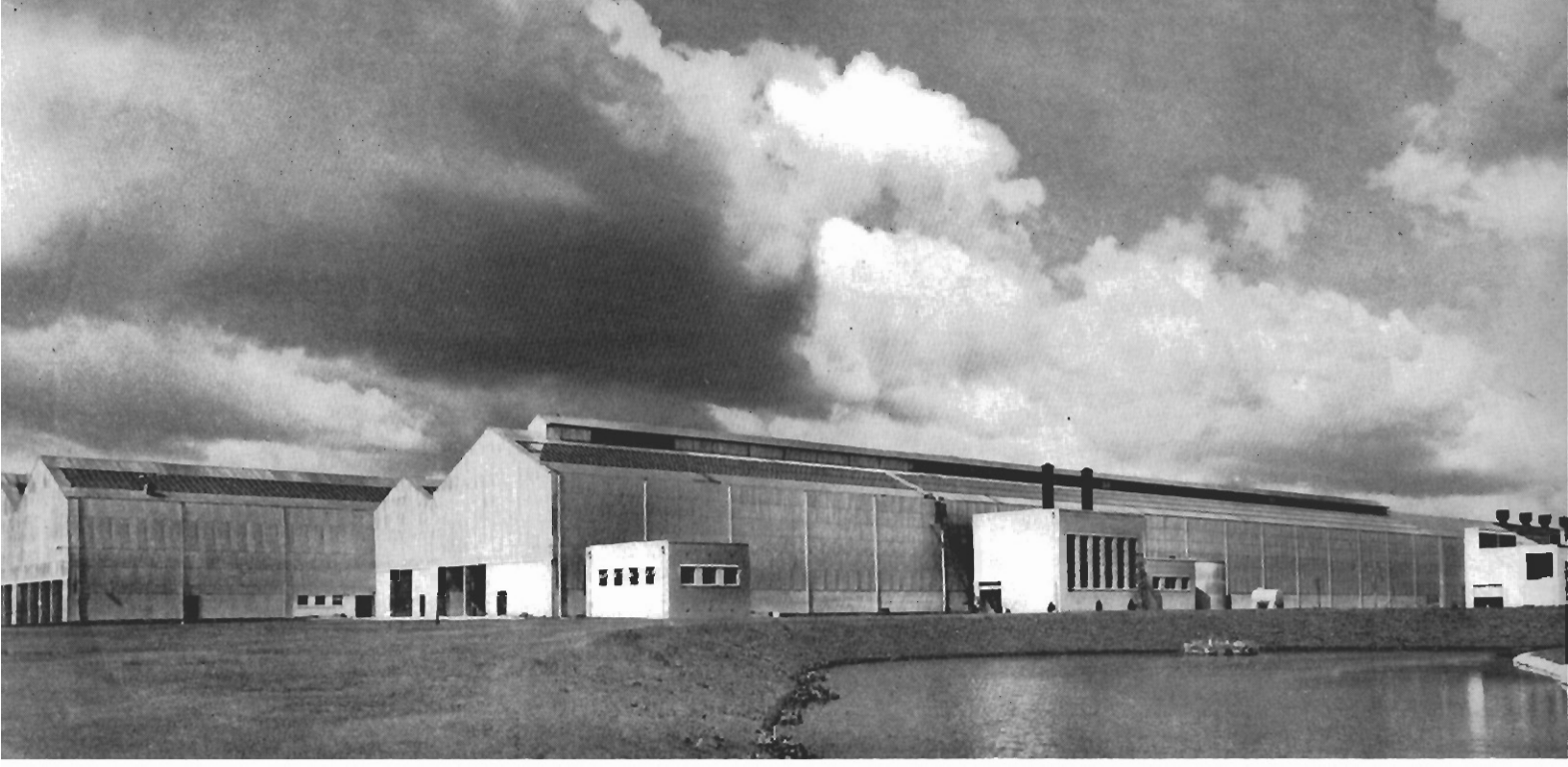
The investigations of various sites suitable for further expansion of economic primary aluminium facilities, which have been conducted over the past years, are continuing to be actively pursued and the Company is taking certain preparatory steps to be in a position to proceed with the development of new integrated facilities on an accelerated time schedule if called upon to meet either a growth in the commercial demand for aluminium or such other demands as may be made upon the Company under the critical conditions currently prevailing. The principal projects under consideration are a large power and smelter development in the Canadian province of British Columbia where important water rights have been granted by the provincial government, and a similar but somewhat smaller project in the Gold Coast of Africa.

SALE

During 1950 the production and sale of raw materials, primary aluminium and semi-fabricated products by Aluminium Limited's subsidiaries and allied companies followed closely the pattern of previous years. Operations were conducted in 25 countries and the resulting output was sold in domestic markets and across international boundaries through 36 sales offices and 95 agencies of the distributing subsidiaries of the Company. During the year a new Canadian subsidiary, International Aluminium Company, Ltd. was incorporated to conduct sales in Japan.

Fully owned subsidiaries shipped to customers 401,000 metric tons of aluminium in all forms in 1950, compared to 339,000 metric tons in 1949. Basic prices of primary aluminium increased during the year. However, prices at their highest levels remained lower than those prevailing in 1939.

Canada, the United Kingdom and the United States - again the three principal outlets for the Company's products - purchased 80% of total tonnage in 1950, compared to 74% in 1949 and 70% in 1948. The other principal markets were Brazil, Australia, India, Holland and Italy.



Exterior view of the structure housing the continuous strip rolling mill completed by Northern Aluminium Company, Ltd. at Rogerstone, South Wales, in 1950. Sheathed in aluminium, the building is one-third of a mile in length.

During the early part of the year, the use and application of aluminium in consumer products were more widespread than ever before in the industry's history. The end uses of Company products for the years 1949 and 1950 are estimated in the following tabulation, showing shipments to each industry expressed as a percentage of total shipments:

	1949	1950
Building and Construction	28%	28%
Transportation	21	25
Household Supplies	20	20
Electrical Industry	16	12
Food and Farming, Canning and Packaging	8	8
Chemical Industry and Other Industries	7	7
	100%	100%

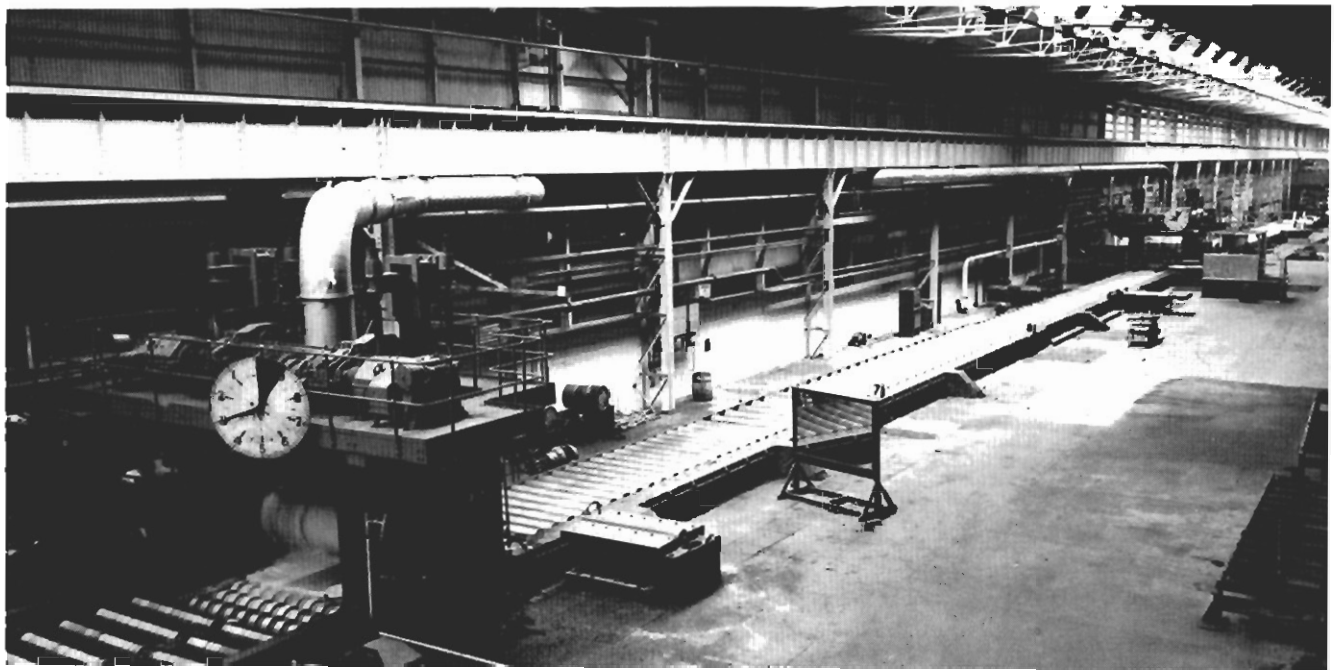
Again reflecting the Company's position as a supplier of primary aluminium to fabricating customers, total sales by weight of aluminium in ingot form were twice sales in semi-fabricated form. In terms of dollar values, however, semi-fabricated sales exceeded sales of ingot and ingot products.

Special mention should be made of our commercial relationship with the United Kingdom market. Since World War II the procurement of primary aluminium and its distribution to the British fabricating industry have been conducted by the British

Ministry of Supply, with whom our dealings have been eminently satisfactory throughout. During the war and postwar years we have been large suppliers to the United Kingdom, providing a high percentage of total ingot utilised in the British fabricating industry. In December of 1950, as a result of the continued growth of aluminium consumption in Great Britain and its export markets, the Company and the British Ministry of Supply made new arrangements to provide for increased and continuing shipments of aluminium from Canada to the United Kingdom if required in the future.

At the time of the expansion of Canadian facilities in 1940 and 1941, the financial arrangements concluded with the British Government gave that government a first call on 107,500 metric tons of annual production and, in return, Aluminum Company of Canada, Ltd. received loans of $55,600,000 on 3% Redeemable Notes due in 1961. It was provided that if such additional production were used only in part during the twenty-year period, the notes would be repayable only in proportionate part both as to principal and interest. Under a new agreement with the British Ministry of Supply effective January 1st, 1951, $54,950,000 of the outstanding issue of 3% Notes has been refinanced for twenty years commencing in 1951 on the same terms as the old issue, including abatement provisions starting afresh in 1951 and effective up to 1971. The new agreement also provides for a further loan to Aluminum Company of Canada, Ltd. of $24,975,000, repayable in 1971 with interest at 3½%, both principal and interest to be proportionately abatable yearly in the event and to the extent that Aluminum Company of Canada's production falls below 400,000 metric tons to a base of 307,500 metric tons in any year during the twenty-year period. In return, the Ministry of Supply's first call was increased to 200,000 metric tons of ingot production per annum effective for the next twenty years. At the same time the Ministry placed a firm order for 640,000 metric tons to be delivered, 200,000 tons in 1951 and 220,000 tons in each of the years 1952 and 1953.

Interior view of the continuous strip mill completed in the Rogerstone plant in 1950. The line of hot rolling mills shown here has an annual capacity of 150,000 metric tons of aluminium.



UMINIUM INGOT PRODUCTION

Production of primary ingot in Canada by Aluminum Company of Canada, Ltd. totalled 360,000 metric tons in 1950. Production in 1949 was 335,000 metric tons; in 1948, 333,000 metric tons; and in 1947, 270,000 metric tons.

In other subsidiaries and allied companies in Norway, Sweden, Italy and India production of primary aluminium was at substantially the same levels in 1950 as in 1949. A programme to expand productive capacity in Sweden was nearing completion in 1950.

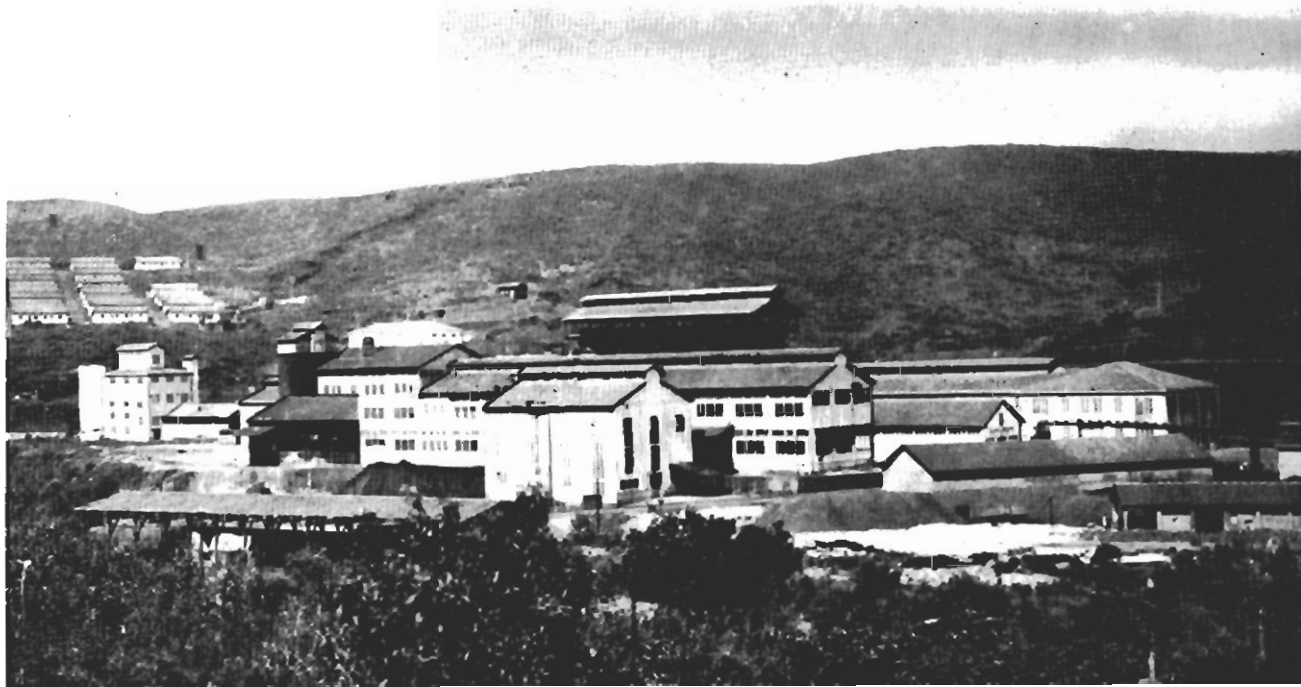
During the year Aluminium Limited acquired from former British shareholders approximately 35% of the capital stock of Indian Aluminium Company, Ltd., thereby bringing its total holdings in the Indian company to approximately 70%. Indian Aluminium Company, Ltd. is a fully integrated producer of aluminium, operating bauxite mines and alumina facilities in the region of Calcutta, a small smelter near the southwestern coast and sheet-rolling facilities near Calcutta.

In June 1950 Aluminium Limited increased its participation in integrated aluminium operations by acquiring in Brazil an interest in the only aluminium smelter in South America. This plant, using indigenous bauxite and hydroelectric power, produced aluminium in 1945 and 1946. Subsequently it abandoned operations in this field and concentrated on its other activity, the production of ferromanganese. With the introduction of additional capital and technical assistance, the Brazilian enterprise will recommence aluminium production and is expected to operate on a commercial basis.

UMINIUM FABRICATION

The Company is pleased to report that in September 1950 its fully owned subsidiary, Northern Aluminium Company, Ltd., completed and inaugurated a new, modern continuous strip mill, located in Rogerstone, South Wales. The new Rogerstone mill is the

South America's only aluminium smelter located near Ouro Preto, Brazil. After a lapse of several years this plant was reactivated in 1950 when Aluminium Limited obtained an interest in the enterprise.



largest mill for the production of semi-fabricated aluminium sheet products installed in any country outside of the United States. Construction of the plant had been proceeding during the previous four years at an over-all cost of approximately $15,000,000. The mill has an installed hot-rolling capacity of 150,000 metric tons a year and a cold-rolling capacity of 50,000 metric tons a year.

Construction begins on a new alumina plant in Jamaica, adjacent to bauxite deposits now being developed in that country.

These new sheet-rolling facilities are expected to contribute to the broad consumption of low-cost aluminium products, particularly in the container and construction industries but, in view of the current international developments and the ingot supply situation, these expectations may not all be realized immediately. However, the new Rogerstone mill is today producing at a satisfactory rate and will play its full part in the British preparedness effort.

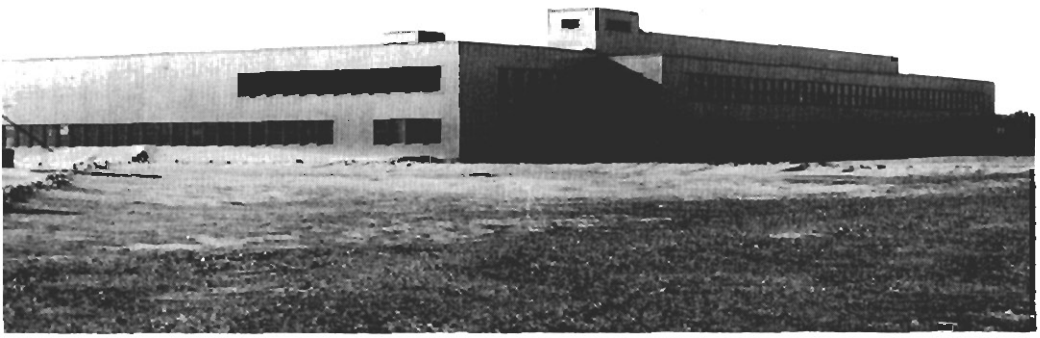
In 1950 the Company's participation in Aluminio do Brasil, S.A., a fabricating enterprise located in the Sao Paulo area, was increased to 100% by the purchase of the equity interest formerly in Brazilian hands. The accounts of Aluminio do Brasil, S.A. are, accordingly, for the first time consolidated in the financial statements of Aluminium Limited for the year ending December 31st, 1950.

Other new fabricating facilities came into operation in South Africa, Switzerland, and Norway during the year and further expansion programmes are being pursued in Mexico, South Africa, Norway and Brazil.

During the past five years $92 millions have been expended for additions to fixed capital and new investments. Of this amount $22.9 millions were expended in 1950. Projects currently authorized are expected to require the expenditure of a further $55 millions within the next two years.

During the year the major items of capital expenditure made in Canada, totalling $7.6 millions, went towards power and smelter expansion, research facilities and raw material processing plants. Other major items included $2.4 millions to complete the Rogerstone fabricating plant, $2.0 millions towards the construction of bauxite mining, drying and shipping facilities on the coast of French West Africa, and $650,000 towards the construction of an alumina plant in Jamaica. Major additional investments of $6.9 millions were made in Brazil and India.

The current expansion programme of Aluminum Company of Canada, Ltd. centres on the construction of a new hydroelectric plant on the Peribonka River which, when



New research laboratory of Aluminium Laboratories Limited at Arvida, Quebec, augments similar research facilities at Kingston, Ontario and Banbury, England. Completed in 1950 at a cost of $1,000,000, the laboratory includes a pilot plant for experimental work in aluminium production.

completed in the spring of 1952 at an estimated capital cost of $31 millions, will have an installed capacity of 250,000 horsepower with sufficient firm capacity to support an annual production of 65,000 metric tons of primary aluminium. The Company is also undertaking the construction and reactivation of sufficient additional smelting facilities to increase its productive capacity in Canada to more than 450,000 metric tons per annum by the summer of 1951. This programme, together with the expansion of storage, transportation and mining facilities in Canada and British Guiana, will involve a total capital expenditure of approximately $40 millions.

The commencement of development of alumina facilities in Jamaica followed upon finalization of arrangements with the Jamaican and British authorities and with the Economic Cooperation Administration of Washington, D.C. The latter agency will advance the equivalent of $6,700,000 towards the cost of constructing the bauxite and alumina facilities, the loan to be repaid by delivery of aluminium to the United States Government stockpile. The initial planned capacity was 100 tons of alumina per day. However, it has subsequently been decided to increase capacity to 180 tons per day. The total estimated capital cost of the new facilities now authorized, together with the investment made since 1943 in the acquisition of bauxite lands and the development of agricultural operations, will be approximately $13 millions. If required, the alumina facilities can be increased substantially above those currently planned.

LEGAL

For the benefit of new shareholders who did not receive the Company's letter of January 17th, 1951, reference should be made to the outcome of the suit brought by the United States of America against the Aluminum Company of America et al.

On January 16th, 1951, the District Court of the United States for the Southern District of New York entered a judgment in the case of the United States of America v. Aluminum Company of America, et al. Aluminium Limited was not a party to this litigation, but various shareholders in Aluminum Company of America who also own substantial numbers of shares in Aluminium Limited were co-defendants with Aluminum Company of America. By a July 6th, 1950, judgment of the same Court, these defendants had been required to dispose of their shares in either Aluminum Company of America

or Aluminium Limited. All but one of these defendants, together with certain non-defendants also owning shares in both companies, subsequently agreed to dispose of their shares in Aluminium Limited. By the judgment of January 16th, they were ordered to carry out this disposal pursuant to a plan accepted by the Court.

Ten years are allowed for the disposal and, pending such disposal, beginning May 1st, 1951, the voting rights on the Aluminium Limited shares affected will be exercised by three Trustees appointed by the Court. During this ten-year disposal period the three Trustees will also exercise the voting rights on the shares of certain other holders, even though such holders are not required to dispose of their shares.

The purpose of the divestiture order is to remove any possibility of common control of Aluminium Limited and Aluminum Company of America by the principal shareholders of Aluminum Company of America.

Under this order there were 1,292,175 shares of Aluminium Limited to be disposed of during the ten-year period and on which the voting rights were to be surrendered pending such disposal, and 524,195 shares for which disposal was not required but on which the voting rights were to be surrendered during the ten-year period. Through sales or other disposals in compliance with the order, the number of shares of Aluminium Limited to be disposed of has already been reduced from 1,292,175 to approximately 1,000,000 shares. The number of shares on which, as stated above, the voting rights must be surrendered has been reduced by sales to approximately 474,000 shares.

The three Trustees appointed by the Court are Dr. Donald K. David, of Boston, Massachusetts, John L. Sullivan, of Washington, D.C., and Chemical Bank & Trust Company, of New York City, New York.

Pursuant to the judgment of the Court, the shareholders affected must vote their shares at the April 26th, 1951 Annual Meeting of Aluminium Limited for a slate of Directors that will include Dr. David and Mr. Sullivan and, as the nominee of the

Construction work in progress on bauxite drying and shipping facilities on the Island of Kassa, French West Africa, where the ore will also be mined.

Corporate Trustee, N. Baxter Jackson. About 40% of the outstanding 3,722,050 shares of the capital of Aluminium Limited are, at this time, subject to such direction.

A biographical note on each of the three Trustees may be found in the proxy statement.

RESEARCH AND DEVELOPMENT

An active programme of research and development was carried on during 1950 at the Company's laboratories in Canada and England by Aluminium Laboratories Limited. The programme of research was directed toward the improvement and development of basic processes of the industry and to the development of new uses for aluminium products.

A new research laboratory at Arvida was completed and inaugurated during the course of the year. Substantial extensions to the research facilities at Banbury, England, are planned.

Generally satisfactory relations between the Company and its employees prevailed throughout 1950 although the year did not pass without any labour disputes. A protracted strike occurred at the principal aluminium foundry in Canada but this has now been settled satisfactorily. Collective labour agreements covering the majority of the employees in the Canadian smelting operations were not renewed at their respective expiry dates. The issues at dispute between the employing company and the recognized labour unions involved are being submitted to arbitration without, however, any interruption of work.

Retirement income and life assurance plans covering employees in Canada, the United States, the United Kingdom, Switzerland, South Africa and the Caribbean area continued in satisfactory operation throughout 1950. Total company contributions to these plans amounted to $1,722,000 during the year and a total of $1,292,000 was contributed by employees. Further studies are being pursued to the end that all employees of subsidiary companies may be provided with company-sponsored schemes for their security after retirement age.

On July 15th, 1950, by resolution of the Board of Directors, Mr. R. E. Powell and Mr. J. A. Dullea were appointed to the newly-created posts of senior vice-president of Aluminium Limited.

Your Board of Directors and the management record with appreciation and satisfaction the loyalty and perseverance of the Company's employees in all ranks. Altogether the Company's consolidated subsidiaries employed 32,300 men and women. Of these 13,500 are employed in Canada, 8,000 in the United Kingdom, 4,000 in British Guiana and the Caribbean area, 3,000 in Continental Europe, 2,500 in Asia, 1,200 in Africa and 100 in the United States. The many persons serving in distant places and often under difficult conditions are particularly deserving of the Company's special appreciation.

Respectfully submitted,

NATHANAEL V. DAVIS,
President.

March 21st, 1951.

Comparative Financial Statistics

(as adjusted)

IN MILLIONS OF CANADIAN DOLLARS

Year	Total Sales	Total Assets before Reserves	Net Profit before all Pfd. Dividends	Cash Dividends paid on Common Shares	Common Shares and Surplus
1928	$11.7	$71.3	$0.3	$ Nil	$25.3
1929	30.1	74.6	2.4	Nil	27.7
1930	26.4	74.9	1.0	Nil	28.1
1931	22.1	80.7	—.9	Nil	26.7
1932	13.4	81.0	—1.0	Nil	25.5
1933	14.0	83.6	—.4	Nil	25.8
1934	21.2	83.3	.1	Nil	25.9
1935	26.3	84.5	.6	Nil	26.6
1936	32.5	88.4	2.3	Nil	29.9
1937	49.0	97.7	8.5	Nil	39.5
1938	65.7	144.1	11.4	Nil	50.4
1939	92.3	157.9	15.9	3.1	62.7
1940	81.9	208.6	11.5	6.0	66.1
1941	132.1	316.4	15.1	7.4	71.6
1942	197.9	446.0	15.9	7.4	80.5
1943	290.5	528.3	12.8	7.4	84.5
1944	259.1	522.6	12.3	6.0	91.1
1945	114.0	479.6	12.8	6.0	97.8
1946	110.7	490.0	13.0	6.7	106.8
1947	153.4	514.5	16.6	7.4	115.3
1948 (1)	208.6	586.6	28.1	9.9	123.8
1949	199.4	612.2	27.8	9.7	137.3
1950	226.6	697.8	33.3	13.1	160.0

(1) Includes Saguenay Power Company, Ltd. and subsidiaries for the first time.

Consolidated Balance Sheet

31st December 1950

IN CANADIAN DOLLARS

ASSETS

	31st December 1950	31st December 1949
Current Assets:		
Cash	$ 22,804,148	$ 25,016,154
Cash received 3rd January 1951 from sale of $50,000,000 Aluminum Company of Canada, Ltd. 3½% sinking fund debentures, due 1971	49,375,000	—
Marketable securities, principally Canadian Government bonds. (quoted value $50,544,616)	50,827,945	38,068,193
Receivables, less provision for doubtful accounts	32,501,138	31,284,296
Inventories of aluminium, materials and supplies (note 4) (at cost or under, which is not in excess of market)	54,614,721	50,796,659
	210,122,952	145,165,302
Prepaid expense and deferred charges	8,072,872	6,560,669
Unamortized financing expenses of subsidiaries	2,946,565	3,128,995
Indemnity, surety and other deposits	680,833	669,984
Claims in respect of properties nationalized, carried at	1,100,000	1,100,000
Investments:		
Fully owned subsidiaries not consolidated	1	1
Subsidiaries — more than 50% owned	8,147,459	3,774,159
Other allied companies — not more than 50% owned	6,966,208	8,675,872
	15,113,668	12,450,032
Lands, plants, riparian rights, and facilities, at cost (note 5)	459,718,729	443,140,634
Less: Amortization, depreciation and depletion	274,815,229	262,698,399
	184,903,500	180,442,235
	$422,940,390	$349,517,217

Consolidated Balance Sheet

31st December 1950

IN CANADIAN DOLLARS

LIABILITIES

	31st December 1950	31st December 1949
Current Liabilities:		
Payables, including accrued liabilities	$ 23,273,941	$ 20,091,043
Bank loans, principally in sterling	5,622,327	1,184,223
Provision for income and other taxes	17,868,255	16,612,480
Other indebtedness payable within one year (note 3)	3,160,816	2,809,384
	49,925,339	40,697,130
Indebtedness not maturing within one year (note 3)	191,713,629	146,940,352
Deferred profit on sales of aluminium for future delivery	—	3,523,929
Operating reserves and deferred credits	1,569,850	1,024,572
Preferred Shares (cumulative redeemable sinking fund):		
Aluminum Company of Canada, Ltd. 4% shares	13,589,350	13,888,350
Saguenay Power Company, Ltd. 4¼% shares	4,349,300	4,422,200
	17,938,650	18,310,550
Minority interest in a subsidiary company	1,749,925	1,719,686
Capital Stock and Surplus:		
Shares without nominal or par value — 3,722,050 shares outstanding	33,935,185	33,935,185
Capital surplus	1,961,685	1,594,471
Earned surplus (note 6)	124,146,127	101,771,342
	160,042,997	137,300,998
	$422,940,390	$349,517,217

Signed on behalf of the Board,

NATHANAEL V. DAVIS, Director

JAMES A. DULLEA, Director

Consolidated Statement of Profit and Loss

For the Year Ending 31st December 1950

IN CANADIAN DOLLARS

	1950	1949
Sales	$226,610,826	$199,406,294
Cost of sales	143,566,900	129,864,336
	83,043,926	69,541,958
Selling, general and administrative expenses	18,523,787	17,396,963
Profit from operations	64,520,139	52,144,995
ADD:		
Income from investments	371,212	820,557
Interest on marketable securities, etc	1,258,743	1,068,628
Profit on liquidation of an allied company	-	644,861
	66,150,094	54,679,041
DEDUCT:		
Interest on indebtedness not maturing within one year	4,333,459	4,139,937
Other interest	188,157	226,712
Provision for Canadian income taxes	23,499,776	17,260,110
Provision for foreign income taxes	2,712,243	3,079,594
Amortization of financing expenses of subsidiaries	182,430	182,430
Discount and expense on 3½% debentures due 1971	710,789	-
Adjustment of net current assets arising from currency revaluations	852,565	1,955,789
	32,479,419	26,844,572
Profit before dividends on preferred shares and minority interest in subsidiary companies	33,670,675	27,834,469
Dividends on preferred shares	733,756	748,777
Minority interest in profit of subsidiary companies	328,566	79,511
	1,062,322	828,288
Profit carried to earned surplus	$ 32,608,353	$ 27,006,181

NOTES: Depreciation and depletion for 1950 amounted to $14,276,948 of which $7,792,762 was charged to cost of production. Legal fees amounted to $201,418, directors' fees $17,677, executive salaries (parent and consolidated subsidiaries) $1,620,363.

The Canadian subsidiary companies provided for 1950 depreciation in the maximum amount allowable for tax purposes in accordance with the revised Canadian income tax regulations. The change in basis had the effect of reducing net profit for 1950 by $2,133,000.

Consolidated Statement of Surplus

For the Year Ending 31st December 1950

IN CANADIAN DOLLARS

EARNED SURPLUS

Earned surplus — 31st December 1949		$101,771,342
Surplus, since acquisition, of subsidiary not previously consolidated (note 1)	$ 558,732	
Adjustment of provision for exchange on principal of indebtedness not maturing within one year	2,653,836	3,212,568
Profit for the year		32,608,353
		137,592,263
Aluminium Limited dividends (1949: $9,677,330)	13,092,367	
Appropriations for the purchase for cancellation of preferred shares of subsidiaries	353,769	13,446,136
Earned surplus — 31st December 1950		$124,146,127

CAPITAL SURPLUS

Capital surplus — 31st December 1949	$ 1,594,471
Par value of preferred shares of subsidiaries purchased for cancellation	367,214
Capital surplus — 31st December 1950	$ 1,961,685

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of all fully owned subsidiaries except certain companies whose properties have been nationalized and which are carried at their estimated realization value of $1,100,000 and certain other companies the investments in which are carried at nominal value of $1. The statements include for the first time the accounts of Aluminio do Brasil, S.A., which company became a fully owned subsidiary in 1950. The consolidated financial statements also include the consolidated accounts of Saguenay Power Company, Ltd. in which Aluminium Limited's equity is 93.6%.

2. Foreign Exchange:

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1950, except that fixed assets and their related reserves are at rates determined at dates of acquisition.

3. Indebtedness not maturing within one year:

	1950	1949
Aluminum Company of Canada, Ltd.:		
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	$ 12,186,000	$ 12,617,000
Series "B" (U.S. $23,263,000)	23,263,000	24,087,000
Commutation value of contractual obligation for annual payments secured by second hypothec (Can. $5,362,500; U.S. $5,362,500)	10,725,000	11,178,226
3½% Sinking fund debentures, due 1971 (underwritten in 1950 and issued 3rd January 1951)	50,000,000	—
*3% Redeemable notes, due 1961 — payable to the British Government — interest and $30,580,000 of principal abatable in certain circumstances as provided in the contracts under which they were issued	54,968,185	54,968,185
Saguenay Power Company, Ltd.:		
First mortgage 3% sinking fund bonds, due 1971 (U.S. $23,200,000)	23,200,000	23,200,000
2% Serial debentures, due 1951/1952	1,800,000	2,700,000
Northern Aluminium Company, Ltd.:		
3⅜% Debentures, due 1957/1961 (£1,250,000)	5,025,000	5,025,000
3⅞% Debentures, due 1962/1964 (£ 750,000)	2,304,375	2,304,375
Aluminium Limited:		
Bank loan, due 1952/1956 (U.S. $5,350,000)	5,879,000	3,850,000
Bank loan, due 1951/1954 (N.Kr. 1,790,000)	335,621	435,131
Other indebtedness	4,035,864	5,578,583
	193,722,045	145,943,500
Add: Provision for exchange on principal repayable in foreign currencies, at exchange rates prevailing 31st December	1,152,400	3,806,236
	194,874,445	149,749,736
Less: Indebtedness payable within one year in accordance with terms of the above obligations, included in current liabilities	3,160,816	2,809,384
	$191,713,629	$146,940,352

*By agreement dated 1st March 1951 these notes were replaced by $54,950,000 3% notes due 1971, the entire principal and interest subject to abatement; additionally, the British Government is providing $24,975,000 in 1951 against 20 year 3½% notes with principal and interest also subject to abatement.

4. Inventories of Aluminium, Materials and Supplies:

Aluminium	$ 16,441,818
Raw Materials	28,767,512
Supplies	9,405,391
	$ 54,614,721

5. Lands, Plants, Riparian Rights, and Facilities:

Land, water rights, mineral properties and development	$ 51,562,564
Buildings, machinery and equipment	408,156,165
	$459,718,729

The company is presently engaged in a construction programme involving a capital expenditure of approximately $55,000,000.

6. Earned Surplus:

The surpluses of the individual companies included in the consolidation are subject to such restrictions as to distribution as may be imposed by regulatory bodies of the countries in which the companies are carrying on operations.

The surpluses of non-Canadian subsidiaries forming part of the consolidated earned surplus at 31st December 1950 aggregated $11,406,570. The profit of these subsidiaries for the year 1950 was $5,315,211, which was reduced in consolidation by $615,906 arising from currency revaluations; net dividends paid by that group to their Canadian parent during the year aggregated $3,454,148.

7. Geographical Distribution of Consolidated Assets, Liabilities, etc.:

A condensed analysis of the consolidated balance sheet according to the domicile of the constituent companies at 31st December 1950, expressed in millions of Canadian dollars, follows:

	Canada	Other Western Hemisphere	Other British Commonwealth	All Other	Total
ASSETS					
Current assets	174.5	18.0	14.3	3.3	210.1
Investments	14.3	.4	.2	.2	15.1
Fixed assets	392.3	26.3	30.0	11.1	459.7
Less: Depreciation, etc.	*247.9*	*14.8*	*9.0*	*3.1*	*274.8*
Other assets	11.2	1.2	.1	.3	12.8
	344.4	31.1	35.6	11.8	422.9
LIABILITIES					
Current liabilities	32.4	4.0	12.0	1.5	49.9
Funded debt	184.5	.3	6.6	.3	191.7
Preferred shares	17.9	—	—	—	17.9
Other liabilities	2.9	.3	-	.2	3.4
	237.7	4.6	18.6	2.0	262.9
Common shareholders' equity	106.7	26.5	17.0	9.8	160.0

8. Adjustment in Consolidation:

The assets of Saguenay Power Company, Ltd. include an item of long-term power sales contracts carried in their books at $19,639,785. In consolidating the accounts of that company, the excess of Aluminium Limited's equity in Saguenay Power's net assets at date of acquisition over its investment in shares of that company, $7,346,728, has been applied against the book value of contracts, the remaining $12,293,057 having been written off in 1948 against consolidated earned surplus.

Auditors' Report

PRICE WATERHOUSE & CO.

215 ST. JAMES STREET WEST

MONTREAL 1

15th March 1951.

TO THE SHAREHOLDERS OF ALUMINIUM LIMITED:

We have examined the consolidated balance sheet of Aluminium Limited and its consolidated subsidiaries as at 31st December 1950 and the related statements of profit and loss and surplus. Our examination of the financial statements of Aluminium Limited, its Canadian subsidiaries and certain of its foreign subsidiaries was 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 appropriate in the circumstances. Financial statements of the remaining foreign subsidiaries have been examined by other independent accountants and have been accepted by us for inclusion in the consolidated statements. We received all the information and explanations which we required.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the audited financial statements reported on by other independent accountants, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus, supplemented by the notes appended thereto, are properly drawn up so as to exhibit a true aud correct view of the combined state of affairs of Aluminium Limited and its consolidated subsidiaries as at 31st December 1950 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change (which we approve) by the Canadian companies in the method of computing depreciation.

Pursuant to section 114 of The Companies Act, 1934, we report that the profits for the year of the non-consolidated subsidiaries have been included in the consolidated accounts to the extent of dividends declared and that your company's share of the profits of those subsidiaries exceeded the amount of such dividends.

Price Waterhouse & Co.

Auditors.

Review

THE FIRST HALF CENTURY OF CANADIAN ALUMINIUM

When the economic history of the 20th Century is finally written, the emergence of a new common metal, aluminium, to serve the needs of the world will attract the attention of historians. Other base metals have been known and used for centuries; aluminium is largely a product of the 20th Century.

It was in 1900, only a few years after the commercial birth of the new metal in America and France, that the Canadian aluminium industry was established. This enterprise, now known as Aluminum Company of Canada, Ltd. was one of the principal subsidiaries acquired by Aluminium Limited on its formation in 1928. The continuing expansion of the Canadian operations up to the mid-century year of 1950 has been the main source of Aluminium Limited's growth in the international aluminium industry.

It is an accident of geography and climate that relatively few areas in the world are suitable for large scale and low-cost production of aluminium. Within economic reach of raw material supplies, low-cost power must be abundantly available. These circumstances dictate that a progressive aluminium-producing enterprise constantly assume the role of pioneer to seek out locations favourably endowed for the development of power which will remain relatively free from the demands of other consumers.

Shawinigan Falls, Quebec, was an isolated community in the forest when construction of Canada's first aluminium plant was started there in 1900.

The first hydroelectric power plant for Canadian aluminium production, built at Shawinigan Falls in 1900 with a capacity of 5,000 horsepower.

The second and final stage of the Shipshaw Power Development, shown above, was completed by the company in 1943 with an installed generating capacity of 1,200,000 horsepower. This brought the total hydroelectric capacity developed in the Saguenay Valley of Quebec province during a twenty year period to an amount in excess of two million horsepower. These installations provide the power required for the aluminum reduction plants at Arvida and Isle Maligne as well as for other industries, services and homes in the communities. In the foreground, the all-aluminum highway bridge completed in 1950, spans the original river channel.

Such considerations were weighed carefully by the men whose vision established the Canadian aluminium industry at Shawinigan Falls, Quebec, fifty years ago. Then an isolated settlement in the forest, but now a thriving industrial community of 40,000 people, Shawinigan Falls is situated on the St. Maurice River, efficiently served by low-priced power.

The original producing plant at Shawinigan Falls has been overshadowed by subsequent developments. The original smelting "pots" have been removed as obsolete and the buildings now house important facilities for the fabrication of aluminium conductor cable and accessories. In World War II a second aluminium smelter was established at Shawinigan Falls.

Expanding markets for aluminium, together with the industrialization of the St. Maurice Valley which made increasing demands on its power, compelled the Company to seek additional producing capacity in Northern Quebec's remote Saguenay Valley about a quarter of a century ago. Fed by a watershed of 30,000 square miles, the Saguenay River falls 300 feet in a space of 30 miles, providing not only good hydroelectric potential but also ready access to the sea — a major advantage to an industry which imports its major raw materials and exports the larger part of its production.

The Saguenay Valley became not only the most important aluminium producing centre in Canada but also the site of one of the world's great hydroelectric power producing enterprises. Completion of a new power site now under construction on the Peribonka will make possible increased aluminium production in the Saguenay district.

Fabrication facilities, which require far less hydroelectric power, were first established in Toronto, Canada, in 1912. During World War II an aluminium foundry was established in Etobicoke on the outskirts of Toronto. Meanwhile a sheet fabrication operation began in Kingston, Ontario, in 1939 and expanded not only to increase its sheet producing capacity but also to provide for the production of extrusions, tubing and forgings. Since the conclusion of the war additional sheet mill capacity has been installed at Kingston, together with an important foil producing capacity.

Although this abbreviated roll-call suggests the growth of Canadian aluminium, it does not encompass the extensive and continuing efforts in the fields of sales development, research and exploration that have made such growth possible. Nor does it review the broader activities under Aluminium Limited's aegis to broaden the market opportunities for Canadian aluminium through establishment of fabricating facilities in overseas markets and to develop bauxite reserves on which the industry depends.

Present indications are that aluminium's field of usefulness will continue to expand — a factor which gives significance to plans for possible further expansion in Canada and abroad. Such plans, in themselves, foreshadow a second half-century of Canadian aluminium which will rival the first in service to home and export markets.

In 1925, when expanded production was required, the Canadian aluminium industry moved into the Saguenay Valley and established the first smelter units at Arvida. From subsequent developments and expansion between 1937 and 1943, with the requisite alumina facilities and other units, Arvida works, shown above, became the most important production centre in the Aluminium Limited group of companies

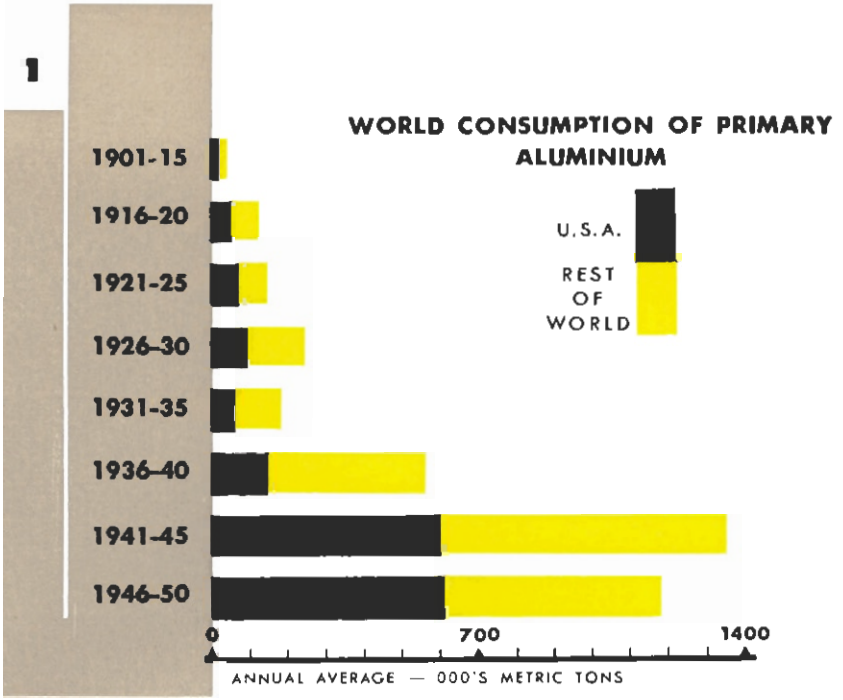
The City of Arvida has grown from complete plans prepared before any construction was started on the site. Today a community of 11,000 people, Arvida is widely known for its pleasant streets, modern shopping and recreational facilities and comfortable homes. A typical street is seen at left

Since construction began in 1925 the aluminium-producing facilities at Arvida have expanded to occupy an area of one and one-half miles long by three-quarters of a mile wide. Indicative of the size of the plant is the building shown left, one of the many structures housing 22 "pot lines", alumina and electrode plants, offices, laboratories, repair shop, machine shop, warehouses, and other buildings which comprise Arvida Works

In 1925 port facilities were acquired to berth ocean-going cargo ships, bringing raw materials for aluminium and carrying away the out going metal shipments, at Port Alfred, 20 miles from Arvida. Over the years large additions, including bauxite storage sheds, have been built. A company-owned railway links Port Alfred with Arvida

The Company's bauxite mines in British Guiana were first developed in 1917 and since then the bulk of the ore requirements for the Canadian aluminium industry have come from that country. Surrounding jungle, stripping operations and surface mining are shown in this picture of bauxite operations on the Demerara River, 65 miles from the coast

1



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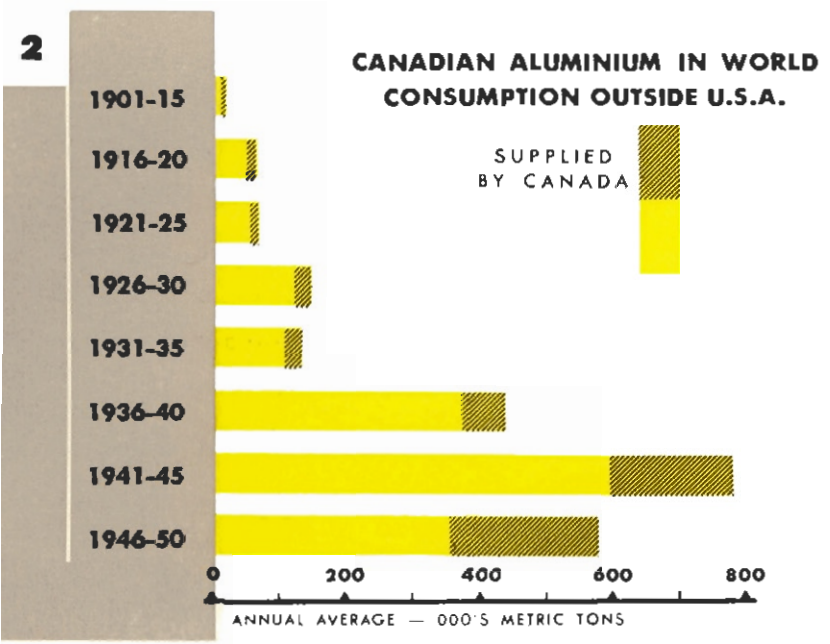

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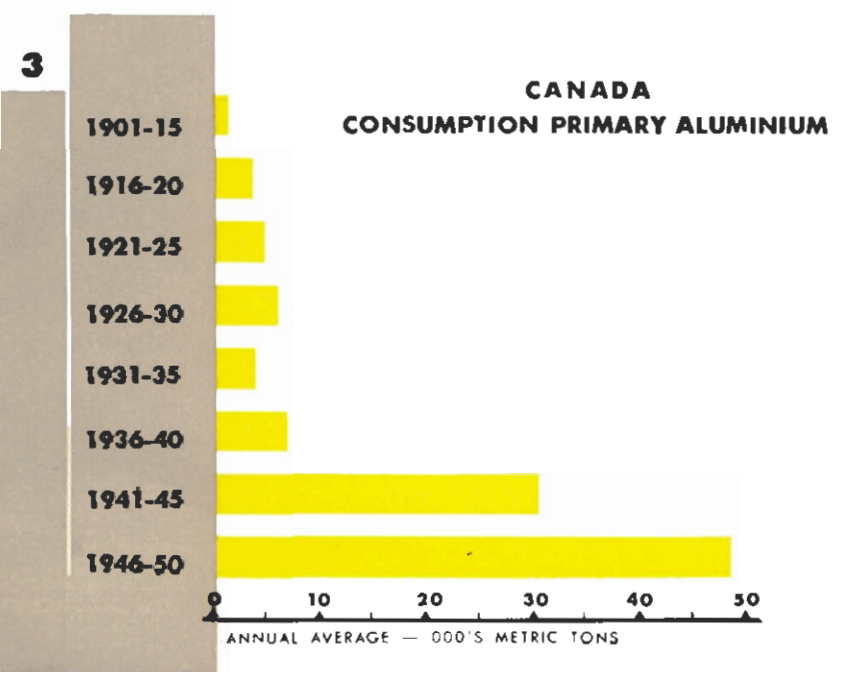


Fifty Years of Markets for Canadian Aluminium

The development of the Canadian aluminium industry in the first half of this century has paralleled the growth in markets for aluminium in all industrialized countries. In addition, this important Canadian source of supply has itself stimulated the use of the metal by making increased quantities available at lower prices.

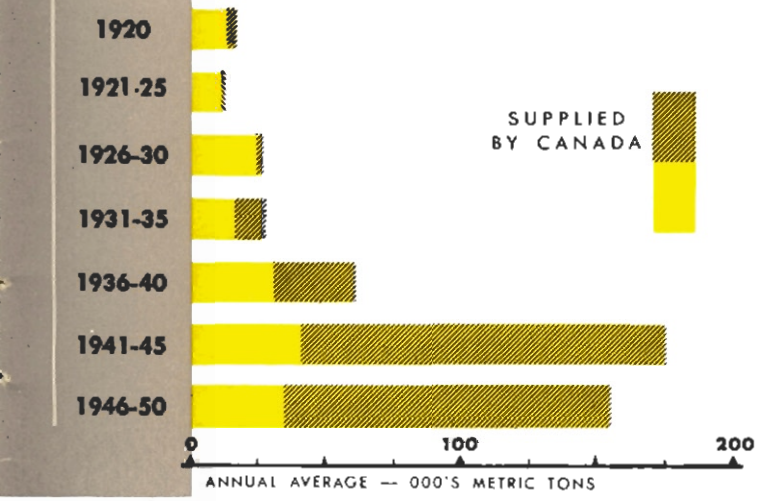
As would be expected, the growth in aluminium consumption has been more notable in those countries having a high degree of industrial development, such as the United States which in the five years since World War II has consumed* approximately 50% of the world supply. This trend is indicated in Diagram No. 1 which also shows that consumption in world markets other than the United States has also grown at a substantial rate.

Canadian aluminium production has always exceeded Canada's needs. Because of favourable natural factors for aluminium production in Canada, the Company has been able throughout the fifty-year period to market the substantial majority of its output through international trade channels. Diagram No. 2 indicates the historic position which Canadian aluminium supply has occupied in world consumption outside of the United States.

At the same time Canadian domestic consumption has experienced a satisfactory growth rate as indicated in Diagram No. 3.

4

UNITED KINGDOM
CONSUMPTION OF PRIMARY ALUMINIUM



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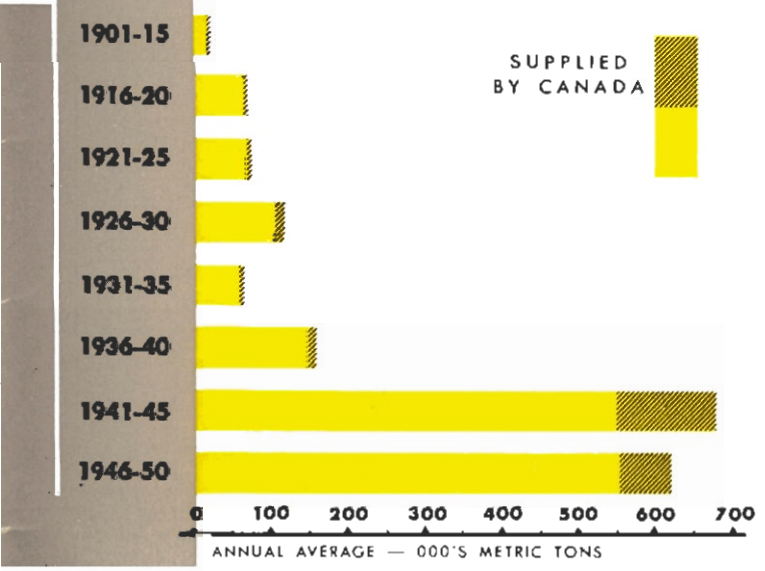
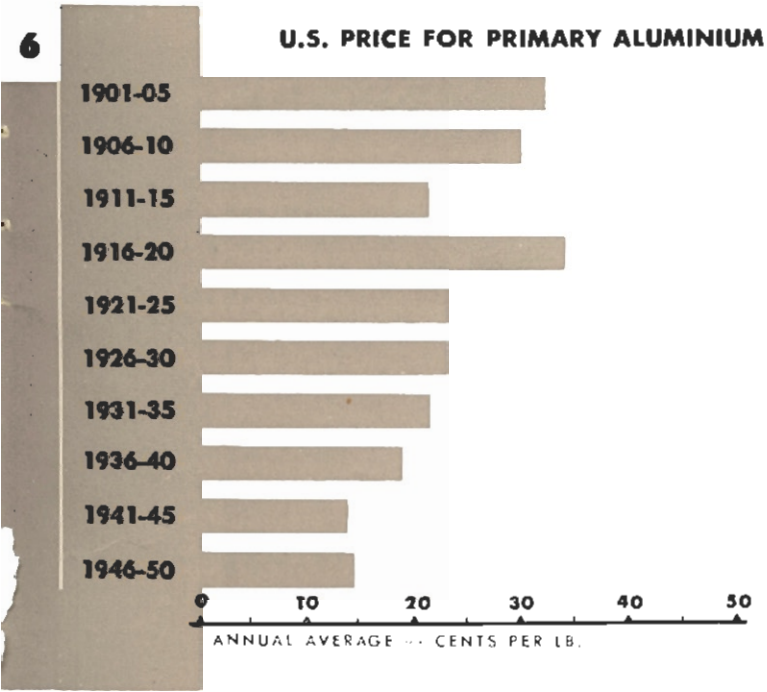
UNITED STATES
CONSUMPTION OF PRIMARY ALUMINIUM



6

U.S. PRICE FOR PRIMARY ALUMINIUM



With the rapid increase in use of aluminium, certain countries have found that their natural resources, especially in low-cost electric power, would not support continual increase in economic aluminium production. As a result their dependence on other sources of supply has grown. This is seen in the case of the United Kingdom where the steadily rising aluminium requirements have been matched by a growth in imports from Canada, as illustrated in Diagram No. 4.

In recent years three principal markets – the United Kingdom, the United States, and Canada – have absorbed more than 70% of the Company's Canadian output. Other principal markets have been developed in Western Europe, Australasia, Africa and the Far East. Diagram No. 5 indicates the extent to which the consumption of primary aluminium in the United States has been supplied by metal produced in Canada.

Throughout the half century, basic prices for primary aluminium have tended to follow the same downward trend in the important consuming countries. Diagram No. 6 shows weighted average annual prices for primary aluminium in the United States and these are representative of trends elsewhere.

*"Consumption" in each market has been determined by the annual primary domestic production increased by that country's imports and diminished by its exports.

ALUMINIUM LIMITED

Directors

Dr. Earl Blough

Nathanael V. Davis

James A. Dullea

Paul LaRoque

E. G. MacDowell

Hon. Leighton McCarthy, K.C.

Edwin J. Mejia

George O. Morgan

R. E. Powell

Officers

Nathanael V. Davis, *President*

R. E. Powell, *Senior Vice President, Director of Operations*

James A. Dullea, *Senior Vice President, Secretary and Chief Secretarial Officer*

Dr. Earl Blough, *Vice President*

E. G. MacDowell, *Vice President and Chief Sales Management Officer*

Edwin J. Mejia, *Vice President and Chief Public & Employee Relations Officer*

George O. Morgan, *Vice President*

Dana T. Bartholomew, *Chief Financial Officer*

H. H. Richardson, *Chief Technical Officer*

J. F. Evans, *Treasurer*

Paul LaRoque, *Ass't. Secretary and Ass't. Treasurer*

Dorothy Casselman, *Ass't. Secretary*

D. M. Kertland, *Ass't. Treasurer*

Group Management Companies

Aluminium Fiduciaries Limited	*Public and employee relations*
Aluminium Laboratories Limited	*Research, Engineering and Geological Exploration* *Research Laboratories at Kingston and Arvida, Canada, and Banbury, England*
Aluminium Securities Limited	*Financial management*
Aluminium Secretariat Limited	*Corporate procedure*
Aluminium Union Limited	*Sales management*

Correspondents

of the Aluminium Limited Group of Companies

Stand Corporation	*Boston and New York correspondent* *38 Newbury Street, Boston and British Empire Building, New York*
Stand Limited	*London correspondent* *11 Bruton Street, London, W.1.*
Stand S.A.	*Geneva correspondent* *59, rue du Stand, Geneva*

International Distributing Companies

Aluminium Union Limited	*Sales offices at London, Calcutta, Shanghai, Sydney, Karachi* *Resident representatives at Paris, Madrid, Hong Kong, Bangkok*
Aluminium Import Corporation	*Sales Offices at New York City, Sao Paulo and Buenos Aires* *Resident representatives at Caracas and Mexico, D.F.*
L'Aluminium Commercial S.A.	*Sales office at Zürich*
International Aluminium Company, Ltd.	*Sales Office at Tokyo*

Agents in all other important centres

Operating Companies

(Consolidated)

Subsidiary	
Aluminum Company of Canada, Ltd. — Canada	*Producers of primary ingot, sheet, foil, extrusions, cable, wire, forgings, castings, aluminium paste, alumina, chemicals Works: Arvida, Isle Maligne, Shawinigan Falls, Kingston, Etobicoke, Wakefield*
Alma & Jonquieres Railway Company (The) — Canada	*Owns and operates a railway from Isle Maligne to C.N.R. main line*
Aluminio do Brasil, S.A. — Brazil	*Producers of utensils and foil Works: Sao Paulo*
Aluminium Company of South Africa (Proprietary) Ltd. — South Africa	*Producers of sheet and foil Works: Pietermaritzburg*
Aluminiumwerke A.-G. Rorschach — Switzerland	*Producers of sheet and foil Works: Rorschach*
Aluminum Goods Limited — Canada	*Producers of utensils; jobbers Works: Toronto*
Aluminium Meridional — France	*Producers of aluminium paste Works: Bedous*
Bauxites du Midi — France	*Owns bauxite mines at Brignoles, France Developing bauxite in French West Africa*
Chaguaramas Terminals Limited — Trinidad	*Owns and operates a bauxite trans-shipping station with dock, storage at Port-of-Spain*
Demerara Bauxite Company, Ltd. — British Guiana	*Owns and operates bauxite mines, and treating plant for preparation of various grades of bauxite. Works: Mackenzie*
Jamaica Bauxites Limited — Jamaica	*Developing bauxite properties in Jamaica*
Jeewanlal (1929) Limited — India, Aden	*Producers of utensils; jobbers Works: Calcutta, Madras, Bombay, Aden*
Newfoundland Fluorspar Limited — Canada	*Owns and operates fluorspar mine at St. Laurence*
Northern Aluminium Company, Ltd. — Great Britain	*Producers of sheet, extrusions, castings, rod, wire, forgings, aluminium paste Works: Banbury, Rogerstone, Birmingham*
Roberval and Saguenay Railway Company (The) — Canada	*Owns and operates a railway from Port Alfred to Arvida*
Saguenay Terminals Limited — Canada	*Operates ships, docks and warehouses*
Saguenay Electric Company — Canada	*Retails electricity in Saguenay district*
Saguenay Power Company, Ltd. — Canada	*Owns and operates hydroelectric power station at Isle Maligne*
Saguenay Transmission Company, Ltd. — Canada	*Transmits and sells electric power wholesale in Saguenay district*
Societa dell'Alluminio Italiano — Italy	*Producers of primary ingot Works: Borgofranco d'Ivrea*
Sprostons, Limited — British Guiana	*Shipping, trading and miscellaneous services Branches in British Guiana, Trinidad and Jamaica*

Other Subsidiary and Allied

Operating Companies

(Not Consolidated)

Aluminio Industrial Mexicano, S.A. — Mexico	*Producers of sheet, foil and paste Works: Mexico City*
Aluminiumwerke Goettingen G.m.b.H. — Germany	*Producers of sheet and utensils; jobbers Works: Göttingen*
Aluminiumwerke Nuernberg G.m.b.H. — Germany	*Producers of castings Works: Nürnberg*
Australian Aluminium Company Proprietary Ltd. — Australia	*Producers of sheet, extrusions, forgings, and castings. Works: Sydney*
Chinese Aluminium Rolling Mills, Limited — China	*Producers of sheet and foil Works: Shanghai*
Dansk Aluminium Industri (A/S) — Denmark	*Producers of utensils; jobbers Works: Copenhagen*
Delphi Bauxites S.A. Greece	*Owns bauxite mines*
Det Norske Nitridaktieselskap - Norway	*Producers of primary ingot Works: Eydehavn, Tyssedal*
Electro-Quimica Brasileira S.A. — Brazil	*Aluminium smelter in process of reactivation; producers of ferro-alloys Works: Ouro Preto*
Indian Aluminium Company, Ltd. — India	*Owns and operates bauxite mines; producers of alumina, primary ingot, sheet Works: Bagru Hill, Muri Junction, Alupuram, Belur*
Nederlandsche Aluminium Maatschappij (N.V.) — Holland	*Producers of sheet and extrusions Works: Utrecht*
Nordisk Aluminiumindustri (A/S) — Norway	*Producers of sheet, castings and utensils; jobbers. Works: Holmestrand*
Norsk Aluminium Company (A/S) — Norway	*Producers of alumina and primary ingot Works: Høyanger*
Svenska Aluminiumkompaniet (AB) — Sweden	*Producers of primary ingot Works: Månsbo and Kubikenborg*
Toyo Aluminium K.K. — Japan	*Producers of sheet and foil. Works: Osaka*

Note: The companies listed on page 30 are the principal consolidated operating subsidiaries of Aluminium Limited; those on page 31 are the principal companies carried on the books of the Company as investments.

ALUMINIUM LIMITED

HEAD OFFICE: 1155 METCALFE STREET
MONTREAL — CANADA
MAIL ADDRESS — P.O. BOX 6090

TRANSFER AGENTS

National Trust Company Limited, Montreal and Toronto
Mellon National Bank and Trust Company, Pittsburgh
The National City Bank of New York, New York City

REGISTRARS

The Royal Trust Company, Montreal and Toronto
Fidelity Trust Company, Pittsburgh
Central Hanover Bank and Trust Company, New York City