

ALCAN INC.**CONSOLIDATED STATEMENT OF INCOME**

(unaudited)

Periods ended December 31	Fourth Quarter		Year	
	2004	2003*	2004	2003*
<i>(in millions of US\$, except per share amounts)</i>				
Sales and operating revenues	6,518	3,567	24,885	13,850
Costs and expenses				
Cost of sales and operating expenses	5,374	2,877	20,219	11,171
Depreciation and amortization	363	217	1,345	862
Selling, administrative and general expenses	456	227	1,612	758
Research and development expenses	66	94	239	190
Interest (note 3)	93	60	346	212
Goodwill impairment	346	28	346	28
Other expenses (income) – net	305	44	406	131
	7,003	3,547	24,513	13,352
Income (Loss) from continuing operations before income taxes and other items	(485)	20	372	498
Income taxes	67	(92)	367	258
Income (Loss) from continuing operations before other items	(552)	112	5	240
Equity income	24	7	70	38
Minority interests	(1)	(4)	(15)	(16)
Income (Loss) from continuing operations	(529)	115	60	262
Income (Loss) from discontinued operations	(9)	(19)	6	(159)
Income (Loss) before cumulative effect of accounting change	(538)	96	66	103
Cumulative effect of accounting change, net of income tax of \$17	-	-	-	(39)
Net income (Loss)	(538)	96	66	64
Dividends on preference shares	2	2	6	7
Net income (Loss) attributable to common shareholders	(540)	94	60	57
Earnings (Loss) Per Share				
Basic:				
Income (Loss) from continuing operations	(1.44)	0.36	0.15	0.79
Income (Loss) from discontinued operations	(0.02)	(0.06)	0.01	(0.49)
Cumulative effect of accounting change	-	-	-	(0.12)
Net income (Loss) per common share – basic	(1.46)	0.30	0.16	0.18
Diluted:				
Income (Loss) from continuing operations	(1.44)	0.35	0.15	0.79
Income (Loss) from discontinued operations	(0.02)	(0.06)	0.01	(0.49)
Cumulative effect of accounting change	-	-	-	(0.12)
Net income (Loss) per common share – diluted	(1.46)	0.29	0.16	0.18
Dividends per common share	-	-	0.60	0.60

*Excludes Pechiney, see note 2.

ALCAN INC.

CONSOLIDATED BALANCE SHEET
(unaudited)

	2004	2003
December 31 <i>(in millions of US\$)</i>		
<u>ASSETS</u>		
Current assets		
Cash and time deposits	184	686
Trade receivables (net of allowances of \$89 in 2004 and \$92 in 2003)	3,389	2,899
Other receivables	837	655
Deferred income taxes	179	46
Inventories	4,023	3,554
Current assets held for sale	865	1,274
Total current assets	9,477	9,114
Deferred charges and other assets	1,749	1,562
Deferred income taxes	875	734
Property, plant and equipment		
Cost (excluding construction work in progress)	22,068	20,754
Construction work in progress	816	626
Accumulated depreciation	(9,399)	(7,234)
	13,485	14,146
Intangible assets (net of accumulated amortization of \$172 in 2004 and \$86 in 2003)	1,394	1,212
Goodwill	6,477	4,686
Long-term assets held for sale	103	494
Total assets	33,560	31,948

ALCAN INC.

CONSOLIDATED BALANCE SHEET (cont'd)
(unaudited)

	2004	2003
December 31 <i>(in millions of US\$)</i>		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Payables and accrued liabilities	5,548	4,773
Short-term borrowings	2,486	1,764
Debt maturing within one year	569	341
Deferred income taxes	46	80
Current liabilities of operations held for sale	727	633
Total current liabilities	9,376	7,591
Debt not maturing within one year	6,344	7,437
Deferred credits and other liabilities	4,834	3,982
Deferred income taxes	1,682	1,702
Long-term liabilities of operations held for sale	361	556
Minority interests	242	403
Shareholders' equity		
Redeemable non-retractable preference shares	160	160
Common shareholders' equity		
Common shares	6,670	6,461
Additional paid-in capital	112	128
Retained earnings	3,170	3,331
Common shares held by a subsidiary	(35)	(56)
Accumulated other comprehensive income	644	253
	10,561	10,117
	10,721	10,277
Total liabilities and shareholders' equity	33,560	31,948

ALCAN INC.**CONSOLIDATED STATEMENT OF CASH FLOWS**

(unaudited)

Periods ended December 31 (in millions of US\$)	Fourth Quarter		Year	
	2004	2003*	2004	2003*
OPERATING ACTIVITIES				
Net income (Loss)	(538)	96	66	64
Loss (Income) from discontinued operations	9	19	(6)	159
Income (Loss) from continuing operations	(529)	115	60	223
Adjustments to determine cash from operating activities:				
Cumulative effect of accounting change	-	-	-	39
Depreciation and amortization	363	217	1,345	862
Deferred income taxes	(71)	(89)	(74)	(2)
Equity income, net of dividends	(4)	1	(32)	(11)
Asset impairment provisions	80	19	98	36
Goodwill impairment	346	28	346	28
Stock option compensation	4	4	11	13
Write-off of acquired in process research and development	-	50	-	50
Gain on sale of businesses and investments - net	(2)	(7)	(47)	(44)
Change in operating working capital				
Change in receivables	73	271	(435)	339
Change in inventories	(17)	5	24	69
Change in payables and accrued liabilities	66	89	324	61
Change in deferred charges, other assets, deferred credits and other liabilities - net	(8)	(116)	21	101
Other - net	37	18	107	37
Cash from operating activities in continuing operations	338	605	1,748	1,801
Cash from operating activities in discontinued operations	38	18	123	11
Cash from operating activities	376	623	1,871	1,812

ALCAN INC.

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

Periods ended December 31 <i>(in millions of US\$)</i>	Fourth Quarter		Year	
	2004	2003*	2004	2003*
FINANCING ACTIVITIES				
Proceeds from issuance of new debt	305	3,133	1,768	3,638
Debt repayments	(144)	(61)	(1,615)	(593)
Short-term borrowings - net	(127)	671	(543)	577
Common shares issued	37	25	89	42
Dividends - Alcan shareholders (including preference)	(53)	(50)	(223)	(200)
- Minority interests	(6)	-	(3)	(11)
Cash from (used for) financing activities in continuing operations	12	3,718	(527)	3,453
Cash used for financing activities in discontinued operations	(2)	(44)	(48)	(29)
Cash from (used for) financing activities	10	3,674	(575)	3,424
INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(500)	(291)	(1,289)	(838)
Business acquisitions and purchase of investments	(6)	(3,400)	(466)	(3,819)
Net proceeds from disposal of businesses, investments and other assets	1	19	35	63
Other	1	-	(8)	-
Cash used for investment activities in continuing operations	(504)	(3,672)	(1,728)	(4,594)
Cash from (used for) investment activities in discontinued operations	(9)	26	(22)	17
Cash used for investment activities	(513)	(3,646)	(1,750)	(4,577)
Effect of exchange rate changes on cash and time deposits	20	16	16	21
Increase (Decrease) in cash and time deposits	(107)	667	(438)	680
Cash and time deposits – beginning of period	447	111	778	98
Cash and time deposits – end of period in continuing operations	184	686	184	686
Cash and time deposits – end of period in current assets held for sale	156	92	156	92
Cash and time deposits – end of period	340	778	340	778

*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 consolidated financial statements do not include all of the financial statement disclosures required to be in accordance with accounting principles generally accepted in the United States of America 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 consolidated financial statements as at and for the quarter and year ended December 31, 2004 include the operations of Pechiney. The financial statements as at December 31, 2003 include only the balance sheet of Pechiney. The consolidated financial statements for the quarter and year ended December 31, 2003 do not include the operations of Pechiney.

On January 6, 2005, Alcan completed the spin-off of Novelis Inc., as described in Note 5 – Spin-Off of Rolled Products Businesses. Prior to the spin-off, these businesses were owned by Alcan. Subsequent to the spin-off, Alcan's rolled products operations will comprise five facilities in four countries. Four of these facilities will be part of the Engineered Products operating segment, and one of these facilities will be a shared facility between the Engineered Products and the Packaging operating segments.

The balance sheets, statements of income and cash flows of the businesses transferred to Novelis Inc. are included in Alcan's consolidated financial statements for all periods presented. Alcan's consolidated financial statements for all periods subsequent to December 31, 2004 will not include the balance sheets, statements of income and cash flows of the businesses transferred to Novelis Inc.

3. CAPITALIZATION OF INTEREST COSTS

Total interest costs in continuing operations in the fourth quarter and for the year 2004 were \$97 and \$357, respectively (2003: \$62 and \$218) of which \$4 and \$11 (2003: \$2 and \$6) were capitalized.

4. SALES AND ACQUISITIONS OF BUSINESSES AND RESTRUCTURING ACTIVITIES

Aluminium de Grèce S.A.

On December 29, 2004, the Company announced that, following an extensive evaluation of the Company's operations subsequent to the Pechiney acquisition, it had entered into a binding agreement for the sale of its controlling interest in Aluminium de Grèce S.A. (AdG) to Mytilineos Holdings S.A. of Greece. The Company classified this business in discontinued operations and assets held for sale during the fourth quarter of 2004. The Company owns approximately 12.9 million shares in AdG, representing a 60.2% equity interest. Under the terms of this agreement, Mytilineos Holdings and certain affiliated companies will be acquiring from the Company a 53% equity position in AdG. The balance of the Company's interest in AdG, some 7.2%, may be sold by the Company to Mytilineos Holdings one year after closing, pursuant to a three-month put option. After that, Mytilineos Holdings will have a call option for six months to purchase the remaining interest. The sale of shares and completion of the transaction, which is subject to approval from the competition authorities as well as the Greek Ministry of Development, is expected to close during the first quarter of 2005.

4. SALES AND ACQUISITIONS OF BUSINESSES AND RESTRUCTURING ACTIVITIES (cont'd)

Ferroalloy Division

On December 30, 2004, the Company announced that it had reached agreement on the principal terms of a sale of Pechiney Électrométallurgie (PEM) to Ferroatlántica, S.L., Spain's leading ferroalloys and independent electrical power producer. The Company has classified this business in discontinued operations and assets held for sale during the fourth quarter of 2004. The Company's decision to sell this business was based on an extensive evaluation of the Company's operations subsequent to the Pechiney acquisition and is consistent with the Company's strategy of divesting non-core activities. The transaction, which will be ultimately subject to relevant regulatory authorities' approvals, is expected to be completed in the second quarter of 2005.

Service Centre

Also in the fourth quarter of 2004, the Company committed to a plan to sell one of its service centres in France that is not part of its core operations. The Company is actively pursuing potential purchasers. These assets are classified as held for sale and included in discontinued operations.

Copper and Ores and Concentrates Trading Businesses

In the second quarter of 2004, the Company classified in discontinued operations its copper and ores and concentrates trading businesses. In the fourth quarter of 2004, the Company sold certain assets of its ores and concentrates trading division to its current management team, and sold the assets of its zinc and lead metal trading business to Trafigura Ltd., and independent commodity trading company.

Suner Cartons and The Boxal Group

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

Restructuring at Nine European Sites

Following a detailed assessment of the Company's activities subsequent to the Pechiney acquisition, in the fourth quarter of 2004, the Company announced restructuring efforts at nine European sites. As a result of this restructuring, the Company committed to a plan to sell two high purity businesses in France. The Company is actively pursuing potential purchasers and expects the sales to be completed by the end of 2005. These businesses have been classified in discontinued operations and assets held for sale during the fourth quarter of 2004. The restructuring efforts also include the downsizing of four sites: Lafon in Italy, Kolin in the Czech Republic, Froges (pharmaceutical workshop) in France and Alcan Mass Transportation Systems (AMTS) business unit in Zurich, Switzerland, as well as three plant closures: Flemalle in Belgium, Cruseilles in France, and Garbagnate in Italy.

Rogerstone

On August 19, 2004, Alcan announced, in light of increasingly competitive market conditions, a proposal to consolidate its U.K. aluminum sheet rolling activity at its plant in Rogerstone, Wales, to improve competitiveness through better capacity utilization and economies of scale. As a result of this proposal, production ceased at the rolling mill in Falkirk, Scotland in December 2004 and the rolling mill is expected to close during the first quarter of 2005. Sixty-five employees were terminated as at December 31, 2004. The consolidation resulted in charges of approximately \$19, pre-tax, in 2004.

Oman Oil Company and Abu Dhabi Water and Electricity Authority

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-kt 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-kt 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.

5. SPIN-OFF OF ROLLED PRODUCTS BUSINESSES

On January 6, 2005, Alcan completed the spin-off of Novelis Inc. (Novelis) to its shareholders. Alcan shareholders received one Novelis common share for every five Alcan common shares held. Novelis consists of substantially all of the aluminum rolled products businesses held by Alcan prior to its 2003 acquisition of Pechiney, together with some of Alcan's alumina and primary metal-related businesses in Brazil, which are fully integrated with the rolled products operations there, as well as four former Pechiney rolling facilities in Europe as their end-use markets and customers are more similar to those of Novelis. The spin-off, which was approved by both the shareholders and Board of Directors of Alcan, completes the planned strategic spin-off that was initially announced on May 18, 2004. Additionally, the spin-off of Novelis satisfied certain regulatory requirements associated with the acquisition of Pechiney, including the requirement to divest either of the Neuf-Brisach rolling facilities or the AluNorf/Göttingen/Nachterstedt rolling facilities and allows Alcan to retain Ravenswood.

Montreal, Canada
8 February 2005