

ALCAN INC.

INTERIM CONSOLIDATED STATEMENT OF INCOME
(unaudited)

Periods ended June 30	Second Quarter		Six Months	
	2004	2003*	2004	2003*
<i>(in millions of US\$, except per share amounts)</i>				
Sales and operating revenues	6,252	3,505	12,330	6,754
Costs and expenses				
Cost of sales and operating expenses	4,922	2,838	9,925	5,452
Depreciation and amortization	329	216	669	424
Selling, administrative and general expenses	374	177	782	341
Research and development expenses	58	32	119	61
Interest (note 4)	87	54	181	101
Other expenses (income) – net	55	20	56	56
	5,825	3,337	11,732	6,435
Income from continuing operations before income taxes and other items	427	168	598	319
Income taxes	140	144	191	285
Income from continuing operations before other items	287	24	407	34
Equity income	17	11	33	18
Minority interests	(15)	(12)	(26)	(13)
Income from continuing operations	289	23	414	39
Income (Loss) from discontinued operations	42	(115)	23	(119)
Income (Loss) before cumulative effect of accounting change	331	(92)	437	(80)
Cumulative effect of accounting change, net of income tax of \$17	-	-	-	(39)
Net income (Loss)	331	(92)	437	(119)
Dividends on preference shares	1	1	3	3
Net income (Loss) attributable to common shareholders	330	(93)	434	(122)
Earnings (Loss) Per Share				
Basic and diluted:				
Income from continuing operations	0.78	0.07	1.12	0.11
Income (Loss) from discontinued operations	0.11	(0.36)	0.06	(0.37)
Cumulative effect of accounting change	-	-	-	(0.12)
Net income (Loss) per common share – basic and diluted	0.89	(0.29)	1.18	(0.38)
Dividends per common share	0.30	0.30	0.45	0.45

*Excludes Pechiney, see note 2.

ALCAN INC.

INTERIM CONSOLIDATED BALANCE SHEET
(unaudited)

	June 30, 2004	December 31, 2003
<i>(in millions of US\$)</i>		
ASSETS		
Current assets		
Cash and time deposits	351	778
Trade receivables (net of allowances of \$67 in 2004 and \$88 in 2003)	3,794	3,128
Other receivables	789	681
Deferred income taxes	39	46
Inventories - Aluminum operating segments		
- Aluminum	974	943
- Raw materials	429	398
- Other supplies	356	353
	1,759	1,694
- Packaging operating segment	403	395
- Pechiney	1,505	1,680
	3,667	3,769
Current assets held for sale	627	712
Total current assets	9,267	9,114
Deferred charges and other assets	1,618	1,591
Deferred income taxes	849	887
Property, plant and equipment		
Cost (excluding Construction work in progress)	21,129	21,882
Construction work in progress	780	645
Accumulated depreciation	(8,734)	(8,216)
	13,175	14,311
Intangible assets (net of accumulated amortization of \$99 in 2004 and \$86 in 2003)	1,237	1,218
Goodwill	5,360	4,686
Long-term assets held for sale	89	141
Total assets	31,595	31,948

ALCAN INC.

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

	June 30, 2004	December 31, 2003
<i>(in millions of US\$)</i>		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Payables and accrued liabilities	5,156	4,964
Short-term borrowings	1,024	1,764
Debt maturing within one year	445	341
Deferred income taxes	50	86
Current liabilities of operations held for sale	680	436
Total current liabilities	7,355	7,591
Debt not maturing within one year	7,724	7,437
Deferred credits and other liabilities	4,090	4,099
Deferred income taxes	1,271	1,702
Long-term liabilities of operations held for sale	317	323
Minority interests	341	519
Shareholders' equity		
Redeemable non-retractable preference shares	160	160
Common shareholders' equity		
Common shares	6,588	6,461
Additional paid-in capital	120	128
Retained earnings	3,598	3,331
Common shares held by a subsidiary	(56)	(56)
Accumulated other comprehensive income	87	253
	10,337	10,117
	10,497	10,277
Total liabilities and shareholders' equity	31,595	31,948

ALCAN INC.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

Periods ended June 30	Second Quarter		Six Months	
	2004	2003*	2004	2003*
<i>(in millions of US\$)</i>				
OPERATING ACTIVITIES				
Net income (Loss)	331	(92)	437	(119)
Loss (Income) from discontinued operations	(42)	115	(23)	119
Income from continuing operations	289	23	414	-
Adjustments to determine cash from operating activities:				
Cumulative effect of accounting change	-	-	-	39
Depreciation and amortization	329	216	669	424
Deferred income taxes	42	40	(4)	74
Equity income, net of dividends	(1)	5	(17)	(2)
Asset impairment provisions	1	9	6	12
Gain on sale of businesses and investments - net	(42)	(51)	(42)	(51)
Stock option compensation	2	2	4	4
Change in operating working capital				
Change in receivables	(138)	109	(538)	58
Change in inventories	(11)	(31)	68	(61)
Change in payables and accrued liabilities	21	(46)	247	(30)
Change in deferred charges, other assets, deferred credits and other liabilities - net	(83)	75	(104)	158
Other - net	48	23	50	21
Cash from operating activities in continuing operations	457	374	753	646
Cash used for operating activities in discontinued operations	(7)	(18)	(17)	(12)
Cash from operating activities	450	356	736	634
FINANCING ACTIVITIES				
Proceeds from issuance of new debt	176	500	718	503
Debt repayments	(234)	(259)	(454)	(341)
Short-term borrowings - net	(149)	(76)	(380)	(107)
Common shares issued	8	3	33	8
Dividends - Alcan shareholders (including preference)	(56)	(50)	(113)	(100)
- Minority interests	(1)	(1)	(3)	(10)
Cash from (used for) financing activities in continuing operations	(256)	117	(199)	(47)
Cash from (used for) financing activities in discontinued operations	(31)	19	(27)	17
Cash from (used for) financing activities	(287)	136	(226)	(30)

*Excludes cash flows of Pechiney, see note 2

ALCAN INC.**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**

(unaudited)

Periods ended June 30	Second Quarter		Six Months	
	2004	2003*	2004	2003*
<i>(in millions of US\$)</i>				
INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(274)	(200)	(538)	(317)
Business acquisitions and purchase of investments	(86)	(313)	(423)	(318)
Net proceeds from disposal of business, investments and other assets	22	46	36	53
Cash used for investment activities in continuing operations	(338)	(467)	(925)	(582)
Cash from (used for) investment activities in discontinued operations	21	(2)	16	(6)
Cash used for investment activities	(317)	(469)	(909)	(588)
Effect of exchange rate changes on cash and time deposits	(2)	3	(28)	4
Increase (Decrease) in cash and time deposits	(156)	26	(427)	20
Cash and time deposits - beginning of period	507	92	778	98
Cash and time deposits - end of period in continuing operations	351	118	351	118
Cash and time deposits - end of period in discontinued operations	-	-	-	-
Cash and time deposits - end of period	351	118	351	118

*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. On January 1, 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 included in the Form 8-K filed on June 14, 2004.

On December 15, 2003, Alcan acquired Pechiney. Pechiney refers to Pechiney, a French *société anonyme*, and where applicable, its consolidated subsidiaries. The interim consolidated financial statements as at and for the quarter and six months ended June 30, 2004 include the operations of Pechiney. The financial statements as at December 31, 2003 include only the balance sheet of Pechiney. The interim consolidated financial statements for the quarter and six months ended June 30, 2003 do not include the operations of Pechiney.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In the second quarter of 2004, the Company recorded the sale of the Boxal Group and Suner. The Boxal Group comprises facilities in France, the Netherlands, and Switzerland as well as a sales office in Germany. Suner comprises a facility in Spain.

Also in the second quarter of 2004, the Company classified in discontinued operations certain non-strategic trading operations previously reported in Pechiney World Trade. The Company is pursuing potential purchasers and expects the sale of these trading operations to be completed by the end of 2004.

4. CAPITALIZATION OF INTEREST COSTS

Total interest costs in continuing operations in the second quarter and six months of 2004 were \$89 and \$185, respectively (2003: \$55 and \$103) of which \$2 and \$4 (2003: \$1 and \$2) were capitalized.

5. SALES AND ACQUISITIONS OF BUSINESSES

Joint Venture

On June 30, 2004, the Company announced the signing of a Memorandum of Understanding with Oman Oil Company (OOC) and with the Abu Dhabi Water and Electricity Authority (ADWEA) for a 20 percent equity interest in the development of a proposed 330-kilotonne per annum aluminum smelter project in Sohar, Oman.

The Company has the option of acquiring up to 60 percent of a planned second potline for an additional 330 kilotonnes per annum of aluminum. The agreement provides that the Company would license its Pechiney AP30 smelter technology and take a leading role in the construction and operation of the smelter. Subject to successful completion of the project agreements and financing arrangements, construction is expected to commence in the second half of 2005 and result in the first metal production by the end of 2007.

6. SPIN-OFF OF ROLLED PRODUCTS BUSINESSES

The Company announced on May 18, 2004 its intention to pursue a spin-off to its shareholders of substantially all of the rolled products businesses held by the Company prior to its acquisition of Pechiney. The proposed distribution will create the world's largest aluminum rolled products company. The plan is for the new company to be domiciled in Canada with its executive office in the United States. Applications are planned to list the shares of the new company on the New York and Toronto stock exchanges.

The on-going Alcan, with its global headquarters and executive offices in Montreal, Canada, would continue to have a position in bauxite and alumina, aluminum production, an engineered products business, as well as a flexible and specialty packaging business. Following the separation, the Company would have revenues of approximately \$20 billion.

The intended spin-off will be in the form of a pro-rata distribution of common stock of the new company. The capital structure of the two companies at the time of the spin-off will be optimized according to their respective financial requirements and opportunities. It is intended that Alcan would retain its current dividend policy, and that the new company would have its own dividend policy in place at the time of the transaction. The transaction is contingent upon a number of conditions including the receipt of required regulatory approvals, definitive approval by the Company's Board of Directors, and Alcan shareholder approval.

On May 26, 2004, the Company announced that the planned strategic spin-off of substantially all of its rolled products businesses will have the collateral benefit of achieving the separation of competing businesses that Alcan agreed to last year in order to obtain necessary antitrust approvals for its acquisition of Pechiney. The spin-off would accomplish the Company's requirement to divest either of the Neuf-Brisach rolling facilities or the AluNorf/Göttingen/Nachterstedt rolling facilities. The Company and the European Commission held detailed discussions concerning the terms of and rationale for the proposed transaction and the asset composition of the entity to be spun-off. As part of its planning for the proposed spin-off, the Company has taken into account the comments received from the European Commission.

On May 26, 2004, the Company and the U.S. Department of Justice (DOJ) executed and filed with the United States District Court in Washington, D.C. an Amended Final Judgement. The amendment recognizes that the Company's proposed spin-off transaction provides an alternative remedy to the existing order to divest Ravenswood. According to the terms of the amendment, either the sale of Ravenswood or the execution of the proposed spin-off will satisfy the Amended Final Judgement. The Company has 180 days from the filing of the Amended Judgement to complete either the divestiture or the spin-off. The DOJ may extend the period by up to 60 days. The Company also agreed to continue operating the Ravenswood business separately.

Montreal, Canada
5 August 2004