

ALCAN INC.**INTERIM CONSOLIDATED STATEMENT OF INCOME** (unaudited)

Periods ended June 30	Second Quarter		Six Months	
	2005	2004	2005	2004
<i>(in millions of US\$, except per share amounts)</i>				
Sales and operating revenues	5,206	6,208	10,384	12,228
Costs and expenses				
Cost of sales and operating expenses, excluding depreciation and amortization noted below	4,130	4,918	8,220	9,890
Depreciation and amortization	268	324	540	660
Selling, administrative and general expenses	345	365	725	761
Research and development expenses	49	58	98	119
Interest	90	87	175	180
Other expenses (income) – net	73	54	97	51
	4,955	5,806	9,855	11,661
Income from continuing operations before income taxes and other items	251	402	529	567
Income taxes	70	125	168	166
Income from continuing operations before other items	181	277	361	401
Equity income	28	17	57	33
Minority interests	(1)	(9)	(2)	(15)
Income from continuing operations	208	285	416	419
Income (Loss) from discontinued operations	(17)	46	(7)	18
Net income	191	331	409	437
Dividends on preference shares	1	1	3	3
Net income attributable to common shareholders	190	330	406	434
Earnings (Loss) per share				
Basic and Diluted:				
Income from continuing operations	0.56	0.77	1.11	1.13
Income (Loss) from discontinued operations	(0.04)	0.12	(0.02)	0.05
Net income per common share – basic and diluted	0.52	0.89	1.09	1.18
Dividends per common share	0.30	0.30	0.45	0.45

ALCAN INC.

INTERIM CONSOLIDATED BALANCE SHEET (unaudited)

	June 30, 2005	December 31, 2004
<i>(in millions of US\$)</i>		
ASSETS		
Current assets		
Cash and time deposits	222	184
Trade receivables (net of allowances of \$62 in 2005 and \$99 in 2004)	2,861	3,247
Other receivables	846	936
Deferred income taxes	110	214
Inventories	2,863	4,040
Current assets held for sale	172	791
Total current assets	7,074	9,412
Deferred charges and other assets	2,251	2,877
Deferred income taxes	969	870
Property, plant and equipment		
Cost (excluding Construction work in progress)	15,383	21,956
Construction work in progress	899	816
Accumulated depreciation	(5,479)	(9,478)
	10,803	13,294
Intangible assets (net of accumulated amortization of \$177 in 2005 and \$172 in 2004)	1,028	1,230
Goodwill	4,992	5,496
Long-term assets held for sale	30	162
Total assets	27,147	33,341

ALCAN INC.**INTERIM CONSOLIDATED BALANCE SHEET** (cont'd) (unaudited)

	June 30, 2005	December 31, 2004
<i>(in millions of US\$)</i>		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Payables and accrued liabilities	4,415	5,843
Short-term borrowings	339	2,486
Debt maturing within one year	854	569
Deferred income taxes	27	23
Current liabilities of operations held for sale	104	335
Total current liabilities	5,739	9,256
Debt not maturing within one year	5,630	6,345
Deferred credits and other liabilities	4,270	4,986
Deferred income taxes	1,279	1,543
Long-term liabilities of operations held for sale	9	249
Minority interests	91	236
Shareholders' equity		
Redeemable non-retractable preference shares	160	160
Common shareholders' equity		
Common shares	6,104	6,670
Additional paid-in capital	692	112
Retained earnings	3,322	3,362
Common shares held by a subsidiary	(31)	(35)
Accumulated other comprehensive income (loss)	(118)	457
	9,969	10,566
	10,129	10,726
Total liabilities and shareholders' equity	27,147	33,341

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

Periods ended June 30	Second Quarter		Six Months	
	2005	2004	2005	2004
<i>(in millions of US\$)</i>				
OPERATING ACTIVITIES				
Net income	191	331	409	437
Loss (Income) from discontinued operations	17	(46)	7	(18)
Income from continuing operations	208	285	416	419
Adjustments to determine cash from operating activities:				
Depreciation and amortization	268	324	540	660
Deferred income taxes	(13)	42	42	14
Equity income, net of dividends	2	(1)	(25)	(17)
Asset impairment provisions	25	2	33	10
Loss (Gain) on sale of businesses and investments – net	17	(42)	16	(42)
Stock option compensation	5	2	10	4
Change in operating working capital				
Change in receivables	(157)	(137)	(353)	(518)
Change in inventories	(128)	(11)	(114)	44
Change in payables and accrued liabilities	(34)	12	(272)	199
Change in deferred charges, other assets, deferred credits and other liabilities – net	44	(83)	(72)	(103)
Other – net	5	35	(46)	30
Cash from operating activities in continuing operations	242	428	175	700
Cash from (used for) operating activities in discontinued operations	(18)	33	50	51
Cash from operating activities	224	461	225	751
FINANCING ACTIVITIES				
Proceeds from issuance of new debt – net of issuance costs	780	177	1,166	718
Debt repayments	(610)	(234)	(1,196)	(454)
Short-term borrowings – net	29	(145)	(1,993)	(375)
Common shares issued	6	8	10	33
Dividends – Alcan shareholders (including preference)	(56)	(56)	(114)	(113)
– Minority interests	(6)	(2)	(6)	(4)
Cash from (used for) financing activities in continuing operations	143	(252)	(2,133)	(195)
Cash from (used for) financing activities in discontinued operations	41	(30)	4	(31)
Cash from (used for) financing activities	184	(282)	(2,129)	(226)

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

Periods ended June 30	Second Quarter		Six Months	
	2005	2004	2005	2004
<i>(in millions of US\$)</i>				
INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(453)	(265)	(745)	(517)
Business acquisitions and purchase of investments	(39)	(55)	(42)	(423)
Net proceeds from disposal of businesses, investments and other assets	(9)	(24)	3	20
Settlement of amounts due from Novelis – net	-	-	2,535	-
Cash from (used for) investment activities in continuing operations	(501)	(344)	1,751	(920)
Cash from (used for) investment activities in discontinued operations	121	9	64	(4)
Cash from (used for) investment activities	(380)	(335)	1,815	(924)
Effect of exchange rate changes on cash and time deposits	(11)	(1)	(29)	(28)
Increase (Decrease) in cash and time deposits	17	(157)	(118)	(427)
Cash and time deposits – beginning of period	205	508	340	778
Cash and time deposits – end of period in continuing operations	222	235	222	235
Cash and time deposits – end of period in current assets held for sale	-	116	-	116
Cash and time deposits – end of period	222	351	222	351

ALCAN INC.

(in millions of US\$, except where indicated)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements are based upon accounting policies and methods of their application consistent with those used and described in the Company's annual financial statements as contained in the most recent annual report. The interim financial statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and therefore should be read in conjunction with the Company's annual report.

In the opinion of management of the Company, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position and the results of operations and cash flows in accordance with U.S. GAAP, applied on a consistent basis. The results reported in these interim consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year.

Spin-off of Rolled Products Businesses

On January 6, 2005, Alcan completed the spin-off of Novelis Inc. (Novelis), as described in note 4 – Spin-off of Rolled Products Businesses. Prior to the spin-off, these businesses were owned by Alcan. Alcan's consolidated financial statements as at December 31, 2004 and for the second quarter and six months ended June 30, 2004 include the operations transferred to Novelis. Alcan's consolidated financial statements as at and for the second quarter and six months ended June 30, 2005 exclude the operations transferred to Novelis. Management concluded that all income earned and cash flows generated by Novelis entities from January 1 to 5, 2005, were insignificant. In addition, the transactions between Alcan and Novelis during this period were also immaterial, with the exception of a net gain on derivative contracts, which has been recorded in retained earnings.

2. SALES OF BUSINESSES AND RESTRUCTURING ACTIVITIES

Following a detailed assessment subsequent to the Pechiney acquisition, the Company began restructuring efforts at certain European sites in the fourth quarter of 2004. As a result of this restructuring, the Company committed to a plan to sell two high purity businesses, Mercus and Froges, in France. These businesses were classified in discontinued operations and assets held for sale during the fourth quarter of 2004. In the second quarter of 2005, the Company announced a change in its strategy of selling the businesses due to changes in market and economic conditions. The Company envisions suspending one of two activities at the Mercus high purity metal processing mill and closing the Froges rolling mill. As a result of the change in strategy, these two businesses have been reclassified to assets held and used and are included in continuing operations.

On June 14, 2005, the Company announced the restructuring of its Engineered Products facilities in Singen, Germany, and Sierre, Switzerland, in order to improve efficiency and ensure their long-term viability. Alcan will integrate its extrusion activities at the Singen and Sierre sites, and restructure the automotive structures and composites into its operations at Singen.

On April 20, 2005, the Company completed the sale of its service centres in France (Almet France) for net proceeds of \$4 to Amari Metal France Ltd., which specializes in distributing aluminum, stainless steel and cuprous metal products. The assets of Almet France were previously classified as held for sale and included in discontinued operations.

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., of Spain. The Company 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. On June 1, 2005, the Company completed the sale of PEM for net proceeds of \$150.

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

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), as well as the transfer of certain related contracts, 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 owned approximately 13 million shares in AdG, representing a 60.2% equity interest. The transaction was completed on March 15, 2005 at a value of \$104. Under the terms of this agreement, Mytilineos Holdings and certain affiliated companies acquired 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 at a price equivalent to the selling price of the shares. Subsequently, Mytilineos Holdings will have a call option for six months to purchase any remaining interest, at a price equivalent to the selling price of the shares.

3. CAPITALIZATION OF INTEREST COSTS

Total interest costs in continuing operations in the second quarter and six months of 2005 were \$95 and \$185, respectively (2004: \$89 and \$184) of which \$5 and \$10 (2004: \$2 and \$4) were capitalized.

4. SPIN-OFF OF ROLLED PRODUCTS BUSINESSES

On January 6, 2005, Alcan completed the spin-off of 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.

The agreements giving effect to the spin-off provide for various post-transaction adjustments and the resolution of outstanding matters, which are expected to be carried out by the parties by the end of 2005.

Following the spin-off, the Company settled amounts due from Novelis and used the net proceeds of \$2.6 billion to settle third party debt, and to cover a preliminary payment of \$100 made by the Company to Novelis in accordance with a separation agreement between the parties.

5. LONG-TERM DEBT

On May 31, 2005, the Company issued \$500 of 5.00% Notes due in 2015 and \$300 of 5.75% Notes due in 2035. The net proceeds of these offerings were used to repay outstanding commercial paper debt.

Montreal, Canada
8 August 2005