

**ALCAN INC.**

**INTERIM CONSOLIDATED STATEMENT OF INCOME**

(unaudited)

**Three months ended March 31**

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

	<b>2004</b>	2003*
<b>Sales and operating revenues</b>	<b>6,243</b>	3,232
<b>Costs and expenses</b>		
Cost of sales and operating expenses	<b>5,166</b>	2,597
Depreciation and amortization	<b>340</b>	208
Selling, administrative and general expenses	<b>412</b>	164
Research and development expenses	<b>61</b>	29
Interest (note 4)	<b>94</b>	47
Other expenses (income) – net	<b>20</b>	36
	<b>6,093</b>	3,081
Income from continuing operations before income taxes and other items	<b>150</b>	151
Income taxes	<b>45</b>	141
Income from continuing operations before other items	<b>105</b>	10
Equity income	<b>16</b>	7
Minority interests	<b>(11)</b>	(1)
<b>Income from continuing operations</b>	<b>110</b>	16
Loss from discontinued operations	<b>(4)</b>	(4)
Income before cumulative effect of accounting changes	<b>106</b>	12
Cumulative effect of accounting changes, net of income tax of \$17	<b>-</b>	(39)
<b>Net income (Loss)</b>	<b>106</b>	(27)
Dividends on preference shares	<b>2</b>	2
<b>Net income (Loss) attributable to common shareholders</b>	<b>104</b>	(29)
<b>Earnings (Loss) Per Share</b>		
Basic:		
Income from continuing operations	<b>0.30</b>	0.04
Loss from discontinued operations	<b>(0.01)</b>	(0.01)
Cumulative effect of accounting changes	<b>-</b>	(0.12)
<b>Net income (loss) per common share - basic</b>	<b>0.29</b>	(0.09)
Diluted:		
Income from continuing operations	<b>0.29</b>	0.04
Loss from discontinued operations	<b>(0.01)</b>	(0.01)
Cumulative effect of accounting changes	<b>-</b>	(0.12)
<b>Net income (loss) per common share - diluted</b>	<b>0.28</b>	(0.09)
<b>Dividends per common share</b>	<b>0.15</b>	0.15

\*Excludes Pechiney, see note 2.

**ALCAN INC.**

**INTERIM CONSOLIDATED BALANCE SHEET**  
(unaudited)

	<b>March 31, 2004</b>	December 31, 2003
<i>(in millions of US\$)</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and time deposits	<b>505</b>	778
Trade receivables (net of allowances of \$88 in 2004 and \$90 in 2003)	<b>3,575</b>	3,235
Other receivables	<b>787</b>	812
Deferred income taxes	<b>27</b>	50
Inventories - Aluminum operating segments		
- Aluminum	<b>954</b>	943
- Raw materials	<b>378</b>	398
- Other supplies	<b>350</b>	343
	<b>1,682</b>	1,684
- Packaging operating segment	<b>412</b>	405
- Pechiney	<b>1,757</b>	1,883
	<b>3,851</b>	3,972
Current assets held for sale	<b>271</b>	267
<b>Total current assets</b>	<b>9,016</b>	9,114
Deferred charges and other assets	<b>1,626</b>	1,590
Deferred income taxes	<b>844</b>	887
Property, plant and equipment		
Cost (excluding Construction work in progress)	<b>21,902</b>	21,882
Construction work in progress	<b>699</b>	645
Accumulated depreciation	<b>(8,527)</b>	(8,216)
	<b>14,074</b>	14,311
Intangible assets (net of accumulated amortization of \$99 in 2004 and \$86 in 2003)	<b>1,176</b>	1,218
Goodwill	<b>4,851</b>	4,686
Long-term assets held for sale	<b>132</b>	142
<b>Total assets</b>	<b>31,719</b>	31,948

ALCAN INC.

**INTERIM CONSOLIDATED BALANCE SHEET (cont'd)**  
(unaudited)

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
<i>(in millions of US\$)</i>		
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>Current liabilities</b>		
Payables and accrued liabilities	5,417	5,277
Short-term borrowings	1,472	1,764
Debt maturing within one year	198	341
Deferred income taxes	53	86
Current liabilities of operations held for sale	117	123
<b>Total Current liabilities</b>	<b>7,257</b>	<b>7,591</b>
Debt not maturing within one year	7,901	7,437
Deferred credits and other liabilities	4,091	4,100
Deferred income taxes	1,524	1,702
Long-term liabilities of operations held for sale	322	322
Minority interests	299	519
<b>Shareholders' equity</b>		
Redeemable non-retractable preference shares	160	160
Common shareholders' equity		
Common shares	6,575	6,461
Additional paid in capital	124	128
Retained earnings	3,380	3,331
Common shares held by a subsidiary	(56)	(56)
Accumulated other comprehensive income	142	253
	<b>10,165</b>	<b>10,117</b>
	<b>10,325</b>	<b>10,277</b>
<b>Total liabilities and shareholders' equity</b>	<b>31,719</b>	<b>31,948</b>

**ALCAN INC.****INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)**

<b>Three months ended March 31</b>	<b>2004</b>	<b>2003*</b>
<i>(in millions of US\$)</i>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	<b>106</b>	(27)
Loss from discontinued operations	<b>4</b>	4
Income from continuing operations	<b>110</b>	(23)
Adjustments to determine cash from operating activities:		
Cumulative effect of accounting change	-	39
Depreciation and amortization	<b>340</b>	208
Deferred income taxes	<b>(38)</b>	34
Equity income	<b>(16)</b>	(7)
Asset impairment provisions	<b>5</b>	1
Stock-based compensation	<b>2</b>	2
Change in operating working capital		
Change in receivables	<b>(429)</b>	(51)
Change in inventories	<b>100</b>	(30)
Change in payables and accrued liabilities	<b>228</b>	16
Change in deferred charges, other assets, deferred credits and other liabilities - net	<b>(22)</b>	83
Other - net	<b>5</b>	-
Cash from operating activities in continuing operations	<b>285</b>	272
Cash from operating activities in discontinued operations	<b>2</b>	6
<b>Cash from operating activities</b>	<b>287</b>	278
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of new debt	<b>541</b>	3
Debt repayments	<b>(220)</b>	(82)
Short-term borrowings - net	<b>(231)</b>	(31)
Common shares issued	<b>25</b>	5
Dividends - Alcan shareholders (including preference)	<b>(57)</b>	(50)
- Minority interests	<b>(2)</b>	(9)
Cash from (used for) financing activities in continuing operations	<b>56</b>	(164)
Cash from (used for) financing activities in discontinued operations	<b>4</b>	(2)
<b>Cash from (used for) financing activities</b>	<b>60</b>	(166)

\*Excludes cash flows of Pechiney, see note 2.

**ALCAN INC.**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited) (cont'd)**

**Three months ended March 31**

*(in millions of US\$)*

**INVESTMENT ACTIVITIES**

	<b>2004</b>	<b>2003*</b>
Purchase of property, plant and equipment	<b>(264)</b>	(117)
Business acquisitions and purchase of investments	<b>(368)</b>	(5)
Net proceeds from disposal of business, investments and other assets	<b>45</b>	7
Cash used for investment activities in continuing operations	<b>(587)</b>	(115)
Cash used for investment activities in discontinued operations	<b>(4)</b>	(4)
<b>Cash used for investment activities</b>	<b>(591)</b>	(119)
Effect of exchange rate changes on cash and time deposits	<b>(27)</b>	1
<b>Decrease in cash and time deposits</b>	<b>(271)</b>	(6)
Cash and time deposits - beginning of period	<b>778</b>	98
Cash and time deposits - end of period in continuing operations	<b>505</b>	91
Cash and time deposits - end of period in discontinued operations	<b>2</b>	1
Cash and time deposits - end of period	<b>507</b>	92

*\*Excludes cash flows of Pechiney, see note 2.*

## **ALCAN INC.**

*(in millions of US\$)*

### **1. CHANGE IN REPORTING GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

Alcan has historically prepared and filed its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) with a reconciliation to United States (U.S.) GAAP. During the quarter ended March 31, 2004, the Company adopted U.S. GAAP as its primary reporting standard for presentation of its consolidated financial statements. Historical consolidated financial data presented has been restated.

The Company has adopted U.S. GAAP to enhance its communication with its shareholders, improve comparability of financial information with its competitors and peer group, and promote a common financial language within Alcan.

### **2. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements do not include all of the financial statement disclosures required to be in accordance with United States generally accepted accounting principles for interim reporting and therefore should be read in conjunction with the most recent annual financial statements.

On December 15, 2003, Alcan acquired Pechiney. The interim consolidated financial statements as at and for the quarter ended March 31, 2004 include the operations of Pechiney and its consolidated subsidiaries (Pechiney). The financial statements as at December 31, 2003 include only the balance sheet of Pechiney.

### **3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

In the first quarter of 2004, the Company committed to a plan to sell certain non-strategic assets in the Engineered Products operating segment that are not part of its core operations. The Company is actively pursuing potential purchasers and expects the sale to be completed in the first quarter of 2005. These assets are classified as held for sale and are included in discontinued operations.

### **4. CAPITALIZATION OF INTEREST COSTS**

Total interest costs in continuing operations in the first quarter of 2004 and 2003 were \$96 and \$48, respectively of which \$2 and \$1 were capitalized.

### **5. SALES AND ACQUISITIONS OF BUSINESSES**

#### Pechiney

On January 15, 2004, the Company acquired the Pechiney securities tendered in the re-opened offer and as consideration, issued 2,082,075 common shares of the Company (including 691,669 shares to Pechiney) valued at \$39.63 per share and paid \$158 in cash including \$5 as payment of additional consideration for holders of Pechiney securities who tendered during the re-opened offer. The additional ownership acquired through this re-opened offer was accounted for in the first quarter of 2004 when the Company settled the purchase price and obtained legal title of the Pechiney securities tendered during the re-opened offer.

## 5. SALES AND ACQUISITIONS OF BUSINESSES (cont'd)

The withdrawal offer of Alcan, made in accordance with French securities regulations, as a required step to acquire all remaining Pechiney securities, was opened from January 23 to February 5, 2004. It was followed on February 6, 2004, by a compulsory acquisition by which Alcan became the owner of the remaining Pechiney securities it did not already own. On January 23, 2004, Alcan paid \$109, which was accounted for in the first quarter of 2004, representing the aggregate consideration for the withdrawal offer and compulsory acquisition (without taking into account the Pechiney shares that resulted from exercise of Pechiney options between January 23 and February 5, 2004), for distribution in accordance with the provisions of French securities regulations. On February 6, 2004, the Company paid \$7, which was accounted for in the first quarter of 2004, in order to complete the acquisition of the Pechiney shares that were issued between January 23 and February 5, 2004, upon the exercise of Pechiney options. On February 6, 2004, Pechiney became a wholly-owned subsidiary of the Company.

### Joint Venture

On March 10, 2004, the Company announced that it had secured the necessary regulatory and government approvals to move forward with its previously announced definitive joint venture agreement with the Qingtongxia Aluminum Company and the Ningxia Electric Power Development and Investment Co. Ltd. Under the agreement Alcan will invest approximately \$150 for a 50% participation and for a secure power supply in an existing 150-kilotonne modern pre-bake smelter located in the Ningxia autonomous region, in the Peoples' Republic of China. The agreement provides for the joint venture to obtain long-term access to dedicated power on competitive terms sufficient to meet the energy requirements of the smelter. The joint venture also gives Alcan a substantial operating role and the option to acquire, through additional investment, up to 80% of a new 250-kt potline, already under construction.

Montreal, Canada  
6 May 2004