
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to

Form 10

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

NOVELIS INC.

(Exact name of registrant as specified in its charter)

Canada

*(State or other jurisdiction of
incorporation or organization)*

**1188 Sherbrooke Street West
Montreal, Quebec**

(Address of principal executive offices)

*(I.R.S. Employer
Identification Number)*

H3A 3G2

(Zip Code)

Registrant's telephone number, including area code:

(514) 848-8000

Securities to be registered pursuant to Section 12(b) of the Act:

*TITLE OF EACH CLASS
TO BE SO REGISTERED*

**Common Shares, no par value
Common Share Purchase Rights**

*NAME OF EACH EXCHANGE ON WHICH
EACH CLASS IS TO BE REGISTERED*

**The New York Stock Exchange
The New York Stock Exchange**

Securities to be registered pursuant to Section 12(g) of the Act:

None

NOVELIS INC.

I. INFORMATION INCLUDED IN INFORMATION STATEMENT

AND INCORPORATED IN FORM 10 BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT

AND ITEMS OF FORM 10

Other than as provided below, the information required to be provided in this registration statement on Form 10 is incorporated by reference to our U.S. information statement which includes excerpts from our non-offering prospectus prepared for filing with provincial and territorial securities regulators in Canada to enable us to become a reporting issuer under applicable securities legislation. This information statement may be found as Exhibit 99.1 to this Form 10. For your convenience, below we have provided a cross-reference sheet identifying where the items required by Form 10 can be found in the information statement.

Item No.	Caption	Location in Information Statement
1		"Enforceability of Certain Civil Liabilities"; "Explanatory Information"; "Summary"; "Risk Factors"; "Our Business"; "Arrangements Between Novelis and Alcan"; "Capitalization"; "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and "Additional Information"
2	Business	"Summary"; "Selected Combined Financial Data"; "Unaudited Pro Forma Combined Financial Data"; and "Management's Discussion and Analysis of Financial Condition and Results of Operations"
3	Financial Information	"Our Business — Our business groups"
4	Properties	"Management"; and "Ownership of Our Shares"
5	Securities Ownership of Certain Beneficial Owners and Management	"Management"
6	Directors and Executive Officers	"Management"; and "Ownership of Our Shares"
7	Executive Compensation	"Arrangements Between Novelis and Alcan"; and "Certain Relationships and Related Transactions"
8	Certain Relationships and Related Transactions	"Our Business — Legal proceedings"
9	Legal Proceedings	"Summary"; "Capitalization"; "Dividend Policy"; "Description of Our Share Capital"; "Certain Canadian and United States Income Tax Considerations"; and "Shares Eligible for Future Sale"
10	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters	Not Included (See Part II below)
11	Recent Sales of Unregistered Securities	"Dividend Policy"; "Certain Canadian and United States Income Tax Considerations"; and "Description of Our Share Capital"
12	Description of Registrant's Securities to be Registered	"Indemnification of Directors and Officers"
13	Indemnification of Directors and Officers	"Unaudited Pro Forma Combined Financial Data"; "Index to Unaudited Interim Combined Financial Statements"; and "Index to Audited Combined Financial Statements" and the statements referenced thereon
	Financial Statements and Supplementary Data	

Item No.	Caption	Location in Information Statement
14	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable
15	Financial Statements and Exhibits	“Unaudited Pro Forma Combined Financial Data”; “Index to Unaudited Interim Combined Financial Statements”; and “Index to Audited Combined Financial Statements” and the statements referenced thereon (See also Part II below)

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

Item 10. Recent Sales of Unregistered Securities

We were incorporated in Canada on September 21, 2004. On the date of separation and pursuant to the reorganization transactions, as those terms are used in the information statement filed as Exhibit 99.1 to this registration statement on Form 10, we will issue special shares to Alcan Inc. in consideration for common shares of Arcustarget Inc., a Canadian corporation. The special shares will be redeemed shortly after their issuance and cancelled. The issuance of our special shares to Alcan will be exempt from registration under the Securities Act of 1933, as amended, or the Securities Act, pursuant to Section 4(2) thereof because such issuance will not involve any public offering of securities.

Item 15. Financial Statements and Exhibits

- (a) Financial statements filed as part of this registration statement (page references are to pages of the information statement filed as Exhibit 99.1 to this registration statement):

Audited combined financial statements	
Auditors' report	F-2
Combined statements of income	F-3
Combined balance sheets	F-4
Combined statements of cash flows	F-5
Combined statements of invested equity	F-6
Notes to combined financial statements	F-7
Unaudited interim combined financial statements	
Interim combined statements of income (unaudited)	F-50
Interim combined balance sheets (unaudited)	F-51
Interim combined statements of cash flows (unaudited)	F-53
Notes to interim combined financial statements (unaudited)	F-54

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

- (b) Exhibits:

Exhibit No.	Description
3.1	Certificate and Articles of Incorporation of Novelis Inc.***
3.2	By-law No. 1 of Novelis Inc.***
4.1	Form of Shareholder Rights Plan*
4.2	Form of Share certificate*
10.1	Form of Separation Agreement*
10.2	Form of Metal Supply Agreement for Remelt Aluminum Ingot*
10.3	Form of Metal Supply Agreement for Molten Metal*
10.4	Form of Metal Supply Agreement for Sheet Ingot (North America)*
10.5	Form of Metal Supply Agreement for Sheet Ingot (Europe)*
10.6	Aluminum Supply Agreement between Alcan Inc. and Alcan Taihan Aluminum*
10.7	Form of Alumina Supply Agreement*
10.8	Alumina Raw Materials Contract dated June 27, 2001 between Alcan Deutschland GmbH and Alcan Aluminum Limited (currently known as Alcan Inc.)*
10.9	Form of Foil Supply Agreement in connection with Alcan's Swiss operations*
10.10	Form of Foil Supply Agreement in connection with Alcan's Brazilian operations*
10.11	Form of Conversion Agreement in connection with Alcan's German operations*
10.12	Foil Supply Agreement, dated December 20, 2002, among Tscheulin Rothal GmbH, Société Alsacienne d'Aluminium SA, BP Europack SpA and Rotopak Matbaacilik Ambalaj Sanayi ve Ticaret A.S. as Buyer, and Pechiney Eurofoil Luxembourg, Pechiney Eurofoil Belgium and Pechiney Rhenalu as Seller*

Exhibit No.	Description
10.13	Foil Supply Agreement among Soplaril, S.A., Pechiney Emballage Flexible Europe as Buyer and Pechiney Rhenalu, Pechiney Eurofoil Luxembourg and Pechiney Eurofoil Belgium as Seller*
10.14	Form of Tax Sharing and Disaffiliation Agreement*
10.15	Form of Transitional Services Agreement*
10.16	Form of Employee Matters Agreement*
10.17	Form of Trademark Agreement*
10.18	Form of Separation Agreement in connection with Sierre*
10.19	Form of Asset Transfer Agreement in connection with Sierre*
10.20	Form of Real Estate Lease Agreement in connection with Sierre*
10.21	Form of Equipment Lease Agreement in connection with Sierre*
10.22	Form of Access and Easement Agreement in connection with Sierre*
10.23	Form of Tolling Agreement in connection with Sierre*
10.24	Form of Metal Supply Agreement in connection with Sierre*
10.25	Form of Shared Services Agreement in connection with Sierre*
10.26	Form of Principal Intellectual Property Agreement between Alcan International Limited and Novelis Inc.*
10.27	Form of Secondary Intellectual Property Agreement between Novelis Inc. and Alcan International Limited*
10.28	Form of Technical Services Agreement in connection with the Neuhausen facility*
10.29	Form of Technical Services Agreement in connection with the Kingston and Arvida facilities*
10.30	Form of Technical Services Agreement in connection with the research and development facilities located in Brazil*
10.31	Form of Technical Services Agreement in connection with the research and development facility located in Voreppe, France*
10.32	Form of Ohle Tolling Agreement*
10.33	Form of Energy Agreement*
10.34	Form of Agreement for Transfer of Assets and Employees in connection with the Neuhausen facility*
10.35	Form of Foil Supply and Distribution Agreement*
10.36	Form of Master Agreement regarding the arbitration process*
10.37	Form of Joint Procurement of Goods and Services Protocol between Alcan and Novelis*
10.38	Form of Metal Hedging Agreement*
21.1	List of subsidiaries of Novelis Inc.*
99.1	Information Statement**
99.2	Alcan Inc. management's proxy circular**

* Exhibit will be filed by an amendment.

** Exhibit filed herewith.

*** Exhibit previously filed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVELIS INC.
(Registrant)

By: /s/ BRIAN W. STURGELL

Name: Brian W. Sturgell
Title: Chief Executive Officer

Date: November 23, 2004

INDEX TO EXHIBITS

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* Exhibit will be filed by an amendment.

** Exhibit filed herewith.

*** Exhibit previously filed.

The information in this preliminary information statement is not complete and may be changed. This information statement is not an offer to sell nor does it seek an offer to buy any securities.

Subject to Completion. Dated November 23, 2004.

PRELIMINARY U.S. INFORMATION STATEMENT



Common Shares

This information statement includes excerpts from the prospectus that we, Novelis Inc., are filing with provincial and territorial securities regulatory authorities in Canada to enable us to become a reporting issuer under applicable securities legislation in those provinces and territories in connection with the distribution of our common shares pursuant to Alcan Inc.'s planned capital reorganization. This information statement is identical to the prospectus except for the omission of certain information that is solely required for Canadian regulatory purposes. We refer throughout this information statement to the excerpts of the prospectus as the prospectus. We are filing this information statement with the United States Securities and Exchange Commission, or the SEC, as an exhibit to our registration statement on Form 10 under the Securities Exchange Act of 1934.

In reviewing this information statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 11 of the attached prospectus.

Neither the United States Securities and Exchange Commission nor any State securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is _____, 2004.

The information in this amended preliminary non-offering prospectus is not complete and may be changed. This prospectus is not an offer to sell nor does it seek an offer to buy any securities.

This is an amended preliminary non-offering prospectus, a copy of which has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but which has not yet become final. Information contained in this preliminary prospectus may not be complete and may have to be amended.

Subject to Completion. Dated November 23, 2004.

AMENDED PRELIMINARY NON-OFFERING PROSPECTUS



Common Shares

No securities are being offered or sold pursuant to this prospectus. We, Novelis Inc., are filing this prospectus with provincial and territorial securities regulatory authorities in Canada to enable us to become a reporting issuer under applicable securities legislation in those provinces and territories in connection with the distribution of our common shares pursuant to Alcan Inc.'s planned capital reorganization, the steps of which we refer to in this prospectus as the reorganization transactions. We are also filing excerpts of this prospectus with the United States Securities and Exchange Commission, or the SEC, as an exhibit to our registration statement on Form 10 under the Securities Exchange Act of 1934. Since no securities are being sold pursuant to this prospectus, no proceeds will be raised. Expenses in connection with the preparation and filing of this prospectus and the registration statement on Form 10 will be borne by Alcan Inc., or Alcan, from its general funds.

The reorganization transactions are subject to, among other things, the approval of Alcan shareholders at a special meeting scheduled for December 22, 2004. Assuming that Alcan shareholders approve the reorganization transactions, Alcan obtains a final order of the Quebec Superior Court approving the arrangement that implements the reorganization transactions, and Alcan's board of directors subsequently approves the reorganization transactions, we expect that the reorganization transactions will be effective on _____ and that our common shares will be distributed to holders of Alcan common shares of record as of the close of business on _____, 2005, which will be the record date. Alcan shareholders of record will receive one of our common shares for every five common shares of Alcan held on the record date as soon as practicable after the record date. No fractional shares will be issued, and Alcan shareholders will receive cash equal to the fair market value of any fractional shares to which they otherwise would have been entitled. Alcan shareholders will not be required to pay for our common shares to be received by them in the distribution, or to tender or surrender their Alcan common shares in order to receive our common shares or to take any other action in connection with the distribution.

Alcan will be seeking shareholder approval of the reorganization transactions and Alcan's request for a proxy is being made to Alcan shareholders pursuant to a separate solicitation document. We are not asking you for a proxy and you are requested not to send us one.

There is no current trading market for our common shares. The Toronto Stock Exchange has conditionally approved the listing of our common shares under the symbol "NVL", subject to the filing of the usual documentation. We intend to apply to list our common shares on the New York Stock Exchange under the symbol "NVL".

In reviewing this prospectus, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 11.

No securities regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise. Neither the United States Securities and Exchange Commission nor any State securities commission has approved or disapproved these securities or determined if this non-offering prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Shareholders of Alcan with inquiries related to the reorganization transactions or the distribution should review Alcan management's proxy circular dated November 23, 2004.

The date of this prospectus is _____, 2004.

TABLE OF CONTENTS

	Page
Enforceability of Certain Civil Liabilities	3
Explanatory Information	3
Special Note Regarding Forward-Looking Statements and Market Data	5
Summary	6
Risk Factors	11
Risks related to our separation from Alcan	11
Risks related to our business and the market environment	15
Risks related to our industry	19
Risks related to ownership of our common shares	21
Our Business	23

Our history	23
Our industry	23
Our business strengths	35
Our business strategy	36
Our business groups	38
Raw materials and suppliers	45
Our customers	46
Distribution and backlog	47
Research and development	47
Our employees	48
Intellectual property	48
Legal proceedings	49
Environment, health and safety	51
Arrangements Between Novelis and Alcan	52
Capitalization	60
Dividend Policy	61
Selected Combined Financial Data	62
Unaudited Pro Forma Combined Financial Data	63
Management's Discussion and Analysis of Financial Condition and Results of Operations	69
Management	98
Ownership of Our Shares	115
Certain Canadian and United States Income Tax Considerations	118
Description of Our Share Capital	124
Validity of Shares	126
Experts	126
Promoter	126
Material Contracts	127
Statutory Rights of Withdrawal and Rescission	127
Certain Relationships and Related Transactions	127
Shares Eligible for Future Sale	128
Indemnification of Directors and Officers	128
Additional Information	130
Index to Audited Combined Financial Statements	F-1
Index to Unaudited Interim Combined Financial Statements	F-49

[Table of Contents](#)

In this prospectus, the terms “we,” “our,” “us,” “Group,” “Novelis” and “Novelis Group” refer to Novelis Inc., a company incorporated in Canada under the Canada Business Corporations Act, or CBCA, and the businesses to be contributed to us by Alcan pursuant to the reorganization transactions.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are incorporated in Canada under the CBCA. Our registered office as well as a substantial portion of our assets are located outside the United States. Also, some of our directors and officers and some of the experts named in this prospectus reside outside the United States and all or a substantial portion of their assets are located outside the United States. Therefore, it may be difficult for United States shareholders to effect service within the United States upon those persons who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws. Ogilvy Renault, our Canadian counsel, has advised us that, in their opinion, there is doubt as to the enforceability in Canada against us or against our directors, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

EXPLANATORY INFORMATION

We describe in this prospectus the businesses to be transferred to us by Alcan pursuant to the reorganization transactions and to be operated by us following the reorganization transactions as if they were our businesses for all historical periods described. For further information on our businesses and the reorganization transactions, see “Our Business.” Following the reorganization transactions, we will be an independent public company. Accordingly, our historical financial results as part of Alcan contained in this prospectus may not reflect our financial results in the future as an independent company or what our financial results would have been had we operated the businesses to be transferred to us by Alcan as a stand-alone company during the periods presented. In addition, the market position information presented throughout this prospectus reflects the circumstances with respect to the aluminum rolled products businesses to be transferred to us that existed while we were part of Alcan. There can be no assurance that we will be able to improve or maintain our market position as a stand-alone company. Please see “Risk Factors — Risks related to our separation from Alcan” for more information.

The financial information contained in this prospectus is presented in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP, unless otherwise indicated. All figures are unaudited unless otherwise indicated. All dollar figures are in U.S. dollars unless otherwise indicated.

We prepare our financial statements in U.S. dollars. The following table sets forth exchange rate information expressed in terms of Canadian dollars per U.S. dollar at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. You should note the rates set forth below may differ from the actual rates used in our accounting processes and in the preparation of our combined financial statements.

Year ended December 31,	At period end	Average rate(1)	High	Low
1999	1.4440	1.4827	1.5302	1.4440
2000	1.4995	1.4871	1.5600	1.4350
2001	1.5925	1.5519	1.6023	1.4933
2002	1.5800	1.5702	1.6128	1.5108
2003	1.2923	1.3916	1.5750	1.2923
2004 (through November 19)	1.1928	1.3187	1.3970	1.1919

(1) The average of the noon buying rates on the last day of each month during the period.

Throughout this prospectus, we refer to the products we manufacture as aluminum rolled products. This term is synonymous with the terms “flat rolled products” and “FRP” commonly used by manufacturers and third-party analysts in our industry.

[Table of Contents](#)

All tonnages are stated in metric tonnes. One metric tonne is equivalent to 2,204.6 pounds. One kilotonne, or kt, is 1,000 metric tonnes.

Throughout this prospectus, references to our shipment totals, results of operations and cash flows prior to January 1, 2004 do not include production from the facilities to be transferred to us by Alcan that were acquired by Alcan as part of the acquisition of Pechiney in December 2003. Unless otherwise indicated, market position data relating to our company and other aluminum rolled products producers is based on information from CRU International Limited, or CRU.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This prospectus contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industry in which we operate and beliefs and assumptions made by our management. Such statements include, in particular, statements about our plans, strategies and prospects under the headings “Summary,” “Risk Factors,” “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements after we distribute this prospectus, whether as a result of new information, future events or otherwise.

This prospectus contains information concerning our markets and products generally which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which these markets and product categories will develop. These assumptions have been derived from information currently available to us and to the third-party industry analysts, including CRU, quoted herein. This information includes, but is not limited to, data concerning production capacity, product shipments and share of production. Actual market results may differ from those predicted. While we do not know what impact any of these differences may have on our business, our results of operations, financial condition and the market price of our securities may be materially adversely affected. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things:

- our separation from Alcan and the level of our indebtedness following the separation;
- relationships with, and financial and operating conditions of, our customers and suppliers;
- changes in the prices and availability of raw materials we use;
- fluctuations in the supply of and prices for energy in the areas in which we maintain production facilities;
- our ability to access financing for future capital requirements;
- changes in the relative values of various currencies;
- factors affecting our operations, such as litigation, labour relations and negotiations, breakdown of equipment and other events;
- economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs;
- competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials;
- changes in general economic conditions;
- cyclical demand and pricing within the principal markets for our products as well as seasonality in certain of our customers’ industries; and
- changes in government regulations, particularly those affecting environmental, health or safety compliance.

We caution you that the above list of factors is not exclusive. Some of these and other factors are discussed in more detail under “Risk Factors” in this prospectus. These forward-looking statements are made as of the date of this prospectus.

SUMMARY

The following is a summary of some of the information contained in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of holding and investing in our common shares discussed under “Risk Factors,” and our financial statements.

We describe in this prospectus the businesses to be transferred to us by Alcan pursuant to the reorganization transactions described under “Our Business — Our history” and to be operated by us following the reorganization transactions as if they were our businesses for all historical periods described. Following the reorganization transactions, we will be an independent public company. Accordingly, our historical financial results as part of Alcan contained in this prospectus may not reflect our financial results in the future as an independent company or what our financial results would have been had we operated the businesses to be transferred to us by Alcan as a stand-alone company during the periods presented.

Our business

We are the world’s leading aluminum rolled products producer based on shipment volume in 2003, with total aluminum rolled products shipments of approximately 2,478 kilotonnes during that year. In 2003, we were the largest aluminum rolled products producer in terms of shipments in each of Europe, Asia-Pacific and South America, and the second largest in North America. With operations on four continents comprised of 38 operating facilities in 12 countries, we are the only company of our size and scope focused solely on aluminum rolled products markets and capable of local supply of technically sophisticated products in all of these geographic regions. We had sales and operating revenues of \$6.2 billion in 2003.

We produce and sell a wide range of aluminum rolled products. Our facilities have the capacity to manufacture products in any common aluminum alloy, a range of tempers (hardness), gauges (thickness) and widths with a variety of coatings and finishes. We also make products according to specific customer requirements. Important end-use applications for our business groups include aluminum beverage cans, semi-rigid aluminum containers and packaging, building products, automotive sheet for body structure and panels, heat exchanger finstock, marine and rail transportation products, electronics, appliances and other industrial applications.

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical areas and are organized under four business groups:

- Novelis North America;
- Novelis Europe;
- Novelis Asia; and
- Novelis South America.

Our history

We are a Canadian corporation formed on September 21, 2004 to acquire and independently carry on substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney. In addition to those businesses, we will own and operate some of Alcan’s alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe. These businesses will be transferred to us as part of the reorganization transactions.

Our business strengths

For nearly 90 years, our business has evolved within Alcan's integrated aluminum business. Continuing as an aluminum rolled products company independent of Alcan, we intend to build on the business strengths we developed while part of Alcan. Our key strengths are:

- With 38 operating facilities located in 12 countries and on four continents, we have a broad geographical presence that we believe allows us to better serve our increasingly global customer base as well as diversify our sources of cash flow and offset risk across different regions;
- We maintain long-standing supply relationships with many of our customers;
- We are the world's leading aluminum rolled products producer based on shipment volume in 2003, with an estimated 18% share of worldwide aluminum rolled products shipments during that year. In 2003, we were the largest aluminum rolled products producer in terms of shipments in each of Europe, Asia-Pacific and South America, and the second largest in North America;
- We operate highly automated and well-maintained facilities using modern manufacturing technologies for the efficient production of aluminum rolled products in many regions of the world. Our large production base within each of our business groups allows us to combine similar production runs and dedicate facilities for focused and cost-efficient production;
- We have a diversified metal supply, experience to manage our metal needs as well as comprehensive hedging capabilities to assist our customers in managing metal price risk;
- We endeavor to be at the forefront of developing next generation technologies in the aluminum rolled products industry in which we operate and believe that we are the world leader in continuous casting technology, as owner of technology relating to the two main continuous casting processes; and
- We have a management team that has significant experience in the aluminum rolled products industry. The members of our senior management team have over 200 years of combined experience in the aluminum industry and bring a wide range of skills in manufacturing, engineering, marketing and sales, human resource management and finance.

Our business strategy

Our primary objective is to maximize shareholder value by increasing our revenues and profitability in the North American, European, Asia-Pacific and South American aluminum rolled products markets. We intend to achieve our objective through the application of our business strengths to the strategic initiatives outlined below. We intend to:

- enhance value to our customers by improving the quality of our products and services. We intend to conduct research and development that generates new products and processes to enable us to maintain long term partnerships with our key customers. We also plan to work in partnership with our customers to develop new uses for our various products by substituting highly engineered aluminum rolled products for other materials, thereby developing new markets for our products;
- implement a new metal conversion business model which will focus on the aluminum rolled products markets and emphasize product line selection based on higher value added rather than volume, economies of utilization, a higher focus on recyclables, and a pricing strategy based on conversion rather than a cost plus approach. We believe the resulting change will allow us to react more quickly in all markets and better align our business with customer requirements;
- optimize our production capacity in order to focus on achieving attractive returns on our capital assets without investing significant amounts of capital. We believe that our separation from Alcan and its vertically integrated production chain will offer us further opportunities to improve sourcing logistics and increase working capital efficiency;

- continue working with our suppliers to further leverage economies of scale in our purchase of primary aluminum, supplies and services. Our metal management strategy includes plans to develop our recycling program further with a focus on sources of material such as used beverage cans, as well as other forms of recycled material in all regions in which we operate, which will expand our access to more cost effective sources of aluminum;
- use our international presence in order to capture growth opportunities in targeted aluminum rolled products markets such as food and beverage cans and the growing automotive component market on the North American, European and Asian continents; and
- use our management team, large scale operations, technical resources, market focus and operating cash flow to identify and take advantage of appropriate expansion and acquisition opportunities as they may arise.

We expect that implementation of these strategic initiatives will enable us to generate stable earnings and cash flow from operating activities. In the near-term, we expect excess cash flow to be applied to repay debt and reduce our leverage, which is consistent with the anticipated terms of the debt we expect to incur in connection with the reorganization transactions. In the longer term, we will consider investment opportunities and increased return of cash to shareholders consistent with achieving and maintaining a strong non-investment grade debt rating.

Dividend policy

Subject to applicable law, we expect our board of directors to adopt a policy of quarterly dividend payments on our common shares. The ultimate decision and dividend rate will be established by our board of directors and will depend on, among other things, our financial resources, cash flows generated by our business, our cash requirements and other relevant factors.

Summary historical and pro forma combined financial data

The following table presents our summary combined financial data as of and for the periods indicated. The combined statements of income data for the years ended December 31, 2003, 2002 and 2001 and the combined balance sheet data as of December 31, 2003 and 2002 set forth below are derived from our audited combined financial statements which are included elsewhere in this prospectus. The unaudited condensed combined statements of income data for the years ended December 31, 2000 and 1999 and the unaudited condensed combined balance sheet data as of December 31, 2001, 2000 and 1999 set forth below are derived from historical financial information based on Alcan's accounting records. The unaudited condensed combined statements of income data for the nine months ended September 30, 2004 and September 30, 2003 and the unaudited condensed combined balance sheet data as of September 30, 2004 set forth below are derived from our unaudited interim combined financial statements which are included elsewhere in this prospectus. The unaudited condensed combined balance sheet data as of September 30, 2003 set forth below is derived from historical financial information based on Alcan's accounting records. In management's opinion, the unaudited interim financial statements have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments, consisting only of

normal recurring adjustments, necessary for a fair presentation of such statements for the periods presented.

	For the nine months ended September 30,		For the years ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(\$ millions)		(\$ millions)				
Sales and operating revenues	\$5,739	\$4,685	\$6,221	\$5,893	\$5,777	\$5,668	\$4,773
Net income (Loss)	148	103	157	(9)	(137)	82	113
Total assets	6,076	4,738	6,316	4,558	4,390	4,943	4,085
Long-term debt (including current portion)	1,119	656	1,659	623	514	584	692
Other debt	915	339	964	366	445	498	111
Cash and time deposits	27	24	27	31	17	35	65
Invested equity	1,948	2,305	1,974	2,181	2,234	2,562	2,079

- (1) In December 2003, Alcan acquired Pechiney. A portion of the acquisition cost relating to four plants that are included in the Novelis Group was allocated to us and accounted for as additional invested equity. The net assets of the Pechiney plants are included in the combined financial statements as at December 31, 2003 and the results of operations and cash flows are included in the combined financial statements beginning January 1, 2004.
- (2) On January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under this standard, goodwill and other intangible assets with an indefinite life are no longer amortized but are carried at the lower of carrying value and fair value and are tested for impairment on an annual basis. An impairment of \$84 million was identified in the goodwill balance as at January 1, 2002, and was charged to income as a cumulative effect of accounting change in 2002 upon adoption of the new accounting standard. The amount of goodwill amortization was \$3 million in 2001.
- (3) In 2001, Alcan implemented a restructuring program. Restructuring and asset impairment charges of \$208 million were recorded in 2001 relating to this program (2002: \$25 million; 2003: (\$24 million)).
- (4) In October 2000, Alcan acquired Alusuisse Group Ltd (algroup). A portion of the acquisition cost relating to two plants that are included in the combined financial statements was allocated to us and accounted for as additional invested equity. The net assets of the algroup plants are included in the combined financial statements as at October 31, 2000 and the results of operations and cash flows are included in the combined financial statements beginning October 1, 2000.

The following table presents summary unaudited pro forma combined information for the year ended December 31, 2003 and the nine months ended September 30, 2004. The unaudited pro forma financial information set forth below reflects our historical combined financial information, adjusted to give effect to transactions described below as if they had occurred as of September 30, 2004, in the case of the combined balance sheet, and January 1, 2003, in the case of the combined statements of income. The following transactions, which are discussed in more detail in the notes to our unaudited pro forma combined financial statements, are reflected in the pro forma financial information:

- the debt that is expected to be issued in connection with the reorganization transactions;
- the interest, including debt issuance costs, and tax effect of the issuance of the debt described above;
- the expected settlement of all loans payable and receivable from Alcan;
- the expected settlement of \$963 million of third party borrowings;

- the expected payment to Alcan of \$1,558 million following the issuance of the debt securities (the exact amount will be determined only at the effective date of the reorganization and will be based on the value of Alcan's net investment in the assets being spun-off); and
- other adjustments described in the notes to our unaudited pro forma combined financial statements.

	For the nine months ended September 30, 2004	For the year ended December 31, 2003
	(\$ millions except per share data)	
Sales and operating revenues	\$ 5,739	\$ 6,221
Net income	75	41
Net income per common share — basic	1.02	0.56
Net income per common share — diluted		0.56
Total assets	5,272	N/A
Long-term debt (including current portion)	2,800	N/A
Other debt	—	N/A
Cash and time deposits	27	N/A

The unaudited pro forma financial information is based upon available information and assumptions that management believes are reasonable. The pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on the dates indicated. The pro forma information also is not necessarily indicative of our future financial condition or results of operations. The summary historical combined and pro forma combined financial data should be read in conjunction with our audited combined financial statements and notes to the audited combined financial statements included elsewhere in this prospectus. You should also read "Selected Combined Financial Data," "Unaudited Pro Forma Combined Financial Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain income tax considerations

You should carefully read the information under the heading "Certain Canadian and United States Income Tax Considerations."

Our relationship with Alcan after the separation

Following the separation, we will be an independent public company. We and Alcan will enter into a separation agreement and several ancillary agreements for the purpose of accomplishing the transfer of Alcan's rolled products businesses to us and the distribution of our shares to Alcan common shareholders. These agreements will also govern our relationship with Alcan following the separation and provide for the allocation of employee benefits, tax and some other liabilities and obligations attributable to periods prior to and, in some cases, after the separation. These agreements also include arrangements with respect to transitional services and commercial arrangements for the supply and sale of alumina, foil and primary aluminum after the separation. The separation agreement includes an obligation to indemnify Alcan against liabilities arising out of the rolled products businesses being transferred to us and certain other liabilities and a reciprocal indemnity under which Alcan will generally be obligated to indemnify us against liabilities arising out of Alcan's retained businesses.

Risk factors

You should carefully consider the matters discussed under the heading "Risk Factors" beginning on page 11 of this prospectus.

RISK FACTORS

You should carefully consider the following risk factors and all the other information contained in this prospectus in evaluating us and our common shares.

Risks related to our separation from Alcan

We have no history operating as an independent company and we may be unable to make on a timely or cost-effective basis the changes necessary to operate as an independent company.

Prior to the separation, our business was operated by Alcan primarily within two business groups of its broader corporate organization rather than as a stand-alone company. Alcan performed various corporate functions for us, including, but not limited to, the following:

- treasury administration;
- selected benefits administration functions;
- selected employee compensation functions;
- selected information technology services; and
- metal, energy and currency hedging.

Following the separation, Alcan will have no obligation to provide these functions to us other than as part of the transitional services that will be provided by Alcan and that are described in “Arrangements Between Novelis and Alcan — Transitional services agreement.”

If we do not have in place our own systems and business functions, we do not have agreements with other providers of these services or we are not able to make these changes cost effectively, once our transitional services agreement with Alcan expires, we may not be able to operate our business effectively, we may be unable to maintain our market position in the various markets in which we compete and our profitability may decline. If Alcan does not continue to perform the transitional services it has agreed to provide to us effectively, we may not be able to operate our business effectively after the separation.

Historically we have benefited from Alcan’s size and purchasing power in procuring goods, technology and services. Although we expect to enter into group purchasing arrangements for certain goods and services with Alcan, we may be unable to obtain goods, technology and services as a separate, stand-alone company, at prices and on terms as favourable as those available to us prior to the separation and we may not have access to financial and other resources comparable to those available to us prior to the separation.

Following the separation, the level of our indebtedness, which will be relatively higher than that of Alcan, will subject us to various restrictions, result in higher interest costs and potentially limit our financial flexibility.

Immediately following the separation, we expect to have an aggregate of \$2.8 billion of debt outstanding. The level of debt may vary, as we may need to provide for other cash requirements. We expect that as a result of this indebtedness, our interest expense will be higher than it has been in the past. Please see “Unaudited Pro Forma Combined Financial Data” for more information. A portion of this indebtedness will be used to repay intercompany indebtedness owed to Alcan. This indebtedness will be governed by instruments that we expect will impose a number of restrictions and covenants on us that could limit our strategic alternatives or our ability to respond to market conditions or take advantage of business opportunities. We also expect to enter into a revolving credit facility that will be available for operating working capital and other requirements. This credit facility is expected to be in the aggregate amount of \$500 million. Any additional debt we incur in the future could impose further limits on us, increase our interest expense and reduce our profitability.

A deterioration of our financial position or a credit rating downgrade following the separation could increase our borrowing costs or have an adverse effect on our business relationships. We intend, from time

[Table of Contents](#)

to time, to enter into various forms of hedging activities against currency or metal price fluctuations and to trade metal contracts on the London Metal Exchange, or LME. Financial strength and credit ratings are important to the pricing of these forward purchase and sale contracts and options. Because of our anticipated level of indebtedness it may be more costly for us to enter into hedging agreements than it has been as a part of the Alcan group.

Our agreements with Alcan may not reflect what two unaffiliated parties might have agreed to.

The allocation of assets, liabilities, rights, indemnifications and other obligations between Alcan and us under the separation and ancillary agreements we will enter into with Alcan may not reflect what two unaffiliated parties might have agreed to. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favourable, or less favourable, to us.

As a separate company, we will have supply agreements with Alcan for a portion of our raw materials requirements. If Alcan is unable to deliver sufficient quantities of these materials or if it terminates these agreements, our ability to manufacture products on a timely basis could be adversely affected.

The manufacture of our products requires sheet ingot that has historically been, in part, supplied by Alcan. In 2003, we purchased the majority of our third party sheet ingot requirements from Alcan's primary metal group. We will enter into a metal supply agreement with Alcan upon terms and conditions substantially similar to market terms and conditions for the continued purchase of sheet ingot from Alcan. If Alcan is unable to deliver sufficient quantities of this material on a timely basis or if Alcan terminates the agreement, our production may be disrupted and our sales and profitability could be materially adversely affected. Although aluminum is traded on the world markets, developing alternative suppliers for that portion of our raw material requirements we expect to be supplied by Alcan could be time consuming and expensive.

Our continuous casting operations at our Saguenay Works, Canada facility depend upon a local supply of molten aluminum from Alcan. In 2003, Alcan's primary metal group supplied 162 kilotonnes of such material to us, representing all of the molten aluminum used at Saguenay Works in 2003. We will enter into a metal supply agreement with Alcan upon terms and conditions substantially similar to market terms and conditions for the continued purchase of molten aluminum from Alcan. If this supply were to be disrupted, our Saguenay Works production could be interrupted and our sales and profitability materially adversely affected.

We may lose key rights if a change in control of our voting shares were to occur.

Our separation agreement with Alcan will provide that if we experience a change in control in our voting shares either within the first year of the date of separation or during the following four years if the entity acquiring control does not agree with Alcan not to compete in the plate and aerospace markets, Alcan may terminate any or all of certain agreements we have with it. The termination of any of these agreements could deprive us of key services, resources or rights necessary to the conduct of our business. Replacement of these assets could be difficult or impossible, resulting in a material adverse effect on our business operations, sales and profitability. In addition, the potential termination of these agreements could prevent us from entering into future business transactions such as acquisitions or joint ventures at terms favourable to us or at all.

We could incur significant tax liability, or be liable to Alcan, if certain transactions occur which violate tax-free spin-off rules.

Under Section 55 of the Income Tax Act (Canada), we and/or Alcan will recognize a taxable gain on our spin-off from Alcan if, among other specified circumstances, (1) within three years of our spin-off from Alcan, we engage in a subsequent spin-off or split-up transaction under Section 55, (2) a shareholder who (together with non-arm's length persons and certain other persons) owns 10% or more of our common shares or Alcan common shares, disposes to a person unrelated to such shareholder of any such shares (or

property that derives 10% or more of its value from such shares or property substituted therefor) as part of the series of transactions which includes our spin-off from Alcan, (3) there is a change of control of us or of Alcan that is part of the series of transactions that includes our spin-off from Alcan, (4) we sell to a person unrelated to us (otherwise than in the ordinary course of operations) as part of the series of transactions that includes our spin-off from Alcan, property acquired in our spin-off from Alcan that has a value greater than 10% of the value of all property received in the spin-off from Alcan, (5) within three years of our spin-off from Alcan, Alcan completes a split-up (but not spin-off) transaction under Section 55, (6) Alcan makes certain acquisitions of property before and in contemplation of our spin-off from Alcan, (7) certain shareholders of Alcan and certain other persons acquired shares of Alcan (other than in specified permitted transactions) in contemplation of our spin-off from Alcan, or (8) Alcan sells to a person unrelated to it (otherwise than in the ordinary course of operations) as part of the series of transactions or events which includes our spin-off from Alcan, property retained by Alcan on the spin-off that has value greater than 10% of the value of all property retained by Alcan on our spin-off from Alcan. If any of the above events were to occur and to cause the spin-off to be taxable to us or to Alcan under Section 55, we and/or Alcan would be liable for tax. We would generally be required to indemnify Alcan for tax under the tax sharing and disaffiliation agreement if Alcan's tax liability arose because of (i) a breach of our representations, warranties or covenants in the tax sharing and disaffiliation agreement, (ii) certain acts or omissions by us (such as a transaction described in (1) and (4) above), or (iii) an acquisition of control of us. Alcan would generally be required to indemnify us for tax under the tax sharing and disaffiliation agreement if our tax liability arose because of (i) a breach of Alcan's representations, warranties or covenants in the tax sharing and disaffiliation agreement, or (ii) certain acts or omissions by Alcan (such as a transaction described in (5) above). These liabilities and the related indemnity payments could be significant and could have a material adverse effect on our financial results.

Our U.S. subsidiary will also agree under a tax sharing and disaffiliation agreement to certain restrictions that are intended to preserve the tax-free status of the reorganization transactions in the United States for United States federal income tax purposes, and that will, among other things, limit our U.S. subsidiary's ability to issue or sell stock or other equity-related securities, to sell its assets outside the ordinary course of business, and to enter into any other corporate transaction that would result in a person acquiring, directly or indirectly, a majority of our U.S. subsidiary, including an interest in our U.S. subsidiary through holding our shares. If we breach any of these covenants, we generally will be required to indemnify Alcan Corporation, the intermediate holding company for Alcan's U.S. operations, against the United States federal income tax resulting from a failure of the reorganization transactions in the United States to be tax-free for United States federal income tax purposes. These liabilities and the related indemnity payments could be significant and could have a material adverse effect on our financial results.

These potential liabilities could prevent us from entering into business transactions at favourable terms to us or at all.

We may be required to satisfy certain indemnification obligations to Alcan, or may not be able to collect on indemnification rights from Alcan.

We and Alcan have each agreed to indemnify the other for certain liabilities and obligations related to, in the case of our indemnity, the business transferred to us, and in the case of Alcan's indemnity, the business retained by Alcan. These indemnification obligations could be significant. We cannot determine whether we will have to indemnify Alcan for any substantial obligations after the separation. We also cannot assure you that if Alcan has to indemnify us for any substantial obligations, Alcan will be able to satisfy those obligations.

We may have potential business conflicts of interest with Alcan with respect to our past and ongoing relationships that could harm our business operations.

The process for resolving competing business interests will fundamentally change as a result of our separation from Alcan. A number of our commercial arrangements with Alcan that existed prior to the

reorganization transactions, our separation arrangements and our post-separation commercial agreements with Alcan could be the subject of differing interpretation and disagreement, which could in turn affect our relationship with Alcan and ultimately harm our business operations.

Our agreement not to compete with Alcan in certain end-use markets may hinder our ability to take advantage of new business opportunities.

We have agreed not to compete with Alcan for a period of five years in the manufacture, production and sale of certain products for use in the plate and aerospace markets. As a result, it may be more difficult for us to pursue successfully new business opportunities, which could limit our potential sources of revenue and growth. Please see “Arrangements Between Novelis and Alcan — Separation agreement.”

Neither our historical nor our pro forma financial information may be representative of results we would have achieved as an independent company or our future results.

The historical financial information we have included in this prospectus has been derived from Alcan’s consolidated financial statements and does not necessarily reflect what our results of operations, financial position or cash flows would have been had we been an independent company during the periods presented. For this reason, as well as the inherent uncertainties of our business, the historical financial information does not necessarily indicate what our results of operations, financial position, cash flows or costs and expenses will be in the future.

Although our pro forma adjustments reflect changes that we expect will occur in our capital and cost structure as a result of our separation from Alcan, given the inherent uncertainties of our business and the separation process they do not necessarily indicate the actual changes in capital and cost structure we may incur as a publicly traded, independent company.

We expect to have to spend significant amounts of time and resources to build a new brand identity.

We have previously marketed our products under the Alcan name, which has a strong reputation within the markets we serve. Following the separation, we will adopt new trademarks and trade names to reflect our new company name. Although we plan to engage in significant marketing activities and intend to spend significant amounts of time and resources to develop a new brand identity, potential customers, business partners and investors generally may not associate Alcan’s reputation and expertise with our products and services. Furthermore, our name change also may cause difficulties in recruiting qualified personnel. If we fail to build brand recognition, we may not be able to maintain the leading market positions that we have developed while we were part of Alcan, which could harm our financial results.

As we build our information technology infrastructure and transition our data to our own systems, we could experience temporary interruptions in business operations and incur additional costs.

We are in the process of creating our own, or engaging third parties to provide, information technology infrastructure and systems to support our critical business functions, including accounting and reporting, in order to replace many of the systems Alcan currently provides to us. We may incur temporary interruptions in business operations if we cannot transition effectively from Alcan’s existing operating systems, databases and programming languages that support these functions to our own systems. Our failure to implement the new systems and transition our data successfully and cost-effectively could disrupt our business operations and have a material adverse effect on our profitability. In addition, our costs for the operation of these systems may be higher than the amounts reflected in our historical combined financial statements.

Risks related to our business and the market environment

Certain of our customers are significant to our revenues, and we could be adversely affected by changes in the business or financial condition of these significant customers or by the loss of their business.

Our ten largest customers accounted for approximately 39% of our shipments in 2003, with Rexam Plc and its affiliates representing 9% of our total sales and operating revenues in that year. A significant downturn in the business or financial condition of our significant customers could materially adversely affect our results of operations. In addition, if our existing relationships with significant customers materially deteriorate or are terminated in the future, and we are not successful in replacing business lost from such customers, our results of operations could be adversely affected. Some of the longer term contracts under which we supply our customers, including under umbrella agreements such as those described under “Our Business — Our customers,” are subject to renewal, renegotiation or re-pricing at periodic intervals or upon changes in competitive supply conditions. Our failure to successfully renew, renegotiate or re-price such agreements could result in a reduction or loss in customer purchase volume or revenue, and if we are not successful in replacing business lost from such customers, our results of operations could be adversely affected. The markets in which we operate are competitive and customers may seek to consolidate supplier relationships or change suppliers to accrue cost savings and other benefits.

Our profitability could be adversely affected by increases in the cost or disruptions in the availability of raw materials.

Prices for the raw materials we require are subject to continuous volatility and may increase from time to time. Although our sales are generally made on the basis of a “margin over metal price,” if prices increase, we may not be able to pass on the entire cost of the increases to our customers or offset fully the effects of higher raw material costs, other than metal, through productivity improvements, which may cause our profitability to decline. In addition, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we can be exposed to fluctuations in raw materials prices, including metal, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our profitability. In addition, sales contracts currently representing approximately 20% of our total annual shipments provide for a ceiling over which metal prices cannot contractually be passed through to our customers, which could potentially also have a material adverse effect on our financial results. Although we attempt to mitigate the risk of this occurrence through the purchase of hedging contracts or options, this hedging policy may not successfully or completely eliminate these effects. Finally, a sustained material increase in raw materials prices may cause some of our customers to substitute other materials for our products.

Our operations are energy-intensive and our profitability may decline if energy costs were to rise, or if our energy supplies were interrupted.

We consume substantial amounts of energy in our rolling operations, our cast house operations and our Brazilian smelting operations. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including:

- increases in costs of natural gas;
- significant increases in costs of supplied electricity or fuel oil related to transportation;
- interruptions in energy supply due to equipment failure or other causes; and
- the inability to extend energy supply contracts upon expiration on economical terms.

If energy costs were to rise, or if energy supplies or supply arrangements were disrupted, our profitability could decline.

We may not have sufficient cash and may be limited in our ability to access financing for future capital requirements, which may prevent us from increasing our manufacturing capability, improving our technology or addressing any gaps in our product offerings.

Although historically our cash flow from operations has been sufficient to satisfy working capital, capital expenditure and research and development requirements, in the future we may need to incur additional debt or issue equity in order to fund these requirements as well as to make acquisitions and other investments. To the extent we are unable to raise new capital, we may be unable to increase our manufacturing capability, improve our technology or address any gaps in our product offerings. If we raise funds through the issuance of debt or equity, any debt securities or preferred shares issued will have rights and preferences and privileges senior to those of holders of our common shares. The terms of the debt securities may impose restrictions on our operations that have an adverse impact on our financial condition. If we raise funds through the issuance of equity, the proportional ownership interests of our shareholders could be diluted.

Adverse changes in currency exchange rates could negatively affect our financial results and the competitiveness of our aluminum rolled products relative to other materials.

Our businesses and operations are exposed to the effects of changes in the exchange rates of the U.S. dollar, the euro, the British pound, the Brazilian real, the Canadian dollar, the Korean won and other currencies. Currency risk management for our business has historically been considered within Alcan's overall treasury operations. As part of this strategy, Alcan has used financial instruments to reduce its exposure to adverse movements in currency exchange rates. As an independent company, we plan to implement a hedging policy that will attempt to manage currency exchange rate risks to an acceptable level based on our management's judgment of the appropriate trade-off between risk, opportunity and cost; however, this hedging policy may not successfully or completely eliminate the effects of currency exchange rate fluctuations which could have a material adverse effect on our financial results.

We prepare our combined financial statements in U.S. dollars, but a portion of our earnings and expenditures are denominated in other currencies, primarily the euro, the Korean won and the Brazilian real. Changes in exchange rates will result in increases or decreases in our reported costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our equity.

Because primary aluminum and aluminum recyclables represent between 45% and 80% of the cost of our rolled products and these input materials are purchased based upon LME aluminum trading prices denominated in U.S. dollars, and because we generally sell our rolled products on a "margin over metal" price, increases in the relative value of the U.S. dollar against the local currency in which sales are made can make aluminum rolled products less attractive to our customers than substitute materials, such as steel or glass, whose manufacturing costs may be more closely linked to the local currency, which in turn could have a material adverse effect on our financial results.

Most of our facilities are staffed by a unionized workforce, and union disputes and other employee relations issues could materially adversely affect our financial results.

Approximately two-thirds of our hourly-paid employees are represented by labour unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have a material adverse effect on our financial results.

Our operations have been and will continue to be exposed to various business and other risks, changes in conditions and events beyond our control in countries where we have operations or sell products.

We are, and will continue to be, subject to financial, political, economic and business risks in connection with our worldwide operations. We have made investments and carry on production activities in

[Table of Contents](#)

various emerging markets, including Brazil, Korea and Malaysia, and we market our products in these countries, China and certain other countries in Asia. While we anticipate higher growth or attractive production opportunities from these emerging markets, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest, labour problems and changes in fiscal regimes could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices, tariffs, new forms of taxation, and increased government regulation in the countries in which we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets could have a material adverse effect on our financial results.

We could be adversely affected by disruptions of our operations.

Breakdown of equipment or other events, including catastrophic events such as war or natural disasters, leading to production interruptions in our plants could have a material adverse effect on our financial results. Further, because many of our customers are, to varying degrees, dependent on planned deliveries from our plants, customers that have to reschedule their own production due to our missed deliveries could pursue financial claims against us. We may incur costs to correct any of these problems, in addition to facing claims from customers. Further, our reputation among actual and potential customers may be harmed, potentially resulting in a loss of business. While we maintain insurance policies covering, among other things, physical damage, business interruptions and product liability, these policies may not cover all of our losses and we could incur uninsured losses and liabilities arising from such events, including damage to our reputation, loss of customers and suffer substantial losses in operational capacity, any of which could have a material adverse effect on our financial results.

We may not be able to successfully develop and implement new technology initiatives in a timely manner.

We have invested in, and are involved with, a number of technology and process initiatives. Several technical aspects of these initiatives are still unproven and the eventual commercial outcomes cannot be assessed with any certainty. Even if we are successful with these initiatives, we may not be able to deploy them in a timely fashion. Accordingly, the costs and benefits from our investments in new technologies and the consequent effects on our financial results may vary from present expectations.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could impact our business.

We depend on our senior executive officers and other key personnel to run our business. The loss of any of these officers or other key personnel could materially adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to improve manufacturing operations, conduct research activities successfully and develop marketable products.

We may not be able to adequately protect proprietary rights to our technology.

Although we attempt to protect our proprietary technology and processes and other intellectual property through patents, trademarks, trade secrets, copyrights, confidentiality and nondisclosure agreements and other measures, these measures may not be adequate to protect our intellectual property. Because of differences in intellectual property laws throughout the world, our intellectual property may be substantially less protected in various international markets than it is in the United States and Canada. Failure on our part to adequately protect our intellectual property may materially adversely affect our

financial results. Furthermore, we may be subject to claims that our technology infringes the intellectual property rights of another. Even if without merit, those claims could result in costly and prolonged litigation, divert management's attention and could materially adversely affect our business. In addition, we may be required to enter into licensing agreements in order to continue using technology that is important to our business. However, we may be unable to obtain license agreements on terms that are acceptable to us or at all.

Past and future acquisitions or divestitures may adversely affect our financial condition.

We have grown partly through the acquisition of other businesses including businesses acquired by Alcan in its 2000 acquisition of the Alusuisse Group Ltd. and its 2003 acquisition of Pechiney, both of which were integrated aluminum companies. As part of our strategy for growth, we may continue to pursue acquisitions, divestitures or strategic alliances, which may not be completed or, if completed, may not be ultimately beneficial to us. There are numerous risks commonly encountered in business combinations, including the risk that we may not be able to complete a transaction that has been announced, effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have a material adverse effect on our financial results.

Our four former Pechiney rolling facilities in Europe were acquired by Alcan in December 2003. Because of the recency of their acquisition, and the fact that two of these facilities, at Rugles and Annecy in France, have been subject to "hold separate" obligations to meet competition requirements imposed on Alcan, we have yet to complete our integration of their businesses and our analysis of the extent of the assets and liabilities associated with their operations. The existence of unanticipated liabilities could have a material adverse effect on our financial results.

We could be required to make unexpected contributions to our defined benefit pension plans as a result of adverse changes in interest rates and the equity markets.

Most of our pension obligations relate to funded defined benefit pension plans for our employees in the United States and in Brazil, which was terminated in June 2004, unfunded pension benefits in Germany, and lump sum indemnities payable to our employees in France, Korea and Malaysia upon retirement. Our pension plan assets consist primarily of listed stocks and bonds. Our estimates of liabilities and expenses for pensions and other post-retirement benefits incorporate a number of assumptions, including expected long term rates of return on plan assets and interest rates used to discount future benefits. Our results of operations, liquidity or shareholders' equity in a particular period could be adversely affected by equity market returns that are less than their assumed long term rate of return or a decline of the rate used to discount future benefits.

If the assets of our pension plans do not achieve assumed investment returns for any fiscal year, such deficiency could result in one or more charges against our earnings for that period. In addition, changing economic conditions, poor pension investment returns or other factors may require us to make unexpected cash contributions to the pension plans in the future, preventing the use of such cash for other purposes.

In addition to existing defined benefit pension plans, we will be required to assume pension liabilities from pension plans that we currently share with Alcan, mainly in Switzerland and the United Kingdom. The assumption of such liabilities will occur by our becoming the principal employer under these plans or by the establishment of new pension plans. The risks described above will also apply to these plans.

In the United Kingdom, the change of principal employer under a particular plan occurring as a result of the reorganization transactions is subject to the consent of the plan's board of trustees who may decide, at such time or at any point in the future in view of the best interest of the plan's members, to wind-up the plan and require an accelerated payment of the plan's deficit. Any such wind-up of our plan could have a material adverse effect on our financial results.

We face risks relating to certain joint ventures and subsidiaries that we do not entirely control. Our ability to generate cash from these entities may be more restricted than if such entities were wholly owned subsidiaries.

Some of our activities are, and will in the future be, conducted through entities that we do not entirely control or wholly own. These entities include our Norf, Germany and Logan, Kentucky joint ventures, as well as our majority-owned Korean and Malaysian subsidiaries. Under the governing documents or agreements for certain of these joint ventures and subsidiaries, our ability to fully control certain operational matters may be limited. In addition, we do not solely determine certain key matters, such as the timing and amount of cash distributions from these entities. As a result, our ability to generate cash from these entities may be more restricted than if they were wholly owned entities.

Risks related to our industry

We face significant price and other forms of competition from other aluminum rolled products producers, which could hurt our results of operations.

Generally, the markets in which we operate are highly competitive. We compete primarily on the basis of our value proposition, including price, product quality, ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. Some of our competitors may benefit from greater capital resources, have more efficient technologies, or have lower raw material and energy costs and may be able to sustain longer periods of price competition.

In addition, our competitive position within the global aluminum rolled products industry may be affected by, among other things, the recent trend toward consolidation among our competitors, exchange rate fluctuations that may make our products less competitive in relation to the products of companies based in other countries, despite the U.S. dollar based input cost and the marginal costs of shipping, and economies of scale in purchasing, production and sales, which accrue to some of our competitors.

Increased competition could cause a reduction in our shipment volumes and profitability or increase our expenditures, any one of which could have a material adverse effect on our financial results.

The end-use markets for certain of our products are highly competitive and customers are willing to accept substitutes for our products.

The end-use markets for certain aluminum rolled products are highly competitive. Aluminum competes with other materials, such as steel, plastics, composite materials and glass, among others, for various applications, including in the beverage/food cans and automotive end-use markets. In the past, customers have demonstrated a willingness to substitute other materials for aluminum. The willingness of customers to accept substitutes for aluminum products could have a material adverse effect on our financial results.

A downturn in the economy could have a material adverse effect on our financial results.

Certain end-use markets for aluminum rolled products, such as the construction and industrial and transportation markets, experience demand cycles that are highly correlated to the general economic environment, which is sensitive to a number of factors outside our control. A recession or a slowing of the economy in any of the geographic segments in which we operate, including China where a significant portion of economic growth is expected, or a decrease in manufacturing activity in industries such as automotive, construction and packaging and consumer goods, could have a material adverse effect on our financial results. We are not able to predict the timing, extent and duration of the economic cycles in the markets in which we operate.

The seasonal nature of some of our customers' industries could have a material adverse effect on our financial results.

The construction industry and the consumption of beer and soda are sensitive to climatic conditions and as a result, demand for aluminum rolled products in the construction industry and for can feedstock is seasonal. Our quarterly financial results could fluctuate as a result of climatic changes, and a prolonged series of cold summers in the different areas in which we conduct our business could have a material adverse effect on our financial results.

We are subject to a broad range of environmental, health and safety laws and regulations in the jurisdictions in which we operate, and we may be exposed to substantial environmental, health and safety costs and liabilities.

We are subject to a broad range of environmental, health and safety laws and regulations in the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination and working conditions for our employees. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites and installation of pollution control facilities, have been and could be significant. In addition, these requirements may result in substantial environmental liabilities, including liabilities associated with divested assets and past activities. In certain instances, these costs and liabilities, as well as related action to be taken by us, could be accelerated or increased if we were to close or divest of or change the principal use of certain facilities with respect to which we may have environmental liabilities or remediation obligations. Currently, we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters. We have established reserves for environmental remediation activities and liabilities where appropriate. However, environmental matters cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial condition or results.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Should this occur, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere.

We use a variety of hazardous materials and chemicals in our rolling processes, as well as in our smelting operations in Brazil and in connection with maintenance work on our manufacturing facilities. In the event that any of these substances or related residues proves to be toxic, we may be liable for certain costs, including, among others, costs for health-related claims or removal or retreatment of such substances. In addition, although we have developed environmental, health and safety programs for our employees and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances at our current or former facilities. It is not possible to predict the ultimate outcome of these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and lawsuits, individually or in the aggregate, were finally resolved against us, our results of operations and cash flows could be adversely affected.

We may be exposed to significant legal proceedings or investigations.

From time to time, we are involved in, or the subject of, disputes, proceedings and investigations with respect to a variety of matters, including environmental, health and safety, product liability, employee, tax, contractual and other matters as well as other disputes and proceedings that arise in the ordinary course of business. Certain of these matters are discussed in the preceding risk factor and certain are discussed below under “Business — Legal proceedings.” Any claims against us or any investigations involving us, whether meritorious or not, could be costly to defend or comply with and could divert management’s attention as well as operational resources. Any such dispute, litigation or investigation, whether currently pending or threatened or in the future, may have a material adverse effect on our financial results.

Product liability claims against us could result in significant costs or negatively impact our reputation and could adversely affect our business results and financial condition.

We are sometimes exposed to warranty and products liability claims. There can be no assurance that we will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on our sales. We generally maintain insurance against many product liability risks but there can be no assurance that this coverage will be adequate for liabilities ultimately incurred. In addition, there is no assurance that insurance will continue to be available on terms acceptable to us. A successful claim that exceeds our available insurance coverage could have a material adverse effect on our financial results.

Risks related to ownership of our common shares

Because there has not been any public market for our common shares, the market price and trading volume of our shares may be volatile and you may not be able to resell your shares at or above the initial market price of our shares following the separation.

Prior to the separation, there will have been no trading market for our common shares. We cannot predict the extent to which investors’ interest will lead to a liquid trading market or whether the market price of our shares will be volatile. Furthermore, the combined trading prices of our shares and Alcan shares following the separation could be less than, equal to or greater than the trading price of Alcan common shares prior to the separation.

The market price of our common shares could fluctuate significantly for many reasons, including for reasons unrelated to our specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within our industry experience declines in their stock price, our share price may decline as well. In addition, when the market price of a company’s shares drops significantly, shareholders often institute securities class action lawsuits against the company.

A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Sales of large numbers of our common shares following the separation or a perception that such sales may occur may cause our share price to decline.

Any sales of substantial amounts of our common shares in the public market or the exercise of significant amounts of options or the perception that such sales or exercise might occur, whether as a result of the separation or otherwise, may cause the market price of our common shares to decline. Upon completion of the separation, we will have outstanding an aggregate of 73,747,482 common shares based upon the number of shares of Alcan common shares outstanding on September 30, 2004, and a distribution ratio of one of our common shares for every five Alcan common shares outstanding.

Distributions to shareholders whose investment profile may not be consistent with our investment profile may lead to sales of our common shares or a perception that such sales may occur, either of which could have a material adverse effect on the market for and market price of our common shares.

The terms of our separation from Alcan and our shareholder rights plan could delay or prevent a change of control that you may consider favourable.

If any of the events described under “— Risks related to our separation from Alcan — We could incur significant tax liability, or be liable to Alcan, if certain transactions occur which violate tax-free spin-off rules” were to occur and cause the spin-off to be taxable to Alcan, we would be required to indemnify Alcan for the resulting tax. This indemnity obligation, or our potential tax liability, either of which could be significant, might discourage, delay or prevent a change of control that you may consider favourable.

The rights of Alcan to terminate certain of our agreements in circumstances described under “— Risks related to our separation from Alcan — We may lose key rights if a change in control of our voting shares were to occur” also might discourage, delay or prevent a change of control that you may consider favourable.

Our shareholder rights plan, which will be in effect after the separation, also may discourage, delay or prevent a merger or other change of control that shareholders may consider favourable.

Please see “Arrangements Between Novelis and Alcan” and “Description of Our Share Capital” for a more detailed description of these agreements and provisions.

OUR BUSINESS

We are the world's leading aluminum rolled products producer based on shipment volume in 2003, with total aluminum rolled products shipments of approximately 2,478 kilotonnes during that year. In 2003, we were the largest aluminum rolled products producer in terms of shipments in each of Europe, Asia-Pacific and South America, and the second largest in North America. With operations on four continents comprised of 38 operating facilities in 12 countries, we are the only company of our size and scope focused solely on aluminum rolled products markets and capable of local supply of technically sophisticated products in all of these geographic regions. We had sales and operating revenues of \$6.2 billion in 2003.

Our history

We are a Canadian corporation formed on September 21, 2004 to acquire and independently carry on substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney. In addition to those businesses, we will own and operate some of Alcan's alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe. These businesses will be transferred to us as part of the reorganization transactions.

The general terms and conditions relating to the reorganization transactions are set out in a separation agreement between us and Alcan, described below under "Arrangements Between Novelis and Alcan — Separation agreement."

We inherited our processes, structure, and values from Alcan. In 1902, the Canadian subsidiary of the Pittsburgh Reduction Company (later Alcoa Inc., or Alcoa) was first chartered as Northern Aluminum Company, Limited. When Alcoa divested most of its interests outside the United States in 1928, Alcan was formed as a separate company from Alcoa to assume control of most of these interests. In the following years, Alcan expanded globally building or acquiring hydroelectric power, smelting, packaging and fabricated product facilities currently run by approximately 88,000 employees in 63 countries.

The first Alcan rolling operation began in September 1916 in Toronto, Canada, with an 84-inch hot mill and three finishing mills. Many of our mills were originally constructed by Alcan, including many among the largest aluminum rolling operations in each of the geographic regions in which we operate including:

- Oswego, United States in 1963, a major producer of can stock and industrial sheet;
- Norf, Germany in 1967, a joint venture, owned at 50%, which operates the largest hot mill rolling facility in the world in terms of capacity;
- Saguenay Works, Canada in 1971, which operates the largest capacity continuous caster in the world; and
- Pindamonhangaba, Brazil in 1977, the only South American plant that produces beverage can body and end stock.

More recent expansion has been through acquisitions and modernization of existing mills, including Alcan's acquisition of an interest in the Logan, Kentucky facility, which is dedicated to the production of can stock, from Arco Aluminum, or Arco, in 1985, our investment in a new production line at Logan which increased our share of the total production capacity from 40% to approximately 67%, as well as the purchase of a majority ownership interest in the Yeongju and Ulsan facilities in Korea in 1999 and 2000, respectively. Alcan's acquisition of Alusuisse Group Ltd. in 2000 and Pechiney in 2003 provided us with additional sheet and foil rolling facilities.

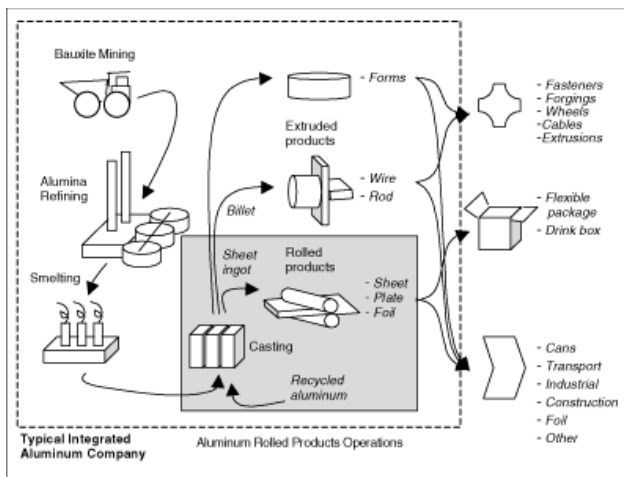
Our industry

The aluminum rolled products market represents the supply of and demand for aluminum sheet, plate and foil produced either from sheet ingot or continuously cast roll-stock in rolling mills operated by

[Table of Contents](#)

independent aluminum rolled products producers and integrated aluminum companies alike. According to CRU, worldwide aluminum rolled products consumption in 2003 was approximately 13,679 kilotonnes, generating approximately \$36 billion in revenues and constituting approximately 35% of worldwide aluminum use.

The figure below illustrates the aluminum production chain. The grey area represents the portion of the chain in which we mainly operate, while the area surrounded by a dashed line represents the operations of a typical vertically integrated aluminum company such as Alcan or Alcoa.

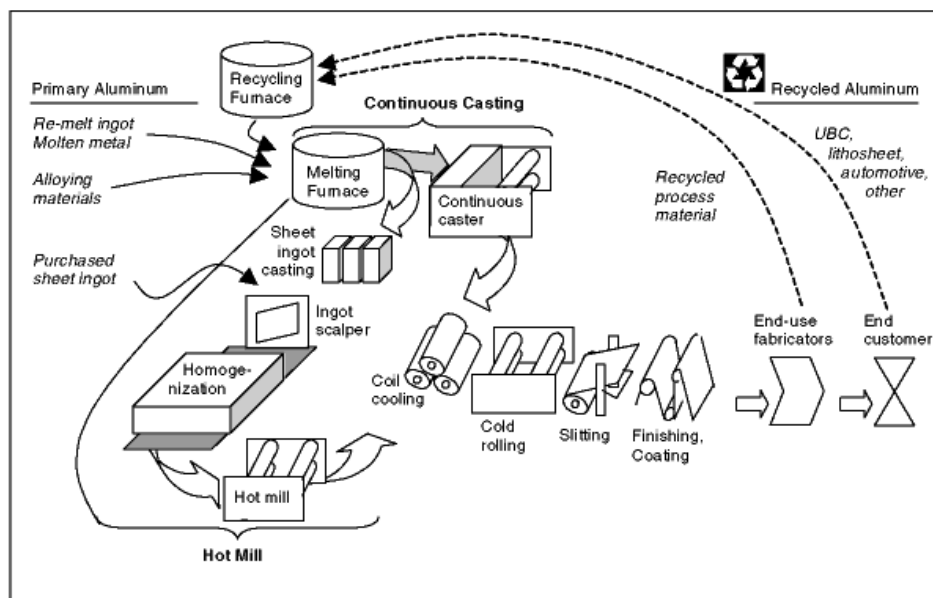


Aluminum rolled products are semi-finished aluminum products that constitute the raw material for the manufacture of finished goods ranging from automotive body panels to household foil. There are two major types of manufacturing processes for aluminum rolled products differing mainly in the process used to achieve the initial stage of processing:

- “hot mills” that require sheet ingot, a rectangular slab of aluminum, as starter material; and
- “continuous casting mills” that can convert molten metal directly into semi-finished products.

Both processes require subsequent rolling, which we call cold rolling, and finishing steps such as annealing, coating, leveling or slitting to achieve the desired thicknesses and metal properties. Most customers receive shipments in the form of aluminum coil, a large roll of metal, which can be fed into their fabrication processes.

The figure below illustrates the rolled aluminum process flow.



There are two sources of input material: primary aluminum, such as molten metal, re-melt ingot and sheet ingot, and recycled aluminum, such as recyclable material from fabrication processes, which we refer to as recycled process material, used beverage cans and other post-consumer aluminum.

Primary aluminum can generally be purchased at prices set on the LME, plus a premium that varies by geographic region of delivery, form (ingot or molten metal) and alloy.

Recycled aluminum is also an important source of input material. Aluminum is infinitely recyclable and recycling it requires approximately 5% of the energy needed to produce primary aluminum. As a result, in regions where aluminum is widely used, manufacturers are active in setting up collection processes where used beverage cans and other recyclable aluminum are collected for re-melting at purpose-built plants. Manufacturers may also enter into agreements with customers who return recycled process material and pay to have it re-melted and rolled into the same product again.

The market for aluminum rolled products tends to be less subject to demand cyclicity than the market for primary aluminum which is affected by commodity price cyclicity. A significant share of total aluminum rolled products that are produced is used in consumer staples, which have historically experienced relatively stable demand characteristics. In addition, most aluminum rolled products are priced in two components: a pass-through aluminum price component based on the LME quotation and local market premia, plus a “margin over metal” or conversion charge based on the cost to roll the product. As a result, most of the raw material price risk is absorbed by the customer. Aluminum rolled products companies also use recycled aluminum, which provides sourcing flexibility for, and reduces the volatility of, input material. These three factors combine to create an industry that has lower cyclicity than the primary aluminum industry.

There has been a long term industry trend towards lighter gauge (thinner) rolled products, which we refer to as downgauging, where customers request products with similar properties using less metal in order to reduce costs and weight. For example, aluminum rolled products producers and can fabricators have continuously developed thinner walled cans with the same strength as previous generation containers,

[Table of Contents](#)

resulting in a lower cost unit. As a result of this trend, aluminum tonnage across the spectrum of aluminum rolled products, and particularly for the beverage/food cans end-use market, has declined on a per unit basis, but actual rolling machine hours per unit have increased. Because the industry has historically tracked growth based on aluminum tonnage shipped, we believe the downgauging trend may contribute to an understatement of the actual growth of revenue attributable to rolling in some end-use markets.

End-use markets

Aluminum rolled products companies produce and sell a wide range of aluminum rolled products, which can be grouped into four end-use markets based upon similarities in end-use applications: construction and industrial, beverage/food cans, foil products and transportation. Within each end-use market, aluminum rolled products are manufactured with a variety of alloy mixtures, a range of tempers (hardness), gauges (thickness) and widths, and various coatings and finishes. Large customers typically have customized needs resulting in the development of close relationships with their supplying mills and close technical development relationships.

The table below sets forth market information for the four broad end-use markets. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for information regarding the percentage of our sales and operating revenues derived from each of the end-use markets listed below.

End-use Market	Global Market Consumption(i)			End-use Applications (2003 Share of End-use North American Market Category Total)	Key Market Drivers(iii)
	2003	2002	2001		
		(kt)			
Construction and Industrial	5,636	5,369	5,113	Construction — 57% Electrical/Machinery — 22% Consumer Durables — 18% Lithographic sheet — 3%	Housing starts, capital spending and economic growth
Beverage/Food Cans	3,615	3,684	3,643	Beverage cans — 92% Food cans — 5% Bottle caps/other — 3%	Disposable income, package choice, weather and seasonality
Foil Products	2,927	2,787	2,689	Converter foil — 43%(ii) Household foil — 32%(ii) Container foil — 25%(ii)	Disposable income
Transportation	1,501	1,428	1,365	Automotive — 39% Truck, Bus, Trailer — 30% Aerospace — 10% Marine/Rail/Other — 21%	Auto sales, environmental regulations and fuel cost
Total	13,679	13,268	12,810		

(i) Source: CRU — *The Aluminium Flat Rolled Products Quarterly Market Service (May 2004)*.

(ii) Based on our market estimates for consumption.

(iii) Source: our management.

Construction and Industrial

Construction is the largest application within this end-use market in terms of shipments. Aluminum rolled products developed for the construction industry are often decorative, offer insulating properties, are durable and corrosion resistant, and have a high strength-to-weight ratio. Aluminum siding, gutters, and

downspouts comprise a significant amount of construction volume. Other applications include doors, windows, awnings and canopies.

Aluminum's ability to conduct electricity and heat and to offer corrosion resistance makes it useful in a wide variety of electronic and industrial applications. Industrial applications include electronics and communications equipment, process and electrical machinery and lighting fixtures. Uses of aluminum rolled products in consumer durables include microwaves, coffee makers, flat screen televisions, air conditioners (which use finstock in heat exchangers), pleasure boats and cooking utensils.

Another industrial application is lithographic sheet. Print shops, printing houses and publishing groups use lithographic sheet to print books, magazines, newspapers and promotional literature. In order to meet the strict quality requirements of the end-users, lithographic sheet must meet demanding metallurgical, surface and flatness specifications.

Beverage/ Food Cans

Beverage cans are the largest aluminum rolled products application, accounting for approximately a quarter of worldwide shipments in 2003, based on CRU information. The recyclability of aluminum cans enables them to be used, collected, melted, and returned to the original product form many times, unlike steel, paper or polyethylene terephthalate plastic, or PET plastic, which are materials that deteriorate with every iteration. Aluminum beverage cans also offer advantages in fabricating efficiency and shelf life. Fabricators are able to produce and fill beverage cans at very high speeds, and non-porous aluminum cans provide longer shelf life than PET plastic containers. Aluminum cans are light, stackable and use space efficiently, making them convenient and cost efficient to ship.

Due to the downgauging trend, the weight of an aluminum can has declined on average by 0.4% per year from 2001 to 2003. Downgauging and changes in can design help to reduce total costs on a per can basis and contribute to making aluminum more competitive with substitute materials.

Beverage can sheet is sold in coil form for the production of can body, ends and tabs. The material can be ordered as rolled, degreased, pre-lubricated, pre-treated and/or lacquered. Typically, can makers define their own specifications for material to be delivered in terms of alloy, gauge, width, and surface finish.

Other applications in this end-use market include food cans and screw caps for the beverage industry.

Foil Products

Aluminum, because of its relatively light weight, recyclability and formability, has a wide variety of uses in packaging. Converter foil is very thin aluminum foil, plain or printed, that is typically laminated to plastic or paper to form an internal seal for a variety of packaging applications including juice boxes, pharmaceuticals, food pouches, cigarette packaging and lid stock. Customers order coils of converter foil in a range of thicknesses from 6 microns to 60 microns.

Household foil includes home and institutional aluminum foil wrap, sold as a branded or generic product. Known in the industry as packaging foil, it is manufactured in thicknesses from 11 microns to 23 microns. Container foil is used to produce semi-rigid containers such as pie plates and take-out food trays and is usually ordered in a range of thicknesses from 60 microns to 200 microns.

Transportation

Currently, the largest application for aluminum rolled products in trucks and automobiles is in heat exchangers such as radiators and air conditioners. Original equipment manufacturers also use aluminum sheet with specially treated surfaces and other specific properties for interior and exterior applications. Newly developed alloys are being used in transportation tanks and rigid containers that allow for safer and more economical transportation of hazardous and corrosive goods.

[Table of Contents](#)

There has been recent growth in the use of aluminum rolled products in automotive body panel applications, including hoods, deck lids, fenders and lift gates. These uses typically result from co-operative efforts between aluminum rolled products manufacturers and their customers that yield tailor-made solutions for specific requirements in alloy selection, fabrication procedure, surface quality and joining. We believe the recent growth in automotive body panel applications is due in part to recent efforts to reduce vehicle weight to comply with stricter emissions standards.

Based on CRU information, in 2003, approximately 10% of the global shipments for the transportation end-use market was directed towards aerospace applications, a segment of the transportation market in which we do not compete. Aerospace-related consumption of aluminum rolled products in 2003, including for aircraft skin and airframe, was 153 kilotonnes, or 1.1% of the total aluminum rolled products market shipments, a decrease from a high of 227 kilotonnes, or 1.7% of the total aluminum rolled products market shipments, in 2000 due to a lower volume of commercial aircraft production.

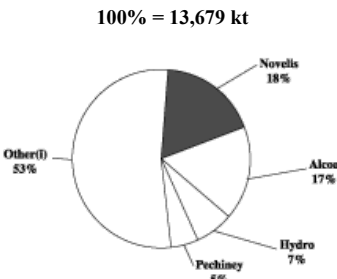
Aluminum is also used in the construction of ships’ hulls and superstructures and passenger rail cars because of its strength, light weight, formability and corrosion resistance.

Market structure, size and growth

The aluminum rolled products industry is characterized by economies of scale, significant capital investments required to achieve and maintain technological requirements, and demanding customer qualification standards. The service and efficiency demands of large customers have encouraged consolidation among suppliers of aluminum rolled products. To overcome these obstacles in small but growing markets, established Western companies have entered into joint-ventures with local companies to provide necessary product and process know-how and capital.

Based on CRU information, the top four aluminum rolled products producers together represented 47% of the global shipments in 2003. Alcoa and Norsk Hydro A.S.A., or Hydro, are integrated aluminum companies with operations that range from bauxite mining, alumina refining, primary metal smelting to the manufacture of cast, rolled and extruded products that are supplied to end-users or further enhanced by their in-house engineered products and packaging businesses. Alcan acquired Pechiney, an integrated aluminum company, in December 2003. As part of the reorganization transactions, Alcan will transfer to us certain of Pechiney’s rolling assets, and will retain selected rolling assets to support its continuing involvement in the plate and aerospace markets, to support its engineered products business group and to satisfy certain regulatory requirements related to its acquisition of Pechiney.

Global Aluminum Rolled Products Shipments for 2003



Source: CRU

(i) Includes aluminum rolled products producers with less than 5% of global aluminum rolled products shipments in 2003.

Table of Contents

Based on CRU information, the global market for aluminum rolled products has grown on average at a rate of 3.3% per year from 2001 to 2003. A sluggish economy impacted demand in North America, while currency devaluations caused a temporary decline in South America, resulting in weak demand and substitution. In contrast, European production was strengthened by growth in Eastern Europe while Asia-Pacific experienced significant demand growth.

The table below sets forth market size information by geographic region.

Region	Market Consumption			Country (2003 Share of Region Total)
	2003	2002	2001	
	(kt)			
North America	4,654	4,724	4,630	US – 93% Canada/Mexico – 7%
Europe				Germany – 27% Italy – 12% UK – 11% France – 11% Other EU – 23% E. Europe/CIS(i) – 16%
Asia-Pacific	4,075	3,954	3,814	China – 38% Japan – 30% Korea – 9% Other(ii) – 23%
South America	3,895	3,549	3,296	Brazil – 73% Venezuela – 10% Other – 17%
Rest of the World	504	509	554	Saudi Arabia – 20% Turkey – 19% Iran – 13% South Africa – 11% Other – 37%
	551	532	516	
Total	13,679	13,268	12,810	

(i) Includes Russia.

(ii) Includes India – 5%, Taiwan – 3%, Australia – 3%, and others.

Source: CRU, *The Aluminium Flat Rolled Products Quarterly Market Service (May 2004)*.

While our customers tend to be increasingly global, many aluminum rolled products tend to be produced and sold on a regional basis. The regional nature of the markets is influenced in part by the fact that not all mills are equipped to produce all types of aluminum rolled products. For instance, only a few mills in Europe, a few mills in Asia, and one mill in South America, our Pindamonhangaba, or Pinda, facility, produce beverage can body and end stock. In addition, individual aluminum rolling mills generally supply a limited range of end-use applications, and seek to maximize profits by producing high volumes of the highest margin mix given available capacity and equipment capabilities.

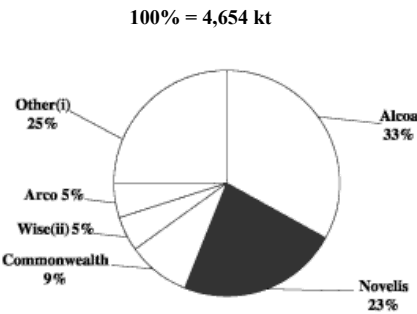
Certain multi-purpose common alloy and plate rolled products are imported into Europe and North America from producers in emerging markets, such as Brazil, Africa, Russia and China. However, at this time we believe that these producers are generally unable to meet the quality requirements, lead times and specifications of customers for more demanding applications. In addition, high freight costs, import duties, inability to take back recycled aluminum, lack of technical service capabilities and long lead-times mean that many developing market exporters are viewed as second-tier suppliers. Therefore, many of our customers in the Americas, Europe and Asia do not look to suppliers in these emerging markets for a significant portion of their requirements.

North America

Based on CRU information, Alcoa, Novelis and Commonwealth Industries, Inc., or Commonwealth, were the top three producers of aluminum rolled products in North America in terms of shipments in 2003 with an aggregated share of shipments of 65%. The North American markets have experienced the exit of several producers through consolidation, restructuring or bankruptcy, reducing production capacity in the last few years. The resulting tighter supply in many end-use markets has led to margin and portfolio improvements. Established competitors have been able to improve their production capacity utilization as the industry has recovered.

In North America, the average operating rate of the aluminum rolled products production capacity was 72% in 2003 according to CRU. The operating rate is determined by dividing estimated production by available capacity. Because of seasonality in demand, temporary shutdown of equipment for scheduled maintenance and equipment specialization, we estimate the effective maximum operating rate is approximately 90%.

North America Aluminum Rolled Products Shipments for 2003



Source: CRU

- (i) Includes aluminum rolled products producers with less than 5% of North American aluminum rolled products shipments in 2003.
- (ii) Refers to Wise Metals Group LLC.

North American aluminum rolled products consumption reached a high of 5,274 kilotonnes in 1999 and then fell to 4,654 kilotonnes in 2003, which we believe was a result of the economic recession, the impact of the September 11, 2001 events and inventory drawdown effects. We believe that demand has since shown signs of recovery from the economic downturn. Construction and industrial uses of aluminum rolled products have rebounded with the economic pickup. According to CRU, the overall market for beverage containers is growing, but a slow packaging mix change towards single serve containers is expected to keep North American demand for aluminum cans relatively flat for the foreseeable future. Increased use of aluminum in automobile production is expected by CRU to increase transportation demand, the fastest growing end-use market in this region.

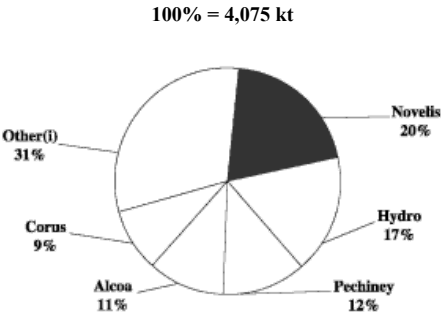
Europe

Based on CRU information, Novelis, Hydro, and Pechiney were the top three producers of aluminum rolled products in Europe in terms of shipments in 2003 with an aggregated share of shipments of 49%. Other suppliers of aluminum rolled products in Europe include Alcoa, Corus Group Plc, or Corus, RusAl, Alcan Aluminium werk Umma AG (AMAG) and Elval S.A.

In Europe, the average operating rate of the aluminum rolled products production capacity was 76% in 2003 according to CRU.

We believe that overcapacity in common alloy sheet and plate, used in applications such as building materials and industrial products, has weakened prices, resulting in generally lower profits than in North America. In end-use applications exhibiting growth, such as can, automotive, foil and lithographic sheet, the tighter supply and demand has led to margin and portfolio improvements. We believe there will be opportunities to focus on additional operational improvements and profitable products by more closely aligning individual product supply with market demand.

Europe Aluminum Rolled Products Shipments for 2003



Source: CRU

(i) Includes aluminum rolled products producers with less than 5% of European aluminum rolled products shipments in 2003.

Based on CRU information, European output increased on average at a rate of 3.4% per year from 2001 to 2003, driven mainly by strong demand growth in Eastern Europe. We believe the demand for automotive sheet has improved as automotive manufacturers have increasingly substituted aluminum components for steel parts. We also believe that, as a relatively new market, there is potential for growth in automotive sheet.

We expect that economic growth and demand from construction projects in Eastern Europe will continue to support growth of aluminum sheet. We expect demand for aluminum beverage cans to grow as aluminum continues to displace steel as the favoured packaging material. In Europe, we estimate that steel cans currently represent approximately 38% of all beverage can production, compared to less than 1% in North America.

Asia-Pacific

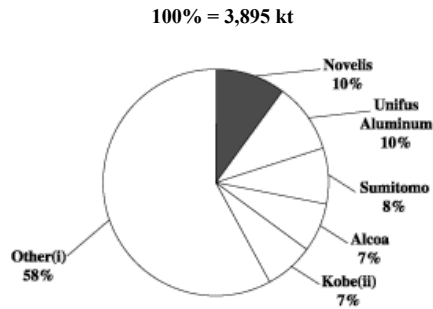
The market for aluminum rolled products in Asia-Pacific, the larger geographic market defined by CRU within which Novelis Asia competes, has been characterized by strong growth but high fragmentation. Based on CRU information, Novelis, Unifus Aluminum Co., Ltd. and Sumitomo Light Metal Company, Ltd. were the top three producers of aluminum rolled products in Asia-Pacific in terms of shipments in 2003 with an aggregated share of shipments of 28%. The majority of Asian-Pacific aluminum rolled products is consumed in China, Japan and Korea.

In Asia-Pacific, the average operating rate of the aluminum rolled products production capacity was 73% in 2003 according to CRU.

Based on CRU information, consumption of aluminum rolled products in the Asia-Pacific region has grown on average at a rate of 8.7% per year from 2001 to 2003. We believe this rise in demand has been

fuelled by growth in local demand as well as by growth in exports of goods with aluminum content. According to CRU, industrial production growth in China continues in line with averages since 1997. This is driven by multinational manufacturing, or offshoring, infrastructure development, and an emerging consumer market. China's aluminum consumption pattern since 1997 generally mirrors that of a developing economy, overweight relative to Western industrial nations in building and construction, power infrastructure and manufacturing. Based on the historical positive correlation between aluminum consumption and increases in disposable income, we believe there is substantial room for growth in China in the aluminum can and automotive end-use applications, in the medium to long term. In the Asia-Pacific region, there has not yet been a complete shift from steel to aluminum in beverage cans, and as a result, we believe this end-use market represents a longer term opportunity for growth. Except for heat exchangers, the use of aluminum rolled products in automobiles is in its infancy in Korea and China.

Asia-Pacific Aluminum Rolled Products Shipments for 2003



Source: CRU

- (i) Includes aluminum rolled products producers with less than 5% of Asian-Pacific aluminum rolled products shipments in 2003.
- (ii) Refers to Kobe Steel Ltd.

We believe that China has the highest potential for growth but is also the most fragmented Asia-Pacific market with many small aluminum rolled products producers. There are over 80 plants in China, most with an average capacity of 20 kilotonnes, compared to North America where average plant capacity is approximately 142 kilotonnes. There is limited hot mill capacity in China and a significant amount of sheet ingot (input metal) for local plants is imported from other countries. Most local production is from continuous casting plants that are only capable of producing industrial, construction and commodity aluminum rolled products. China's strong growth has driven a variety of capacity expansions and new additions and more are planned.

In Japan, there has been some market consolidation resulting from a long period of limited or no economic growth. Some mills are shifting emphasis from can and foil to industrial products to support Japanese demand, which we believe has provided us with an opportunity to expand our position in the Japanese can market. Our two hot mills in Korea, at Ulsan and Yeongju, together account for 64% of Korea's production capacity. Both mills are active exporters to China and other Asian countries.

According to CRU, demand for foil products is expected to grow significantly in the Asia-Pacific region, driven by cigarette and liquor packaging, which also correlates with disposable income. In addition, producers of liquid crystal displays, or LCDs, represent a small but rapidly growing market for aluminum sheet in Korea, China and Japan, where most new production capacity is being installed.

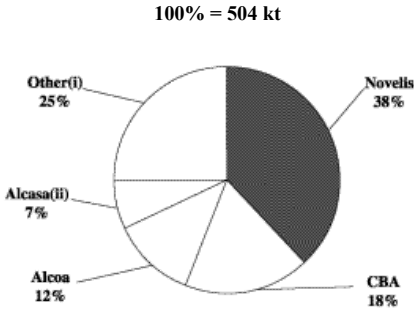
South America

There are few producers in the South American region. Based on CRU information, Novelis, Companhia Brasileira de Alumínio, or CBA, and Alcoa were the top three producers of aluminum rolled products in South America in terms of shipments in 2003 with an aggregated share of shipments of 68%, and all three producers are located in Brazil. We have the ability to cast sheet ingot, and we have the only large-scale hot mill on the continent allowing us to produce a broad range of aluminum rolled products, including can sheet. Our competitors produce primarily commodity sheet and foil from continuous casting mills.

In South America, the average operating rate of the aluminum rolled products production capacity was 68% in 2003 according to CRU.

Brazilian sheet industry capacity increased in 1999 from 330 kilotonnes to 490 kilotonnes due to the expansion of our Pinda plant, the only can sheet producer in South America. CBA has announced the expansion of its plant to increase its rolling capacity to produce commodity sheet and foil through the installation of two new finishing mills to be operational in 2006. Some sheet capacity has been redirected to exports following local currency devaluations. There have been no new entrants or market consolidation in recent years.

South America Aluminum Rolled Products Shipments for 2003



Source: CRU

- (i) Includes aluminum rolled products producers with less than 5% of South American aluminum rolled products shipments in 2003.
- (ii) Refers to Corporacion Venevolana de Guayana.

The Brazilian aluminum can market grew at a high rate during the past decade, from 2.5 billion cans in 1994 to 10.7 billion in 2002. Since primary aluminum prices on the LME are U.S. dollar based, devaluations of the Brazilian and Argentinean local currencies in 2001 and 2002 have dampened aluminum consumption. At the same time, Venezuela faced a political and economic crisis that reduced overall consumption. Once general price levels adjusted to the currency devaluation, the market resumed growth. Over the longer term, we believe the most important variable impacting aluminum rolled products consumption in South America has been disposable income.

The industrial products market in South America has not grown in recent years, which we believe is mainly because of economic recession and substitution of aluminum by other materials, such as steel, plastics and vinyl which are priced locally.

We believe aluminum foil consumption will grow as food and beverage manufacturers continue to take advantage of the benefits of flexible packaging. The transportation end-use market does not yet have significant automotive volume and consists primarily of aerospace.

Competition

The aluminum rolled products market is highly competitive. We face competition from a number of companies in all of the geographic regions and end-use markets in which we operate, although there are no companies that compete with us in all of those regions and end-use markets. The factors influencing competition vary by region and end-use market but generally, we compete on the basis of our value proposition, including price, product quality, the ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. In some regions and end-use markets, competition is also affected by fabricators' requirements that suppliers complete a qualification process to supply their plants. This process can be rigorous and may take many months to complete. As a result, obtaining business from these customers can be a lengthy and expensive process; however, the ability to obtain and maintain these qualifications can represent a competitive advantage.

In addition to competition from within the aluminum rolled products industry as discussed above in "— Market structure, size and growth," we, as well as other aluminum rolled products manufacturers, face competition from non-aluminum materials, as fabricators and end-users have, in the past, demonstrated a willingness to substitute other materials for aluminum. In the beverage/food cans end-use market, aluminum rolled products' primary competitors are glass, PET plastic and steel. In the transportation end-use market, aluminum rolled products compete mainly with steel. Aluminum competes with wood and steel in building products applications. Factors affecting competition with substitute materials include price, ease of manufacture, consumer preference and performance characteristics.

Key factors affecting supply and demand

The following factors have historically affected the demand for aluminum rolled products:

Economic growth. We believe that economic growth is the single largest driver of aluminum rolled products demand. In mature markets, growth in demand has typically correlated closely with growth in industrial production. In emerging markets such as China, growth in demand typically exceeds industrial production growth largely because of expanding infrastructures, capital investments and rising incomes that often accompany economic growth in these markets.

Substitution trends. Manufacturers' willingness to substitute aluminum for other materials and competition from other materials for substitution also affect demand. For example, in North America, competition from PET plastic containers and glass bottles, and changes in consumer preferences in beverage containers, have, in recent years, reduced the growth rate of aluminum can sheet in North America from the high rates experienced in the 1970s and 1980s.

LME and local currency effect. U.S. dollar denominated trading of primary aluminum on the LME has two primary effects on demand. First, significant shifts between the value of the local currency of the end-user and the U.S. dollar may affect the cost of aluminum to the end-user relative to substitute materials, depending on the cost of the substitute material in local currency. Second, the uncertainty of primary metal movements on the LME may discourage product managers in industries such as automotive from making long term commitments to use aluminum parts. Long term forward contracts can be used by manufacturers to reduce the impact of LME price volatility.

Downgauging. Increasing technological and asset sophistication has enabled aluminum rolling companies to offer consistent or even improved product strength using less material, providing customers with a more cost-effective product. This continuing trend reduces raw material requirements, but also effectively increases rolled products' plant utilization rates and reduces available capacity because the same number of units require more rolling hours to achieve thinner gauges. As utilization rates increase, revenues rise as pricing tends to be based on machine hours used rather than on the volume of material rolled. On balance, we believe that downgauging has enhanced overall market economics for both users and producers of aluminum rolled products.

Seasonality. Demand for certain important aluminum rolled products is significantly affected by seasonal factors. As the temperature increases so does consumption of beer and soft drinks packaged in

[Table of Contents](#)

aluminum cans. Summer construction starts also increase demand for aluminum sheet used in the construction and industrial end-use market. For these reasons, revenues typically peak in the northern hemisphere in the second and third quarters, while sales in the southern hemisphere, which account for a relatively small portion of our revenues but are important to our smelter business, are highest in the first and fourth quarters.

The following factors have historically affected the supply of aluminum rolled products:

Production capacity. As in most manufacturing industries with high fixed costs, production capacity has the largest impact on supply in the aluminum rolled products industry. In the aluminum rolled products industry, the addition of production capacity requires large capital investments and significant plant construction or expansion and typically requires long lead-time equipment orders.

Alternative technology. Advances in technological capabilities allow aluminum rolled products producers to better align product portfolio and supply with industry demand. As an example, continuous casting offers the ability in some markets to increase capacity in smaller increments than is possible with hot mill additions. This enables production capacity to better adjust to small year-over-year increases in demand. However, the continuous casting process permits the production of a more limited range of products.

Trade. Some trade flows do occur between regions despite shipping costs, import duties and the need for localized customer support. Higher value-added, specialty products such as lithographic sheet are more likely to be traded internationally, especially if demand in certain markets exceeds local supply. With respect to less technically demanding applications, emerging markets with low cost inputs may export commodity aluminum rolled products to larger, more mature markets. Accordingly, regional changes in supply, such as plant expansions, may have some effect on the worldwide supply of commodity aluminum rolled products.

Our business strengths

For nearly 90 years, our business has evolved within Alcan's integrated aluminum business. Continuing as an aluminum rolled products company independent of Alcan, we intend to build on the business strengths we developed while part of Alcan. Our key strengths are outlined below.

International presence and scale. With 38 operating facilities located in 12 countries and on four continents, we have a broad geographical presence that we believe allows us to better serve our increasingly global customer base as well as diversify our sources of cash flow and offset risk across different regions. Our size allows us to service a wide variety of customer needs, leverage our selling, administrative, research and development and other general expenses, establish new uses for aluminum rolled products and access new markets for such products.

Strong customer relationships. We maintain long-standing supply relationships with many of our customers. Our major customers include Agfa-Gevaert N.V., Alcan's packaging business group, Anheuser-Busch Companies, Inc., Ball Corporation, various bottlers of the Coca-Cola system, Crown Cork & Seal Company, Inc., Daching Holdings Limited, DaimlerChrysler AG, Kodak Polychrome Graphics GmbH, Ford Motor Company, General Motors Corporation, Integris Metals Corporation, Pactiv Corporation, Rexam Plc, Tetra Pak Ltd. and Visteon Corporation. We endeavor to gain strong customer loyalty by anticipating and meeting the specific technical standards demanded by our customers with a high level of quality, technical support and customer service.

Leading market positions. We are the world's leading aluminum rolled products producer based on shipment volume in 2003, with an estimated 18% share of worldwide aluminum rolled products shipments during that year. In 2003, we were the largest aluminum rolled products producer in terms of shipments in each of Europe, Asia-Pacific and South America, and the second largest in North America. We hold a top two market position on a worldwide basis in each of the four principal end-use markets for aluminum rolled products. In 2003, we held the number one position in terms of shipments in the beverage/food cans end-use market with a 31% market share and the number one position in terms of shipments in the foil

[Table of Contents](#)

products end-use market with a 14% market share. We held the number one position in terms of shipments in the construction and industrial end-use market with a 14% market share and the number two position in terms of shipments in the transportation end-use market with a 13% market share.

Efficient producer. We operate highly automated and well-maintained facilities using modern manufacturing technologies for the efficient production of aluminum rolled products in many regions of the world. Our large production base within each of our business groups allows us to combine similar production runs and dedicate facilities for focused and cost-efficient production.

Metal supply management. We have a diversified metal supply, experience to manage our metal needs as well as comprehensive hedging capabilities, including our agreements with Alcan that should provide us with the ability to fix metal forward and hedge contracts with Alcan as counterparty, to assist our customers in managing metal price risk. The metal supplied by Alcan's primary aluminum group to its aluminum rolled products units has historically been transferred at arm's length market prices. In connection with the reorganization transactions, Alcan will enter into ongoing metal supply agreements with us on a basis consistent with past practice. These supply arrangements will supplement supply from our primary operations in Brazil, our use of recycled aluminum and our own market purchases of primary aluminum.

Innovation leader with proprietary technologies. We endeavor to be at the forefront of developing next generation technologies in the aluminum rolled products industry in which we operate and believe that we are the world leader in continuous casting technology, as owner of technology relating to the two main continuous casting processes. We have approximately 300 employees dedicated to research and development and customer technical support, located in many of our plants and research centers.

Experienced and dedicated management and employees. We have a management team that has significant experience in the aluminum rolled products industry. The members of our senior management team have over 200 years of combined experience in the aluminum industry and bring a wide range of skills in manufacturing, engineering, marketing and sales, human resource management and finance. In continuing as an independent aluminum rolled products company, we inherit Alcan's core business principles, with its focus on continued improvement, value-based management and best practices in environmental management, health, safety and quality.

Our business strategy

As a separate company, our management will be free to focus on aluminum rolled products, which we believe will enable us to respond more quickly to market demands and maximize the efficient allocation of our capital, technical and human resources. As a separate company, we will also be able to provide incentives to our management and employees that more closely align their interests with the performance of the aluminum rolled products business.

Our primary objective is to maximize shareholder value by increasing our revenues and profitability in the North American, European, Asia-Pacific and South American aluminum rolled products markets. We intend to achieve our objective through the application of our business strengths to the strategic initiatives outlined below. We intend to:

Address customer needs with innovative and market-driven products. Our future success is impacted by our ability to innovate in anticipation of our customers' needs. To that end, we intend to enhance value to our customers by improving the quality of our products and services. We intend to conduct research and development that generates new products and processes to enable us to maintain long term partnerships with our key customers. Significant growth opportunities in aluminum rolled products consumption have typically come from product substitution opportunities, such as thin aluminum foil in packaging applications, automotive body panels and aluminum building materials. We plan to work in partnership with our customers to develop new uses for our various products by substituting highly engineered aluminum rolled products for other materials, thereby developing new markets for our products. We believe that our experience in process innovation, developing new technologies in surface treatment,

[Table of Contents](#)

casting, alloying, laser semi-finishing, forming and joining, and our ability to develop specialized aluminum rolled products solutions, will assist our efforts. We plan to address higher technology and more profitable end-use markets with proprietary products and processes that will be unique and attractive to our customers.

Develop and implement a new business model. We intend to implement a new metal conversion business model focused on the aluminum rolled products markets and more closely aligned with the current requirements of those markets. Our new business model will emphasize product line selection based on higher value added rather than volume, economies of utilization, a higher focus on recyclables, and a pricing strategy based on conversion rather than a cost plus approach. We believe the resulting change will allow us to react more quickly in all markets and better align our business with customer requirements.

Improve production from existing assets and reduce capital needs. We have achieved a leading position in aluminum rolled products markets in part through the development and the acquisition of quality assets in our four geographic regions. Having established this position, we intend to optimize our production capacity in order to focus on achieving attractive returns on our capital assets without investing significant amounts of new capital. Our modern mills in North America, Europe, Asia and South America give us the ability to manufacture a wide range of value-added differentiated aluminum rolled products enabling us to selectively move production among our mills within these regions based on market demand. We believe that our separation from Alcan and its vertically integrated production chain will offer us further opportunities to improve sourcing logistics and increase working capital efficiency. Other opportunities for capital reductions include increasing the use of tolling which reduces our capital requirements because the metal being processed is owned by the customer. Tolling allows us to generate revenues by converting the metal without having to utilize capital on maintaining inventory.

Leverage economies of scale in raw material sourcing. As an independent rolled products producer, we expect to be the largest purchaser of aluminum in the world and one of the largest recyclers. We will also be equipped with significant sheet ingot casting capability. We believe these attributes will enable us to source metal flexibly and advantageously. We intend to continue working with our suppliers to further leverage economies of scale in our purchase of primary aluminum, supplies and services. Our metal management strategy includes plans to develop our recycling program further with a focus on sources of material such as used beverage cans, as well as other forms of recycled material in all regions in which we operate, which will expand our access to more cost effective sources of aluminum. We will also have the ability to expand our sheet ingot casting capacity in the different regions in which we operate, which can be used to reduce reliance on, or maintain costs from, third party sheet ingot suppliers.

Capture growth in targeted markets. Our international presence has enabled us to capture growth opportunities in targeted aluminum rolled products markets such as beverage and food cans and the growing automotive component market on the North American, European and Asian continents. We also own technology relating to the two main types of continuous casting processes, namely belt caster and twin roll caster, providing us with a substantial cost advantage when examining options to profitably serve common alloy aluminum rolled products production in emerging markets such as China, Eastern Europe and South America. We intend to use these strengths, through joint ventures with local partners or on a stand-alone basis, to grow profitably when opportunities arise in these emerging markets.

Pursue selected expansion or acquisition opportunities. We intend to use our management team, large scale operations, technical resources, market focus and operating cash flow to identify and take advantage of appropriate expansion and acquisition opportunities as they may arise.

We expect that implementation of these strategic initiatives will enable us to generate stable earnings and cash flow from operating activities. In the near-term, we expect excess cash flow to be applied to repay debt and reduce our leverage, which is consistent with the anticipated terms of the debt we expect to incur in connection with the reorganization transactions. In the longer term, we will consider investment opportunities and increased return of cash to shareholders consistent with achieving and maintaining a strong non-investment grade debt rating.

[Table of Contents](#)

Our business groups

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical areas and are organized under four business groups. The business groups are Novelis North America (NNA), Novelis Europe (NE), Novelis Asia (NA) and Novelis South America (NSA).

The table below sets forth the contribution of each of our business groups to our revenues, business group profit, total assets and shipments for the years ended December 31, 2003, 2002 and 2001. Alcan's measure of profitability of operating segments is referred to as business group profit, or BGP. BGP comprises earnings before interest, income taxes, minority interests, depreciation and amortization and excludes certain items, such as corporate costs, restructuring, impairment and other special charges and pension actuarial gains, losses and other adjustments and mark to market adjustments on derivatives, that are not under the control of our business groups or are not considered in the measurement of their profitability.

Operating Group(i)	2003	2002	2001
(All amounts in \$ millions, except shipments, which are in kt)			
Novelis North America			
Sales and operating revenues	2,385	2,517	2,506
BGP	206	277	202
Total assets	1,131	1,130	1,162
Shipments	1,083	1,165	1,112
Novelis Europe			
Sales and operating revenues	2,510	2,218	2,158
BGP	173	130	80
Total assets	2,167	1,650	1,571
Shipments	1,000	955	850
Novelis Asia			
Sales and operating revenues	918	785	724
BGP	68	35	26
Total assets	837	824	798
Shipments	429	378	336
Novelis South America			
Sales and operating revenues	414	379	393
BGP	112	90	107
Total assets	733	720	710
Shipments	258	244	249

(i) The sales and operating revenues and shipment information presented in the table above excludes intersegment revenues and shipments.

Our 38 operating facilities in 12 countries provide us with highly automated, flexible and advanced manufacturing capabilities. In addition to the aluminum rolled products plants, NSA operates bauxite mining, aluminum refining and smelting facilities. We believe our facilities have the assets required for efficient production and are well managed and maintained. For a further discussion of financial information by geographic area, see note 24 to our audited combined financial statements.

Novelis North America

Through a network of 12 aluminum rolled products facilities, NNA manufactures aluminum sheet and light gauge products. Important end-use applications for NNA include beverage cans, containers and

[Table of Contents](#)

packaging, automotive and other transportation applications, building products and other industrial applications.

In 2003, NNA had sales and operating revenues of \$2.4 billion, representing 38% of our total sales and operating revenues, and shipments of 1,083 kilotonnes, including tolled metal, representing 39% of our total shipments. Tolled metal refers to the process by which customers provide their own aluminum to us to be converted into a rolled product, and are charged a value-added conversion cost, instead of the metal plus value-added conversion cost.

Approximately two-thirds of NNA's production is directed to beverage can sheet. Beverage can is a technically demanding end-use market to supply and pricing is very competitive. Producers with low-cost and technologically advanced manufacturing facilities and technical support capability have a competitive advantage. Recycling is important in the manufacturing process and NNA has three facilities that collect and remelt post-consumer aluminum and recycled process material. Most of the recycled material is from used beverage cans and the material is cast into sheet ingot for NNA's can sheet production plants.

Facilities

The table below sets forth plant processes, end-use markets and production information about our North American facilities.

Location	Plant Process	Major End-Use Markets	2003 Production (kt)(i)
Oswego, New York	Hot rolling, cold rolling recycling	Can stock, Construction/Industrial, Semi-finished coil	510
Logan, Kentucky(ii)	Hot rolling, cold rolling	Can stock	460(iii)
Saguenay, Quebec	Continuous casting	Semi-finished coil	160
Kingston, Ontario	Cold rolling	Automotive, Construction/Industrial	155
Terre Haute, Indiana	Cold rolling, finishing	Foil	100
Warren, Ohio	Coating	Can stock	60
Fairmont, West Virginia	Cold rolling, finishing	Foil	50
Toronto, Ontario	Finishing	Foil, foil containers	15
Louisville, Kentucky	Cold rolling, finishing	Foil	10
Burnaby, British Columbia	Finishing	Foil containers	2

- (i) The sum of all production totals for each of our North American facilities set forth in this table will not equal the total 2003 production for NNA because production from one facility may be delivered to and further processed by one or more of our other facilities depending on end-use markets.
- (ii) We own 40% of the shares of Logan Aluminium Inc., but we have made subsequent equipment investments such that we now have access to approximately 67% of Logan's total production capacity.
- (iii) Our share of output.

Our Oswego, New York, facility operates modern equipment for used beverage cans recycling, ingot casting, hot rolling, cold rolling and finishing. Oswego produces can stock as well as building and industrial products. Oswego also provides feedstock to our Kingston, Ontario, facility, which produces heat-treated automotive sheet and our Fairmont, West Virginia, facility, which produces light gauge sheet.

[Table of Contents](#)

The Logan, Kentucky, facility is a processing joint venture between us and Arco Aluminium, a subsidiary of BP plc. Our original investment in the joint venture was 40%, while Arco held the remaining 60% interest. Subsequent equipment investments have resulted in us now having access to approximately 67% of Logan's total production capacity. Logan, which was built in 1985, is the newest and largest hot mill in North America. Logan operates modern and high-speed equipment for ingot casting, hot-rolling, cold-rolling and finishing. Logan is a dedicated manufacturer of aluminum sheet products for the can stock market with modern equipment, efficient workforce and product focus. A portion of the can end stock is coated at NNA's Warren, Ohio, facility, in addition to Logan's on-site coating assets. Together with Arco, we operate Logan as a production cooperative, with each party supplying its own primary metal inputs for transformation at the facility. The transformed product is then returned to the supplying party at cost. Logan does not own any of the primary metal inputs or any of the transformed products. All of the fixed assets at Logan are directly owned by us and Arco in varying ownership percentages or solely by us.

We share control of the management of Logan with Arco through a seven-member board of directors on which we appoint four members and Arco appoints three. Management of Logan is led jointly by two executive officers, one nominated by us and one nominated by Arco, who are subject to approval by at least five members of the board of directors.

Our Saguenay Works, Quebec, facility operates the world's largest continuous caster, which produces feedstock for our three foil rolling plants located in Terre Haute, Indiana, Fairmont, West Virginia and Louisville, Kentucky. The continuous caster was developed through internal research and development and we own the process technology. Our Saguenay Works facility produces aluminum rolled products directly from molten metal, which will be sourced under long term supply arrangements we expect to have with Alcan.

The table below sets forth 2003 production information about our North American recycling facilities.

Location	2003 Production (kt)
Berea, Kentucky	250
Oswego, New York	200
Greensboro, Georgia	130

Along with our recycling center in Oswego, we own two other fully dedicated recycling facilities in Berea, Kentucky and Greensboro, Georgia. Each offers a modern, cost-efficient process to recycle used beverage cans and other recycled aluminum into sheet ingot to supply our hot mills in Logan and Oswego. Berea is the largest used beverage can recycling facility in the world.

Novelis Europe

NE provides European markets with value-added sheet and light gauge products through its 18 plants. In 2003, NE had sales and operating revenues of \$2.5 billion, representing 40% of our total sales and operating revenues, and shipments of 1,000 kilotonnes, including tolled metal, representing 36% of our total shipments.

NE serves a broad range of aluminum rolled product end-use applications. Construction and industrial represents the largest end-use market in terms of shipment volume by NE. NE supplies plain and painted sheet for building products such as roofing, siding, panel walls and shutters, where, due to the material's recyclability, aluminum products compare favourably with non-metallic building materials that usually have to be disposed of in landfills after demolition. NE is a global leader in the production of lithographic sheet, a specialized product requiring technical production. NE is the second largest supplier of foil and beverage can sheet in Europe in terms of shipments, and is one of the major suppliers for ultra thin gauge foil for aseptic liquid packaging of milk and juices. Finally, NE held the number two position in terms of shipments in the European transportation end-use market with a 16% market share.

[Table of Contents](#)

Facilities

The table below sets forth plant processes, end-use markets and production information about our European facilities.

Location	Plant Process	Major End-Use Markets	2003 Production (kt)(i)
Norf, Germany(ii)	Hot rolling, cold rolling	Can stock, foilstock, reroll Construction/Industrial	650(iii)
Göttingen, Germany	Cold rolling, finishing	Can end, Lithographic, Painted sheet	200
Rogerstone, United Kingdom	Hot rolling, cold rolling	Foilstock, paintstock, reroll	170
Nachterstedt, Germany	Cold rolling, finishing	Construction/Industrial, Automotive	155
Sierre, Switzerland(iv)	Hot rolling cold rolling	Automotive sheet	105
Pieve, Italy	Continuous casting, cold rolling	Paintstock, industrial	85
Ohle, Germany	Cold rolling, finishing	Foil	65
Bresso, Italy	Finishing	Painted sheet	50
Falkirk, United Kingdom(v)	Cold rolling	Construction/ Industrial	45
Rugles, France	Continuous casting, cold rolling, finishing	Foil	45
Dudelange, Luxembourg	Continuous casting, cold rolling, finishing	Foil	45
Bridgnorth, United Kingdom	Cold rolling, finishing	Foil	30
Annecy, France	Cold rolling, finishing	Painted sheet, circles	25
Ludenscheid, Germany	Cold rolling, finishing	Foil	25
Flemalle, Belgium	Cold rolling, finishing	Foil	20
Berlin, Germany	Finishing	Foil	10

- (i) The sum of all production totals for each of our European facilities set forth in this table will not equal the total 2003 production for NE because production from one facility may be delivered to and further processed by one or more of our other facilities depending on end-use markets. Further, production from our Annecy, Flemalle, Rugles and Dudelange facilities has only been accounted for since January 1, 2004, following Alcan's acquisition of these facilities in the Pechiney transaction in December 2003.
- (ii) Operated as a joint venture between us, 50% interest, and Norsk Hydro Aluminium Deutschland GmbH, 50% interest.
- (iii) Our share of output.
- (iv) As discussed in "Arrangements Between Novelis and Alcan — Sierre agreements", we intend to enter into an agreement with Alcan pursuant to which Alcan will retain a portion (to be determined)

by reference to historical uses of the facility) of the total production capacity of the Sierre hot mill following the separation.

(v) Closure of the facility is planned for December 31, 2004.

Aluminium Norf GmbH in Germany, a 50/50 production sharing joint venture between us and Norsk Hydro Aluminium Deutschland GmbH, is a large scale, modern manufacturing hub for several of our operations in Europe. Norf is the largest aluminum rolling mill in the world. With total production of approximately 1,300 kilotonnes in 2003, Norf production represented approximately one quarter of aluminum rolled products production in Europe. Norf supplies hot coil for further processing through cold rolling to some of our other plants including Goettingen and Nachterstedt in Germany and provides foilstock to our plants in Ohle and Ludenscheid in Germany and in Rugles, France. Together with Norsk Hydro, we operate Norf as a production cooperative, with each party supplying its own primary metal inputs for transformation at the facility. The transformed product is then transferred back to the supplying party on a pre-determined cost-plus basis. The facility's capacity is, in principle, shared 50/50.

We own 50% of the equity interest in Norf and Norsk Hydro owns the other 50%. We share control of the management of Norf with Norsk Hydro through a jointly-controlled shareholders' committee. Management of Norf is led jointly by two managing executives, one nominated by us and one nominated by Norsk Hydro.

Rogerstone's hot mill in the United Kingdom also supplies the Bridgnorth foil plant with foilstock and produces paintstock reroll for Pieve and Annecy. Furthermore, Rogerstone produces standard sheet and coil for the United Kingdom distributor market. The Pieve plant, located in Milan, Italy, produces continuous cast coil that is cold rolled into paint stock and sent to the Bresso plant, also located in Milan.

The Dudelage foil plant in Luxembourg utilizes continuous twin roll casting equipment and is one of the few foil plants in the world capable of producing 6 micron foil for aseptic packaging applications from continuous cast material. The Sierre hot rolling plant in Switzerland is Europe's leading producer of automotive sheet in terms of shipments and also supplies plate stock to Alcan.

The table below sets forth 2003 production information about our European recycling facilities.

Location	2003 Production (kt)
Latchford, United Kingdom	150
Borgofranco, Italy	70

Our recycling operations at Borgofranco, Italy and Latchford, United Kingdom position us as one of the major recyclers in Europe. Latchford is the only recycling plant in Europe dedicated to used beverage cans.

NE also manages Pechiney Aluminum Engineering (Voreppe, France), which sells casthouse technology, including liquid metal treatment devices, such as degassers and filters, direct cast automation packages and twin roll continuous casters, in many parts of the world.

Novelis Asia

NA operates three manufacturing facilities in the Asian region and manufactures a broad range of sheet and light gauge products.

In 2003, NA had sales and operating revenues of \$918 million, representing 15% of our total sales and operating revenues, and shipments of 429 kilotonnes, including tolled metal, representing 15% of our total shipments.

NA production is balanced between the foil products, construction and industrial, and beverage/food can end-use markets. NA is the second largest supplier to China in terms of shipments, which is, based on CRU information, Asia-Pacific's fastest growing market. Due primarily to capacity increases through our

[Table of Contents](#)

subsidiary in Korea, NA's production capabilities have increased by 70% from 2001 to 2003. As the second largest supplier to the Chinese market, we believe that NA is well-positioned to benefit from further economic development in China.

Facilities

The table below sets forth plant processes, end-use markets and production information about our Asian facilities.

Location	Plant Process	Major End-Use Markets	2003 Production (kt)(i)
Ulsan, Korea(ii)	Hot rolling, cold rolling	Can stock, Construction/Industrial, Foil stock	210
Yeongju, Korea(iii)	Hot rolling, cold rolling	Can stock, Construction/Industrial, Foil stock	145
Bukit Raja, Malaysia(iv)	Continuous casting	Foil, finstock	25

- (i) The sum of all production totals for each of our Asia-Pacific facilities set forth in this table will not equal the total 2003 production for NA because production from one facility may be delivered to and further processed by one or more of our other facilities depending on end-use markets.
- (ii) We hold a 68% equity interest in the Ulsan plant.
- (iii) We hold a 68% equity interest in the Yeongju plant.
- (iv) Ownership of the Bukit Raja plant corresponds to our 59% shareholding in Aluminium Company of Malaysia Berhad. We increased our ownership from 36% to 59% in 2003.

Our Korean subsidiary, in which we hold a 68% interest, was formed through acquisitions in 1999 and 2000. Since our acquisition, production at our Ulsan and Yeongju plants has increased from 198 kilotonnes in 2000 to 353 kilotonnes in 2003, which represents a 78% increase. In addition, product capability has been developed to address higher margin markets such as can sheet.

In 2003, we increased from 36% to 59% our participation in the Aluminium Company of Malaysia, a publicly traded company that controls the Bukit Raja, Selangor light gauge rolling facility. Unlike our production sharing joint ventures at Norf and Logan, our Korean and Malaysian partners are financial partners and we market 100% of the plants' output.

NA also operates a recycling furnace in Ulsan, Korea for the conversion of customer and third party recycled aluminum, including used beverage cans. Ulsan's total production for 2003 was 20 kilotonnes. Metal from recycled aluminum purchases represented 10% of NA's total shipments in 2003.

Novelis South America

NSA operates two rolling plants and primary aluminum production facilities in South America. NSA manufactures various aluminum rolled products, including can stock, automotive and industrial sheet and light gauge for the beverage/food can, construction and industrial and transportation end-use markets.

In 2003, NSA had sales and operating revenues of \$414 million, representing 7% of our total sales and operating revenues, and shipments of 258 kilotonnes, including tolled metal, representing 9% of our total shipments. These figures exclude sales and operating revenues and shipments associated with NSA's primary aluminum operations.

The primary aluminum produced by NSA's mine, refinery and smelters is used by our Brazilian aluminum rolled products operations, with any excess production being sold on the market in the form of aluminum billets. In 2003, NSA earned an additional \$84 million from third party sales of 54 kilotonnes of

[Table of Contents](#)

primary metal. NSA generates a portion of its own power requirements. NSA also owns options to develop additional hydroelectric power facilities.

Facilities

The table below sets forth plant processes, end-use markets and production information about our South American aluminum rolled products and recycling facilities.

Location	Plant Process	Major End-Use Markets	2003 Production (kt)(i)
Pindamonhangaba, Brazil	Hot rolling, cold rolling	Construction/Industrial, can stock, foil stock	225
Utinga, Brazil	Finishing	Foil	20

- (i) The sum of all production totals for each of our South American facilities set forth in this table will not equal the total 2003 production for NSA because production from one facility may be delivered to and further processed by one or more of our other facilities depending on end-use markets.

Our Pinda facility has an integrated process that includes recycling, sheet ingot casting, hot mill and cold mill operations. A leased coating line produces painted products, including can end stock. Our Pinda facility supplies foil stock to our Utinga foil plant, which produces converter, household and container foil.

NSA's Pinda rolling and recycling facility in Brazil is the largest aluminum rolling and recycling facility in South America in terms of shipments and the only facility in South America capable of producing can body and end stock. Our Pinda plant recycles primarily used beverage cans, and is engaged in tolling recycled metal for our customers. Pinda produced 70 kilotonnes of recycled metal in 2003.

The table below sets forth plant processes, end-use markets and production information about our South American primary metal operations.

Location	Plant Process	Major End-Use Markets	2003 Production (kt)
Aratu, Brazil	Smelting	Primary aluminum (sheet ingot and billets)	60(i)
Petrocoque, Brazil(ii)	Refining calcined coke	Carbon products (smelter anodes)	53(iii)
Ouro Preto, Brazil	Hydroelectric, Bauxite mining, Aluminum refining, Smelting	Primary aluminum (sheet ingot and billets)	50(i)

- (i) Refers to production of primary aluminum.
- (ii) Operated as a joint venture between us, 25% interest, Petrobas Quimica S.A., 35% interest, Universal — Comércio e Empreendimentos Ltda., 25% interest, and Companhia Brasileira de Alumínio, 15% interest.
- (iii) Refers to our share of total production of calcined coke.

We conduct bauxite mining, alumina refining, primary aluminum smelting and hydroelectric power generation operations at our Ouro Preto facility in Saramenha, Brazil. Our owned power generation supplies 70% of the Ouro Preto smelter needs. In the Ouro Preto region, we own rights to approximately 10 million tonnes of bauxite reserves. There are additional reserves in the Cataguases and Carangola regions sufficient to meet our requirements in the foreseeable future.

We also conduct primary aluminum smelting operations at our Aratu facility in Brazil.

Raw materials and suppliers

The raw materials that we use in manufacturing include primary aluminum, recycled aluminum, sheet ingot, alloying elements and grain refiners. Our smelters also use alumina, caustic soda and calcined petroleum coke and resin. These raw materials are generally available from several sources and are not subject to supply constraints under normal market conditions. We also consume considerable amounts of energy in the operation of our facilities.

Aluminum

We obtain aluminum from a number of sources, including the following:

Primary aluminum purchases. We purchased approximately 2,000 kilotonnes of primary aluminum in 2003 in the form of sheet ingot and standard ingot, as quoted on the LME. We purchased 48% of our primary aluminum requirements from Alcan in 2003. Following our separation from Alcan, we expect to continue to source aluminum from Alcan pursuant to the metal supply agreements described under “Arrangements Between Novelis and Alcan.”

Primary aluminum production. We produced approximately 90 kilotonnes of our own primary aluminum requirements in 2003 through our smelter and related facilities in Brazil.

Recycled aluminum products. We operate facilities in several plants to recycle post-consumer aluminum, such as used beverage cans collected through recycling programs. In addition, we have agreements with several of our large customers where we take recycled processed material from their fabricating activity and re-melt, cast and roll their recycled aluminum products and re-supply them with aluminum sheet. Other sources of recycled material include lithographic plates, where over 90% of aluminum used is recycled, and products with longer lifespans like cars and buildings which are just starting to become high volume sources. We purchased approximately 800 kilotonnes of recycled material in 2003.

The majority of recycled material collected and re-melted is directed back through can-stock plants. The net effect of these activities is that 28% of our aluminum rolled products production in 2003 was made with recycled material. On a regional basis this translated into 41% for each of our North and South American aluminum rolled products shipments, 17% of our European shipments and 9% of our Asian shipments.

Sheet Ingot. We have the ability to cast sheet ingot, which are the slabs of aluminum that are fed into hot rolling mills to make aluminum rolled products. Casting, which requires precise control of heat and metal alloys, can have a major impact on the quality of the sheet ingot produced and all aluminum rolled products that are subsequently produced from that sheet ingot. We are currently able to supply 72% of our internal needs for sheet ingot, which helps us to control the quality of the sheet ingot we use, and generates cost savings and sourcing flexibility. We purchase the remainder from Alcan and other providers on longer term contracts. Following the separation, we expect to continue to source a portion of our sheet ingot requirements from Alcan pursuant to the metal supply agreements described under “Arrangements Between Novelis and Alcan.”

Energy

We use several sources of energy in the manufacture and delivery of our aluminum rolled products. Natural gas and electricity represent more than 75% of our energy consumption by cost. We also use fuel oil and transport fuel. The majority of energy usage occurs at our casting centers and during the hot rolling of aluminum. Our cold rolling facilities require relatively less energy. We purchase our natural gas on the open market, which subjects us to market pricing fluctuations. Recent natural gas pricing volatility in the United States has increased our energy costs. We are considering the relative costs of stabilizing our future exposure to natural gas prices through forward purchase contracts. Natural gas prices in Europe, Asia and South America have historically been more stable than in the United States.

[Table of Contents](#)

A portion of our electricity requirements are purchased pursuant to long term contracts in the local regions in which we operate. A number of our facilities are located in regions with regulated prices, which affords relatively stable costs. NSA has its own hydroelectric facilities that meet a substantial portion of its local electricity requirements for smelting operations.

Others

We also have bauxite and alumina requirements. We expect to satisfy some of our alumina requirements for the near term by entering into an alumina supply agreement with Alcan, as discussed below under “Arrangements Between Novelis and Alcan.”

Our customers

Although we provide products to a wide variety of customers in each of the markets that we serve, we have experienced consolidation trends among our customers in many of our key end-use markets. In 2003, approximately 39% of our shipments were to our ten largest customers, most of whom we have been supplying for more than 20 years. To address consolidation trends, we focus significant efforts at developing and maintaining close working relationships with our customers and end-users.

Our major customers include Agfa-Gevaert N.V., Alcan’s packaging business group, Anheuser-Busch Companies, Inc., affiliates of Ball Corporation, various bottlers of the Coca-Cola system, Crown Cork & Seal Company, Inc., Dachring Holdings Limited, DaimlerChrysler AG, Kodak Polychrome Graphics GmbH, Ford Motor Company, General Motors Corporation, Integris Metal Corporation, Pactiv Corporation, Rexam Plc, Tetra Pak Ltd. and Visteon Corporation.

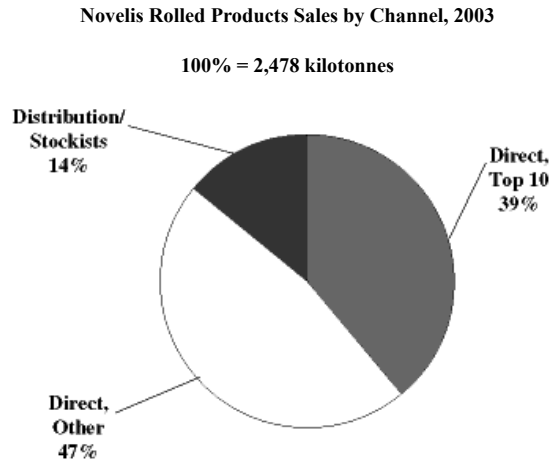
We sell most of our products under long-term contracts with pricing based on “margin-over-metal” pricing, which is subject to periodic adjustments based on market factors.

In our largest end-use market, beverage can sheet, we sell directly to beverage makers and bottlers as well as to can fabricators that sell the cans they produce to bottlers. In certain cases, we also operate under umbrella agreements with beverage makers and bottlers under which they direct their can fabricators to source their requirements for beverage can body, end and tab stock from us. The bottlers are not responsible for the contractual performance by the can fabricators that we supply under these umbrella agreements. Among these umbrella agreements is one, referred to as the CC agreement, with several North American bottlers of Coca-Cola branded products, including Coca-Cola Enterprises and its affiliates. This agreement is based on arrangements that have been in place since 1997 and is subject to periodic renewal. Under the CC agreement we shipped approximately 379 kilotonnes of beverage can sheet, including tolled metal, in 2003. These shipments were made to, and we received payment from, our direct customers, being the beverage can fabricators that sell beverage cans to the Coca-Cola associated bottlers. Under the CC agreement, bottlers in the Coca-Cola system may join the CC agreement and benefit from its terms by committing a specified percentage of the can sheet required by their can fabricators to us. Pricing under the CC agreement is set for the duration of the agreement, but is subject to change in the event of changes in the competitive environment or to the competitive industry price structure.

Purchases by Rexam Plc and its affiliates from our operations in all of our business segments represented approximately 9%, 11% and 11% of our total sales and operating revenues in 2003, 2002 and 2001, respectively. Rexam Plc’s North American affiliates are the largest customers purchasing under the CC agreement.

Distribution and backlog

We have two principal distribution channels for the end-use markets in which we operate: direct sales and distributors (who are sometimes referred to as stockists). The figure below sets forth the percentage of our total aluminum rolled products shipments for each sales channel for 2003.



Source: Novelis management

Direct Sales

We supply various end-use markets in approximately 88 countries through a direct sales force that operates from individual plants or sales offices, as well as from regional sales offices in 21 countries. The direct sales channel typically involves very large, sophisticated fabricators and original equipment manufacturers. Long standing relationships are maintained with leading companies in industries that use aluminum rolled products. Supply contracts for large global customers generally range from one to five years in length and historically there has been a high degree of renewal business with customers. Given the customized nature of products and in some cases, large order sizes, switching costs are significant, thus adding to the overall consistency of the customer base.

We also use third-party agents or traders in some regions to complement our own sales force. They provide service to our customers in countries where we do not have local expertise. We tend to use third-party agents in Asia and South America more frequently than in other regions.

Distributors

We also sell our products through aluminum distributors, particularly in North America and Europe. Customers of distributors are widely dispersed, and sales through this channel are highly fragmented. Distributors sell mostly commodity or less specialized products into many end-use markets, including the construction and industrial and transportation markets. We collaborate with our distributors to develop new end-use applications and improve the supply chain and order efficiencies.

Backlog

We produce aluminum rolled products primarily to meet our customers’ requirements established under annual or multi-year contracts, which are typically not “take-or-pay” contracts and we do not believe that order backlog is a material aspect of our business.

Research and development

In 2003, we spent \$62 million on research and development activities in our plants and modern research facilities, which included mini-scale production lines equipped with hot mills, can lines and

[Table of Contents](#)

continuous casters. We conduct research and development activities at our mills in order to satisfy current and future customer requirements, improve our products and reduce our conversion costs. Our customers work closely with our research and development professionals to improve their production processes and market options. We have approximately 300 employees dedicated to research and development and customer technical support, located in many of our plants and research centers.

Based on our extensive experience in can sheet, automotive sheet, lithographic sheet, painted sheet, foil and anodizing production techniques, we have the ability to supply advanced aluminum rolled products and support our customers. Our technological leadership has led to the design of products to address various needs in different regions of the world. Examples include:

- *Jaguar XJ*. We are the exclusive provider of aluminum body panels for this high end automobile using aluminum vehicle technology, or AVT, which makes possible the volume production of monocoque, or unibody, aluminum vehicle structures, similar in principle to comparable stamped steel structures, but much lighter and stiffer;
- *Radiator cooling fins*. A long-life brazing alloy with downgauged material led to high performance auto radiators, heaters and air conditioner units, with reduced environmental impact;
- *AA1200 high strength foil*. Process modifications led to significantly enhanced material performance that substantially increased value to the customer and end-user; and
- *Can-stock downgauging*. Collaboration with can makers has resulted in a 6.3% reduction in can weight over the past seven years.

Our employees

At October 31, 2004, we had approximately 13,600 employees. A significant portion of our employees, approximately 7,000, are employed in our European operations and approximately 2,900 are employed in North America. With respect to the remainder of our workforce, approximately 1,600 are employed in Asia and approximately 2,100 are employed in South America and other areas. Approximately two-thirds of our hourly-paid employees are represented by labour unions and their employment conditions governed by collective bargaining agreements. Collective bargaining agreements are negotiated on a site, regional or national level, and are of different durations. We believe that we have good labour relations in all our operations and have not experienced a significant labour stoppage in any of our principal operations during the last decade.

Intellectual property

In connection with our separation from Alcan, Alcan will assign or license to us a number of important patents, trademarks and other intellectual property rights owned by Alcan and required for our business. Ownership of intellectual property that is used by both us and Alcan will be owned by one of us, and licensed to the other. Certain specific intellectual property rights which have been determined to be exclusively useful to us or which are required to be transferred to us for regulatory reasons will be assigned to us with no license back to Alcan.

We own technology relating to the two main types of continuous casting processes. Continuous casting mills are an alternative technology for making aluminum rolled products, using a process that converts molten aluminum directly into hot coils for further processing. Because small incremental capacity additions of between 10 kilotonnes and 175 kilotonnes can be made at lower capital investment than a hot mill, continuous casting mills offer the industry a better way of matching supply and demand. We developed the belt caster technology named Flexcaster through internal research and development, and acquired the twin roll casting machine technology through the Pechiney acquisition. We will continue to specialize in the development and sales of casthouse equipment in order to maintain our position as the world leading manufacturer of continuous casting machines.

Legal proceedings

In connection with our separation from Alcan, we will assume a number of liabilities, commitments and contingencies mainly related to our historical rolled products operations, including liabilities in respect of legal claims and environmental matters. As a result, we may be required to indemnify Alcan for claims successfully brought against Alcan or for the defense of, or defend, legal actions that arise from time to time in the normal course of our rolled products business including commercial and contract disputes, employee-related claims and tax disputes (including, currently, several disputes with Brazil's Ministry of Treasury regarding taxes and social security contributions, and a dispute with taxation authorities in Italy). In addition to these assumed liabilities and contingencies, we are also likely in the future to be involved in, or subject to, other disputes, claims and proceedings that arise in the ordinary course of our business, including some that we assert against others. Where appropriate, we have established reserves in respect of these matters (or, if required, we have posted cash guarantees). While the ultimate resolution of, and liability and costs related to, these matters cannot be determined with certainty due to the considerable uncertainties that exist, we do not believe that any of these pending actions, individually or in the aggregate, will materially impair our obligations or materially affect our financial condition or liquidity. The following describes certain environmental matters relating to our business for which we expect to assume liability as a result of our separation from Alcan.

Environmental matters

We are involved in proceedings under the U.S. Superfund or analogous state provisions regarding the usage, storage, treatment or disposal of hazardous substances at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which we have operations, including Brazil and certain countries in the European Union. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities. As described further in the following paragraph, we have established procedures for regularly evaluating environmental loss contingencies, including those arising from such environmental reviews and investigations and any related remediation or compliance actions. Although we cannot reasonably estimate all of the costs that are likely to ultimately be borne by us, we have provided for the currently anticipated costs associated with ongoing environmental remediation or compliance actions, and we have no reason to believe that such remediation and compliance actions will materially impair our operations or materially adversely affect our financial condition or liquidity.

With respect to environmental loss contingencies, we record a loss contingency on a non-discounted basis whenever such contingency is probable and reasonably estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can reasonably be made, the evaluation model is fact-driven and attempts to estimate the full costs of an estimated claim. Management generally reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts related to cost-sharing between parties, insurance, indemnification arrangements or contribution from other potential liable parties, unless otherwise noted.

PAS Site. Alcan's subsidiary, Alcan Aluminum Corporation, or AlcanCorp, and third parties were defendants in a lawsuit instituted in July 1987 by the U.S. Environmental Protection Agency, or EPA, relating to the Pollution Abatement Services site, a third-party disposal site, in Oswego, New York, or PAS. AlcanCorp was alleged to have contaminated this site through the disposal of waste materials disposed by contractors employed by AlcanCorp (and other companies). AlcanCorp's defense was that the waste was not hazardous. In January 1991, the U.S. District Court for the Northern District of New York found AlcanCorp liable for a share of the clean-up costs for the site, and in December 1991 determined the amount of such share to be \$3,175,683. AlcanCorp appealed this decision to the United States Court of Appeals, Second Circuit. In April 1993, the Second Circuit reversed the District Court and remanded the case for a hearing on what liability, if any, might be assigned to AlcanCorp depending on whether

[Table of Contents](#)

Alcancorp could prove that waste did not contribute to the costs of remediation at the site. This matter was consolidated with another case, instituted in October 1991 by the EPA against Alcancorp in the U.S. District Court for the Northern District of New York seeking clean-up costs in regard to the Fulton Terminals Superfund site in Oswego County, New York, which is also owned by PAS. The remand hearing was held in October of 1999. The trial court re-instituted its judgment holding Alcancorp liable. The amount of the judgment plus interest was \$13.5 million as of December 2000. The case was appealed. In the first quarter 2003, the Second Circuit affirmed the decision of the trial court. Alcancorp sought a rehearing but the motion was denied. Alcancorp filed a petition for certiorari in U.S. Supreme Court, which was denied. In 2004, Alcancorp paid \$13.9 million in respect of the EPA claim, representing the full amount of the judgment plus interest, and \$1.6 million to the State of New York, and is currently responsible for future oversight costs, which are currently estimated at approximately \$500,000.

PAS Oswego Site Performing Group. A group of ten potentially responsible parties, or PRPs, have instituted legal proceedings against Alcancorp seeking contribution from Alcancorp for the \$6.4 million in remediation costs (plus accrued interest) these PRPs claim to have collectively incurred at the PAS site from 1990 to the present. Based upon information currently available to it Alcancorp is disclaiming responsibility for any of the costs incurred by the PRPs.

Oswego North Ponds. In the late 1960s and early 1970s, Alcan Oswego used an oil containing polychlorinated biphenyls, or PCBs, in its re-melting operations. At the time, Alcan utilized a once-through cooling water system that discharged through a series of constructed ponds and wetlands, collectively referred to as the North Ponds. In the early 1980s, low levels of PCBs were detected in the cooling water system discharge and Alcan performed several subsequent investigations. The PCB-containing hydraulic oil Pydraul, which was eliminated from use by Alcan in the early 1970s, was identified as the source of contamination. In the mid-1980s, the Oswego North Ponds site was classified as an “inactive hazardous waste disposal site” and added to the New York State Registry under Alcan Sheet and Plate Company. Alcan ceased discharge through the North Ponds in mid-2002.

In cooperation with the New York State Department of Environmental Conservation, or NYSDEC, and the New York State Department of Health, Alcan entered into a consent agreement in August 2000 to develop and implement a remediation program to address the PCB contamination at the Oswego North Ponds site. A remediation investigation report was submitted to the NYSDEC in January 2004, and we anticipate that the NYSDEC will issue a proposed remediation action plan and record of decision during the first quarter of 2005. We expect that the remediation plan will be implemented in 2006. The estimated costs associated with the remediation of the Oswego North Ponds are approximately \$25 million.

Butler Tunnel Site. Alcancorp was a party in a 1989 EPA lawsuit before the U.S. District Court for the Middle District of Pennsylvania involving the Butler Tunnel Superfund site, a third-party disposal site. In May 1991, the Court granted summary judgment against Alcancorp in the amount of \$473,790 for alleged disposal of hazardous waste. After unsuccessful appeals, in 1995 Alcancorp paid the entire judgment plus interest.

The United States government filed a second cost recovery action against Alcan seeking recovery of expenses associated with the installation of a early warning system for potential future releases for the Butler site. The complaint does not disclose the amount of costs sought by the government. The case has been held in abeyance since shortly after it was filed so there has been no opportunity for discovery to determine the specific remediation action sought, the estimated cost, the existence of other settlements or the existence of other non-settling PRPs, if any, for potential contribution. As a result, Alcan has been unable to determine what, if any, exposure it may have in respect of this cost recovery section.

Alcancorp instituted a separate proceeding against several third parties alleged to have disposed of waste at the site to recover part of the amounts paid to the government in the Butler Tunnel Site, as well as seeking contribution for costs and expenses associated with the installation of the early warning system. This separate proceeding was dismissed in 2004.

Tri-Cities Site. In 1994 Alcancorp and other companies responded to an EPA inquiry concerning the shipment of old drums to Tri-Cities Inc. (New York). Prior to that, Alcancorp had reprocessed the

barrels. In 1996 the EPA issued an administrative order directing the PRPs to clean up the site. AlcanCorp refused to participate, claiming that the drums sent to Tri-Cities were empty at the time of delivery. The PRPs sent AlcanCorp a settlement offer and proposed Consent Decree by which AlcanCorp would agree to join other PRPs in the clean-up. AlcanCorp rejected the offer as it disagreed with the drum count attributed to it. In September 2002, AlcanCorp received notice from the EPA contending that AlcanCorp was responsible for response costs totaling \$170,512 plus interest and future response costs for its violation of the administrative order. AlcanCorp responded by a letter outlining its objections to the EPA's determination. The EPA has since indicated that the matter has been referred to the Department of Justice, or DOJ, for enforcement. AlcanCorp has responded with a letter stating that the EPA's claims are unsupported. In 2003, AlcanCorp met with the DOJ and the EPA who quantified potential liability for unreimbursed costs and penalties in the amount of \$2.1 million.

Quanta Resources Facility. In June 2003, the DOJ filed a Superfund costs recovery action in U.S. District Court for the Northern District of New York against AlcanCorp and Quanta Resources, seeking unreimbursed response costs, stemming from the disposal of rolling oil emulsion at a Mahler facility in Syracuse, New York. The parties are in the process of discovery. In the fall of 2003, AlcanCorp met with the DOJ and the EPA who quantified potential liability for unreimbursed costs and penalties in the amount of \$1.4 million.

Sealand Site. New York State claims AlcanCorp's waste at the Sealand, New York site is hazardous, which AlcanCorp disputes. There are several PRPs at this site. In 1993, AlcanCorp declined a request to participate in a program to provide drinking water to area residents, contending that AlcanCorp's waste did not cause or contribute to the harm caused at the site. In 2003, Alcan met with the DOJ and the EPA who quantified potential liability for unreimbursed costs in the amount of \$2.6 million.

Environment, health and safety

We own and operate numerous manufacturing and other facilities in various countries around the world. Our operations are subject to numerous and increasingly stringent laws and regulations governing the protection of the environment, health and safety. We regularly monitor and conduct environment, health and safety assessments of our facilities. Environment, health and safety is a key component of our management operating system. We believe we have well-developed processes and we expect to continue to focus on this component going forward.

ARRANGEMENTS BETWEEN NOVELIS AND ALCAN

General

In connection with our separation from Alcan, we and Alcan will enter into a separation agreement and several ancillary agreements to complete the transfer of the businesses to be contributed to us by Alcan and the distribution of our shares to Alcan common shareholders. The separation agreement and various ancillary agreements are summarized below. In addition to the agreements described below, we may enter into other agreements with Alcan prior to or concurrently with the separation that would relate to other aspects of our relationship with Alcan following the separation. The subject matters and terms of these agreements are in the process of being established. Following the separation, we may enter into other commercial agreements with Alcan from time to time, the terms of which will be determined at the relevant times.

Separation agreement

The separation agreement sets forth the agreement between us and Alcan with respect to: the principal corporate transactions required to effect our separation from Alcan; the transfer to us of the contributed businesses; the distribution of our shares to Alcan shareholders; and other agreements governing the relationship between Alcan and us following the separation. Under the terms of the separation agreement, we will assume and agree to perform and fulfill all of the liabilities and obligations of the contributed businesses and of the entities through which such businesses shall be contributed, including liabilities and obligations related to discontinued rolled products businesses conducted by Alcan prior to the separation, in accordance with their respective terms.

Releases and indemnification

The separation agreement will provide for a full and complete mutual release and discharge of all liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the separation, between or among us or any of our subsidiaries, on the one hand, and Alcan or any of its subsidiaries other than us, on the other hand, except as expressly set forth in the agreement. The liabilities released or discharged will include liabilities arising under any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the separation, other than the separation agreement, the ancillary agreements described below and the other agreements referred to in the separation agreement.

We will agree to indemnify Alcan and its subsidiaries and each of their respective directors, officers and employees, against liabilities relating to, among other things:

- the contributed businesses, liabilities or contracts;
- liabilities or obligations associated with the contributed businesses, as defined in the separation agreement, or otherwise assumed by us pursuant to the separation agreement;
- any breach by us of the separation agreement or any of the ancillary agreements described below; and
- certain liabilities under applicable securities laws.

Alcan will agree to indemnify us and our subsidiaries and each of our respective directors, officers and employees against liabilities relating to:

- liabilities of Alcan other than those of an entity forming part of our group or otherwise assumed by us pursuant to the separation agreement;
- any liability of Alcan or its subsidiaries, other than us, retained by Alcan under the separation agreement;

[Table of Contents](#)

- any breach by Alcan of the separation agreement or any of the ancillary agreements described below; and
- certain liabilities under applicable securities laws.

The separation agreement will also specify procedures with respect to claims subject to indemnification and related matters.

Further assurances

Subject to Alcan's sole and absolute discretion to determine whether to proceed with all or any part of the reorganization transactions, in addition to the actions specifically provided for elsewhere in the separation agreement, both we and Alcan will agree to use our commercially reasonable efforts, prior to, on and after the separation, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary or advisable under applicable laws and agreements to complete the transactions contemplated by the agreement and the other ancillary agreements described below.

Non-solicitation of employees

Except with the written approval of the other party and subject to certain exceptions provided in the agreement, we and Alcan will agree not to, for a period of two years following the separation, (1) directly or indirectly solicit for employment or recruit the employees of the other party or one of its subsidiaries, or induce or attempt to induce any employee of the other party or one of its subsidiaries to terminate his or her relationship with that other party or subsidiary, or (2) enter into any employment, consulting, independent contractor or similar arrangement with any employee or former employee of the other party or one of its subsidiaries, until one year after the effective date of the termination of such employee's employment with the other party or one of its subsidiaries, as applicable.

Non-competition

We will agree not to engage, directly or indirectly, in any manner whatsoever, for a period of five years following the separation, in the manufacturing, production and sale of certain products for the plate and aerospace markets, unless expressly permitted to do so under the terms of the agreement.

Change of control

We will agree (1) not to undergo a change of control event, as defined in the separation agreement, for a period of 12 months following the separation, and (2) in the event of a change of control (including a change of control achieved in an indirect manner), during the four-year period following the first anniversary of the separation, to provide Alcan, within 30 days thereafter with a written undertaking of the acquirer that such acquirer shall be bound by the non-compete covenants set forth in the separation agreement during the remainder of the four-year period, to the same extent as if it had been an original party to the agreement.

If a change of control event occurs during the 12-month period following the separation, or if, at any time during the four-year period following the first anniversary of the separation a change of control of our company occurs and the person or group of persons who acquired control of our company fails to execute and deliver the undertaking mentioned above or refuses, neglects or fails to comply with any of its obligations pursuant to such undertaking (each a "control-related event"), Alcan will have a number of remedies, including terminating any or all of the metal supply agreements, the technical services agreements, or the intellectual property licenses granted to us or any of our subsidiaries in the intellectual property agreements, or the transitional services agreement.

Transitional services agreement

Prior to or concurrently with the separation, we and Alcan intend to enter into a transitional services agreement pursuant to which Alcan will provide to us or we will provide to Alcan, as applicable, on an

[Table of Contents](#)

interim, transitional basis, various services, including, but not limited to, treasury administration, selected benefits administration functions, employee compensation and information technology services. The agreed upon charges for these services will generally be intended to allow us or Alcan, as applicable, to recover fully the allocated costs of providing the services, plus all out-of-pocket costs and expenses plus a margin of five percent. No margin will be added to the cost of services supplied by external suppliers.

In general, the services will begin on the separation date and will cover a period generally not expected to exceed 12 months following the separation. With respect to particular services, we or Alcan, depending on who is the recipient of the relevant services, may terminate the agreement with respect to one or more of those services upon prior written notice.

With respect to all or any of the services, the agreement may be terminated by Alcan (1) upon a breach by us or any of our affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “— Separation agreement — Change of control” above).

Metal supply agreements

Prior to or concurrently with the separation, we and Alcan or one of our respective subsidiaries intend to enter into one or more metal supply agreements pursuant to which Alcan will supply us with specified quantities of metal at a negotiated price during a specific period. These agreements are anticipated to provide us with the ability to cover some metal requirements through a fixed price purchase mechanism. The terms of these agreements are in the process of being established.

The agreements may be terminated by Alcan (1) upon a breach by us or any of our affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “— Separation agreement — Change of control” above).

In addition, we expect that certain metal supply agreements currently in effect between us and Alcan will remain in effect following the separation.

Foil supply agreements

Foil supply agreement (Rorschach)

Prior to or concurrently with the separation, we intend to enter into a foil supply agreement with Alcan for the supply of foil from our facilities located in Norf, Ludenscheid and Ohle, Germany to Alcan’s packaging facility located in Rorschach, Switzerland. The agreement will be for a five-year term during the course of which we would supply 95% of the requirement of Alcan’s Rorschach facility in 2005, 94% in 2006, 93% in 2007, 92% in 2008 and 90% in 2009. Specific quantities of foil to be supplied will be based on annual budgets submitted to us by Alcan. Supplied quantities will be within 7% of the budgeted amount. Pricing for the supply of foil will be based on the aggregate of metal price plus conversion price, where metal price is based on an agreed upon formula, being the aggregate of the LME market price and EC duty paid premium less an agreed discount by reference to the LME market price. In the event Alcan provides to us ingots utilized for the production of foil to be supplied under this agreement, the contract price payable for the foil under this agreement will be equal only to the conversion price. The conversion price will vary by reference to alloy, temper, gauge and width.

The agreement may be terminated by mutual consent of the parties, as a result of force majeure, or at the election of the non-defaulting party upon the occurrence of an event of default specified in the agreement, which include events of non-payment, failure to comply with other obligations under the agreement, breach of representation or covenant under the separation agreement, or bankruptcy related events.

Foil supply agreement (South America)

Prior to or concurrently with the separation, we intend to enter into a foil supply agreement with Alcan for the supply of foil from our facilities located in Utinga, Brazil to Alcan's packaging facility located in Maua, Brazil. The agreement will be for a five-year term and will provide that Alcan will purchase from us at least 70% of the foil requirements of its packaging facility in Maua. The agreement will also provide for our undertaking to deliver in each year a quantity of foil of up to 115% of the base quantity of 5,500 metric tonnes.

Alcan would provide budgets of its foil requirements on an annual basis, and will undertake to purchase amounts within 15% of the amounts so budgeted. The contract price applicable to foil supplied under this agreement will be either an aggregate local currency price consistent with market prices in Brazil, or a US dollar price which is an aggregate of the metal price and conversion price. The metal price will be specified as the average daily official LME 3 month aluminum high grade price in the month preceding the month of shipment, plus a premium amount equal to the lowest premium paid by Alcan in Brazil for aluminum ingot code P1020. The conversion price will reflect our cost of conversion from metal to foil, will be based on classifications of foil, and will vary with the US consumer price index.

The agreement may be terminated by mutual consent of the parties, as a result of force majeure, or at the election of the non-defaulting party upon the occurrence of an event of default specified in the agreement, which include events of non-payment, failure to comply with other obligations under the agreement, breach of representation or covenant under the separation agreement, or bankruptcy related events.

In addition, we expect that two foil supply agreements currently in effect between us and Alcan will remain in effect following the separation.

Alumina supply agreement

Prior to or concurrently with the separation, we intend to enter into a ten-year alumina supply agreement with Alcan pursuant to which we will purchase from Alcan, and Alcan will supply to us, alumina for our primary aluminum smelter located in Aratu, Brazil. The annual quantity of alumina to be supplied under this agreement is between 85,000 metric tonnes to 126,000 metric tonnes, with a margin of 5%. The agreed upon price for each metric tonne of alumina delivered to us by Alcan pursuant to the agreement will be based on an agreed percentage of the LME selling price for primary high grade aluminum applicable during the three months preceding the date of determination.

The agreement may be terminated by mutual consent of the parties, as a result of force majeure, or at the election of the non-defaulting party upon the occurrence of an event of default specified in the agreement, which include events of non-payment, failure to comply with other obligations under the agreement, breach of representation or covenant under the separation agreement, or bankruptcy related events.

In addition, we expect that an alumina supply agreement currently in effect between Alcan Deutschland GmbH, which will become part of our company following the separation, and Alcan will remain in effect following the separation.

Intellectual property agreements

Prior to or concurrently with the separation, we and Alcan or one of our respective subsidiaries intend to enter into intellectual property agreements pursuant to which Alcan will assign or license to us a number of important patents, trademarks and other intellectual property rights owned by Alcan and required for our business. Ownership of intellectual property that is used by both us and Alcan will be owned by one of us and licensed to the other. Certain specific intellectual property rights which have been determined to be exclusively useful to us or which are required to be transferred to us for regulatory reasons will be assigned to us with no license back to Alcan.

The agreements may be terminated by Alcan (1) upon a breach by us or any of our affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “— Separation agreement — Change of control” above).

Sierre agreements

Prior to or concurrently with the separation, we and Alcan intend to enter into a number of agreements pursuant to which:

- Alcan will transfer to us certain assets and liabilities of the automotive and other aluminum rolled products businesses relating to the sales and marketing output of the Sierre North Building, which comprises a portion of the Sierre facility in Switzerland, at a transfer price to be determined by a valuation made by an independent third party, pursuant to the terms of the separation and asset transfer agreements;
- Alcan will lease to us the Sierre North Building and the machinery and equipment located in the Sierre North Building (including the hot and cold mills) for a term of 15 years, renewable at our option for additional five-year periods at an annual base rent in an amount equal to 8.5% of the book value of the Sierre North Building, the leased machinery or equipment, as applicable, pursuant to the terms of the real estate lease and equipment lease agreements;
- We and Alcan will have access to, and use of, property and assets that are common to each of our respective operations at the Sierre facility, pursuant to the terms of the access and easement agreement;
- Alcan will supply us with all our requirements of aluminum rolling slabs for the production of aluminum rolled products at the Sierre facility for a term of ten years, subject to availability, and provided the aluminum rolling slabs meet applicable quality standards and are competitively priced, pursuant to the terms of the metal supply agreement;
- Alcan will provide certain services to us at the Sierre facility, including services consisting of or relating to environmental testing, chemical laboratory services, utilities, waste disposal, facility safety and security, medical services, employee food service and rail transportation, and we will provide certain services to Alcan at the Sierre facility, including services consisting of or relating to hydraulic and mechanical maintenance, roll grinding, and recycled process material for a two-year renewable term, pursuant to the terms of the shared services agreement; and
- Alcan will retain access to all of the total plate production capacity of the Sierre facility, which represents a portion of Sierre’s total hot mill production capacity. The formula for the price to be charged to Alcan for products from the Sierre hot mill will be based upon its proportionate share of the fixed production costs relating to the Sierre hot mill (determined by reference to actual production hours utilized by Alcan) and the variable production costs (determined by reference to the volume of product produced for Alcan). Under the tolling agreement, we will agree to maintain the current standards of maintenance, management and operation of the Sierre hot mill.

With respect to the use of the machinery or equipment in the Sierre North Building, we will agree to refrain from making or authorizing any use of it which may benefit any business relating to the sale, marketing, manufacturing, development or distribution of plate products.

Neuhausen agreements

Transfer of assets and employees agreement

Prior to or concurrently with the separation, we and Alcan intend to enter into an agreement pursuant to which (1) Alcan will transfer to us various laboratory and testing equipment used in the aluminum rolling sheet business located in Neuhausen, Switzerland, and (2) approximately 35 employees will transfer from Alcan to us at the Neuhausen facility.

Technical services agreement

Prior to or concurrently with the separation, we and Alcan intend to enter into a technical services agreement pursuant to which (1) Alcan will provide us with materials characterization, chemical analysis, mechanical testing and formability evaluation and other general support services at the Neuhausen facility, (2) Alcan will provide us and our employees with access to and use of those portions of the Neuhausen facility where the laboratory and testing equipment mentioned above is located, and office space suitable for our technical and administrative personnel, and (3) we will provide Alcan with access to specific technical equipment and additional services upon request from Alcan, in consideration for agreed upon service fees for a period of two years. Following the first year of the term of the technical services agreement, either party may terminate the agreement by providing the other with at least six months' prior written notice.

Assumption of certain obligations

We will assume certain obligations in connection with the operations of the Neuhausen facility, including (1) the obligation to reimburse Alcan for 100% of its actual and direct costs incurred in terminating employees, cancelling third-party agreements, and discontinuing the use of assets in the event we request Alcan to discontinue or terminate services under the services agreement, (2) the obligation to reimburse Alcan for 20% of the costs to close the Neuhausen facility in certain circumstances, and (3) the obligation to indemnify Alcan for (a) all liabilities arising from the ownership, operation, maintenance, use, or occupancy of the Neuhausen facility and/or the equipment at any time after the separation date and resulting from our acts or omissions or our violation of applicable laws, including environmental laws, (b) all liabilities relating to the employees that will transfer from Alcan to us arising before, on or after the separation date, and (c) an amount equal to 20% of all environmental legacy costs related to the Neuhausen facility.

Tax sharing and disaffiliation agreement

Prior to or immediately following the separation, we and Alcan and certain of our respective subsidiaries or affiliates intend to enter into one or more agreements (which may include the separation agreement) with respect to certain tax matters. Such agreements will include certain factual representations. They will also provide an indemnification if such representations are breached or if certain transactions are undertaken or certain actions are taken that have the effect of negatively affecting the tax treatment of the separation, including the reorganization transactions. They will further govern the disaffiliation of the tax matters of Alcan and its subsidiaries or affiliates other than us, on the one hand, and us and our subsidiaries or affiliates, on the other hand. In this respect they will allocate taxes accrued prior to the separation and after the separation as well as transfer taxes resulting therefrom. They will also allocate obligations for filing tax returns and the management of certain pending or future tax contests and create mutual collaboration obligations with respect to tax matters. The specific terms of these agreements are currently being established.

Employee matters agreement

Prior to or concurrently with the separation, we and Alcan intend to enter into an employee matters agreement pursuant to which we will allocate between us assets, liabilities and responsibilities with respect to certain employee compensation, pension and benefit plans, programs and arrangements and certain employment matters and, more specifically, to set out the terms and conditions pertaining to the transfer to us of certain Alcan employees.

Employee transfers and liabilities

As of the separation date, we will hire or employ all of the employees of Alcan and its affiliates who are currently involved in the businesses to be contributed to us by Alcan. During a one-year period following the separation, such employees' terms and conditions of employment, including pension and

benefit plans as well as employment policies, will be comparable, in the aggregate, to the terms and conditions of employment in effect immediately prior to the separation. Employees who will transfer to us from Alcan will also receive credit for their years of service with Alcan prior to the separation. Effective as of the separation date, we will generally assume all employment, compensation and employee benefit liabilities relating to our employees.

Pension and benefit plans

Our employees will generally cease to actively participate in, and accrue benefits under all Alcan pension, savings and other similar plans as of the separation date. As of the separation date, we will establish, in most jurisdictions where we have employees, pension, savings and other similar plans which will provide our employees with benefits that are equivalent to and on substantially the same terms and conditions as those in effect at Alcan prior to the separation. In the remaining jurisdictions where we have employees, our employees will continue to participate in, and accrue benefits under Alcan pension, savings and other similar plans for a period of one year following the separation.

With respect to group benefits, our employees will generally cease to be covered by the Alcan group benefits plans as of the separation date. As of the separation date, we will assume the Alcan group benefit plans that are stand-alone plans or policies and, in other cases, we will put in place our own group benefit plans that will provide our employees with benefits that are equivalent to and on substantially the same terms and conditions as those in effect under the Alcan group benefit plans prior to the separation. Our group benefit plans will recognize years of service of our employees in the way they are currently recognized under the applicable Alcan plans. In the remaining jurisdictions where we have employees, our employees will continue to participate in, and accrue benefits under Alcan group benefits plan for a period of one year following the separation.

Equity compensation plans

Any rights enjoyed by any of our employees under any of Alcan's stock options, stock price appreciation units or other similar compensation plans, will be cancelled or forfeited, as applicable, as of the separation date. As of and following the separation date, our employees will be entitled to participate in our equity compensation plans, which will provide them with rights and benefits of comparable value, in the aggregate.

Alcan stock options and stock price appreciation units held by our employees immediately prior to the separation will be treated in the manner described under "Management — Alcan stock options — Treatment of Alcan stock options" and "Management — Alcan stock price appreciation units — Treatment of Alcan stock price appreciation units," respectively. Any incentives in the Alcan total shareholder return performance plan held by our employees immediately prior to the separation will be converted in the manner described under "Management — Alcan total shareholder return performance plan — Treatment of incentives granted under the Alcan total shareholder return performance plan."

Technical services agreements

Prior to or concurrently with the separation, we and Alcan or one or more of our respective subsidiaries, intend to enter into technical services agreements pursuant to which (1) Alcan will provide technical support and related services to certain of our facilities in Canada, Brazil and France, and (2) we will provide similar services to certain Alcan facilities in Canada. These agreements are not expected to be long term agreements with the exception of the technical support agreement in Brazil and all are expected to be on arm's length terms. The specific terms of these agreements are currently being established.

The agreements may be terminated by Alcan (1) upon a breach by us or any of our affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under "— Separation agreement — Change of control" above).

Ohle agreement

Prior to or concurrently with the separation, we and Alcan or one or more of its subsidiaries, intend to enter into an agreement pursuant to which (1) we will lease from Alcan certain equipment used in the production of pet food containers, and (2) we will supply pet food containers to Alcan, which Alcan will market in connection with its related packaging activities. The specific terms of this arrangement are currently being established.

Foil supply and distribution agreement

Prior to or concurrently with the separation, we and Alcan intend to enter into a two-year foil supply and distribution agreement pursuant to which (1) we will manufacture and supply to, or on behalf of, Alcan certain retail and industrial packages of Alcan brand aluminum foil, and (2) we will provide certain services to Alcan in respect of the foil we supply to Alcan under this agreement, such as marketing and payment collection. We will receive a service fee based on a percentage of foil sold under the agreement.

Pursuant to the terms of the agreement, we have agreed we will not market retail packages of foil in Canada under a brand name that competes directly with the Alcan brand during the term of the agreement.

The agreement may be terminated by either party upon 60 days prior written notice due to material default of the other party to comply with any relevant term or condition of the agreement.

Joint procurement of goods and services protocol

We and Alcan will agree to use reasonable commercial efforts to jointly purchase a number of goods and services, such as transport and travel services, supplies and software, where there is an economic advantage for both of us to do so.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2004:

- on a historical basis; and
- on a pro forma basis giving effect to the following transactions
 - the debt that is expected to be issued in connection with the reorganization transactions;
 - the interest, including debt issuance costs, and tax effect of the issuance of the debt described above;
 - the expected settlement of all loans payable and receivable from Alcan;
 - the expected settlement of \$963 million of third party borrowings;
 - the expected payment to Alcan of \$1,558 million following the issuance of the debt securities (the exact amount will be determined only at the effective date of the reorganization and will be based on the value of Alcan's net investment in the assets being spun-off); and
 - other adjustments described in the notes to our unaudited pro forma combined financial statements.

You should read the following table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the unaudited pro forma combined financial statements and the related accompanying notes included elsewhere in this prospectus. For an explanation of the pro forma adjustments made to our historical combined financial statements for the distribution and related transactions to derive the pro forma capitalization described below please see “Unaudited Pro Forma Combined Financial Data.”

	As of September 30, 2004	
	Historical	Pro Forma
	(\$ millions)	
Short-term borrowings		
Third parties	\$ 850	\$ —
Alcan	65	—
Debt maturing within one year		
Third parties	27	15
Alcan	285	—
Debt not maturing within one year		
Third parties	86	2,785
Alcan	721	—
Total debt	2,034	2,800
Shareholders’ equity/Invested equity		
Share capital		
– First preferred shares	—	—
– Second preferred shares	—	—
– Common shares	—	347
Owner’s net investment	1,917	—
Accumulated other comprehensive income	31	31
Shareholders’ equity/Invested equity	1,948	378
Total capitalization	3,982	3,178

Our ability to issue additional equity is constrained because our issuance of additional shares may cause the distribution to be taxable to us or to Alcan. Under the separation agreement and other agreements relating to tax matters, we may be required to indemnify Alcan against any such tax incurred by it.

DIVIDEND POLICY

Subject to applicable law, we expect our board of directors to adopt a policy of quarterly dividend payments on our common shares. The ultimate decision and dividend rate will be established by our board of directors and will depend on, among other things, our financial resources, cash flows generated by our business, our cash requirements and other relevant factors.

SELECTED COMBINED FINANCIAL DATA

You should read the following selected combined financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the combined financial statements and the accompanying notes included elsewhere in this prospectus.

The combined statements of income data reflect the combined operations of the Novelis Group. We derived the combined statements of income data for the years ended December 31, 2003, 2002 and 2001, and the combined balance sheets data as of December 31, 2003 and 2002, as set forth below, from our audited combined financial statements, which are included elsewhere in this prospectus. We derived the unaudited condensed combined statements of income data for the years ended December 31, 2000 and 1999 and the unaudited condensed combined balance sheet data as of December 31, 2001, 2000 and 1999, from historical financial information based on Alcan’s accounting records. We derived the unaudited condensed combined statements of income data for the nine months ended September 30, 2004 and 2003 and the unaudited condensed combined balance sheet data as of September 30, 2004 from our unaudited interim combined financial statements which are included elsewhere in this prospectus. The unaudited condensed combined balance sheet data as of September 30, 2003 is derived from historical financial information based on Alcan’s accounting records. In management’s opinion, these unaudited condensed combined financial statements have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the combined financial information for the periods presented. The historical results do not necessarily indicate results expected for any future period nor are they necessarily indicative of the results of operations or financial position that we would have obtained if we had been an independent company during the periods presented.

	For the nine months ended September 30,		For the years ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(\$ millions)				(\$ millions)		
Sales and operating revenues	5,739	4,685	\$6,221	\$5,893	\$5,777	\$5,668	\$4,773
Net income (Loss)	148	103	157	(9)	(137)	82	113
Total assets	6,076	4,738	6,316	4,558	4,390	4,943	4,085
Long-term debt (including current portion)	1,119	656	1,659	623	514	584	692
Other debt	915	339	964	366	445	498	111
Cash and time deposits	27	24	27	31	17	35	65
Invested equity	1,948	2,305	1,974	2,181	2,234	2,562	2,079

- (1) In December 2003, Alcan acquired Pechiney. A portion of the acquisition cost relating to four plants that are included in the Novelis Group was allocated to us and accounted for as additional invested equity. The net assets of the Pechiney plants are included in the combined financial statements as at December 31, 2003 and the results of operations and cash flows are included in the combined financial statements beginning January 1, 2004.
- (2) On January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under this standard, goodwill and other intangible assets with an indefinite life are no longer amortized but are carried at the lower of carrying value and fair value and are tested for impairment on an annual basis. An impairment of \$84 million was identified in the goodwill balance as at January 1, 2002, and was charged to income as a cumulative effect of accounting change in 2002 upon adoption of the new accounting standard. The amount of goodwill amortization was \$3 million in 2001.
- (3) In 2001, Alcan implemented a restructuring program. Restructuring and asset impairment charges of \$208 million were recorded in 2001 relating to this program (2002: \$25 million; 2003: (\$24 million)).
- (4) In October 2000, Alcan acquired Alusuisse Group Ltd (algroup). A portion of the acquisition cost relating to two plants that are included in the combined financial statements was allocated to us and accounted for as additional invested equity. The net assets of the algroup plants are included in the combined financial statements as at October 31, 2000 and the results of operations and cash flows are included in the combined financial statements beginning October 1, 2000.

UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following tables set forth condensed pro forma combined financial information of Novelis Inc. for the year ended December 31, 2003, and as of and for the nine months ended September 30, 2004. This information is unaudited and has been derived from the historical combined financial statements of the Novelis Group. This Group is comprised of substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney, together with some of Alcan's alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe. You should read this information in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and the related notes which are included elsewhere in this prospectus.

The unaudited pro forma combined financial information set forth below reflects our historical combined financial information, adjusted to give effect to transactions described below as if they had occurred as of September 30, 2004, in the case of the combined balance sheet, and January 1, 2003, in the case of the combined statements of income. The following transactions are reflected in the pro forma financial information:

- the debt that is expected to be issued in connection with the reorganization transactions;
- the interest, including debt issuance costs, and tax effect of the issuance of the debt described above;
- the expected settlement of all loans payable and receivable from Alcan;
- the expected settlement of \$963 million of third party borrowings;
- the expected payment to Alcan of \$1,558 million following the issuance of the debt securities (the exact amount will be determined only at the effective date of the reorganization and will be based on the value of Alcan's net investment in the assets being spun-off); and
- other adjustments described below.

The unaudited pro forma information below is based upon available information and assumptions that management believes are reasonable. The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on the dates indicated. The unaudited pro forma information also is not necessarily indicative of our future financial condition or results of operations.

General corporate expenses include costs incurred relating to human resources, legal, treasury, insurance, finance, internal audit, strategy, public affairs and other services. For each of the year ended December 31, 2003 and the nine months ended September 30, 2004, Alcan allocated costs to us relating to general corporate expenses of \$24 million. Including this allocation, total head office costs are \$42 million and \$41 million for the year ended December 31, 2003 and the nine months ended September 30, 2004, respectively. Immediately following the separation, we will assume responsibility for substantially all of these services and their related expenses. We expect the total cost of these services to aggregate approximately \$65 million to \$70 million in 2005. In addition to the amounts above, we expect to incur approximately \$30 million of non-recurring costs associated with the transition to operating as a separate company. We expect substantially all of these costs to be incurred in 2005.

In addition to the pro forma adjustments to our historical combined financial statements, various other factors will have an effect on our financial condition and results of operations after the completion of this registration statement, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NOVELIS INC.

Unaudited pro forma combined balance sheet

As at September 30, 2004

	Historical	Pro Forma Adjustments	Pro Forma
		(\$ millions)	
ASSETS			
Current assets			
Cash and time deposits	\$ 27	\$ —	\$ 27
Trade receivables, net	834	—	834
Other receivables			
— Third parties	128	—	128
— Alcan Inc.	1,188	(860)(a)	328
— Other related parties	39	—	39
Inventories	1,112	—	1,112
Total current assets	3,328	(860)	2,468
Deferred charges and other assets	239	56 (b)	295
Long-term receivables from related parties	97	—	97
Property, plant and equipment, net	2,325	—	2,325
Intangible assets, net	26	—	26
Goodwill	61	—	61
Total assets	\$6,076	\$ (804)	\$5,272
LIABILITIES AND INVESTED EQUITY			
Current liabilities			
Payables and accrued liabilities, net	\$1,398	\$ —	\$1,398
Short-term borrowings			
— Third parties	850	(850)(c)	—
— Alcan Inc.	65	(65)(a)	—
Debt maturing within one year			
— Third parties	27	27 (b)	15
— Alcan Inc.	285	(27)(c)	—
Total current liabilities	2,625	(1,212)	1,413
Debt not maturing within one year			
— Third parties	86	2,785 (b)	2,785
— Alcan Inc.	721	(86)(c)	—
Deferred credits and other liabilities	400	(721)(a)	—
Deferred income taxes	173	—	173
Minority interests	123	—	123
Shareholders' equity/ Invested equity			
Share capital			
— First preferred shares	—	—	—
— Second preferred shares	—	—	—
— Common shares	—	347 (j)	347
Owner's net investment	1,917	(1,570)(f)	—
Accumulated other comprehensive income	31	(347)(j)	31
	1,948	(1,570)	378
Total liabilities and invested equity	\$6,076	\$ (804)	\$5,272

See notes to the unaudited pro forma combined financial statements.

NOVELIS INC.

Unaudited pro forma combined statement of income

for the year ended December 31, 2003

	Historical	Pro Forma Adjustments	Pro Forma
		(\$ millions except per share data)	
Sales and operating revenues	\$6,221	\$ —	\$6,221
Costs and expenses			
Cost of sales and operating expenses, excluding depreciation and amortization noted below	5,482	—	5,482
Depreciation and amortization	222	—	222
Selling, administrative and general expenses	211	—	211
Research and development expenses	62	—	62
Interest	40	(40)(a)	177
		177 (d)	
Restructuring, impairment and other special charges	(24)	—	(24)
Other expenses (income) — net	24	5 (a)	45
		16 (d)	
	\$6,017	\$ 158	\$6,175
Income before income taxes and other items	204	(158)	46
Income taxes	50	(42)(e)	8
Income before other items	154	(116)	38
Equity income	6	—	6
Minority interests	(3)	—	(3)
Net income	\$ 157	\$(116)	\$ 41
Earnings Per Share			
Net income per common share — basic		(g)	0.56
Net income per common share — diluted		(h)	0.56
Average number of shares used in calculating earnings per share — basic (in millions)		(g)	74
Average number of shares used in calculating earnings per share — diluted (in millions)		(h)	74

See notes to the unaudited pro forma combined financial statements.

NOVELIS INC.

Unaudited pro forma combined statement of income

for the nine months ended September 30, 2004

	Historical	Pro Forma Adjustments	Pro Forma
		(\$ millions except per share data)	
Sales and operating revenues	\$5,739	\$ —	\$5,739
Costs and expenses			
Cost of sales and operating expenses, excluding depreciation and amortization noted below	5,032	—	5,032
Depreciation and amortization	178	—	178
Selling, administrative and general expenses	182	—	182
Research and development expenses	41	—	41
Interest	55	(55)(a)	133
		133 (d)	
Other expenses (income) — net	(13)	18 (a)	8
		3 (d)	
	\$5,475	\$ 99	\$5,574
Income before income taxes and other items	264	(99)	165
Income taxes	111	(26)(e)	85
Income before other items	153	(73)	80
Equity income	4	—	4
Minority interests	(9)	—	(9)
Net income	\$ 148	\$ (73)	\$ 75
Earnings Per Share			
Net income per common share — basic		(g)	1.02
Net income per common share — diluted		(i)	
Average number of shares used in calculating earnings per share — basic (in millions)		(g)	74
Average number of shares used in calculating earnings per share — diluted (in millions)		(i)	

See notes to the unaudited pro forma combined financial statements.

NOVELIS INC.

Notes to unaudited pro forma combined financial statements

- (a) Reflects repayment of all borrowings due to and from Alcan and elimination of the interest expense and income incurred between Novelis and Alcan. Historical interest expense resulted from borrowings from Alcan and its subsidiaries for various periods of time up to and including the full year. For the year ended December 31, 2003, such borrowings consisted of:
- (i) fixed rate loans averaging \$535 million, with a combined interest rate of 3.8%; and
 - (ii) floating interest rate loans averaging \$550 million, with an average variable rate of 2.8%.
- Historical interest income resulted from lending to Alcan and its subsidiaries for various periods of time up to and including the full year. For the year ended December 31, 2003, such borrowings consisted of:
- (i) fixed rate loans averaging \$79 million, with a combined interest rate of 0.1%; and
 - (ii) floating interest rate loans averaging \$1,575 million, with an average variable rate of 1.5%.
- Historical interest expense resulted from borrowings from Alcan and its subsidiaries for various periods of time up to and including the full nine months. For the nine months ended September 30, 2004 such borrowings consisted of:
- (i) fixed rate loans averaging \$547 million, with a combined interest rate of 4.0%; and
 - (ii) floating interest rate loans averaging \$524 million, with an average variable rate of 2.9%.
- Historical interest income resulted from lending to Alcan and its subsidiaries for various periods of time up to and including the full nine months. For the nine months ended September 30, 2004 such borrowings consisted of:
- (i) fixed rate loans averaging \$70 million, with a combined interest rate of 0.5%; and
 - (ii) floating interest rate loans averaging \$790 million, with an average variable rate of 1.9%.
- (b) Reflects an adjustment to record new borrowings, which are expected to total \$2.8 billion and consist of 7-year term loans of \$1.5 billion at a variable interest rate (LIBOR plus 2.25%), which is currently 4.55%, and 10-year bonds in the amount of \$1.3 billion at an interest rate of 7.50%. Also reflects the swap of \$380 million of the 7-year term loans to fixed rate debt at a fixed rate of 5.75%. The level of debt may vary, as the Group may need to provide for other cash requirements. In addition, the current and long term portions of the debt may vary. Issuance of the 10-year bonds is expected to only be completed early in the first quarter immediately following the separation. From the effective date of separation until the proceeds from the issuance of the bonds are received by Novelis, Alcan will lend Novelis an amount equivalent to the anticipated proceeds from the bonds. Such loan will be subject to interest at a rate equivalent to market rates for similar loans but not greater than the anticipated rate on the 10-year bond. Debt issuance costs related to the additional borrowings are estimated to be \$68 million. \$56 million of these charges are recorded in Deferred charges and other assets in the combined pro forma balance sheet as at September 30, 2004 and will be amortized over the lives of the borrowings. The balance of \$12 million has been expensed.
- (c) Reflects repayment of existing third party borrowings in the amount of \$963 million. These third party borrowings for various periods of time up to and including the full nine months consist of:
- (i) fixed rate loans averaging \$77 million, with a combined interest rate of 3.6%; and
 - (ii) variable interest rate loans averaging \$886 million, with an average variable rate of 3.0%.
- (d) Represents the pro forma interest expense attributable to the expected revised debt structure after the completion of the separation. Pro forma interest expense includes interest on the borrowings and the

Table of Contents

amortization of debt issuance costs described in Note (b). Management has included total interest expense for the borrowings described of \$133 million and \$177 million for the nine months ended September 30, 2004 and year ended December 31, 2003, respectively. Interest expense includes the amortization of certain debt issuance costs amounting to \$5 million and \$6 million for the nine months ended September 30, 2004 and year ended December 31, 2003, respectively. Other debt issuance costs and commitment fees on facilities in place but undrawn are included in Other expenses (income) — net. Such costs amount to \$3 million and \$16 million for the nine months ended September 30, 2004 and year ended December 31, 2003, respectively. The impact of a 1/8 percentage-point increase or decrease in interest rates on the total borrowings would be to reduce or increase net income by \$3 million. An increase or decrease of \$100 million in the total borrowings would reduce or increase net income by \$5 million.

- (e) Represents the tax effect of pro forma tax deductible interest costs in each relevant jurisdiction, computed at statutory rates applicable in those jurisdictions. The weighted average statutory tax rate is 34%. The difference between this rate and the effective tax rate used in the pro forma financial statements of 26% is due to valuation allowances recorded in certain jurisdictions where it is not more likely than not that the tax benefits will be realized.
- (f) Represents payment of \$1,558 million to Alcan following the issuance of the debt and the payments described above and a charge of \$12 million representing a portion of the debt issuance costs. The exact amount of the payment to Alcan at the effective date of the reorganization will be determined only at that date based on the value of Alcan's net investment in the assets being spun-off.
- (g) The number of Novelis shares used to compute basic earnings per share is 73,747,482, which is the number of Novelis common shares assumed to be outstanding on the separation date, based on the number of Alcan common shares outstanding on September 30, 2004, and a distribution ratio of one Novelis common share for every five Alcan common shares outstanding.
- (h) The number of Novelis shares used to compute diluted earnings per share is based on the number of Novelis common shares assumed to be outstanding on the separation date, based on the number of Alcan common shares outstanding on _____, and a distribution ratio of one Novelis common share for every five Alcan common shares outstanding. _____ options assumed to be outstanding on the separation date, which constitute all of the options assumed to be outstanding on the separation date, have not been included in the calculation of diluted shares outstanding as they are antidilutive for the periods presented.
- (i) The number of Novelis shares used to compute diluted earnings per share is based on the number of Novelis common shares assumed to be outstanding on the separation date, based on the number of Alcan common shares outstanding on _____, based on a distribution ratio of one Novelis common share for every five Alcan common shares outstanding plus _____ Novelis common shares issuable upon the exercise of _____ stock options assumed to be outstanding on the separation date with a weighted average exercise price of \$ _____. _____ options assumed to be outstanding on the separation date have not been included in the calculation of diluted shares outstanding as they are antidilutive for the periods presented.
- (j) Represents the capitalization of Novelis in which the Owner's net investment was converted into 73,747,482 common shares, which is the number of Novelis common shares assumed to be outstanding on the separation date, based on the number of Alcan common shares outstanding on September 30, 2004, and a distribution ratio of one Novelis common share for every five Alcan common shares outstanding. In connection with this capitalization of Novelis, the amount of Alcan's net investment in Novelis, which was recorded in Invested equity as Owner's net investment in our combined financial statements, was reclassified as Share capital.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

The following information should be read together with the selected combined financial data included elsewhere in this prospectus and our combined financial statements and related notes, beginning on page F-1, for a more complete understanding of our financial position and results of operations. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "Special Note Regarding Forward-Looking Statements and Market Data" and "Risk Factors." To facilitate your understanding of our financial performance we also discuss certain pro forma financial data in this section. Our pro forma financial information is set out in more detail under the caption "Unaudited Pro Forma Combined Financial Data" elsewhere in this prospectus.

Overview

We are the world's leading aluminum rolled products producer based on shipment volume in 2003, with total aluminum rolled products shipments of 2,478 kilotonnes during that year. In 2003, we were the largest aluminum rolled products producer in terms of shipments in each of Europe, Asia-Pacific and South America, and the second largest in North America. With operations on four continents comprised of 38 operating facilities in 12 countries, we are the only company of our size and scope focused solely on aluminum rolled products markets and capable of local supply of technically sophisticated products in all of these geographic regions. We had sales and operating revenues of \$6.2 billion in 2003.

The following table sets forth our key financial and operating data for the fiscal years ended December 31, 2003, 2002 and 2001 and the nine-month periods ended September 30, 2004 and 2003.

	Nine months ended September 30,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(\$ millions)				
Sales and operating revenues	\$5,739	\$4,685	\$6,221	\$5,893	\$5,777
BGP(i)					
Novelis North America	189	166	206	277	202
Novelis Europe	158	133	173	130	80
Novelis Asia	61	41	68	35	26
Novelis South America	103	80	112	90	107
Income (loss) before cumulative effect of accounting change	148	103	157	75	(137)
Rolled products shipments(ii) (kt)	2,112	1,882	2,478	2,506	2,319
Total assets	6,076	4,738	6,316	4,558	4,390

(i) Business Group Profit, or BGP, is Alcan's measure of operating segment profitability. BGP comprises earnings before interest, income taxes, minority interests, depreciation and amortization and excludes certain items, such as corporate costs, restructuring, impairment and other special charges, pension actuarial gains, losses and other adjustments, and mark to market adjustments on derivatives, that are not under the control of our business groups or are not considered in the measurement of their profitability. These items have historically been managed by Alcan's corporate head office, which focuses on strategy development and oversees governance, policy, legal, compliance, human resources and finance matters. You should read note 25 of the annual combined financial statements for a reconciliation to net income for the years ended December 31, 2003, 2002 and 2001 and note 5 of the interim combined financial statements for a reconciliation to net income for the nine months ended September 30, 2004 and 2003.

(ii) Includes conversion of customer-owned metal (tolling).

Highlights

Since 2001, our shipments and profitability have improved. Demand growth in Asia, our own significant production increases in that region and market share gains in the challenging South American market have benefited our shipment volumes. These gains offset the impact of soft market conditions in North America and Europe. In the first nine months of 2004, our rolled products shipments increased by 12% over the corresponding period of 2003, assisted by continued growth in Asia, the recovery in the North American economies and the addition of four rolling operations in Europe as a result of Alcan's acquisition of Pechiney. However, the continuing sluggish economic environment in Europe and the impact of a strong euro have kept shipments and margins under pressure in that region. This has largely offset much of the benefits that arise from a strong euro when translating our euro financial results into U.S. dollars.

We use an integrated business system to manage our business. The core components of this system ensure that the same focus on value, improvement and environment, health and safety is found in each of our operations, regardless of geographical location. This has enabled us to achieve quality, cost and productivity improvements, optimize our product portfolio and strengthen our execution capabilities. It has also enabled us to improve our capital efficiency. Since 2002, we have held our capital expenditures below depreciation while at the same time growing our business. We have also achieved significant cash flow gains through the stringent management of our operating working capital, which is defined as current assets, excluding cash and time deposits and short-term loans receivable, less current liabilities, excluding short-term borrowings and debt maturing within one year. From the end of 2000 through September 30, 2004, our successful reduction of operating working capital requirements has provided \$385 million of cash inflows.

As a separate company, we will be focused on aluminum rolled products, which we believe will enable us to respond more quickly to market demands and maximize the efficient allocation of our capital, technical and human resources. As a separate company, we will also be able to provide incentives to our management and employees that more closely align their interests with the performance of our aluminum rolled products business.

Separation from Alcan

We are a Canadian corporation formed on September 21, 2004 to acquire and independently carry on substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney. In addition to those businesses, we will, following the completion of the reorganization transactions, own and operate some of Alcan's alumina and primary metal-related assets in Brazil and four former Pechiney rolling facilities in Europe.

We estimate that approximately \$107 million in costs, fees and expenses will be incurred in relation to our separation from Alcan. These costs, fees and expenses will be primarily related to financing fees, legal separation matters, professional expenses, taxes and costs of producing, printing, mailing and otherwise distributing this prospectus and other shareholder communications. With the exception of the financing fees in the amount of \$68 million, all these costs, fees and expenses will be borne by Alcan.

Basis of presentation

The combined financial statements, which are discussed below, reflect the historical financial position, results of operations and cash flows of the businesses to be transferred to us by Alcan as part of the reorganization transactions. The financial information discussed below and included elsewhere in this prospectus, however, may not necessarily reflect what our financial position, results of operations and cash flows will be in the future or would have been had we been a stand-alone company during the periods presented. Because prior to the separation a direct ownership relationship did not exist among all of our various units and because we did not constitute a separate legal entity, Alcan's net investment in our company is shown in lieu of shareholders' equity in the historical combined financial statements. Similarly,

as we did not operate as a single entity or within a structure with a single parent company, we do not show dividends paid in our historical combined financial results.

The combined financial statements presented in this prospectus include allocations of Alcan's expenses, assets and liabilities, including the items described below.

General corporate expenses

Alcan historically performed various corporate functions for us. Allocations for general corporate expenses are reflected in selling, administrative and general expenses in our combined statements of income. The general corporate expenses allocation is primarily for human resources, legal, treasury, insurance, finance, internal audit, strategy and public affairs and amounted to \$24 million and \$19 million for the nine months ended September 30, 2004 and 2003, respectively, and \$24 million, \$28 million and \$26 million for the years ended December 31, 2003, 2002 and 2001, respectively. Total head office costs, including the amounts allocated, amounted to \$41 million and \$30 million for the nine months ended September 30, 2004 and 2003, respectively and \$42 million, \$47 million and \$40 million for the years ended December 31, 2003, 2002 and 2001, respectively. Allocations were made based on the average head count and capital employed for the periods reported. Capital employed represents total assets less payables and accrued liabilities and deferred credits and other liabilities. The costs allocated are not necessarily indicative of the costs that would have been incurred had we performed these functions as a stand-alone company, nor are they necessarily indicative of costs that will be charged or incurred in the future. Following the separation, we will perform these functions using our own resources or purchased services, however, for an interim period, some of these functions will continue to be provided by Alcan under the transitional services agreement. We estimate that, as an independent company, we would need to incur additional expenses of approximately \$25 million per year for certain of these services.

Retirement plans and other post-retirement benefit plans

Our employees have been covered under Alcan's pension plans and other post-retirement benefit plans. In our combined financial statements, we have included allocations for expenses attributed to our employees participating in these plans.

Certain of the entities within our company have pension obligations, mostly comprised of defined benefit plans in the United States, unfunded pension benefits in Germany and lump sum indemnities payable to employees of our businesses in France, Korea and Malaysia upon retirement. These pension benefits are managed separately and the related assets, liabilities and costs are included in our combined financial statements.

Alcan manages defined benefit plans in Canada, the United States, the United Kingdom and Switzerland that cover some of the entities within our company. Our share of these plans' assets and liabilities is not included in our combined balance sheets. The combined statements of income, however, include an allocation of the costs of the plans that varies depending on whether the entity is a subsidiary or a division of Alcan. Pension costs of divisions of Alcan included in our businesses are allocated based on the following methods: service costs were allocated based on a percentage of payroll costs; interest costs, the expected return on assets, and amortization of actuarial gains and losses were allocated based on a percentage of the projected benefit obligation; and prior service costs were allocated based on headcount. Pension costs of subsidiaries of Alcan included in our businesses are accounted for on the same basis as a multi-employer pension plan whereby the subsidiaries' contributions for the period are recognized as net periodic pension cost.

Alcan provides post-retirement benefits in the form of unfunded healthcare and life insurance benefits to retired employees in Canada and United States that include retired employees of some of our businesses. Our share of these plans' liabilities is included in the combined balance sheets and our share of these plans' costs is included in the combined statements of income.

Income taxes

Our income tax expense has been recorded as if we filed separate tax returns from Alcan, notwithstanding that some of our operations were historically included in the consolidated income tax returns filed by Alcan and that most of the related income taxes were paid by Alcan. Income taxes are calculated as if all of the entities within our company had been separate tax paying legal entities, each filing a separate tax return in its local tax jurisdiction. For jurisdictions where there is no tax sharing agreement, amounts currently payable have been included in the owner's net investment line in our combined balance sheets.

Alcan was managing its tax position for the benefit of its entire portfolio of businesses. Alcan's tax strategies are not necessarily reflective of the tax strategies that we would have followed or will follow as a stand-alone company. As a result, our effective tax rate as a stand-alone entity may differ significantly from those prevailing in historical periods.

Cash

Historically, Alcan has performed cash management functions on behalf of certain of our businesses, primarily in North America, the United Kingdom, and parts of Europe to optimize efficient pooling of funds. Cash deposits from these businesses are transferred to Alcan on a regular basis. As a result, none of Alcan's cash and cash equivalents has been allocated to us in the combined financial statements. Transfers to and from Alcan are netted against the owner's net investment in our combined balance sheets. Following the separation, we will be responsible for our own cash management functions. Cash and cash equivalents in our combined balance sheets are comprised of only the cash and cash equivalents of our businesses, primarily in South America, Asia and parts of Europe, that perform their own cash management functions.

Results of operations for the nine months ended September 30, 2004 compared to the nine months ended September 30, 2003

The following discussion and analysis is based on our unaudited interim combined statements of income, which reflect our operations for the nine months ended September 30, 2004 and 2003, as prepared in conformity with U.S. GAAP.

The following table sets forth information relating to our net income for the nine months ended September 30, 2004 and 2003.

	Nine months ended September 30,	
	2004	2003
	(\$ millions)	
Selected financial information		
Net income	\$148	\$103
Included in net income are:		
Foreign currency balance sheet translation	(3)	(20)
Other Specified Items(i):		
Restructuring charges	(12)	(3)
Synergy costs	(1)	—
Asset impairments	—	(2)
Gain from non-routine sales of assets, businesses and investments	5	18
Tax adjustments	3	—
Legal and environmental provisions	—	(3)
Pension adjustments	12	(4)
Total Other Specified Items	\$ 7	\$ 6

- (i) Other Specified Items, or OSIs, include: restructuring charges, asset impairment charges, unusual environmental charges, gains and losses on non-routine sales of assets, businesses or investments, gains and losses from legal claims, gains and losses on the redemption of debt, income tax reassessments related to prior years and the effects of changes in income tax rates, and other items that, in our view, do not typify normal operating activities.

Net income

Our net income was \$148 million for the nine months ended September 30, 2004, an increase of \$45 million, or 44%, compared to the corresponding period in 2003. The increase mainly reflected higher rolled product shipments, which increased 12% over the corresponding period in 2003 due to strengthening market conditions in Asia and North America and market share improvements in South America. Our results for the nine months ended September 30, 2004 also benefited from the recovery in market price spreads between recycled metal and primary aluminum, foreign currency translation effects due to the weakness of the U.S. dollar against the euro and the addition of Pechiney operations. Compared to the year-ago nine month period, the value of the U.S. dollar declined on average by approximately 9% against the euro.

Included in net income for the first nine months of 2004 was a foreign currency balance sheet translation loss of \$3 million and a net after-tax gain for OSIs of \$7 million (\$7 million pre-tax). The principal items included in OSIs were an after-tax charge of \$13 million (\$18 million pre-tax) related to the closure of the Falkirk rolling mill in the United Kingdom, which is planned for December 2004, a \$12 million after-tax gain (\$18 million pre-tax) related to changes in a pension program in Brazil and an after-tax gain of \$5 million (\$7 million pre-tax) on the sale of assets in the United Kingdom. In the nine months ended September 30, 2003, net income included a foreign currency balance sheet translation loss of \$20 million and a net after-tax gain from OSIs of \$6 million (nil pre-tax). Included in OSIs was a gain of \$18 million (\$18 million pre-tax) on the sale of non-core assets in Italy, a charge of \$4 million (\$7 million pre-tax) related to the curtailment of a pension plan in Brazil, an environmental provision of \$3 million (\$5 million pre-tax) related to certain operations in the United States, restructuring charges of \$3 million (\$5 million pre-tax) for certain operations in the United Kingdom and an impairment charge of

[Table of Contents](#)

\$2 million (\$3 million pre-tax) related to a subsidiary in Malaysia. Our results for the first nine months of 2004 also included after-tax mark-to-market gains on derivatives of \$23 million (\$36 million pre-tax) compared to \$12 million (\$17 million pre-tax) in the corresponding period of 2003.

Sales and operating revenues

The table below sets forth information relating to our sales and operating revenues and shipments for the nine months ended September 30, 2004 and 2003.

	Nine months ended September 30,		
	% Change	2004	2003
		(\$ millions)	
Sales and operating revenues	22%	\$5,739	\$4,685
Rolled products shipments(i) (kt)	12%	2,112	1,882
Ingot products shipments(ii) (kt)	(23%)	161	208

(i) Includes conversion of customer-owned metal (tolling).

(ii) Includes primary and secondary ingot and recyclable aluminum.

Our sales and operating revenues were \$5.7 billion for the nine months ended September 30, 2004, an increase of \$1.1 billion, or 22%, compared to the corresponding period in 2003. Approximately one half of the increase was the result of higher LME aluminum prices being passed through to customers. LME 3-month aluminum prices were up on average 21% compared to the year-ago nine month period reflecting improved aluminum industry fundamentals. The remaining increase in sales largely reflected increased rolled products shipments, which were up 12% compared to the year ago nine month period, and the impact of the weaker U.S. dollar. The weakening of the U.S. dollar had the effect of increasing revenues when translated from local currencies, most notably the euro, to U.S. dollars for reporting purposes.

Ingot products shipments comprise primary ingot in Brazil, foundry products sold in Korea and Europe, secondary ingot in Europe and other miscellaneous recyclable aluminum sales made for logistical purposes.

Costs and expenses

The table below sets forth information relating to our costs and expenses for the nine months ended September 30, 2004 and 2003.

	Nine months ended September 30,				
	% Change	2004	% of sales	2003	% of sales
		(\$ millions)		(\$ millions)	
Cost of sales and operating expenses(i)	22%	\$5,032	87.7%	\$4,120	87.9%
Depreciation and amortization	7%	178	3.1%	166	3.5%
Selling, administrative and general expenses	15%	182	3.2%	158	3.4%
Research and development expenses	(20%)	41	0.7%	51	1.1%

(i) Excludes depreciation and amortization expense.

Our cost of sales and operating expenses were 88% of our sales and operating revenues for the first nine months of 2004, essentially unchanged from the corresponding period in 2003. The stability of this cost-revenue relationship reflects the conversion nature of our business. The vast majority of our products have a price structure with two components: a pass-through aluminum price component based on the LME quotation and local market premia, plus a “margin-over-metal” or conversion charge based on the cost to roll the product.

[Table of Contents](#)

Our depreciation and amortization expense was \$178 million for the first nine months of 2004 compared to \$166 million for the corresponding period in 2003, an increase of \$12 million, or 7%. The increase mainly reflected the effect of the stronger euro and Korean won when translating local currency expenses into U.S. dollars, as well as the acquisition of Pechiney.

Our selling, administrative and general, or SA&G, expenses were \$182 million for the first nine months of 2004, compared to \$158 million for the corresponding period in 2003, an increase of \$24 million, or 15%. The increase mainly reflected the effect of the stronger euro, Canadian dollar and Korean won when translating local currency expenses into U.S. dollars, as well as the acquisition of Pechiney.

Historically, Alcan has centrally managed its financing activities in order to optimize its costs of funding and financial flexibility at a corporate level. Consequently, the debt being carried in our historical combined financial statements does not necessarily reflect our debt capacity and financing requirements. Interest expense, on a combined basis, at \$55 million for the first nine months of 2004 was 90% higher than the corresponding period in 2003, reflecting the higher level of debt which was used to finance Alcan's acquisition of Pechiney. On a pro forma basis, reflecting the estimated indebtedness we expect to have upon separation, our interest expense for the first nine months of 2004 would have been \$133 million, assuming an average interest cost of 6.3%, including financing costs. You should read our pro forma financial information under "Unaudited Pro Forma Combined Financial Data" elsewhere in the prospectus as well as our discussion of capital structure under "— Liquidity and capital resources" below.

Income taxes

Our income tax expense was \$111 million for the first nine months of 2004. This represented an effective tax rate of 42%, unchanged from the effective tax rate for the corresponding period in 2003. This compares to a composite statutory tax rate in Canada of 33% in 2004 and 32% in 2003. In 2004, the difference between the effective and statutory rates was mainly due to higher tax rates in foreign jurisdictions. In 2003, the difference between the rates was primarily due to currency-related items and higher tax rates in foreign jurisdictions, partially offset by the realization of tax benefits on previously unrecognized tax losses carried forward.

Table of Contents

The following table sets forth information regarding our cash flow for the nine months ended September 30, 2004 and 2003.

	Nine months ended September 30,		
	% Change	2004	2003
		(\$ millions)	
Cash flow			
Cash from operating activities	33%	\$299	\$ 225
Capital expenditures	(22%)	(95)	(122)
Dividends	—	(4)	(1)
Free cash flow(i)	96%	200	102

- (i) Free cash flow consists of cash from operating activities less capital expenditures and dividends. Dividends include only those paid by our less than wholly-owned subsidiaries to their minority shareholders. We consider free cash flow to be relevant information for investors as it provides a measure of the cash generated internally that is available for investment opportunities and debt repayment. However, free cash flow does not necessarily represent cash available for discretionary activities, as certain mandatory debt service obligations must be funded out of free cash flow.

Our cash flow from operating activities was \$299 million in the first nine months of 2004 compared to \$225 million in the same period in 2003, reflecting our higher earnings offset in part by the impact of increased operating working capital. The increase in operating working capital resulted mainly from rising aluminum prices, which increased the net value of inventories, accounts receivable and accounts payable, as well as higher shipment volumes. Similarly, our free cash flow was \$200 million in the first nine months of 2004, an increase of \$98 million, or 96%, from the amount in the same period last year and also reflected the impact of lower capital expenditures. Our historical combined financial statements do not reflect any dividends paid by Alcan to its shareholders nor the level of interest expense that we are likely to incur following our separation from Alcan. We will establish our own dividend policy once we become a separate company. You should read “Dividend Policy” for a discussion of our proposed dividend policy.

The following table sets forth information regarding our capital expenditures and depreciation for the nine months ended September 30, 2004 and 2003.

	Nine months ended September 30,		
	% change	2004	2003
		(\$ millions)	
Capital expenditures and depreciation			
Capital expenditures	(22%)	\$ 95	\$122
Depreciation and amortization expense	7%	178	166
Reinvestment rate (%)	—	53%	73%

Our capital expenditures on property, plant and equipment decreased by \$27 million, or 22% in the first nine months of 2004 compared to the corresponding period in 2003, reflecting expenditure timing differences and the completion of an hydroelectric project in Brazil. As in the first nine months of 2003, capital expenditures remained below the level of depreciation expense.

Total borrowings, as well as cash and time deposits, as presented in the historical combined financial statements for September 30, 2004 and December 31, 2003 are not representative of the debt or cash and time deposits that we expect to assume or incur upon our separation from Alcan. Historically, Alcan has centrally managed its financing activities in order to optimize its costs of funding and financial flexibility at a corporate level. Consequently, the debt being carried in our historical combined financial statements does not necessarily reflect our debt capacity and financing requirements. You should read our pro forma financial information under “Unaudited Pro Forma Combined Financial Data” as well as our discussion of capital structure under “— Liquidity and capital resources” below.

Segment results

Novelis North America reported BGP of \$189 million for the first nine months of 2004, an increase of \$23 million, or 14%, over the corresponding period of 2003. The improvement reflected increased rolled product shipments, which were up 8% from the year-ago period, higher conversion prices and the recovery of price spreads between recycled metal and primary aluminum. This was partially offset by the adverse impact of metal price lags and increased costs for hardeners and alloys.

Novelis Europe reported BGP of \$158 million for the first nine months of 2004 as compared to \$133 million in the corresponding period of 2003. Included in the 2004 nine-month results was a charge of \$10 million related to the closure of the Falkirk facility in the United Kingdom. The improvement in BGP reflected benefits arising from translation of euro-denominated results into U.S. dollars, positive metal effects, cost reductions and the contribution of four rolling operations acquired from Pechiney. While some end-markets are slowly recovering in Europe, the strength of the euro continues to keep shipments and margins under pressure. In response to the challenging market conditions, Novelis Europe is focused on optimizing its portfolio of products and reducing costs.

Novelis Asia and Novelis South America reported BGP of \$61 million and \$103 million, respectively for the first nine months of 2004 compared to \$41 million and \$80 million, respectively in the corresponding period in 2003. The improvement in Novelis Asia's results mainly reflected strengthening demand, most notably in China, which led to a 20% increase in Novelis Asia's rolled products shipments compared to the year ago period. In South America, BGP increased largely due to market share improvements, which were accompanied by an increase in Novelis South America's rolled products shipments of 15% over the year-ago period, as well as positive metal effects.

Results of operations for the year ended December 31, 2003 compared to the year ended December 31, 2002 and for the year ended December 31, 2002 compared to the year ended December 31, 2001

The following discussion and analysis is based on our audited combined statements of income and combined balance sheets, which reflect our operations for the years ended December 31, 2003, 2002 and 2001, as prepared in conformity with U.S. GAAP.

The table below sets forth the contribution of each end-use market and third party ingot sales to our total sales and operating revenues for the years ended December 31, 2003, 2002 and 2001.

Contribution to Novelis sales and operating revenues

	Year ended December 31,		
	2003	2002	2001
Beverage/Food Cans	35%	38%	39%
Construction and Industrial	28%	28%	28%
Foil Products	15%	14%	14%
Transportation	16%	15%	14%
Ingot	6%	5%	5%
Total	100%	100%	100%

[Table of Contents](#)

The following table sets forth information relating to our net income for the years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2003	2002	2001
	(\$ millions)		
Selected financial information			
Income (Loss) before the cumulative effect of an accounting change	\$157	\$ 75	\$(137)
Cumulative effect of accounting change	—	(84)	—
Net income (Loss)	157	(9)	(137)
Included in net income are:			
Foreign currency balance sheet translation	(26)	6	(1)
Other Specified Items:			
Restructuring charges	(4)	(7)	(50)
Asset impairments	(3)	(13)	(93)
Gain (Loss) from non-routine sales of assets, businesses and investments	26	(4)	—
Tax adjustments	6	—	12
Transfer pricing adjustment	—	(23)	—
Legal and environmental provisions	(18)	—	—
Other	(4)	1	(1)
Total Other Specified Items	\$ 3	\$(46)	\$(132)

Results of Operations

Our net income for 2003 was \$157 million compared to a loss of \$9 million in 2002 and a loss of \$137 million in 2001. Results for 2002 included a non-cash charge of \$84 million that resulted from the adoption of SFAS No. 142, Goodwill and Other Intangible Assets, as we identified an impairment of goodwill as of January 1, 2002 which was charged to income as a cumulative effect of an accounting change upon adoption of the new accounting standard. You should read note 4 of the annual combined financial statements for further information on SFAS No. 142. The loss in 2001 in large part reflected the impact of restructuring and impairment charges that are discussed below.

Included in our net income for 2003 was a foreign currency balance sheet translation loss of \$26 million, offset in part by a net after-tax gain of \$3 million (\$6 million pre-tax) from OSIs. Foreign currency balance sheet translation effects, which are primarily non-cash in nature, arise from translating monetary items (principally deferred income taxes, operating working capital and long-term liabilities) denominated in Canadian dollars and Brazilian real into U.S. dollars for reporting purposes. The translation loss in 2003 reflected the significant weakening of the U.S. dollar against the Canadian dollar and Brazilian real. The most significant items included in OSIs were after-tax gains of \$26 million (\$30 million pre-tax) on the sale of non-core businesses in Italy, the United Kingdom and Malaysia and an after-tax environmental charge of \$18 million (\$30 million pre-tax) related to a site in the United States. Our results of operations for 2003 also included after-tax mark-to-market gains on derivatives of \$11 million (\$20 million pre-tax) versus \$7 million (\$9 million pre-tax) in 2002.

Our income before the cumulative effect of an accounting change for 2002, was \$75 million. Included in our results for the year was a foreign currency balance sheet translation gain of \$6 million and a net after-tax charge of \$46 million (\$66 million pre-tax) for OSIs. In 2002, the most significant items included in OSIs were an after-tax charge of \$23 million (\$38 million pre-tax) for a transfer pricing adjustment related to prior years, an after-tax charge of \$13 million (\$14 million pre-tax) related to asset

impairments and an after-tax charge of \$7 million (\$11 million pre-tax) for restructuring charges, both of which related to the 2001 restructuring program.

Our income before the cumulative effect of an accounting change for 2003 as compared to 2002 was positively affected by the benefits arising from our continued focus on cost and productivity improvements in all regions as well as the positive impact of the stronger euro in translating local currency results, which helped to offset higher costs for recycled metal, pensions and energy.

In 2001, we recorded a loss of \$137 million which included a net after-tax charge of \$132 million (\$202 million pre-tax) for OSIs and a foreign currency balance sheet translation loss of \$1 million. OSIs mainly comprised after-tax asset impairment charges of \$93 million (\$132 million pre-tax) and after-tax restructuring charges of \$50 million (\$69 million pre-tax) both of which related mainly to the 2001 restructuring program. Our results also included after-tax mark-to-market losses on derivatives of \$18 million (\$27 million pre-tax).

Our income before the cumulative effect of an accounting change for 2002 as compared to 2001 was positively affected by increased shipments in North America, Europe and Asia.

Sales and operating revenues and shipments

The table below sets forth information relating to our sales and operating revenues and shipments for the years ended December 31, 2003, 2002 and 2001.

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
				(\$ millions)	
Sales and operating revenues	6%	2%	\$6,221	\$5,893	\$5,777
Rolled products shipments(i) (kt)	(1%)	8%	2,478	2,506	2,319
Ingot products shipments(ii) (kt)	24%	4%	292	236	228

(i) Includes conversion of customer-owned metal (tolling).

(ii) Includes primary and secondary ingot and recyclable aluminum.

Our sales and operating revenues were \$6.2 billion in 2003, an increase of 6% compared to 2002. This increase reflected the impact of higher LME prices being passed through to our customers, the weakening of the U.S. dollar against most currencies and a shift in product mix in favour of higher value products, most notably in Europe. The average LME 3-month aluminum price increased approximately 5% year over year. The currency impact affected our operations in Europe and Korea where our revenues are denominated in local currencies and must be translated into U.S. dollars for reporting purposes. Year over year, the value of the U.S. dollar declined nearly 20% against the euro and 5% against the Korean won. These positive factors more than compensated for the modest decline in rolled product shipments, which reflected soft market conditions in North America and Europe offset in part by increased shipments in Asia and South America.

In 2002, our sales and operating revenues were \$5.9 billion, which represented an increase of 2% over 2001. Contributing to this improvement was an 8% increase in rolled product shipments, reflecting gains in all regions except South America, partially offset by the impact of lower LME prices being passed through to customers. The average LME 3-month aluminum price was approximately 6% lower in 2002 than in 2001.

Costs and expenses

The table below sets forth information relating to our expenses for the years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,					
	2003		2002		2001	
	(\$ millions)	% of sales	(\$ millions)	% of sales	(\$ millions)	% of sales
Cost of sales and operating expenses(i)	\$5,482	88.1%	\$5,208	88.4%	\$5,156	89.3%
Depreciation and amortization	222	3.6%	211	3.6%	217	3.8%
Selling, administrative and general expenses	211	3.4%	183	3.1%	209	3.6%
Research and development expenses	62	1.0%	67	1.1%	62	1.1%
Other expenses	24	0.4%	21	0.4%	14	0.2%

(i) Excludes the depreciation and amortization expense.

In 2003, our cost base was adversely affected by a number of external factors that increased costs for pensions, natural gas and recycled metal. The sharp decline in the value of the U.S. dollar also had a significant adverse impact on operating and overhead costs incurred in other currencies, which are translated into U.S. dollars for reporting purposes. The economic impact on costs was most pronounced in Europe, Korea and Canada. In order to mitigate the negative impact of cost pressures and currency, we remained focused on reducing controllable costs.

Our cost of sales and operating expenses represented 88.1% of our sales and operating revenues in 2003, compared to 88.4% in 2002 and 89.3% in 2001. The stability of this cost-revenue relationship reflects the conversion nature of our business. The vast majority of our products have a price structure with two components: a pass through aluminum price based on the LME and local market premia, plus a “margin over metal” price based on the conversion cost to produce the rolled product and the competitive market conditions for that product. The increase in cost of sales and operating expenses in 2003 in large part reflected the impact of higher LME prices on metal input costs. There was a commensurate increase in sales and operating revenues as higher metal costs were passed through to customers.

Our depreciation and amortization expense was \$222 million in 2003, an increase of \$11 million, or 5%, compared to 2002. The increase in 2003 mainly reflected the effect of the strengthening euro and Korean won when translated into U.S. dollars. In 2002, our depreciation and amortization expense was \$211 million, a decrease of \$6 million, or 3%, compared to 2001.

Selling, administrative and general, or SA&G, expenses were \$211 million in 2003, an increase of \$28 million, or 15%, compared to 2002. The majority of the increase reflected the impact of the weakening U.S. dollar, most notably against the euro, which increased local currency costs when translated into U.S. dollars for reporting purposes. On average, the value of the U.S. dollar relative to the euro declined by nearly 20% year over year. Higher pension-related expenses largely accounted for the balance of the increase. Our 2002 SA&G expenses were \$26 million, or 12%, lower than 2001, mainly reflecting the impact of the 2001 restructuring program discussed below.

Our research and development spending was \$62 million in 2003, compared to \$67 million in 2002 and \$62 million in 2001. In each of the three years, research and development represented about 1% of sales and operating revenues.

As discussed above, we do not believe that an analysis of our historical interest expense is meaningful as it does not reflect the level of debt financing that our business will assume and incur upon separation from Alcan, nor the associated interest costs. On a combined basis, historical interest expense was \$40 million in 2003, little changed from 2002. The higher level of borrowings and debt at the end of 2003 reflected Alcan’s acquisition of Pechiney in 2003. Historical combined interest expense decreased by 34% in 2002 due to a reduction in related-party borrowings during the year, principally in Brazil, and the

[Table of Contents](#)

replacement of bank borrowings with supplier credit in Korea. On a pro forma basis, reflecting the estimated indebtedness we expect to have upon separation, our interest expense for 2003 would have been \$177 million, assuming an average interest cost of 6.3%, including financing costs. You should read our pro forma financial information “Unaudited Pro Forma Combined Financial Data” as well as our discussion of capital structure under “— Liquidity and capital resources” below.

Restructuring, impairment and other special charges include amounts related to our 2001 restructuring program. Under this program, a detailed business portfolio review was undertaken to identify high cost operations, excess capacity and non-core products. Charges of \$208 million in 2001 and \$25 million in 2002 and recoveries of prior years’ provisions of \$24 million in 2003 related principally to impairments for buildings, machinery and equipment and severance costs. This program was completed in 2003. You should read note 7 of the combined financial statements for further details on restructuring, impairment and other special charges.

In 2003, other expenses, net of other income, of \$24 million included pre-tax expenses of \$27 million for certain OSIs. The most significant items related to a pre-tax environmental provision of \$30 million for a site at our Oswego facility in New York, pre-tax mark-to-market gains on derivatives of \$20 million and foreign exchange losses of \$17 million mainly relating to foreign currency balance sheet translation and a pre-tax charge of \$7 million associated with a change in pension plans in Brazil. Other expense, net of other income, of \$21 million in 2002 included a pre-tax expense of \$44 million related to a transfer pricing adjustment, pre-tax interest revenue of \$16 million, pre-tax mark-to-market gains on derivatives of \$9 million and a pre-tax expense of \$3 million related to an asset impairment charge for operations in Korea. The transfer pricing adjustment relates to discussions that the Internal Revenue Service completed with the Canadian tax authorities in 2002 with respect to Alcan Aluminum Corporation’s request for competent authority assistance on the Canadian initiated transfer pricing adjustments for the tax years 1988 through 1995. The Internal Revenue Service agreed to provide correlative relief and the \$44 million adjustment is the resulting increase in expenses related to our business for the years 1988 through 1995. In 2001, other expenses, net of other income, of \$14 million included pre-tax mark-to-market losses on derivatives of \$27 million, pre-tax interest revenue of \$14 million and pre-tax income of \$5 million related to a reversal of rationalization costs for certain operations in the United Kingdom.

Income taxes

Our income tax expense of \$50 million for 2003 represented an effective tax rate of 25%, compared to an income tax expense of \$77 million and an effective tax rate of 57% in 2002 and an income tax expense of \$6 million and an effective tax rate of negative 4% in 2001. This compares to a composite statutory tax rate of 32% in Canada for both 2003 and 2002 and of 33% for 2001. In 2003, the difference in the rates was due primarily to prior years’ tax adjustments and the realization of tax benefits on previously unrecorded tax losses carried forward. In 2002, the difference in the rates was due primarily to the impact of potential future tax benefits that were not recognized since their realization was not likely as well as higher tax rates in foreign jurisdictions, partially offset by currency related items. In 2001, the negative effective tax rate was mainly a result of restructuring and asset impairment provisions on which the potential future tax benefits were not recognized since their realization was not likely. You should read note 8 of the annual combined financial statements for a reconciliation of statutory and effective tax rates.

The change in tax rates from year to year is largely due to the increase or decrease in valuation allowance recorded against deferred tax assets. We reduce the deferred tax assets by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 2003, we reduced the valuation allowance on deferred tax assets as a result of the realization of tax benefits from the carryforward of prior years’ tax losses to offset taxable income of the current year in Italy, the United Kingdom and Korea. In 2002, we incurred tax losses in certain jurisdictions, such as Italy, where it was not more likely than not that the tax benefits would be realized and therefore increased the valuation allowance on these deferred assets. In 2001, the negative effective tax rate was mainly a result of restructuring and asset impairment provisions on which the potential future tax benefits were not recognized since their realization was not likely.

Goodwill

Effective January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under the standard, goodwill and intangible assets that have indefinite useful lives are no longer amortized but rather are tested at least annually for impairment.

In 2002, a review of goodwill resulted in an impairment charge of \$84 million recorded as a cumulative effect of an accounting change as of January 1, 2002. This non-cash adjustment reflected the deterioration in end-use market conditions in the period from Alcan's acquisition of Algroup in October 2000 to January 1, 2002, and did not reflect a change in our growth prospects.

Liquidity and capital resources

As highlighted in our combined financial statements, our liquidity and available capital resources are impacted by three components: (1) operating activities, (2) investment activities and (3) financing activities.

Operating activities

The following table sets forth information regarding our cash flow for the years ended December 31, 2003, 2002 and 2001.

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
			(\$ millions)		
Cash flow					
Cash from operating activities	8%	63%	\$ 444	\$ 410	\$ 251
Capital expenditures	6%	(24%)	(189)	(179)	(236)
Dividends			—	(2)	—
Free cash flow	11%	1,427%	255	229	15

Despite external cost pressures and a soft economic environment, our pursuit of value maximization has enabled us to achieve a stable cash flow performance. Focused attention on our product portfolio and costs, stringent management of operating working capital and a disciplined approach to capital spending yielded substantial benefits over the three years presented.

Our cash inflows from the reduction in operating working capital requirements amounted to \$420 million over the three-year period. The higher level of cash from operating activities and free cash flow in 2003 resulted mainly from increased BGP. In 2003, our cash flow generated from operating activities was \$444 million compared to \$410 million in 2002 and \$251 million in 2001. The higher level in 2002 reflected record rolled products shipment levels achieved in that year and the resulting impact on operating segment BGP. Our free cash flow was \$255 million in 2003, compared to \$229 million in 2002 and \$15 million in 2001. Our combined financial statements do not reflect any dividends that were paid by Alcan to its shareholders. We will establish our own dividend policy following our separation from Alcan. You should read "Dividend Policy" for a discussion of our proposed dividend policy.

[Table of Contents](#)

Investment activities

The following table sets forth information regarding our capital expenditures and depreciation for the years ended December 31, 2003, 2002 and 2001.

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
			(\$ millions)		
Capital expenditures and depreciation					
Capital expenditures	6%	(24%)	\$189	\$179	\$236
Depreciation and amortization expense	5%	(3%)	222	211	217
Reinvestment rate (%)			85%	85%	109%

We believe that maintaining strong and stable cash flows while improving our return on capital assets are key measures of our financial success. While capital expenditures on property, plant and equipment increased in 2003, they remained below the level of depreciation expense for a second consecutive year. Our capital spending was \$189 million in 2003, compared to \$179 million in 2002 and \$236 million in 2001.

We estimate that our annual capital expenditure requirements for items necessary to maintain comparable production, quality and market position levels will be between \$100 million and \$120 million for the next several years.

Financing activities

Total borrowings, as well as cash and time deposits, as presented in the historical combined financial statements for the years ended December 31, 2003, 2002 and 2001 are not representative of the debt or cash and time deposits that we expect to assume and incur upon our separation from Alcan. Historically, Alcan has centrally managed its financing activities in order to optimize its costs of funding and financial flexibility at a corporate level. Consequently, the debt being carried in our historical combined financial statements does not necessarily reflect our debt capacity and financing requirements. You should read our pro forma financial information under "Unaudited Pro Forma Combined Financial Data."

In connection with our separation from Alcan, we anticipate incurring \$2.8 billion in debt, which is expected to consist of 7-year term loans of \$1.5 billion at a variable interest rate (LIBOR plus 2.25%) and 10-year bonds in the amount of \$1.3 billion at an interest rate of 7.50%. Issuance of the 10-year bonds is expected to be completed early in the first quarter immediately following the separation. From the effective date of separation until we receive the proceeds from the issuance of the bonds, Alcan will lend us an amount equivalent to the anticipated proceeds from the bonds. Such loan will be subject to interest at a rate equivalent to market rates for similar loans but not greater than the anticipated rate on the 10-year bond. The level of debt may vary as we may need to provide for other cash requirements. We and Alcan determined the amount of debt that we would incur after considering our ability to service the debt, our ability to finance current and future growth initiatives and the capital structure of comparable companies. We obtained guidance from the major credit rating agencies and our financial and capital market advisors in selecting a capital structure appropriate for our company as a viable, stand-alone entity.

We also expect to enter into a revolving credit facility that will be available for operating working capital and other requirements. This credit facility is expected to be in the aggregate amount of \$500 million and will allow us to borrow funds at variable interest rates as short-term cash needs dictate.

Contractual obligations

We have future obligations under various contracts relating to debt payments, capital and operating leases, long-term purchase arrangements and pensions and other post-employment benefits. The table below provides a summary of these contractual obligations (based on undiscounted future cash flows) as at December 31, 2003. The changes in our contractual obligations as at September 30, 2004 from the

Table of Contents

amounts reported in the table are included in the explanatory notes below. Long-term debt obligations are presented below. However, they reflect our historical debt level which is not representative of the debt repayments that will actually be due under the new capital structure.

	Payments due by period as at December 31, 2003				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(\$ millions)		
Long-term debt(i)	\$1,659	\$142	\$1,023	\$493	\$ 1
Capital leases(ii)	1	1	—	—	—
Operating leases(ii)	30	11	12	5	2
Purchase obligations(ii)	40	34	6	—	—
Unfunded pension plans(iii)	426	7	14	14	391
Other post-employment benefits(iii)	258	7	12	12	227
Funded pension plans(iii),(iv)	(iv)	—	1	1	(iv)
Total		\$202	\$1,068	\$525	

- (i) Refer to note 17 of the annual combined financial statements. Long-term debt repayments as at September 30, 2004 were \$1,119 million (less than 1 year: \$312 million; 1-3 years: \$343 million; 3-5 years: \$463 million; more than 5 years: \$1 million). Interest payments on the long-term debt as at September 30, 2004 were \$130 million (less than 1 year: \$11 million; 1-3 years: \$77 million; 3-5 years: \$42 million; more than 5 years: nil).
- (ii) Refer to note 19 of the annual combined financial statements. Purchase obligations as at September 30, 2004 were \$149 million (less than 1 year: \$21 million; 1-3 years: \$68 million; 3-5 years: \$44 million; more than 5 years: \$16 million).
- (iii) Refer to note 23 of the annual combined financial statements.
- (iv) Pension funding generally includes the contribution required to finance the annual service cost, except where the plan is largely overfunded, and amortization of unfunded liabilities over periods of 15 years, with larger payments made over the initial period where required by pension legislation. Contributions depend on actual returns on pension assets and on deviations from other economic and demographic actuarial assumptions. Based on our long-term expected return on assets, annual contributions for years after 2008 are projected to be in the same range as in prior years and to grow in relation with payroll.

Environment, health and safety

We strive to be a leader in environment, health and safety, or EHS. To achieve this, we introduced a new environment, health and safety management system in 2003 which is a core component of our overall business management system.

Our EHS system is aligned with ISO 14001, an international environmental management standard, and OHSAS 18001, an international occupational health and safety management standard. All our facilities are expected to implement the necessary management systems to support ISO 14001 and OHSAS 18001 certifications. As of October 31, 2004, close to 85% of our facilities were ISO 14001 certified and over 80% of the facilities were OHSAS 18001 certified. All remaining sites are scheduled for certification by the end of 2004.

Our capital expenditures for environmental protection and the betterment of working conditions in our facilities were \$18 million in 2003. We expect these capital expenditures will be approximately \$28 million in 2004 and \$25 million in 2005. In addition, expenses for environmental protection (including estimated and probable environmental remediation costs as well as general environmental protection costs at our facilities) were \$57 million in 2003, and are expected to be \$37 million in 2004 and \$33 million in 2005. Generally, expenses for environmental protection are recorded in Cost of sales and operating expenses.

However, significant remediation costs that are not associated with on-going operations are recorded in Other expenses (income) — net.

Operating segment review

Due in part to the regional nature of supply and demand of aluminum rolled products, our activities are organized under four business groups and are managed on the basis of geographical areas. The business groups are Novelis North America, Novelis Europe, Novelis Asia and Novelis South America.

	% change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
			(\$ millions)		
Business group profit(i)					
Novelis North America	(26%)	37%	\$206	\$277	\$202
Novelis Europe	33%	63%	173	130	80
Novelis Asia	94%	35%	68	35	26
Novelis South America	24%	(16%)	112	90	107

(i) Refer to note 25 of the annual combined financial statements for a reconciliation to net income.

	Year ended December 31,		
	2003	2002	2001
Sales and operating revenues by business group(i)			
Novelis North America	38%	43%	43%
Novelis Europe	40%	38%	37%
Novelis Asia	15%	13%	13%
Novelis South America	7%	6%	7%
Total	100%	100%	100%

(i) Excludes intersegment revenues. Refer to note 25 of the annual combined financial statements for details intersegment revenues.

Alcan's measure of operating segment profitability is referred to as business group profit, or BGP. BGP comprises earnings before interest, income taxes, minority interests, depreciation and amortization and excludes certain items, such as corporate costs, restructuring, impairment and other special charges, and pension actuarial gains, losses and other adjustments and mark to market adjustments on derivatives, that are not under the control of our business groups or are not considered in the measurement of their profitability. These items are generally managed by Alcan's corporate head office, which focuses on strategy development and oversees governance, policy, legal, compliance, human resources and finance matters. Charges for the 2001 restructuring program were treated as OSIs and were not included in BGP. For further details on the 2001 restructuring program, you should read note 7 of the annual combined financial statements for the years ended December 31, 2003, 2002 and 2001 and note 4 of the interim combined financial statements for the nine months ended September 30, 2004 and 2003.

The accounting principles used to prepare the information by operating segment are the same as those used to prepare the combined financial statements, except for the following two items:

- (1) The operating segments include our proportionate share of joint ventures (including joint ventures accounted for using the equity method) as they are managed within each operating segment; and
- (2) Pension costs for the operating segments are based on the normal current service cost with all actuarial gains, losses and other adjustments being included in intersegment and other.

[Table of Contents](#)

Additional operating segment information is presented in note 25 of the annual combined financial statements. The information that follows is reported by operating segment on a stand-alone basis. Transactions between groups are conducted at arm's length and reflect market prices.

Novelis North America

Within our network of 12 aluminum rolled products facilities, Novelis North America, or NNA, manufactures high-quality aluminum sheet and light gauge products. In the past few years, industry production capacity has been reduced through consolidation and restructuring. NNA has focused its efforts on improving its competitiveness through cost improvements, product portfolio upgrades and production optimization. Approximately two-thirds of NNA's rolled products production is directed to the beverage can market. Other important end-use markets for NNA include containers and packaging, automotive, other transportation applications, building products and other industrial applications. Because demand in NNA's largest end-use market, beverage cans, is little affected by the business cycle, financial results for NNA tend to be stable.

The following tables set forth key financial and operating data for NNA for the fiscal years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2003	2002	2001
Contribution to Novelis North America sales and operating revenues			
Beverage/Food Cans	57%	61%	64%
Construction and Industrial	14%	11%	11%
Foil Products	12%	11%	11%
Transportation	15%	15%	12%
Ingot	2%	2%	2%
Total	100%	100%	100%

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
Novelis North America selected financial information(i)					
Sales and operating revenues	(5%)	—	\$2,385	\$2,517	\$2,506
BGP	(26%)	37%	206	277	202
Rolled products shipments(ii) (kt)	(7%)	5%	1,041	1,120	1,070
Ingot products shipments(iii) (kt)	(7%)	7%	42	45	42

(i) Intersegment revenues and shipments are not included in the figures above; you should read note 25 of the annual combined financial statements for details of intersegment revenues.

(ii) Includes conversion of customer-owned metal (tolling).

(iii) Includes primary and secondary ingot and recyclable aluminum.

In 2003, NNA had sales and operating revenues of \$2.4 billion, representing 38% of our total sales and operating revenues, and shipments of 1,083 kilotonnes, representing 39% of our total shipments. Compared to 2002, NNA's revenues decreased by \$132 million, or 5%, in 2003 due mainly to the lower shipments, in part offset by the impact of higher aluminum input costs passed on to customers.

Rolled product shipments for 2003 were 7% below the record level in 2002 due to lower can stock shipments, the transfer of business to Novelis Asia and weak market conditions in the United States. In contrast, automotive sheet sales reached an all-time record in 2003 as sales of light trucks in the North American market remained strong, despite a 3% decline in overall automobile sales. NNA benefited from

[Table of Contents](#)

innovations in sport utility vehicle lift-gate and hood technologies as a result of its continued close co-operation with customers. Industrial product revenues improved despite ongoing weakness in the distributor market and severe import price competition, as we continued to concentrate on new value-creating product applications. Container and foilstock shipments were essentially unchanged from 2002 levels, while package and converter foil shipments continued to be adversely affected by imports.

NNA's BGP for 2003 declined by \$71 million, or 26%, compared to 2002 partially due to the lower shipments. Benefits from aggressive cost reduction efforts helped counteract some of the impacts from higher recycled metal, pension and energy costs, a less favourable sales mix and the adverse effects of metal price movements.

In 2002, NNA's revenues were essentially unchanged compared to 2001. Record shipments were offset by lower LME aluminum prices being passed through to our customers. In 2002, the automotive sector continued to be a growth market for NNA. Automotive sheet shipments increased 17% compared to 2001 as North American automobile demand strengthened in response to financing incentives offered by the automakers. In 2002, overall shipments increased mainly due to shipments of higher value-added can stock which grew by 12% as a result of the focus on value-based management. Over the past few years, industry over-capacity in the common alloys market was rationalized through the closing of two of our competitors' plants, which helped stabilize the market and improve margins.

The financial results for NNA in 2002 reflected a 37% improvement in BGP compared to 2001. This was attributable to increased shipments along with successful cost reduction efforts and the favourable effects of metal price movements.

Novelis Europe

Novelis Europe, or NE, provides European markets with value-added sheet and light gauge products through its 18 plants. NE serves a broad range of aluminum rolled product end-use applications, with construction and industrial products representing the largest end-use market in terms of shipment volume. NE is a global leader in the production of lithographic sheet, a specialized product requiring technical production, and is the second largest supplier of foil in Europe in terms of shipments. Over the last two and one half years, demand from NE's end-markets has been mixed, with most showing little growth. NE has responded by rationalizing its production facilities and optimizing its product portfolio in order to reduce costs and improve profitability. These initiatives together with the translation benefits of the stronger euro against the U.S. dollar, have led to a doubling of NE's BGP from 2001 to 2003.

The following tables set forth key financial and operating data for NE for the fiscal years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2003	2002	2001
Contribution to Novelis Europe sales and operating revenues			
Beverage/Food Cans	17%	19%	18%
Construction and Industrial	49%	52%	56%
Foil Products	14%	13%	14%
Transportation	12%	12%	9%
Ingot	8%	4%	3%
Total	100%	100%	100%

[Table of Contents](#)

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
Novelis Europe selected financial information(i)					
			(\$ millions)		
Sales and operating revenues	13%	3%	\$2,510	\$2,218	\$2,158
BGP	33%	63%	173	130	80
Rolled products shipments(ii) (kt)	(4%)	13%	847	880	782
Ingot products shipments(iii) (kt)	104%	10%	153	75	68

(i) Intersegment revenues and shipments are not included in the figures above; you should read note 25 of the annual combined financial statements for details of intersegment revenues.

(ii) Includes conversion of customer-owned metal (tolling).

(iii) Includes primary and secondary ingot and recyclable aluminum.

In 2003, NE had sales and operating revenues of \$2.5 billion, representing 40% of our total sales and operating revenues, and shipments of 1,000 kilotonnes, representing 36% of our total shipments. Compared to 2002, NE's sales and operating revenues increased by \$292 million, or 13%, due mainly to the impact of higher LME aluminum prices being passed through to customers, the stronger euro and a favourable change in product mix. The year-over-year decline in our rolled product shipments reflected soft market conditions and our strategic exit from certain businesses.

In 2003, the European beverage can market was negatively impacted by the timing of the introduction of complex deposit requirements in Germany, but demand growth in Eastern Europe partially offset this factor. The demand for lithographic sheet was strong, ending 4% above 2002 levels; however the distributor market was weak throughout the year. Other end-use markets were mixed in 2003. The demand for bright surface products was robust, whereas painted products and industrial plate showed only modest improvement compared to 2002. In addition to the difficult economic situation, the strengthening euro versus the U.S. dollar exacerbated already very competitive market conditions. The demand for aluminum automotive sheet remained strong in 2003 and represented the key driver for overall market growth, with automotive sheet shipments up 12% over 2002. Through its automotive finishing facility in Nachterstedt, Germany, NE is the exclusive supplier to the all-aluminum structured Jaguar XJ, which entered production in 2003 at a build rate of 30,000 cars per year.

In 2003, NE's BGP was positively affected by the impact of the stronger euro on the translation of euro profits into U.S. dollars, a change in business mix and restructuring programs. During 2003, NE continued to concentrate on value-added market sectors and products, while focusing on cost and operating working capital reduction in its operations. To support the operating working capital reduction initiative, a standard mill scheduling optimizer was introduced at several plants during the year. Foil and technical products continued to implement major restructuring programs in the United Kingdom, Germany and Switzerland. By mid-year, NE's profitability had improved as the fixed cost burden was reduced through plant consolidation.

In 2002, higher realized prices and a 13% increase in rolled products shipments resulted in increased sales. NE's average realized sales price per tonne improved relative to LME prices as a result of portfolio changes towards higher value-added products in more economically attractive markets.

Increased shipments and a sustained higher-value mix resulted in higher BGP in 2002. The strengthening of the euro and Swiss franc against the U.S. dollar also contributed to an increase in BGP.

Novelis Asia

Novelis Asia, or NA, operates three manufacturing facilities in the Asian region and manufactures a broad range of sheet and light gauge products. Our sales in the region are focused on key markets for foil products, construction and industrial products, and food and beverage cans. Strong growth in emerging

[Table of Contents](#)

markets, such as China, and the technological and operating advances at our two Korean rolling mills have led to a significant improvement in NA shipments and profitability over the past few years.

The following tables set forth key financial and operating data for NA for the fiscal years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2003	2002	2001
Contribution to Novelis Asia sales and operating revenues			
Beverage/Food Cans	23%	10%	8%
Construction and Industrial	15%	24%	19%
Foil Products	26%	26%	25%
Transportation	27%	27%	31%
Ingot	9%	13%	17%
Total	100%	100%	100%

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
Novelis Asia selected financial information(i)					
			(\$ millions)		
Sales and operating revenues	17%	8%	\$918	\$785	\$724
BGP	94%	35%	68	35	26
Rolled products shipments(ii) (kt)	21%	22%	386	320	262
Ingot products shipments(iii) (kt)	(26%)	(22%)	43	58	74

(i) Intersegment revenues and shipments are not included in the figures above; you should read note 25 of the annual combined financial statements for details of intersegment revenues.

(ii) Includes conversion of customer-owned metal (tolling).

(iii) Includes primary and secondary ingot and recyclable aluminum.

In 2003, NA had sales and operating revenues of \$918 million, representing 15% of our total sales and operating revenues, and shipments of 429 kilotonnes, representing 15% of our total shipments. Sales and operating revenues increased by 17% in 2003 compared to 2002 mainly due to higher shipments, higher-priced metal input costs being passed through to customers and the appreciation of the Korean won. NA was able to capitalize on growth in Asian can demand, particularly in China, combined with improved operating performance in our Korean operations. NA is the second largest supplier to China in terms of shipments, which in Asia-Pacific, is the fastest growing market. In order to reinforce our strategic position in Southeast Asia, we increased our ownership position in Aluminium Company of Malaysia Berhad from 36% to 59% in 2003.

In 2002, the increase in sales and operating revenues was driven by higher shipments, partially offset by lower average realized sales prices and the impact of difficult market conditions. Rolled products shipments increased by 22% as can sheet qualifications were completed during the year. In 2002, we achieved a major milestone when, after two and a half years of efforts, we completed the qualification of our can-body stock with 28 customer can manufacturing plants in Australia, China, Korea, Malaysia, Singapore, Taiwan, Thailand and Vietnam.

NA's BGP has steadily increased over the last three years due to the higher shipments resulting from the improved operating performance of our Korean rolling mills.

Novelis South America

Novelis South America, or NSA, operates two rolling plants facilities in Brazil. NSA manufactures a variety of aluminum sheet and light gauge products for the beverage/food can, construction and industrial and packaging end-use markets. Economic markets in South America have been volatile and challenging over the past several years, but NSA has been able to capitalize on its position as the only can sheet producer in that region, in order to improve its sales into the beverage and food can markets. NSA has also turned to new export markets in an attempt to offset the impacts of the more difficult local economic conditions. NSA's Pinda facility is supplied, in part, by our two smelters in Brazil, with any excess primary production being sold to third parties in the form of billet. Raw materials for these smelters are partially supplied by a company-owned alumina refinery and bauxite mine. A portion of their power requirements are self-generated.

The following tables set forth key financial and operating data for NSA for the fiscal years ended December 31, 2003, 2002 and 2001.

	Year ended December 31,		
	2003	2002	2001
Contribution to Novelis South America sales and operating revenues			
Beverage/Food Cans	50%	52%	51%
Construction and Industrial	5%	3%	4%
Foil Products	8%	10%	10%
Transportation	17%	14%	18%
Ingot	20%	21%	17%
Total	100%	100%	100%

	% Change		Year ended December 31,		
	2003 vs 2002	2002 vs 2001	2003	2002	2001
Novelis South America selected financial information(i)					
Sales and operating revenues	9%	(4%)	\$414	\$379	\$393
BGP	24%	(16%)	112	90	107
Rolled products shipments(ii) (kt)	10%	(9%)	204	186	205
Ingot products shipments(iii) (kt)	(7%)	32%	54	58	44

(i) Intersegment revenues and shipments are not included in the figures above; you should read note 25 of the annual combined financial statements for details of intersegment revenues.

(ii) Includes conversion of customer-owned metal (tolling).

(iii) Includes primary and secondary ingot and recyclable aluminum.

NSA had sales and operating revenues of \$414 million in 2003, representing 7% of our total sales and operating revenues, and shipments of 258 kilotonnes representing 9% of our total shipments. Rolled products shipments increased by 10% with further inroads made into the can market, which began to grow towards the end of 2003. The sales and operating revenues increase in 2003 also reflected higher aluminum input costs which are passed through to customers.

While South American economies improved in 2003, the business environment remained challenging. As the only local can sheet producer, NSA was well positioned to grow can sheet sales despite a decrease in demand in the domestic can market. New product introductions along with competitive advantages and

[Table of Contents](#)

improvements in the distribution chain also strengthened our sales position in industrial products and light gauge markets. Efforts to grow export sales continued in order to mitigate the impact of soft local demand.

In 2003, NSA's BGP increased by \$22 million, or 24%, compared to 2002 mainly due to higher shipments and the benefits from ongoing cost reduction initiatives, partially offset by lower conversion prices reflecting the soft economic conditions.

In 2002, South American economies were severely impacted by political uncertainty in Brazil, Argentina and Venezuela. The Brazilian real fell 53% during the year, which reduced demand for U.S. dollar-based aluminum products and led to an 8% drop in sheet shipments. In order to mitigate the decline in local demand, NSA turned to new export markets and new product introductions, as well as a focus on higher value-added products.

The 16% decline in BGP in 2002 compared to 2001 largely reflected the impact of weak demand and lower shipments as well as lower LME prices for primary products.

Risks and uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our performance. A discussion of risks and uncertainties is included under the caption "Risk Factors." In addition, refer to notes 19 and 21 of the annual combined financial statements for a discussion of commitments and contingencies and financial instruments and commodity contracts.

Risk management

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in commodity aluminum prices, foreign currency exchange rates and interest rates that could impact our results of operations and financial condition. Alcan historically has managed these types of risks on our behalf as part of its group-wide management of market risks. The notional amounts of derivative financial instruments included in the historical combined financial statements indicate the extent of our involvement in such instruments but are not necessarily indicative of what our exposure to market risk through the use of derivatives would be as a separate stand-alone entity. We plan to manage our exposure to these and other market risks through regular operating and financing activities and the use of derivative financial instruments. We intend to use such derivative financial instruments as risk management tools and not for speculative investment purposes. By their nature, all such instruments involve risk including the credit risk of non-performance by counterparties, and our maximum potential loss may exceed the amount recognized in our balance sheet. However, at September 30, 2004, the principal counterparty to these contracts was Alcan and we believe there was no significant risk of loss in the event of non-performance.

The decision whether and when to commence a hedge, along with the duration of the hedge, can vary from period to period depending on market conditions and the relative costs of various hedging instruments. The duration of a hedge is always linked to the timing of the underlying exposure, with the connection between the two being regularly monitored to ensure effectiveness. Derivative contracts that are deemed to be highly effective in offsetting changes in the fair value or cash flows of hedged items are designated as hedges of specific exposures and, accordingly, all gains and losses on these instruments are recognized in the same manner as the item being hedged.

The separation agreement between Alcan and us, provides that we will assume all liabilities under, or otherwise relating to, derivatives and similar obligations primarily related to our business. Initially, Alcan may continue to perform obligations under such derivatives and similar obligations on our behalf, but all amounts paid to or received from third parties will be charged to or credited to us. Clearly defined policies and management controls govern all risk management activities. Derivative transactions are executed only with approved counterparties. Transactions in financial instruments for which there is no underlying exposure to our company are prohibited.

Commodity price risk. Most aluminum rolled products are priced in two components: a pass-through aluminum price component based on the LME quotation and local market premia, plus a "margin-over-

[Table of Contents](#)

metal” or conversion charge based on the cost to roll the product. As a consequence, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we may enter into hedging contracts for the metal inputs in order to protect the profit on the conversion margin of the product. In addition, sales contracts currently representing approximately 20% of our total annual shipments provide for a ceiling over which metal prices cannot contractually be passed through to our customers. We mitigate the risk of this metal price exposure through the purchase of metal hedging contracts or options.

Foreign currency exchange risk. Exchange rate movements, particularly the euro, the Canadian dollar, the Brazilian real and the Korean won against the U.S. dollar, have an impact on our results. In Europe and Korea, where we have local currency conversion prices and operating costs, we benefit as the euro strengthens and Korean won weakens, but are adversely affected as the euro weakens but the Korean won strengthens. In Korea, a significant portion of the conversion prices for exports is U.S. dollar driven. In Canada and Brazil, we have operating costs denominated in local currency while our functional currency is the U.S. dollar. As a result we benefit from a weakening in local currencies but, conversely, are disadvantaged if they strengthen. In Brazil, this is partially offset by some sales that are denominated in real. In Europe and Korea where the local currency is also the functional currency, certain revenues, operating costs and debt are denominated in U.S. dollars. Foreign currency contracts may be used to hedge these economic exposures.

Any negative impact of currency movements on the currency contracts that we have entered into to hedge identifiable foreign currency commitments to purchase or sell goods and services would be offset by an equal and opposite favourable exchange impact on the commitments being hedged. For accounting policies relating to currency contracts, see note 3 of our annual combined financial statements.

Sensitivities

Estimated annual effect on our net income:

	Change in Rate/price	\$ millions per year
Economic impact of changes in period-average U.S. dollar exchange rates		
Euro	+10%	14
Korean won	+10%	(5)
Canadian dollar	+10%	(4)
Brazilian real	+10%	(8)

Interest rate risk. Following the separation, we will be subject to interest rate risk related to the variable rate debt to be assumed or incurred in connection with the separation. For every 12.5 basis point increase in the assumed interest rate on our debt of \$2.8 billion, our net income would be reduced by \$3 million. We expect to manage this risk through the appropriate use of interest rate derivatives.

Critical Accounting Policies and Estimates

We have prepared our combined financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on our informed judgments and estimates. Our accounting policies are discussed in note 3 of the combined financial statements. As discussed below, our financial position or results of operations may be materially affected when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. We believe the following critical accounting policies are those that require our more significant judgments and estimates used in the preparation of our combined financial statements.

Allocation of general corporate expenses

Alcan has allocated general corporate expenses to us based on average head count and capital employed. Capital employed represents total assets less payables and accrued liabilities and deferred credits and other liabilities. Capital employed and average headcount are both indicative of the size of our businesses. A combination of these measures as a basis of allocation also mitigates unrepresentative fluctuations in the amounts allocated. The costs allocated were not necessarily indicative of the costs that would have been incurred if we had performed these functions as a stand-alone company, nor were they indicative of costs that will be incurred in the future. The use of a different basis of allocation may result in a material change to the amounts reflected in the SA&G expense in the combined statements of income. The general corporate expenses allocation is primarily for human resources, legal, treasury, insurance, finance, internal audit, strategy and public affairs and amounted to \$24 million and \$19 million for the nine months ended September 30, 2004 and 2003, respectively, and \$24 million, \$28 million and \$26 million for the years ended December 31, 2003, 2002 and 2001, respectively. Total head office costs, including the amounts allocated, amounted to \$41 million and \$30 million for the nine months ended September 30, 2004 and 2003, respectively and \$42 million, \$47 million and \$40 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Post-retirement benefits

The costs of pension and other post-retirement benefits are calculated based on assumptions determined by us, with the assistance of independent actuarial firms and consultants. These assumptions include the long-term rate of return on pension assets, discount rates for pension and other post-retirement benefits obligations, expected service period, salary increases, retirement ages of employees and health care cost trend rates. These assumptions are subject to the risk of change as they require significant judgment and have inherent uncertainties that we may not be able to control.

The two most significant assumptions used to calculate the obligations in respect of employee benefit plans are the discount rates for pension and other post-retirement benefits, and the expected return on assets.

The discount rate for pension and other post-retirement benefits is the interest rate used to determine the present value of benefits. It is based on the yield on long-term high-quality corporate fixed income investments at the end of each fiscal year. The weighted-average discount rate was 5.8% as at December 31, 2003, compared to 5.6% for 2002 and 2001. An increase in the discount rate of 0.5%, assuming inflation remains unchanged, would have resulted in a reduction of approximately \$23 million in the pension and other post-retirement obligations and in a reduction of approximately \$2 million in the net periodic benefit cost. A reduction in the discount rate of 0.5%, assuming inflation remains unchanged, would have resulted in an increase of approximately \$25 million in the pension and other post-retirement obligations and in an increase of approximately \$2 million in the net periodic benefit cost.

The calculation of the estimate of the expected return on assets is described in note 23 Post-Retirement Benefits of the annual combined financial statements. The weighted-average expected return on assets was 8.0% for 2003, 5.0% for 2002 and 5.0% for 2001. The expected return on assets is a long-term assumption whose accuracy can only be measured over a long period based on past experience. Over the 15-year period ended December 31, 2003, the average actual return on assets exceeded the expected return by 1.5% per year. A variation in the expected return on assets of 0.5% will result in a variation of approximately \$1 million in the net periodic benefit cost.

Environmental liabilities

Environmental expenses that are not legal asset retirement obligations are accrued on an undiscounted basis when it becomes probable that a liability for past events exists. In determining whether a liability exists, we are required to make judgments as to the probability of a future event occurring. These judgments are subject to the risk of change, as they depend on events that may or may not occur in the future. If our judgments differ from those of legal or regulatory authorities, the provisions for

environmental expense could increase or decrease significantly in future periods. Our environmental experts and internal and external legal counsel are consulted on all material environmental matters.

Property, plant and equipment

Due to changing economic and other circumstances, we regularly review our property, plant and equipment, or PP&E. Accounting standards require that an impairment loss be recognized when the carrying amount of a long-lived asset held for use is not recoverable and exceeds its fair value. The amount of impairment to be recognized is calculated by subtracting the fair value of the asset from the carrying amount of the asset. As discussed in the notes to the combined financial statements, we reviewed specific PP&E for impairment in 2003 due to situations where circumstances indicated that the carrying value of specific assets could not be recovered. We made assumptions about the undiscounted sum of the expected future cash flows from these assets and determined that they were less than their carrying amount, resulting in the recognition of an impairment in accordance with U.S. GAAP. In estimating future cash flows, we use our internal plans. These plans reflect our best estimates; however they are subject to the risk of change as they have inherent uncertainties that we may not be able to control. Our actual results could differ significantly from those estimates. We cannot predict whether an event that triggers an impairment of PP&E will occur or when it will occur, nor can we estimate what effect it will have on the carrying values of our assets.

Income taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in our combined financial statements. Income tax assets and liabilities, both current and deferred, are measured according to the income tax legislation that is expected to apply when the asset is realized or the liability settled. We regularly review the recognized and unrecognized deferred income tax assets to determine whether a valuation allowance is required or needs to be adjusted. In forming a conclusion about whether it is appropriate to recognize a tax asset, we must use judgment in assessing the potential for future recoverability while at the same time considering past experience. All available evidence is considered in determining the amount of a valuation allowance. If our interpretations differ from those of tax authorities or judgments with respect to tax losses change, the income tax provision could increase or decrease, potentially significantly, in future periods.

Recently Issued Accounting Standards

Consolidation of Variable interest entities

In January 2003, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 46, or FIN 46, "Consolidation of Variable Interest Entities," in an effort to expand upon and strengthen existing accounting guidance as to when a company should consolidate the financial statements of another entity. The interpretation requires "variable interest entities" to be consolidated by a company if that company is subject to a majority of expected losses of the entity or is entitled to receive a majority of expected residual returns of the entity, or both. A company that is required to consolidate a variable interest entity is referred to as the entity's primary beneficiary. The interpretation also requires certain disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. This interpretation applied to us commencing with the period ending March 31, 2004. For further details, please refer to note 2 of the interim combined financial statements.

In the combined financial statements as at December 31, 2003 and prior to December 31, 2003, we combined all entities in which we had control by ownership of a majority of voting interests. As a result of FIN 46, effective as at March 31, 2004, our combined balance sheet includes the assets and liabilities of Logan Aluminum Inc. (Logan), a variable interest entity for which we are the primary beneficiary. Logan manages a tolling arrangement for the Novelis Group and an unrelated party.

Upon adoption of FIN 46 as of March 31, 2004, assets of approximately \$39 million and liabilities of approximately \$39 million related to Logan that were previously not recorded on our combined balance

[Table of Contents](#)

sheet were recorded by us. There was no impact on the combined statements of income for the periods presented and no cumulative effect of an accounting change to recognize. The results of operations of this variable interest entity were included in our combined results beginning March 31, 2004 and did not have a material impact for the nine months ended September 30, 2004. Our investment, plus any unfunded pension liability, related to Logan totalled approximately \$37 million as at September 30, 2004, representing our maximum exposure to loss. Creditors of Logan do not have recourse to our general credit as a result of including Logan in our financial statements.

Quantitative and qualitative disclosures about market risk

Changes in interest rates, foreign exchange rates and the market price of aluminum are among the factors that can impact our cash flows.

Interest rates

Historically, Alcan has centrally managed its financing activities in order to optimize its costs of funding and financial flexibility at a corporate level. As the debt being carried in our historical combined financial statements does not necessarily reflect our debt capacity and financing requirements as a stand-alone company, we have not presented interest rate sensitivities for historical periods. You should generally read “Risk Factors” and the discussion under the heading “— Risks and uncertainties — Risk management.” For accounting policies on interest rate swaps used to hedge interest costs on certain debt, you should read note 3 of the annual combined financial statements.

Currency derivatives

The schedule below presents fair value information and contract terms relevant to determining future cash flows categorized by expected maturity dates of our currency derivatives outstanding as at September 30, 2004. Virtually all currency derivatives are undertaken with Alcan.

	2004	2005	2006	2007	2008	2009	Total Nominal Amount	Fair Value
(\$ millions, except contract rates)								
Forward contracts								
To purchase USD against the foreign currency								
GBP	Nominal amount	64	19	2	—	—	85	(2)
	Average contract rate	1.7838	1.6495	1.6349	—	—		
To sell USD against the foreign currency								
GBP	Nominal amount	76	15	1	—	—	92	1
	Average contract rate	1.7890	1.6451	1.6387	—	—		
EUR	Nominal amount	24	16	—	—	—	40	2
	Average contract rate	1.1807	1.1745	—	—	—		
To sell EUR against the foreign currency								
USD	Nominal amount	103	146	50	38	—	337	(16)
	Average contract rate	1.1810	1.1719	1.1775	1.1982	—		
GBP	Nominal amount	75	28	5	—	—	108	(1)
	Average contract rate	1.4705	1.4368	1.4269	—	—		
To buy EUR against the foreign currency								
GBP	Nominal amount	14	6	—	—	—	20	—
	Average contract rate	1.4384	1.4122	—	—	—		

[Table of Contents](#)

The schedule below presents fair value information and contract terms relevant to determining future cash flows categorized by expected maturity dates of our currency derivatives outstanding as at December 31, 2003. Virtually all currency derivatives are undertaken with Alcan.

		2004	2005	2006	2007	2008	2009	Total Nominal Amount	Fair Value
(\$ millions, except contract rates)									
Forward contracts									
To purchase USD against the foreign currency									
GBP	Nominal amount	20	5	—	—	—	—	25	(2)
	Average contract rate	1.6491	1.6663	—	—	—	—		
To sell USD against the foreign currency									
GBP	Nominal amount	15	8	1	—	—	—	24	3
	Average contract rate	1.5635	1.5516	1.5497	—	—	—		
EUR	Nominal amount	36	4	—	—	—	—	40	4
	Average contract rate	1.1813	1.0559	—	—	—	—		
To sell EUR against the foreign currency									
USD	Nominal amount	195	57	6	1	—	—	259	(35)
	Average contract rate	1.1354	1.0985	1.0551	0.9097	—	—		
GBP	Nominal amount	67	3	—	—	—	—	70	(1)
	Average contract rate	1.4288	1.3801	—	—	—	—		
To buy EUR against the foreign currency									
GBP	Nominal amount	29	4	—	—	—	—	33	1
	Average contract rate	1.4228	1.3912	—	—	—	—		

Any negative impact of currency movements on the currency contracts that we have entered into to hedge identifiable foreign currency commitments to purchase or sell goods and services, would be offset by an equal and opposite favourable exchange impact on the commitments being hedged. Transactions in currency related financial instruments for which there is no underlying foreign currency exchange rate exposure to us are prohibited. For accounting policies relating to currency contracts, see note 3 of the annual combined financial statements.

Derivative commodity contracts

Our aluminum forward contract positions, the counterparty of which is Alcan, are entered into to hedge future purchases of metal that are required for firm sales and purchase commitments to fabricated products customers and to hedge future sales. Consequently, any negative impact movements in the price of aluminum on the forward contracts would be offset by an equal and opposite impact on the sales and purchases being hedged.

The effect of a reduction of 10% in aluminum prices on our aluminum forward contracts outstanding at September 30, 2004 would be to decrease our net income over the period ending December 31, 2007 by approximately \$51 million (\$15 million in 2004, \$26 million in 2005, \$6 million in 2006, and \$4 million in 2007). These results reflect a 10% reduction from the September 30, 2004, three-month LME aluminum closing price of \$1,846 per tonne and assume an equal 10% decrease has occurred throughout the aluminum forward price curve existing as at September 30, 2004.

The effect of a reduction of 10% in aluminum prices on our aluminum forward contracts outstanding at December 31, 2003 would be to decrease our net income over the period ending December 31, 2006 by approximately \$74 million (\$63 million in 2004, \$10 million in 2005 and \$1 million in 2006). These results reflect a 10% reduction from the December 31, 2003, three-month LME aluminum closing price of \$1,600 per tonne and assume an equal 10% decrease has occurred throughout the aluminum forward price curve existing as at December 31, 2003.

MANAGEMENT

Our directors and executive officers

We expect that our board of directors following the separation will be comprised of between nine and 15 directors. We also expect Brian W. Sturgell, our chief executive officer, to serve as a director following the separation. Our directors' terms will expire at each annual shareholders meeting.

The following table sets forth information as to persons who we currently expect will serve as our directors immediately following the separation. Biographical details for each of our directors are also set forth below.

Name	Age	Position
Brian W. Sturgell	55	Director and Chief Executive Officer
J.E. Newall, O.C.	69	Non-Executive Chairman of the Board
Jacques Bougie, O.C.	57	Director
Clarence J. Chandran	55	Director
C. Roberto Cordaro	54	Director
Helmut Eschwey	55	Director
Suzanne Labarge	58	Director
William T. Monahan	57	Director
Rudolf Rupprecht	63	Director
Edward Yang	58	Director

Brian W. Sturgell will be our Chief Executive Officer and Director following the separation. Mr. Sturgell has 31 years of experience in the aluminum business and has worked for Alcan for the past 15 years. Since January 2002, Mr. Sturgell has been Executive Vice President and a member of the Office of the President, at Alcan, and responsible for Alcan's Rolled Products Americas and Asia, Rolled Products Europe and Packaging business groups. In this role, he oversaw the global operations of Alcan's rolled products and packaging businesses. Mr. Sturgell has held several positions with Alcan: Executive Vice President, Aluminum Fabrication, Americas and Asia (from November 2000 to January 2002), Executive Vice President, Corporate Development (from January 1999 to November 2000), Executive Vice President, Asia/ Pacific (July 1997 to January 1999) and Executive Vice President, Fabricated Products, North America and President of Alcan Aluminum Corporation (from January 1996 to July 1997). In 2004, Mr. Sturgell concluded a two-year term as Chairman of the U.S. Aluminum Association. He is a member of the board of directors for the U.S. National Association of Manufacturers. Born in Michigan in 1949, Mr. Sturgell graduated from Michigan State University with a bachelor of science degree. He has also attended the Executive Development Program at the Kellogg Graduate School at Northwestern University in the United States.

J.E. Newall, O.C. has agreed to serve as the Non-Executive Chairman of our board of directors. Mr. Newall had been on the board of directors of Alcan since 1985. Mr. Newall has been Chairman of the board of directors of NOVA Chemicals Corporation (previously known as Nova Corporation) since 1998 and of Canadian Pacific Railway Limited since 2001. He was Vice Chairman and Chief Executive Officer of NOVA Chemicals Corporation from 1991 to 1998. He is also a Director of Maple Leaf Foods Inc. and the Royal Bank of Canada.

Jacques Bougie, O.C. has agreed to serve as Director on our board of directors. Mr. Bougie was President and Chief Executive Officer of Alcan from 1993 to 2001 and was President and Chief Operating Officer of Alcan from 1989 to 1993. He is Chairman of the International Advisory Council of CGI Group Inc. and is a Director of NOVA Chemicals Corporation, McCain Foods Ltd., RONA Inc. and Abitibi Consolidated Inc.

Clarence J. Chandran has agreed to serve as Director on our board of directors. Mr. Chandran is Chairman of the Chandran Family Foundation Inc. He retired as President, Business Process Services, of

[Table of Contents](#)

CGI Group Inc. in 2004 and retired as Chief Operating Officer of Nortel Networks Corporation in 2001. Mr. Chandran is also a Director of MDS Inc. and Chairman of the board of directors of Conros Corporation.

C. Roberto Cordaro has agreed to serve as Director on our board of directors. Mr. Cordaro is President, Chief Executive Officer and has been a Director of Nuvera Fuel Cells, Inc. since 2002. He was Chief Executive Officer of the Motor Coach Industries International from 2000 to 2001 and was Executive Vice President of Cummins Inc. from 1996 to 1999.

Helmut Eschwey has agreed to serve as Director on our board of directors. Dr. Eschwey has been Chairman of the board of management of Heraeus Holding GmbH, in Germany since 2003. Prior to that, Dr. Eschwey was the head of the plastics technology business at SMS AG from 1994. Before he joined SMS AG, he held management positions at Freudenberg Group of Companies, Pirelli & C. S.p.A. and the Henkel Group.

Suzanne Labarge has agreed to serve as Director on our board of directors. Ms. Labarge retired as Vice Chairman and Chief Risk Officer of the Royal Bank of Canada in September 2004. She was Executive Vice President, Corporate Treasury, of the Royal Bank of Canada from 1995 to 1998.

William T. Monahan has agreed to serve as Director on our board of directors. Mr. Monahan is the retired Chairman and Chief Executive Officer of Imation Corporation, where he served in that capacity from its spin-off from 3M Co. in 1996 to May of 2004. Prior to that, he held numerous executive positions at 3M, including Group Vice President, Senior Vice President of 3M Italy and the Vice President of the Data Storage Division. Mr. Monahan is a Director of Pentair, Inc., Hutchinson Technology Inc. and Mosaic, Inc.

Rudolf Rupprecht has agreed to serve as Director on our board of directors. Dr. Rupprecht has been Chairman of the executive board of MAN AG, in Germany since 1996. Prior to that, Dr. Rupprecht occupied various supervisory board positions within that company which he joined in 1966. Dr. Rupprecht is also a member of the supervisory boards of Salzgitter AG and WalterBau AG and is Chairman of the supervisory board of SMS GmbH.

Edward Yang has agreed to serve as Director on our board of directors. Mr. Yang is Chief Executive Officer of the Netstar Group of Companies and is also Operating Partner at ING Barings Private Equity Partners Asia. Prior to his current role, Mr. Yang was also Corporate Senior Vice President and President of Asia Pacific at Electronic Data Systems Corporation from 1992 to 2000.

The following table sets forth information as to executive officers of our company who are not directors. Biographical details for each of our executive officers who are not directors are also set forth below. None of the identified officers will retain their positions with Alcan after the separation.

Name	Age	Position
Martha Finn Brooks	45	Chief Operating Officer
Geoffrey P. Batt	56	Chief Financial Officer
Christopher Bark-Jones	58	President — Europe
Kevin Greenawalt	47	President — North America
Jack Morrison	52	President — Asia
Antonio Tadeu Coelho Nardocci	47	President — South America
Pierre Arseneault	48	Vice President, Strategic Planning and Information Technology
David Godsell	49	Vice President, Human Resources and Environment, Health and Safety
Brenda Pulley	46	Vice President, Corporate Affairs and Communications
Jo-Ann Longworth	43	Vice President and Controller

Martha Finn Brooks will be our Chief Operating Officer following the separation. Ms. Brooks joined Alcan as President and Chief Executive Officer of Alcan's Rolled Products Americas and Asia business group in August 2002. Ms. Brooks leads three of Alcan's business units, namely North America, Asia and Latin America. Prior to joining Alcan, Ms. Brooks was Vice President, Engine Business, Global Marketing, Sales and Engineering at Cummins Inc., a manufacturer of service electric power generation systems, engines and related products. She was with Cummins Inc. for 16 years, where she held a variety of positions in strategy, international business development, marketing and sales, engineering and general management. Ms. Brooks is a member of the board of directors of International Paper Company, a member of the Board of Trustees of Manufactures Alliance, an executive committee and board member of The Aluminum Association, and a Trustee of the Hathaway Brown School. Born in 1959, Ms. Brooks holds a B.A. in Economics and Political Science and a Masters of Public and Private Management specializing in international business from Yale University in the United States.

Geoffrey P. Batt will be our Chief Financial Officer following the separation. Mr. Batt retired from Alcan in January 2004 after a 29-year career as a senior financial manager with the company. A former Vice President and Financial Controller of Alcan's Rolled Products Americas and Asia business group, Mr. Batt has held senior finance positions in Canada, Switzerland, the United Kingdom, and the United States. Mr. Batt joined Alcan in 1973 as an accountant in Kingston, Canada. In 1985 he was named Director of Planning and Finance of Alcan Enterprises North America in Montreal. Two years later he became Finance Director, New Business for Alcan Aluminium S.A. In 1988, he assumed the position of New Business Development Manager of British Alcan. He returned to Montreal in 1991 as Assistant Controller for Alcan Aluminium Limited. Mr. Batt became Treasurer of Alcan Aluminium Limited in 1997 and Chief Financial Officer of Alcan Europe in 1998. Born in 1947 and a native of Keynsham, England, Mr. Batt attended Queen's University in Kingston, Ontario. In 1975, Mr. Batt received his accounting designation from The Certified General Accountant's Association of Canada.

Christopher Bark-Jones will be President of our European operations following the separation. Mr. Bark-Jones has been President and Chief Executive Officer, Alcan Rolled Products, Europe since January 2002. He has held several positions with Alcan: Vice President, Corporate Development and Chief Financial Officer, Alcan Europe (from August 2000 to January 2002) and Chairman and Chief Executive Officer of Indian Aluminum Company, Limited, a company listed on the Indian stock exchange (from October 1998 to August 2000). Mr. Bark-Jones was Chief Financial Officer of British Alcan Aluminium plc from July 1991 to June 1996, and Chief Financial Officer of Alcan Europe Ltd. from its formation on June 1996 until October 1998. He has been Chairman of the European Aluminum Association since 2002. Before joining Alcan in 1978, Mr. Bark-Jones was an investment research analyst at Morgan Guarantee Trust Company. Born in 1946 in Liverpool, England Mr. Bark-Jones has an MA in economics from Cambridge University in England and an MBA from Insead Business School in France.

Kevin Greenawalt will be President of our North American operations following the separation. Since April 2004, Mr. Greenawalt has been President, Rolled Products North America. Mr. Greenawalt has been with Alcan since 1983 holding various managerial positions in corporate and business planning, operations planning, manufacturing, sales and business unit management. Prior to the Rolled Products North America position, his most recent position at Alcan was Vice President, Manufacturing for Rolled Products Europe based in Zurich, Switzerland, where he was responsible for ten facilities in Germany, Switzerland, Italy and the United Kingdom. In the late 1990s, Mr. Greenawalt led the Alcan North American Light Gauge Products business unit. Born in 1956, Mr. Greenawalt holds an MBA and a Bachelor of Science in Industrial Administration from Carnegie-Mellon University in United States. He participated in the International Masters for Practicing Managers program (UK, Canada, India, Japan, France) and was trained in Japan in Kaizen and Lean Manufacturing.

Jack Morrison will be President of our Asian operations following the separation. Since June 2000, he has been President, Rolled Products Asia and Chief Executive Officer of Alcan Taihan Aluminum Limited. Mr. Morrison has been responsible for Aluminium Company of Malaysia since November 2001. Mr. Morrison has over 30 years experience in the aluminum industry having worked for Alcoa, Consolidated Aluminum prior to joining Alcan in 1981. Prior to his assignment in Asia, Mr. Morrison was

[Table of Contents](#)

President, Alcan Sheet Products, North America located in Cleveland, Ohio, United States. Born in 1952, Mr. Morrison holds a Bachelor of Science in Industrial Management from Purdue University in the United States.

Antonio Tadeu Coelho Nardocci will be President of our South American operations following the separation. Mr. Coelho Nardocci joined Alcan in 1980. Since March 2002, he was President, Rolled Products South America. Prior to that, he was Vice President and Managing Director of Alcan Nikkei, in Malaysia. Born in São Paulo, Brazil in 1957, Mr. Nardocci graduated from the University of São Paulo with a degree in metallurgy. Mr. Nardocci is a member of the executive board of the Brazilian Aluminum Association.

Pierre Arseneault will be our Vice President, Strategic Planning and Information Technology following the separation where he will be responsible for developing our global strategic planning efforts and leading our organization's information technology function. Mr. Arseneault joined Alcan in 1981. Mr. Arseneault has been Vice President of Alcan since December 2003. In his 23 years with Alcan, he has held different key positions. He led the Pechiney integration from December 2003 to May 2004. He was President of Rolled Products North America from August 2001 to December 2003 and President of light gauge in North America and Asia from August 2000 to August 2001. From April 1997 until August 2000, based in Asia, Mr. Arseneault held the position of Vice President of South East Asia. During the prior 15 years, he held different positions in Alcan's Primary Metal group. Born in 1956 in Victoriaville, Canada, Mr. Arseneault graduated from Polytechnique University, where he earned a Bachelor's Degree in Industrial Engineering. He also has a Masters Degree in international management from the International Masters Program in Practicing Management (IMPM), a cooperative venture of business schools in five countries around the world – Canada, England, France, India, and Japan.

David Godsell will be our Vice President, Human Resources and Environment, Health and Safety following the separation. In this position, he will have global responsibilities for all aspects of our organization's human resource function as well as environment, health and safety. Mr. Godsell joined Alcan in 1979. After joining Alcan, he held human resources positions of increasing responsibility within the downstream Alcan fabrication group before transferring to Alcan's smelting company in British Columbia. Since 1996, Mr. Godsell has been Vice President of Human Resources and Environment, Health and Safety for Alcan Rolled Products Americas and Asia. Mr. Godsell began his career with the Continental Can Company in 1978 prior to joining Alcan. Born in 1955, Mr. Godsell holds a Bachelor of Arts in Economics from Carleton University in Ottawa, Canada.

Brenda D. Pulley will be our Vice President, Corporate Affairs and Communications following the separation where she will have global responsibility for our organization's corporate affairs and communication efforts, which include branding, strategic planning, and internal and external communications. She was Vice President, Corporate Affairs and Government Relations of Alcan from September 2000 to 2004. Upon joining Alcan in 1998, Ms. Pulley was named Director, Government Relations. She has served as Legislative Assistant to Congressman Ike Skelton of Missouri and to the U.S. House of Representatives Subcommittee on Small Business, specializing in energy, environment, and international trade issues. She also served as Executive Director for the National Association of Chemical Recyclers, and Director, Federal Government Relations for Safety-Kleen Corp. Ms. Pulley currently serves as the Chairperson for America Recycles Day and on the board of directors for the League of American Bicyclists. Born in 1958, Ms. Pulley earned her Bachelor of Science degree from Central Missouri State University in the United States majoring in Social Science, with a minor in communications.

Jo-Ann Longworth will be our Vice President and Controller following the separation. Since August 2003, Ms. Longworth has been Vice President and Business Finance Director for Rolled Products Americas and Asia in Cleveland, Ohio, United States. Ms. Longworth joined Alcan in 1989 and has progressed through a series of financial positions with several Alcan businesses. After starting her career in the Controller's department as Manager of Accounting Research in Montreal, she subsequently became the controller for Alcan's North American Foil Products division in Toronto in 1993 before moving to Jamaica three years later as Chief Financial Officer of the bauxite and alumina facilities there. In 2000,

[Table of Contents](#)

Ms. Longworth relocated back to Montreal and held the post of Financial Director in the Primary Metals Group for Quebec and United States prior to becoming Director, Investor Relations for Alcan in 2002. Before joining Alcan, Ms. Longworth was an audit manager at Price Waterhouse. Born in Montreal in 1961, she attended Concordia and McGill universities and is a Canadian Chartered Accountant.

Annual meeting

Our first annual meeting of shareholders after the separation will be held prior to June 30, 2006. This will be an annual meeting of shareholders for the election of directors. The annual meeting will be held at a place in North America and on such date as may be fixed by our board of directors.

Corporate governance policies

We are committed to the highest levels of corporate governance practices, which are essential to our success and to the enhancement of shareholder value. We expect our shares to be listed on the Toronto and New York stock exchanges and to make the required filings with the Canadian and United States securities regulators. Accordingly, we will be subject to a variety of corporate governance and disclosure requirements. We expect our corporate governance practices will meet or exceed the Toronto Stock Exchange Corporate Governance Guidelines, or the TSX Guidelines, and the applicable New York Stock Exchange and other stock exchange and regulatory requirements and ensure transparency and effective governance of our company. Our board of directors will regularly review our corporate governance practices in light of developing requirements in this field. As new provisions come into effect, our board of directors will reassess our corporate governance practices and implement changes where appropriate. The following is an overview of our corporate governance practices.

Our board of directors

Our board of directors has the responsibility for stewardship of our company, including the responsibility to ensure that we are managed in the interest of our shareholders as a whole, while taking into account the interests of other stakeholders.

Our board of directors will supervise the management of our business and affairs and discharge its duties and obligations in accordance with the provisions of (1) the CBCA, (2) our articles of incorporation and by-laws, (3) the charters of our board of directors and committees of our board of directors, and (4) other applicable legislation and company policies.

We expect that our corporate governance practices will require that, in addition to statutory requirements, the following matters be subject to approval by our board of directors:

- capital expenditure budgets and significant investments and divestments;
- our strategic and value-maximizing plans;
- the number of directors, within the limits provided in our articles of incorporation; and
- any matter which may have the potential for important impact on our company.

Independence of our board of directors

Care will be taken to ensure that our board of directors consists of a substantial majority of individuals who qualify as directors who are unrelated to and independent of management, in accordance with stock exchange requirements.

To assist in determining the independence of its members, our board of directors is planning to establish Guidelines on the Independence of the Directors of Novelis, or the Guidelines on Independence.

We expect that the definition of an independent director under the Guidelines on Independence will encompass both the definition of an “unrelated” director within the meaning of the TSX Guidelines and of an “independent” director within the meaning of the rules of the New York Stock Exchange. Such a

director must not have any material relationship with us, either directly or as a partner, shareholder or officer of a company that has a relationship with us and must not have an interest or relationship which could reasonably be perceived to interfere with his or her ability to act with a view to the best interest of our company (an “independent director”).

We also expect the Guidelines on Independence will establish an additional, more stringent, definition of independence for members of our audit, human resources and nominating committees. This heightened definition of independence would correspond to the audit committee member independence qualification within the meaning of the U.S. Sarbanes-Oxley Act of 2002, or SOX. To meet the SOX audit committee qualification, a director must not, directly or indirectly, accept any consulting, advisory or other compensatory fee from the company (except in his or her capacity as director) and may not be an affiliated person of the company or any subsidiary other than in his or her capacity as a member of the board or any committee of the board.

Committees of our board of directors

Our board of directors plans to establish four committees prior to or immediately following the separation: an audit committee, a corporate governance committee, a human resources committee and a customer relations committee. We expect that each committee will be constituted by its own charter. We further expect that our audit, human resources and nominating committees will be made up exclusively of independent directors. We also expect that a nominating committee will be constituted as a subcommittee of the corporate governance committee and that environment, health and safety matters will be dealt with by the human resources committee.

Audit committee

The audit committee will be established in accordance with the requirements of the CBCA, stock exchange rules and applicable securities laws and regulations and composed entirely of independent directors. Its roles and responsibilities will be set out in its charter. At least one member of our audit committee will be an audit committee financial expert as defined in section 407 of SOX. The audit committee’s main objective is to provide an effective overview of our financial reporting process and internal control functions. It will assist our board of directors in fulfilling its functions relating to corporate accounting and reporting practices, as well as overseeing financial and accounting controls and reviewing and approving financial statements and proposals for the issuance of securities. The audit committee will also identify the principal risks of our business such as volatility in metal price, raw material and energy costs and foreign exchange rates and will oversee the implementation of appropriate measures to manage such risks, including policies and standards relating to risk management.

With respect to compliance and disclosure matters, the audit committee will assist us in ensuring that we make timely disclosure of activities that would materially impact our financial statements, that all potential claims against us have been properly evaluated, accounted for and disclosed, and that regular updates are received regarding certain of our policies and practices.

The audit committee will review financial information prepared in accordance with U.S. GAAP and non-GAAP financial information in its various forms, including quarterly earnings releases. It will also review major accounting issues that arise and expected changes in accounting standards and processes that may impact us.

The audit committee will have direct communication with our external and internal auditors and meet privately on a regular basis with each of the external and internal auditors and senior members of our financial management. It will make the recommendation of external auditors for appointment by our shareholders, review their degree of independence and receive and review regular reports from them. The chairman of the audit committee will review the terms of engagement of our external auditors and sign the external auditor’s audit engagement letter. The audit committee will also discuss with our external auditors the quality and not just the acceptability of our accounting principles and obtain their assurance that the

[Table of Contents](#)

audit was conducted in a manner consistent with applicable laws and regulations. We expect to implement a formal procedure that establishes rules on our employment of former employees of our auditors.

The audit committee will assist us in ensuring that our process for monitoring compliance with, and dealing with violations of, our code of conduct, which is described below, is established and updated. In particular, the audit committee will establish procedures in relation to complaints or concerns that may be received by us involving accounting or audit matters, including the anonymous handling thereof.

Corporate governance committee

The corporate governance committee will have the broad responsibility of regularly reviewing our corporate governance practices in general. We anticipate that our corporate governance committee will be composed of a majority of independent directors, and entirely of non-executive directors.

One of the corporate governance committee's main duties will be to maintain an overview of the composition and size of our board of directors. We anticipate that the charter of the corporate governance committee will provide that a subcommittee, as described below under "— Nominating committee," will be responsible for nominating new directors. The corporate governance committee will develop position descriptions for our board of directors, the chairman of our board of directors and our chief executive officer and will approve our chief executive officer's corporate objectives.

The corporate governance committee will assess and ensure on an annual basis the effectiveness of our board of directors as a whole, of each committee of our board of directors and the contribution of individual directors, including our chief executive officer. Each director will complete a survey of board effectiveness on an annual basis which we anticipate will cover the subjects under the categories of board composition, responsibility, meetings and committees. As part of this survey, each of our directors will be asked to complete a self-evaluation and an evaluation of other individual members of our board of directors. The corporate governance committee will also assess our board's relationship with management and recommend, where necessary, limits on our management's authority to act without explicit approval of our board of directors.

We anticipate that the corporate governance committee's mandate will also include recommending levels of compensation for our directors. To this end, the corporate governance committee would consider recommendations from the human resources committee and consider factors such as time commitment, risks and responsibilities.

Nominating committee

We anticipate that the nominating committee will be a subcommittee of the corporate governance committee, composed entirely of independent directors. It will review candidates for nomination as directors and these nominees will be recommended as candidates for election to our board of directors. The delegation of power to the nominating committee will be provided in the charter of the corporate governance committee. The nominating committee when reviewing candidates will take into consideration factors such as judgment, independence, skill, diversity and business experience of the individual candidates and their expected contribution to the skills set of our board of directors as a whole. The minimum qualifications to be met by our directors will be established in the charter of our board of directors. The nominating committee will be allowed to employ third party search firms for identifying and evaluating nominees.

We do not anticipate having a specific policy regarding nominations to our board of directors made by our shareholders. However, shareholders representing five percent or more of our shares entitled to vote may propose nominees for election as directors by following the procedures set out in the CBCA.

Human resources committee

The human resources committee will have the broad responsibility to review human resources policy and employee relations matters and to make recommendations with respect to such matters to our board

[Table of Contents](#)

of directors or our chief executive officer, as appropriate. We anticipate that the human resources committee will be composed entirely of independent directors. Its specific roles and responsibilities will be set out in its charter. The human resources committee will periodically review the effectiveness of our overall management organization structure and succession planning for senior management, review recommendations for the appointment of executive officers, and consider and make recommendations to our board of directors based on trends and developments in the area of human resource management.

The human resources committee will establish our general compensation philosophy and oversee the development and implementation of compensation policies and programs. It will also review and approve the level of and/or changes in the compensation of individual executive officers, taking into consideration individual performance and competitive compensation practices.

The human resources committee will have the responsibility of reviewing our policy, management practices and performance in environment, health and safety matters and making recommendations to our board of directors on such matters in light of current and changing requirements. The human resources committee will also review, assess and provide advice to our board of directors on policy, legal, regulatory and consumer trends and developments related to the environment, as they impact us, our employees, businesses, processes and products.

Customer relations committee

The customer relations committee will have the responsibility of reviewing and guiding our progress in becoming a more market and customer-focused company. This committee will assess our management practices and performance in the areas of brand development, customer satisfaction, market perceptions of Novelis, customer relationships and market segment analysis, among others. The customer relations committee will review our customer relationships and provide advice to our board of directors on trends in marketing and sales best practices in other industries as relevant to our company's growth.

Code of conduct

We expect to adopt a code of conduct that will govern all our employees as well as our directors. As an annex to the code and supplemental thereto, we will adopt a code of ethics for senior financial officers including the chief executive officer, the chief financial officer and controller. Copies of those documents will be posted on our internet site to emphasize the importance we place on adherence to the highest ethical standards. We will promptly disclose any future amendments to these codes on our internet site.

We also expect to have "whistleblower" procedures so that an employee can anonymously report concerns that he or she may have regarding compliance with corporate policies, the code of conduct, applicable laws or auditing and accounting matters.

Director compensation

We anticipate that each non-executive director of our company will be entitled to receive compensation equal to \$150,000 per year, payable quarterly, except that the directors who are members of our audit committee will be entitled to \$155,000. We further anticipate that the chairman of our board of directors will be entitled to receive compensation equal to \$350,000 per year, and the chairman of our audit committee will be entitled to receive \$175,000 per year. We intend to adopt a non-executive deferred share unit plan. We expect that 50% of our directors' compensation will be required to be paid in the form of director's deferred share units, or DDSUs, and 50% in the form of either cash or additional DDSUs at the election of each non-executive director. An employee of our company who is a director is not entitled to receive fees for serving on our board of directors.

Because we expect at least half of the non-executive directors' compensation will be paid in DDSUs, they are not required to own a specific amount of our shares. DDSUs are the economic equivalent of shares. A director cannot redeem the accumulated DDSUs until he or she ceases to be a member of our board of directors.

[Table of Contents](#)

Our board of directors believes that compensation in the form of DDSUs together with the requirement for our non-executive directors to retain all DDSUs until retirement help to align the interests of our non-executive directors with those of our shareholders.

The number of DDSUs to be credited each quarter will be determined by dividing the quarterly amount payable by the average per share price of our shares on the Toronto and New York stock exchanges on the last five trading days of the quarter. Additional DDSUs will be credited to each non-executive director corresponding to dividends declared on our shares. The DDSUs are redeemable only upon termination of the directorship as a result of retirement, resignation or death. The amount to be paid by us upon redemption will be calculated by multiplying the accumulated balance of DDSUs by the average per share price of our shares on those exchanges at the time of redemption.

Our non-executive directors are entitled to reimbursement for transportation and other expenses incurred in attending meetings of our board of directors and meetings of committees of our board of directors. Our non-executive directors who are not Canadian residents are entitled to reimbursement for tax advice related to compensation.

Executive compensation

The human resources committee will be responsible for administering the compensation program for our executive officers. Our executive compensation program will be based upon a pay-for-performance philosophy. Under our program, an executive's compensation will be based on three components, namely, base salary, annual incentives and long term incentives.

Base salary

We anticipate that the target salary will be the mid-point of a salary range for an executive officer and reflect the competitive level of similar positions in the compensation peer groups. The companies identified as part of our peer group are comparable to us in terms of size, industry sector and level of international sophistication. Actual base salaries for executive officers will reflect the individual's performance and contribution to our company. Base salaries of our executive officers will be reviewed annually and any proposed changes will be approved by the human resources committee.

Annual incentives

Our short term incentive plan will be administered by the human resources committee, and will have two components, each based on a different aspect of our performance: (1) 90% of the incentive opportunity of an executive will be based on our overall profitability as measured against a yet-to-be-determined financial measure, and (2) 10% of the incentive opportunity of an executive will be based on the achievement of certain customer relations criteria as well as environment, health and safety objectives as measured against pre-established targets. For each position, a target award will be set (expressed as "percent of target base salary") reflecting both the responsibilities of the position and the competitive compensation levels.

We expect to review our annual incentives program during 2005 in order to make recommendations to our human resources committee by the end of 2005. We expect these recommendations will be implemented by January 2006.

Long term incentives

The purpose of our long term incentives is to attract and retain employees and to encourage them to contribute to our growth and long term success. We anticipate that our long term incentives will include stock options. The number of options granted will be based on the level of an executive's position, the executive's performance in the prior year and the executive's potential for continued sustained contributions to our success. Stock options will only produce value to executives if our share price appreciates, thereby directly linking the interests of executives with those of our shareholders. We

anticipate further that stock price appreciation units may be granted instead of options to certain employees due to certain local conditions of their country of residence. A stock price appreciation unit is a right to receive cash in an amount equal to the excess of the per share market value of our shares on the date of exercise of a stock price appreciation unit over the per share market value of our shares as of the date of grant of such stock price appreciation unit.

Table of Contents

The following table sets forth compensation information for our chief executive officer and our four other executive officers who, based on the salary and bonus compensation received from Alcan, were the most highly compensated of our executive officers for the year ended December 31, 2003. All information set forth in this table reflects compensation earned by these individuals for service with Alcan for the year ended December 31, 2003.

Name and Principal Position	Year	Annual Compensation			Long term Compensation Awards(i)		
		Salary (in \$)	Bonus (Executive Performance Award)(ii) (in \$)	Other Annual Compensation (in \$)	Restricted Share Units (SCAN)	Shares Underlying Options Granted/ Stock Price Appreciation Units(iii)(iv) (#)	All Other Compensation(v) (in \$)
Brian W. Sturgell, Director and Chief Executive Officer	2003	600,000	561,845	254,115(vi)	404,815(vii)	69,600	29,679(viii)
Martha Finn Brooks, Chief Operating Officer	2003	440,000	445,608	32,661(ix)	0	36,000	16,440
Chris Bark-Jones, President — Europe	2003	375,000	465,972	9,659(x)	0	27,600(xi)	8,348
Pierre Arseneault, Vice President Strategic Planning and Information Technology	2003	272,000	186,045	23,145(xii)	0	9,900	10,880
Geoffrey P. Batt, Chief Financial Officer	2003	246,337	148,350	9,658(xii)	0	7,500	12,573

- (i) There were no long term incentive plan payouts.
- (ii) Alcan's executive performance award plan, or EPA Plan, has two components, each based on a different aspect of performance: (1) the profitability of Alcan as measured by economic value added, or EVA (a registered trademark of Stern Stewart & Co.), and (2) the performance of Alcan relative to environment, health and safety, or EHS, objectives. For each position a target award is set (expressed as "percent of target base salary") reflecting both the responsibilities of the position and the competitive compensation levels. The first component is 90% of the incentive compensation opportunity of an executive and is based on the overall profitability of Alcan as measured against the quantifiable financial metric EVA. The incentive compensation for executive officers who are part of Alcan's corporate head office is contingent upon performance versus the pre-established EVA target for Alcan, while the incentive compensation for executive officers who are responsible for a business group is contingent on meeting the pre-established EVA objectives of their respective business group. The second component is 10% of the incentive compensation opportunity of an executive and is based on the achievement of the EHS objectives as measured against pre-established targets. The overall award paid is the sum of the weighted results of each component (i.e., EVA and EHS) modified by the rating for the individual performance and contribution to Alcan. The award paid may vary from zero when the results achieved are less than the minimum threshold set by Alcan's human resources committee, to 200% of the target award when the results achieved are at or exceed the maximum level which was set by Alcan's human resources committee.
- (iii) See "— Grants of Alcan stock price appreciation units" below for a description of the stock price appreciation unit plan.
- (iv) The Alcan executive share option plan provides for the granting to senior employees of non-transferable options to purchase Alcan common shares. Certain executive officers and other management employees of Alcan have received over the years options under one or more of the seven classes of Alcan options, namely A, B, C, D, E and F Options. With respect to the five executive officers named in the table above, only the C Options are applicable for the year 2003. See "— Grants of Alcan stock options" below for a description of the C Options.

[Table of Contents](#)

- (v) Compensation benefits made available to the named executive officers under various plans included those under (1) the Alcan TSR plan described below under “— Alcan total shareholder return performance plan,” (2) retirement benefit plans, (3) life insurance plans, and (4) savings plans.
- (vi) Amount includes a tax adjustment of \$219,155 so that net income after taxes was not less than it would have been in the United States.
- (vii) Granted as 7,175 Alcan restricted share units based on the market value of the Alcan shares on the date of grant, which was \$CAN56.42. Alcan employees who become Novelis employees at the separation and who hold restricted share units will be entitled to receive a payment of the value of those units from Alcan.
- (viii) Includes Alcan matching payments under the U.S. savings plan earnings of \$16,875.
- (ix) Amount includes \$11,520 in a plan for professional financial advice and for club membership fees and \$13,033 for housing assistance.
- (x) Amount includes \$4,839 for automobile usage and \$3,217 for professional financial advice.
- (xi) Granted as Alcan stock price appreciation units, or SPAUs.
- (xii) Amount includes \$7,008 in a plan for professional financial advice and for club membership fees.

Other compensation

In addition to benefits under stock option or stock price appreciation unit plans, we expect that compensation benefits made available to senior employees will include (1) retirement benefit plans, (2) life insurance plans, (3) savings plans, (4) plans for the use of automobiles, (5) plans for professional financial advice and for club membership fees, and (6) in applicable cases, expatriate benefits, tax equalization payments and housing assistance.

Alcan stock options

Grants of Alcan stock options

The Alcan executive share option plan provides for the granting to senior employees of non-transferable options to purchase Alcan common shares. Throughout the years, various series with each its own conditions have been granted to senior employees. Since September 23, 1998, the Alcan executive share option plan has provided for options referred to as C Options. C Options are the only class of Alcan options applicable for the executive officers named in the compensation table under “— Executive compensation” for 2003. The exercise price per Alcan common share under C Options is set at not less than 100% of the market value of the Alcan common share on the effective date of the grant of each C Option. The C Option is exercisable (not earlier than three months after the effective date) in respect of one-third of the grant when the market value of the Alcan common share has increased by 20% over the exercise price, two-thirds of the grant when the market value of the Alcan common share has so increased by 40% and the entire amount of the grant when the market value of the Alcan common share has so increased by 60%. The market value of Alcan common shares must exceed those thresholds for at least 21 consecutive trading days. Those thresholds are waived 12 months prior to the expiry date, which is 10 years after the effective date. In the event of death or retirement, any remainder of this 10-year period in excess in excess of five years is reduced to five years, and the relevant thresholds are waived.

The following table shows all grants of options to purchase Alcan common shares granted to the executive officers named in the compensation table under “— Executive compensation” above for the year ended December 31, 2003 under the Alcan executive share option plan. We anticipate that Alcan stock options held by our employees, including these executive officers, will be converted into our stock options

Table of Contents

at the time of the separation, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert.

Name	Shares Under Options Granted (#)	Percent of Total Options Granted to Alcan Employees in 2003	Exercise Price (\$CAN/Share)	Expiration Date	Potential realizable value at assumed annual rates of share price appreciation for option term (\$CAN)(i)	
					5%	10%
B. W. Sturgell	69,600(i)	4.3	52.64	September 23, 2013	2,304,109	5,839,064
M. F. Brooks	36,000(i)	2.2	52.64	September 23, 2013	1,191,780	3,020,206
P. Arseneault	9,900(i)	0.6	52.64	September 23, 2013	327,740	830,557
G. P. Batt	7,500(i)	0.5	52.64	January 1, 2009	115,260	256,362

(i) Date of grant: September 24, 2003.

(ii) Reflects the value of the stock option on the date of grant assuming (1) for the 5% column, a 5% annual rate of appreciation in Alcan common shares over the term of the option and (2) for the 10% column, a 10% annual rate of appreciation in Alcan common shares over the term of option, in each case without discounting to net present value and before income taxes associated with the exercise. The 5% and 10% assumed rates of appreciation are based on the rules of the SEC and do not represent our estimate or projection of the future price of Alcan common shares. The amounts in this table may not necessarily be achieved.

Exercise of Alcan stock options

The following table shows aggregate exercises of options to purchase Alcan common shares in the fiscal year ended December 31, 2003 by the executive officers named in the compensation table under “— Executive compensation” above.

Name	Shares Acquired on Exercise (#)	Value Realized (\$CAN)	Shares Underlying Unexercised Options at Dec. 31, 2003(i) (#)	Value of Unexercised In-the-Money Options at December 31, 2003(i) (\$CAN)
B. W. Sturgell	1,000	25,430	E:167,450 U:158,600	E:2,925,825 U:2,014,614
M. F. Brooks	0	0	E:48,601 U:94,299	E:605,933 U:651,284
C. Bark-Jones	0	0	E:10,367 U:2,333	E:152,315 U:33,059
P. Arseneault	0	0	E:11,134 U:21,166	E:221,193 U:268,776
G. P. Batt	0	0	E:58,400 U:0	E:930,076 U:0

(i) E: Exercisable U: Unexercisable

The above table summarizes, for each of the executive officers, (1) the number of Alcan common shares acquired by options exercised during 2003, (2) the aggregate value realized upon exercise, which is the difference between the market value of the underlying shares on the exercise date and the exercise price of the option, (3) the total number of shares underlying unexercised options held at December 31, 2003 and (4) the aggregate value of unexercised in-the-money options at December 31, 2003, which is the difference between the exercise price of the options and the market value of the shares on December 31, 2003, which was \$CAN60.55 per share. The aggregate values indicated with respect to unexercised in-the-money options at year-end have not been, and may never be, realized. These options have not been, and

[Table of Contents](#)

may never be exercised, and actual gains, if any, on exercise will depend on the value of the shares on the date of exercise.

Treatment of Alcan stock options

As of the separation date, we intend to replace all of the options to purchase Alcan common shares held by our employees, including our executive officers, with options to purchase our common shares. As of November 19, 2004, our employees held stock options covering a total of approximately 1,487,006 Alcan common shares at a weighted average exercise price per share of \$CAN52.01. The volume-weighted average of Alcan common share on the Toronto Stock Exchange on November 19, 2004 was \$CAN58.65. The number of common shares underlying, and the exercise price of, these replacement options will be based on the volume-weighted average price per share of Alcan common shares on the last trading day on the Toronto Stock Exchange immediately prior to the separation date and of our common shares on the first trading day on the Toronto Stock Exchange immediately after the separation date, the general intent being to maintain intrinsic value of the Alcan stock options held by our employees prior to the separation.

Alcan stock price appreciation units

Grants of Alcan stock price appreciation units

The Alcan stock price appreciation unit plan, or SPAU Plan, provides for the granting to senior employees of Alcan stock price appreciation units, or SPAUs. The SPAU Plan is administered by the Alcan human resources committee. A SPAU is a right to receive cash in an amount equal to the excess of the market value of Alcan common shares on the date of exercise of a SPAU over the market value of Alcan common shares as of the date of grant of such SPAU. SPAUs may be exercised in the same manner as C Options, described above. Grants are made under the SPAU Plan instead of under the Alcan executive share option plan due to certain local conditions of countries of the employees' residence.

The following table shows all grants of SPAUs granted to the executive officers named in the compensation table under "— Executive compensation" above for the year ended December 31, 2003 under the SPAU Plan. We anticipate that Alcan SPAUs held by our employees, including these executive officers, will be converted into our stock price appreciation units at the time of the separation, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert.

Name	Shares granted under SPAUs (#)	Percent of total SPAUs granted to employees in 2003	Exercise price and market value on date of grant (\$CAN/share)	Expiration date	Potential realizable value at assumed rates of share price appreciation for option term (\$CAN)(ii)	
					5%	10%
C. Bark-Jones	27,600(i)	10.9	52.64	September 23, 2013	913,698	2,315,491

(i) Date of grant: September 24, 2003

(ii) Reflects the value of the SPAU on the date of grant assuming (1) for the 5% column, a 5% annual rate of appreciation in Alcan common shares over the term of the option and (2) for the 10% column, a 10% annual rate of appreciation in Alcan common shares over the term of the SPAU, in each case without discounting to net present value and before income taxes associated with the exercise. The 5% and 10% assumed rates of appreciation are based on the rules of the SEC and do not represent our estimate or projection of the future price of Alcan common shares. The amounts in this table may not necessarily be achieved.

Exercise of Alcan stock price appreciation units

The following table shows aggregate exercises of SPAUs in the fiscal year ended December 31, 2003 by the executive officers named in the compensation table under “— Executive compensation” above.

Name	SPAUs Exercised (#)	Aggregate value realized (\$CAN)	Unexercised SPAUs at December 31, 2003 (i) (#)	Value of unexercised in-the-money SPAUs at December 31, 2003 (\$CAN)(i)
C. Bark-Jones	0	0	E:23,434 U:43,566	E:487,172 U:521,176

(i) E: Exercisable U: Unexercisable

The above table summarizes, for Mr. Bark-Jones (1) the number of SPAUs exercised during 2003, (2) the aggregate value realized upon exercise, which is the difference between the market value of the underlying shares on the exercise date and the exercise price of the SPAUs, (3) the total number of SPAUs unexercised held at December 31, 2003 and (4) the aggregate value of unexercised in-the-money SPAUs at December 31, 2003, which is the difference between the exercise price of the SPAUs and the market value of the shares on December 31, 2003, which was \$CAN60.55 per share. The aggregate values indicated with respect to unexercised in-the-money SPAUs at fiscal year-end have not been, and may never be, realized. These SPAUs have not been, and may never be exercised, and actual gains, if any, on exercise will depend on the value of the shares on the date of exercise.

Treatment of Alcan stock price appreciation units

As of the separation date, we intend to replace all of the Alcan stock price appreciation units held by our employees, including our executive officers, with our stock price appreciation units. As of November 19, 2004, our employees held 255,775 stock price appreciation units at a weighted average exercise price per SPAU of \$CAN53.74. The volume-weighted average of Alcan common share on the Toronto Stock Exchange on November 19, 2004 was \$CAN58.65. The number, and the exercise price of, these replacement stock price appreciation units will be based on the volume-weighted average price per share of Alcan common shares on the last trading day on the Toronto Stock Exchange immediately prior to the separation date and of our common shares on the first trading day on the Toronto Stock Exchange immediately after the separation date, the general intent being to maintain intrinsic value of the Alcan stock price appreciation units held by our employees prior to the separation.

Alcan total shareholder return performance plan

The Alcan total shareholder return performance plan, or TSR Plan, is a cash incentive plan that provides performance awards to eligible employees based on the Alcan share price and cumulative dividend yield performance relative to the performance of the companies included in the S&P Industrials Composite Index over a three-year period. The award amount, if any, is based on Alcan’s relative total shareholder return performance, as defined in the TSR Plan, and ranking of Alcan against the other companies in the S&P Industrials Composite Index at the end of the performance period. If Alcan’s total shareholder return performance ranks below the 30th percentile, the employee will not receive any award for that performance period. At the 30th percentile rank, the employee will be paid an award equal to 60% of the target for that performance period. At the 50th percentile rank, the employee will earn a payout of 100% of the target, and at or above the 75th percentile rank, the employee will earn a payout of 300%, which is the maximum payout. The actual amount of award (if any) will be prorated between the percentile rankings.

[Table of Contents](#)

The following table summarizes target cash performance award incentives in the fiscal year ended December 31, 2003 under the TSR Plan awarded to the executive officers named in the compensation table under “— Executive compensation” above.

Name	Securities, units or other rights (#)(i)	Performance period	Estimated future payouts		
			Threshold	Target	Maximum
B. W. Sturgell	0	10-01-03 to 09-30-06	0	(S) 970,500	2,911,500
M. Finn Brooks	0	10-01-03 to 09-30-06	0	500,000	1,500,000
C. Bark-Jones	0	10-01-03 to 09-30-06	0	383,300	1,149,900
P. Arseneault	0	10-01-03 to 09-30-06	0	134,600	403,800
G. P. Batt	0	10-01-03 to 09-30-06	0	102,500	307,500

(i) The TSR Plan provides for a grant of a target cash award — no securities, units or other rights were awarded.

Treatment of incentives granted under the Alcan total shareholder return performance plan

As of the separation date, our employees who were eligible to participate in the TSR Plan will cease to actively participate in, and accrue benefits under, the TSR Plan. The current three-year performance periods, namely 2002 to 2005 and 2003 to 2006, will be truncated as of the date of the separation. The accrued award amounts for each participant in the TSR will then be converted into restricted share units in our company, which will vest at the end of each performance period, 2005 or 2006, as applicable. At the end of each performance period, each holder of restricted share units will receive the net proceeds based on our common share price at that time, including declared dividends.

Novelis pension and retirement benefits plans

The following summarizes the material provisions of the benefits plans for officers we intend to adopt prior to or shortly following the separation. The terms of these plans have not been finalized and are being reviewed by us.

Pension plans

Pension plan for officers

Our human resources committee will designate participants to the pension plan for officers, or PPO. This plan will provide for pensions calculated on service up to 20 years as an officer of our company or of Alcan and eligible earnings which consist of the excess of the average annual salary and target short term incentive award during the 60 consecutive months when they were the greatest over eligible earnings in the U.S. Plan or the U.K. Plan, as applicable. Both the U.S. Plan and U.K. Plan are described below. Each provides for a maximum on eligible earnings that is set with reference to the position of the officer prior to being designated a PPO participant. The following table shows the percentage of eligible earnings in the PPO, payable upon normal retirement age after 60 according to years of service as an officer of our company or of Alcan.

Years as Officer			
5	10	15	20
15%	30%	40%	50%

The normal form of payment of pensions is a lifetime annuity. Pensions will not be subject to any deduction for social security or other offset amounts.

Retirement benefits*U.S. Plan*

The U.S. Plan will provide for pensions calculated on service of up to 35 years and eligible earnings which consist of the average annual salary and the short term incentive award up to its target during the 36 consecutive months when they were the greatest.

The following table shows estimated retirement benefits, expressed as a percentage of eligible earnings, payable upon normal retirement at age 65 according to years of service.

Years of Service					
10	15	20	25	30	35
17%	25%	34%	42%	51%	59%

The normal form of payment of pensions is a lifetime annuity with either a guaranteed minimum of 60 monthly payments or a 50% lifetime pension to the surviving spouse.

Individual pension undertakings

Martha Finn Brooks will participate in the U.S. Plan. In addition, she will receive from us a supplemental pension equal to the excess, if any, of the pension she would have received from her employer prior to joining Alcan had she been covered by this employer's pension plan until her termination/retirement from our company, over the sum of her pension from the U.S. Plan and the pension rights actually accrued with her previous employer.

U.K. Plan

The U.K. Plan will provide for pensions calculated on service of up to 40 years and eligible earnings, which consist of the average annual salary and the short term incentive award up to its target during the last 12 months before retirement.

The following table shows estimated retirement benefits, expressed as a percentage of eligible earnings, payable upon normal retirement at age 65 according to years of service.

Years of Service					
10	15	20	25	30	35
17%	26%	35%	43%	52%	60%

The normal form of payment of pensions is a lifetime annuity with a guaranteed minimum of 60 monthly payments and a 60% lifetime pension to the surviving spouse.

Employment agreements

Prior to the separation, we expect to enter into employment agreements with Brian W. Sturgell, our chief executive officer, and other executive officers, setting out the terms and conditions of their employment. Each of these officers will be entitled to base salary, annual bonus, long term incentives and other type of compensation, such as tax equalization and club memberships, that reflect the competitive level of similar positions in the compensation peer groups. The companies identified as part of our peer group are comparable to us in terms of size and industry sector.

These executives will also be eligible for change of control agreements that will be effective upon the occurrence of two events: (1) a change of control of our company, and (2) the termination of the executive officer's employment with us by us without cause. In such cases, the executive officer will be entitled, depending on the individual in question, to an amount equal to either 24 or 36 months of their base salary and target short term incentive award and other applicable incentive plan guideline amounts. Change in control provisions will expire after 24 months of employment with us.

OWNERSHIP OF OUR SHARES

None of our common shares will be issued or outstanding prior to the separation. To the extent our directors and officers own Alcan common shares at the time of the distribution, they will participate in the distribution on the same terms as other holders of Alcan common shares. In addition, following the distribution, we expect any Alcan stock-based awards held by these individuals will be converted to our stock-based awards. The following table sets forth information with respect to the projected beneficial ownership of our outstanding common shares, immediately following the separation, by:

- each person who is known by us to be the beneficial owner of 5 percent or more of our common shares;
- each director, each director nominee, our chief executive officer and our four other most highly compensated officers identified in the “Management — Executive compensation” section above; and
- all of our directors, director nominees and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Common shares and options, warrants and convertible securities that are currently exercisable or convertible within 60 days of _____, 2004 into common shares of Alcan are deemed to be outstanding and to be beneficially owned by the person holding the options, warrants or convertible securities for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

The information below is based on the number of shares of Alcan common shares beneficially owned by each person or entity at _____, 2004. The share amounts in the table, other than those representing Alcan stock-based awards that are to be converted following the separation, reflect the distribution ratio of one of our common shares for every five common shares of Alcan held by the listed person or entity. The percentage ownership of our common shares of each listed person or entity immediately following the separation will be approximately the same as the percentage ownership of such person or entity immediately prior to the separation and is calculated based on the number of Alcan common shares outstanding as of _____, 2004. No individual director, director nominee or executive officer beneficially owns one percent or more of Alcan’s outstanding common shares. In addition, our directors, director nominees and executive officers as a group own less than one percent of Alcan’s outstanding common shares. Except as set forth below, following the separation, we do not expect any person to own more than five percent of our outstanding common shares.

Except as otherwise noted in the footnotes below, the individual director or executive officer or the director or executive officer’s family member identified below has sole voting and investment power with respect to such securities. Following the separation, we will have outstanding an aggregate of _____ common shares based upon the common shares of Alcan outstanding on _____, 2004, excluding treasury shares and assuming no exercise of options.

[Table of Contents](#)

Directors' and Executive Officers' and Five Percent Holders' Ownership After the Distribution

Name and address of beneficial owner*	Our common shares beneficially owned(i)	Novelis options and stock price appreciation units(ii)	Percentage of class after the separation
FMR Corp.(iii) 82 Devonshire Street Boston, Massachusetts 02109			
Brian W. Sturgell, Director and Chief Executive Officer			
J.E. Newall, O.C., Non-Executive Chairman of the Board			
Jacques Bougie, O.C., Director			
Clarence J. Chandran, Director			
C. Roberto Cordaro, Director			
Helmut Eschwey, Director			
Suzanne Labarge, Director			
William T. Monahan, Director			
Rudolf Rupprecht, Director			
Edward Yang, Director			
Martha Finn Brooks, Chief Operating Officer			
Chris Bark-Jones, President Europe			
Pierre Arseneault, Vice President Strategic Planning and Information Technology			
Geoffrey P. Batt, Chief Financial Officer			
Directors and executive officers as a group (persons)			

* Unless otherwise indicated, the address for each individual listed is c/o Novelis Inc., .

(i) The amounts included in this column represent the number of our common shares which will be beneficially owned by the listed individuals based on the distribution ratio of one of our common shares for every five common shares of Alcan held on the record date.

(ii) We anticipate that Alcan stock options and stock price appreciation units held by our employees, including our executive officers, will be converted into our stock options and stock price appreciation units at the time of the separation, except in certain foreign jurisdictions where applicable laws, rules or regulations make it inadvisable to convert.

- (iii) The following information is based on Amendment No. 2 to Schedule 13G, dated February 16, 2004, filed with the Securities and Exchange Commission by FMR Corp. Fidelity Management & Research Company (“Fidelity”), 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 17,257,142 Alcan common shares as a result of acting as investment adviser to various investment companies. Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of the 17,257,142 shares owned by the Funds. Neither FMR Corp., nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds’ Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds’ Boards of Trustees. Fidelity Management Trust Company, 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 553,742 Alcan common shares as a result of its serving as investment manager of the institutional account(s). Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over 553,742 shares and sole power to vote or to direct the voting of 521,200 shares, and no power to vote or to direct the voting of 32,542 shares owned by the institutional account(s). Strategic Advisers, Inc., 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp., provides investment advisory services to individuals. As such, FMR Corp.’s beneficial ownership includes 560 Alcan common shares beneficially owned through Strategic Advisers, Inc. Members of the Edward C. Johnson 3d family are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson 3d owns 12.0% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Abigail Johnson is a Director of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders’ voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders’ voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp. Fidelity International (“FIL”), Pembroke Hall, 42 Crowlane, Hamilton, Bermuda, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL is the beneficial owner of 1,215,108 Alcan common shares and has the sole power to vote and the sole power to dispose of such shares. FMR Corp. and FIL are of the view that they are not acting as a “group” for purposes of Section 13(d) under the Securities Exchange Act of 1934 and that they are not otherwise required to attribute to each other the “beneficial ownership” of securities “beneficially owned” by the other corporation within the meaning of Rule 13d-3 under the Securities Exchange Act. Amendment No. 2 to the Schedule 13G states that FMR Corp. is making the filing on a voluntary basis as if all the shares are beneficially owned by FMR Corp. and FIL on a joint basis.

CERTAIN CANADIAN AND UNITED STATES INCOME TAX CONSIDERATIONS

We have been advised by Ogilvy Renault, a general partnership, with respect to Canadian law, and by Sullivan & Cromwell LLP, with respect to United States law, regarding certain Canadian and United States federal income tax considerations relating to an investment in our common shares. For a description of the tax consequences to a holder of Alcan common shares of the receipt of our common shares in the distribution, see “Income Tax Considerations” in Alcan management’s proxy circular dated November 23, 2004.

The discussion below is a summary of the principal United States and Canadian federal income tax considerations relating to an investment in our common shares. The discussion does not take into account the individual circumstances of any particular investor. Therefore, prospective investors in our common shares should consult their own tax advisors for advice concerning the tax consequences of an investment in our common shares based on their particular circumstances, including any consequences of an investment in our common shares arising under state, provincial or local tax laws or the tax laws of any jurisdiction other than the United States or Canada.

Canada and the United States are parties to an income tax treaty and accompanying protocols (the “Canada-United States Income Tax Convention”). In general, the Canada-United States Income Tax Convention does not have an adverse effect on holders of our common shares.

Canadian Federal Income Tax Considerations

In the opinion of our counsel, Ogilvy Renault, a general partnership (hereinafter “counsel”), the following is a summary of the principal Canadian federal income tax considerations generally applicable to the ownership and disposition of our common shares acquired by persons who, at all relevant times and for purposes of the Income Tax Act (Canada) (“Tax Act”), deal at arm’s length with us, are not affiliated with us and who hold or will hold our common shares as capital property (“holder”). The Tax Act contains provisions relating to securities held by certain financial institutions, registered securities dealers and corporations controlled by one or more of the foregoing (the “Mark-to-Market Rules”). This summary does not take into account the Mark-to-Market Rules and taxpayers that are “financial institutions” as defined for the purpose of the Mark-to-Market Rules should consult their own tax advisors. In addition, this opinion assumes that our common shares will, at all relevant times, be listed on a “prescribed stock exchange” for purposes of the Tax Act, which is currently defined to include both the Toronto Stock Exchange and the New York Stock Exchange.

This summary is based upon the current provisions of the Tax Act and regulations thereunder (the “Regulations”) in force as at the date hereof, all specific proposals to amend the Tax Act and Regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and counsels’ understanding of the current published administrative policies and practices of the Canada Revenue Agency. Except as otherwise indicated, this summary does not take into account or anticipate any changes in the applicable law or administrative practices or policies whether by judicial, regulatory, administrative or legislative action, nor does it take into account provincial, territorial or foreign tax laws or considerations, which may differ significantly from those discussed herein. No assurance can be given that the Proposed Amendments will be enacted or that they will be enacted in the form announced.

This summary is of a general nature only and is not intended to be, nor should it be relied upon or construed to be, legal or tax advice to any particular prospective purchaser. This summary is not exhaustive of all possible income tax considerations under the Tax Act that may affect a holder. Accordingly, prospective purchasers of our common shares should consult their own tax advisors with respect to their own particular circumstances.

All amounts relevant in computing the Canadian federal income tax liability of a holder are to be reported in Canadian currency at the rate of exchange prevailing at the relevant time.

Residents of Canada

This part of the summary is generally applicable to persons, who, at all relevant times and for purposes of the Tax Act and any applicable income tax treaty in force between Canada and another country, are resident of Canada.

Taxation of Dividends

Dividends received or deemed to be received by an individual holder on our common shares will be included in the individual's income and be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from a taxable Canadian corporation. Taxable dividends received by an individual may be subject to alternative minimum tax under the Tax Act, depending on the particular circumstances of the individual.

Dividends received by a holder that is a corporation will generally be deductible in computing such corporate holder's taxable income. A holder that is a private corporation may be liable to pay refundable tax under Part IV of the Tax Act on dividends received on our common shares to the extent that such dividends are deductible in computing the corporation's taxable income. A corporation other than a private corporation which is controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may also be liable to pay refundable tax under Part IV of the Tax Act.

Disposition of Shares

In general, a disposition or a deemed disposition of our common shares will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of our common shares, net of reasonable costs of disposition, if any, exceed (or are exceeded by) the adjusted cost base of our common shares. For this purpose, the adjusted cost base of a holder of our common shares will generally be determined by averaging the cost of our common shares held at that time by the holder.

One-half of a capital gain must be included in income as a taxable capital gain and one-half of a capital loss is an allowable capital loss. An allowable capital loss for a year may be deducted from any taxable capital gains of the holder in the year. Any allowable capital loss not deductible in the year may be deducted against taxable capital gains of the holder realized in any of the three preceding years or any subsequent year (in accordance with the rules contained in the Tax Act). A capital loss realized by a holder that is a corporation or a partnership or trust of which a corporation, trust or partnership is a member or beneficiary will be reduced by the amount of dividends received in certain circumstances. Capital gains realized by an individual may give rise to liability for alternative minimum tax.

Additional Refundable Tax

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income including taxable capital gains.

Non-Residents of Canada

The following part of the summary is generally applicable to persons who, at all relevant times for the purposes of the Tax Act and any applicable income tax treaty in force between Canada and another country, are not, or are not deemed to be, resident in Canada.

Taxation of Dividends

Dividends, including deemed dividends and stock dividends, paid or credited, or deemed to be paid or credited, to a non-resident of Canada on our common shares are subject to Canadian withholding tax under the Tax Act at a rate of 25% of the gross amount of such dividends, subject to reduction under the provisions of any applicable income tax treaty. The Canada-United States Income Tax Convention

[Table of Contents](#)

generally reduces the rate of withholding tax to 15% of any dividends paid or credited, or deemed to be paid or credited, to holders who are residents of the United States for the purposes of the Canada-United States Income Tax Convention (or 5% in the case of corporate U.S. shareholders who are the beneficial owners of at least 10% of our voting stock).

Disposition of Shares

Capital gains realized on the disposition of our common shares by a non-resident of Canada will not be subject to tax under the Tax Act unless such common shares are “taxable Canadian property” for purposes of the Tax Act. Our common shares will generally not be taxable Canadian property of a holder unless, at any time during the five-year period immediately preceding a disposition, the holder, persons with whom the holder did not deal at arm’s length or the holder together with such persons owned, had an interest in or had the right to acquire 25% or more of our issued shares of any class or series. Even if our common shares constitute taxable Canadian property to a particular holder, an exemption from tax under the Tax Act may be available under the provisions of any applicable income tax treaty, including the Canada-United States Income Tax Convention.

For an explanation of the Canadian income tax consequences of the distribution, please see “Canadian Income Tax Consequences of the Distribution” in Alcan’s proxy circular.

United States Federal Income Taxation

This section describes the material United States federal income tax consequences of owning our common shares. It applies to you only if you acquire our common shares in this distribution and you hold our common shares as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds our common shares as part of a straddle or a hedging or conversion transaction, or
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the Canada-United States Income Tax Convention. These laws are subject to change, possibly on a retroactive basis.

You are a U.S. holder if you are a beneficial owner of our common shares and you are for United States federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

A “non-U.S. holder” is a beneficial owner of our common shares that is not a United States person for United States federal income tax purposes.

You should consult your own tax advisor regarding the United States federal, state and local and the Canadian and other tax consequences of owning and disposing of our common shares in your particular circumstances.

This section addresses only United States federal income taxation.

Taxation of Dividends

U.S. Holders. Under the United States federal income tax laws, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold our common shares for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and meet other holding-period requirements. The IRS has announced that it will permit taxpayers to apply a proposed legislative change to the holding-period requirement described in the preceding sentence as if such change were already effective. This legislative “technical correction” would change the minimum required holding period, retroactive to January 1, 2003, to more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Because our common shares will be traded on the New York Stock Exchange, dividends we pay with respect to our common shares generally will be qualified dividend income.

You must include any Canadian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. If we pay dividends in Canadian dollars, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Canadian dollar payments made, determined at the spot Canadian dollar/ U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in our common shares and thereafter as capital gain.

Subject to certain limitations, the Canadian tax withheld in accordance with the Canada-United States Income Tax Convention and paid over to Canada will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. Dividends will be income from sources outside the United States, but generally will be “passive income” or “financial services income,” which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Non-U.S. Holders. If you are a non-U.S. holder, dividends paid to you in respect of our common shares will not be subject to United States federal income tax unless the dividends are “effectively connected” with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income

basis. In such cases you generally will be taxed in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, “effectively connected” dividends may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

U.S. Holders. If you are a U.S. holder and you sell or otherwise dispose of our common shares, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in our common shares. Capital gain of a non-corporate U.S. holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Non-U.S. Holders. If you are a non-U.S. holder, you will not be subject to United States federal income tax on gain recognized on the sale or other disposition of our common shares unless:

- the gain is “effectively connected” with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis, or
- you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale, and certain other conditions exist.

If you are a corporate non-U.S. holder, “effectively connected” gains that you recognize may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Backup Withholding and Information Reporting

If you are a non-corporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- dividend payments or other taxable distributions made to you within the United States, and
- the payment of proceeds to you from the sale of our common shares effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if you are a non-corporate U.S. holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

If you are a non-U.S. holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments made to you outside the United States by us or another non-United States payor, and

[Table of Contents](#)

- other dividend payments and the payment of the proceeds from the sale of our common shares effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:
 - the payor or broker does not have actual knowledge or reason to know that you are a United States person, and you have furnished the payor or broker:
 - an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or
 - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
 - you otherwise establish an exemption.

Payment of the proceeds from the sale of our common shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of our common shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of our common shares effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
 - one or more of its partners are “U.S. persons,” as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
 - such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

DESCRIPTION OF OUR SHARE CAPITAL

The following information reflects our articles of incorporation and by-laws as these documents will be in effect at the time of the separation.

Authorized and outstanding share capital

We may issue an unlimited number of common shares, first preferred shares and second preferred shares from time to time upon approval by our board of directors for such consideration as the board of directors decides appropriate, without the need for further shareholder authorization. The terms of any preferred shares, including dividend rates, conversion and voting rights, if any, redemption prices and similar matters will be determined by our board of directors prior to issuance.

The table below reflects our share capital structure as it will be at the time of the separation, based on the number of beneficial shareholders and outstanding common shares of Alcan on , 2004, excluding treasury shares and assuming no exercise of outstanding options.

There are holders of record of our common shares, based on holders of record of Alcan common shares on , 2004.

	Authorized	Outstanding
Common Shares	Unlimited	
First Preferred Shares, issuable in series	Unlimited	
Second Preferred Shares, issuable in series	Unlimited	

Description of our common shares

Our common shares are subject to the rights, privileges, restrictions and conditions attaching to any of our first preferred shares, second preferred shares and shares of any other class ranking senior to our common shares we may issue in the future.

Holders of our common shares are entitled to one vote per common share at all meetings of shareholders, to participate ratably in any dividends which may be declared on our common shares by our board of directors and, in the event of our dissolution, to our remaining property. Our common shares have no pre-emptive, redemption or conversion rights.

The provisions of the CBCA require that the amendment of certain rights of holders of any class of shares, including the common shares, must be approved by not less than two-thirds of the votes cast by the holders of such shares. A quorum for any meeting of the holders of common shares is 25% of the common shares then outstanding. Therefore, it is possible for the rights of the holders of common shares to be changed other than by the affirmative vote of the holders of the majority of the outstanding common shares. In circumstances where certain rights of holders of common shares may be amended, however, holders of common shares will have the right, under the CBCA, to dissent from such amendment and require us to pay them the then fair value of their common shares.

Shareholders are also entitled to rights and privileges under the shareholder rights plan summarized below.

Description of our preferred shares

Issuable in series

The first preferred shares and second preferred shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by our board of directors prior to issuance.

Voting rights

Holders of preferred shares are not entitled to receive notice of, or to attend, any meeting of shareholders and are not entitled to vote at any such meeting, except to the extent otherwise provided in our articles of incorporation in respect of any series of preferred shares. With respect to any meeting of shareholders at which, notwithstanding the foregoing, holders of first preferred shares or second preferred shares are required or entitled by law to vote separately as a class, each holder of such preferred shares of any series is entitled to cast in respect of each such share held, that number of votes which is equal to the quotient obtained by dividing the total consideration we received for the issuance of all the outstanding shares of such series by the number of such outstanding shares.

Rank

The first preferred shares of each series rank equally with the first preferred shares of all other series and will rank ahead of the second preferred shares, which in turn rank ahead of the common shares and any other class of shares ranking subordinate to the second preferred shares with respect to the return of capital and the payment of dividends in the event of our liquidation, dissolution or winding-up or other distribution of our assets or property.

Dividends

Holders of our preferred shares are entitled to receive dividends in such amounts and at such intervals as may be determined by our board of directors in respect of each series.

Shareholder rights plan

Our initial board of directors will approve a plan whereby each of our common shares carries one right to purchase additional common shares. The terms of the rights will be contained in an agreement called the shareholder rights agreement, made as of _____ between us and CIBC Mellon Trust Company, which is the rights agent under the agreement. The agreement is governed by the laws of Ontario and Canada. The rights expire in 2014, subject to re-confirmation at the annual meetings of shareholders in 2008 and 2011.

The rights under the plan are not currently exercisable, nor may they be separated from the common shares. Subject to specified exceptions and qualifications, on the tenth business day after the first to occur of:

- the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 20% or more of our outstanding voting shares; or
- a bid to acquire 20% or more of our outstanding voting shares,

holders of rights, with the exception of the acquiring or bidding party, will be entitled to purchase from us, upon payment of the exercise price (currently \$200.00), the number of common shares that can be purchased for double the exercise price, based on the market value of our common shares at the time the rights become exercisable. At and after such time the rights will also be transferable separately from the common shares. The exercise price mentioned above is subject to adjustment according to the terms of the rights plan to account for, among other things, adjustments to our common shares such as stock splits, stock dividends and distributions to shareholders.

The rights agreement has a permitted bid feature which allows a take-over bid to proceed without the rights becoming exercisable, provided that the bid meets specified minimum standards of fairness and disclosure, even if our board of directors does not support the bid.

The rights may be redeemed by our board of directors prior to the expiration or reauthorization of the rights agreement, with the prior consent of the holders of rights or common shares, for \$0.01 per right. In addition, under specified conditions, our board of directors may waive the application of the rights

[Table of Contents](#)

agreement for particular share acquisitions or take-over bids, and in that event our board of directors will be deemed to have elected to redeem the rights at \$0.01 per right.

Initial distribution of our common shares

For shareholders who own Alcan common shares in registered form on the distribution record date, their Novelis common share certificates will be mailed as soon as practicable after the effective date of the separation. For shareholders who own Alcan common shares through a broker or other nominee, their Novelis common shares will be credited to their accounts by the broker or other nominee. No fractional shares will be issued, and Alcan shareholders will receive cash equal to the fair market value of any fractional shares to which they otherwise would have been entitled.

Delivery of our common shares in connection with the distribution also will constitute delivery of the common share purchase rights associated with such shares.

Listing and trading of our common shares

There is no current trading market for our common shares. The Toronto Stock Exchange has conditionally approved the listing of our common shares under the symbol “NVL,” subject to the filing of the usual documentation. We intend to apply to list our common shares on the New York Stock Exchange under the symbol “NVL.” We anticipate that trading will commence on the Toronto Stock Exchange on a when-issued basis prior to the separation. When-issued trading refers to a transaction made conditionally because the security has been authorized but not yet issued. On the first trading day following the separation, when-issued trading in our common shares on the Toronto Stock Exchange will end and regular-way trading will begin. Regular-way trading of our common shares on the New York Stock Exchange is expected to begin shortly after the distribution record date. Regular-way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of a transaction.

Transfer agent and registrar

The distribution agent, transfer agent and registrar for our common shares is CIBC Mellon Trust Company at its principal offices located at 320 Bay Street, 3rd Floor, Toronto, Ontario M5H 4A6.

VALIDITY OF SHARES

The validity of our shares and certain other matters of Canadian law will be passed upon by Ogilvy Renault, a general partnership. Certain matters of United States law will be passed upon by Sullivan & Cromwell LLP. Partners and associates of Ogilvy Renault own less than 1% of the outstanding shares of Alcan. L. Yves Fortier, C.C., Q.C., a senior partner of Ogilvy Renault, is the chairman of the board of directors of Alcan.

EXPERTS

The combined financial statements as at December 31, 2003 and 2002, and for each of the years in the three-year period ended December 31, 2003 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, given upon the authority of said firm as experts in accounting and auditing.

PROMOTER

Since Alcan took the initiative in implementing the reorganization transactions, it is a promoter within the meaning of the securities laws of certain provinces and territories of Canada. Following the separation, Alcan will not own any of our common shares.

MATERIAL CONTRACTS

Except as described under “Arrangements between Novelis and Alcan,” we have not entered into or assumed any material contracts during the two-year period preceding the date of this prospectus, other than contracts entered into in the ordinary course of business.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Canadian securities legislation requires that the following language appear in this prospectus:

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

However, in light of the fact that our shares are being distributed pursuant to the reorganization transactions to be approved at a special meeting of Alcan shareholders, we believe that these remedies are not available in the circumstances of this distribution.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Some of our directors and executive officers own Alcan common shares and vested Alcan options or are employees or former employees of Alcan. Following the separation, after giving effect to the conversion of all outstanding options to purchase Alcan common shares held by our executive officers into options to purchase our common shares, we expect our directors and executive officers to beneficially own approximately shares of Alcan common shares in aggregate, based on their holdings as of , 2004, which represents less than one percent of the outstanding Alcan common shares. Ownership of Alcan common shares and Alcan shares by our directors and officers could create, or appear to create, potential conflicts of interest for such directors and officers when faced with decisions that could have disparate implications for Alcan and us.

SHARES ELIGIBLE FOR FUTURE SALE

Sales or the availability for sale of substantial amounts of our common shares in the public market could have a material adverse effect on the prevailing market price of our common shares. Immediately following the separation, we will have outstanding an aggregate of _____ common shares based upon the common shares of Alcan outstanding as of _____, 2004, excluding treasury shares and assuming no exercise of outstanding options. All of the shares will be freely tradeable without restriction or further registration under the Securities Act unless the shares are owned by our “affiliates” as that term is defined in Rule 405 under the Securities Act. Shares held by “affiliates” may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 under the Securities Act which is summarized below. Further, as described below, we plan to file a registration statement to cover the shares issued under our option plans.

Rule 144

In general, under Rule 144 as currently in effect, an affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of our common shares then outstanding, which will equal approximately _____ common shares immediately after the distribution; or
- the average weekly trading volume of our common shares on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice of Form 144 with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Employee stock options

We anticipate granting options to purchase our common shares or stock price appreciation units under one or more employee stock option plans or stock price appreciation unit plans, as applicable, subject to restrictions, in respect of previously outstanding awards issued by Alcan. The number of options or stock price appreciation units granted will be determined as discussed under “Management — Alcan stock options — Treatment of Alcan stock options” and “Management — Alcan stock price appreciation units — Treatment of Alcan stock price appreciation units”, respectively. As of _____ our employees held stock options covering a total of approximately _____ Alcan common shares that we expect may be replaced by options to purchase our common shares, and a total of approximately _____ Alcan stock price appreciation units that we expect may be replaced by stock price appreciation units in our company. In addition, we may grant stock options, stock price appreciation units or other equity based awards in the future. We currently expect to file a registration statement under the Securities Act to register shares to be issued under one or more of our stock option plans. Shares issued pursuant to awards after the effective date of such registration statement, other than shares issued to affiliates, generally will be freely tradeable without further registration under the Securities Act.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The CBCA, the governing act to which we are subject, provides that:

- (1) a corporation may indemnify a director or officer of the corporation, a former director or officer of the corporation or another individual who acts or acted at the corporation’s request as a director or officer or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity.

[Table of Contents](#)

- (2) a corporation may advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to paragraph (1). However, the individual shall repay the moneys if he does not fulfil the conditions of paragraph (3).
- (3) a corporation may not indemnify an individual, unless the individual
 - (a) acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the corporation's request; and
 - (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.
- (4) A corporation may with the approval of a court indemnify a person referred to in paragraph (1), or advance moneys under paragraph (2), in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favour, to which the individual is made a party because of the individual's association with the corporation or other entity as described in paragraph (1) against all costs, charges and expenses reasonably incurred by the individual in connection with such action if the individual fulfils the conditions set out in paragraph (3).
- (5) Despite paragraph (1), an individual referred to in paragraph (1) is entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by the individual in connection with the defence of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the corporation or other entity as described in paragraph (1), if the individual seeking indemnity:
 - (a) was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done; and
 - (b) fulfills the conditions set out in paragraph (3).

The Directors' Standing Resolution pertaining to indemnification of directors and officers of the Corporation represents, in general terms, the extent to which directors and officers may be indemnified by us under the CBCA. This resolution provides as follows:

- “(1) INDEMNITY — Subject to the limitations contained in the governing CBCA but without limit to the right of the Corporation to indemnify as provided for in the CBCA, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or at the Corporation's request on behalf of any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal, administrative, investigative or other proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate or by reason of having undertaken such liability.
- (2) ADVANCE OF COSTS — The Corporation shall advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in subsection (1). The individual shall repay the moneys if the individual does not fulfill the conditions of subsection (3).

- (3) LIMITATION — The Corporation may not indemnify an individual under subsection (1) unless the individual
- (a) acted honestly and in good faith with a view to the best interests of the Corporation; and
 - (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.”

We also have an insurance policy covering our directors and officers and those of our subsidiaries against certain liabilities which might be incurred by them in their capacities as such, but excluding those claims for which such insured persons could be indemnified by us or our subsidiaries.

We expect that the separation agreement between us and Alcan will provide for indemnification by us of Alcan and its directors, officers and employees for some liabilities, including liabilities under Canadian securities laws, the Securities Act and the Securities Exchange Act of 1934.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form 10 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to our common shares and associated common shares purchase rights distributed as part of the reorganization transactions. This prospectus does not contain all the information included in the registration statement on Form 10. For further information with respect to us and our common shares distributed as part of the reorganization transactions, please refer to the registration statement on Form 10 and to the schedules and exhibits filed with it. Statements contained in this prospectus as to the contents of certain documents are not necessarily complete and, in each instance, reference is made to the copy of the document filed as an exhibit to the registration statement on Form 10.

We intend to furnish holders of our common shares with annual reports containing consolidated financial statements audited by an independent public accounting firm and quarterly reports for the first three quarters of each fiscal year containing unaudited financial statements, in each case prepared in accordance with United States generally accepted accounting principles (with a reconciliation to Canadian generally accepted accounting principles in the annual reports) and reported in U.S. dollars.

Following the effectiveness of our registration statement on Form 10 we will be subject to the information filing requirements of the Exchange Act, and accordingly will be required to file periodic reports and other information with the SEC. We intend to file annual reports on 10-K, quarterly reports on Form 10-Q and other reports on Form 8-K. As a foreign private issuer, we will not be subject to the proxy requirements under Section 14 of the Exchange Act and our executive officers, directors and principal shareholders will not be subject to the insider short swing profit reporting and recovery rules under Section 16 of the Exchange Act. Our filings are available at the SEC’s website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for more information about the public reference facilities and their copy charges.

In addition, we will be required to periodically file documents required by Canadian securities legislation electronically with Canadian securities regulatory authorities, and these filings will be available at <http://www.sedar.com>.

The Toronto Stock Exchange has conditionally approved the listing of our common shares, subject to the filing of the usual documentation. We intend to apply to list our common shares on the New York Stock Exchange. Reports, proxy material, prospectuses and other information concerning us will be available to be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York or at the Toronto Stock Exchange, 1000 Sherbrooke Street West, Montreal, Quebec.

INDEX TO AUDITED COMBINED FINANCIAL STATEMENTS

Auditors' report	F-2
Combined statements of income	F-3
Combined balance sheets	F-4
Combined statements of cash flows	F-5
Combined statements of invested equity	F-6
Notes to combined financial statements	F-7

Auditors' Report

To the Board of Directors of Novelis Inc.:

When the Contribution described in Note 1 to the financial statements has been consummated, we will be in a position to render the following report:

“In our opinion, the accompanying combined balance sheets and related combined statements of income, invested equity and cash flows present fairly, in all material respects, the financial position of the Novelis Group as described in Note 1, at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Novelis Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

“As discussed in Note 4 to the combined financial statements, the Novelis Group adopted Statement of Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets effective January 1, 2002 and SFAS Nos. 133 and 138 Accounting for Derivative Instruments and Hedging Activities on January 1, 2001.”

(Signed) PricewaterhouseCoopers LLP

Montreal, Quebec, Canada

September 28, 2004, except as to Note 1, which is as of , 2004

THE NOVELIS GROUP
Combined statements of income

	Years ended December 31		
	2003	2002	2001
	(in millions of US\$)		
Sales and operating revenues			
— third parties	\$5,749	\$5,456	\$5,391
— related parties (Note 10)	472	437	386
	<u>\$6,221</u>	<u>\$5,893</u>	<u>\$5,777</u>
Costs and expenses			
Cost of sales and operating expenses, excluding depreciation and amortization noted below			
— third parties	\$5,046	\$4,797	\$4,800
— related parties (Note 10)	436	411	356
Depreciation and amortization (Note 6)	222	211	217
Selling, administrative and general expenses	211	183	209
Research and development expenses			
— third parties	18	18	27
— related parties (Note 10)	44	49	35
Interest			
— third parties	21	20	31
— related parties (Note 10)	19	22	33
Restructuring, impairment and other special charges (Note 7)	(24)	25	208
Other expenses (income) — net (Note 13)			
— third parties	108	(1)	17
— related parties (Note 10)	(84)	22	(3)
	<u>\$6,017</u>	<u>\$5,757</u>	<u>\$5,930</u>
Income (Loss) before income taxes and other items	\$ 204	\$ 136	\$ (153)
Income taxes (Note 8)	50	77	6
	<u>154</u>	<u>59</u>	<u>(159)</u>
Income (Loss) before other items			
Equity income (Note 9)	6	8	5
Minority interests	(3)	8	17
	<u>157</u>	<u>75</u>	<u>(137)</u>
Income (Loss) before cumulative effect of accounting change			
Cumulative effect of accounting change, net of income taxes of nil (Notes 4 and 6)	—	(84)	—
	<u>\$ 157</u>	<u>\$ (9)</u>	<u>\$ (137)</u>

The accompanying notes are an integral part of the financial statements.

THE NOVELIS GROUP

Combined balance sheets

	As at December 31	
	2003	2002
	(in millions of US\$)	
ASSETS		
Current assets		
Cash and time deposits	\$ 27	\$ 31
Trade receivables (net of allowances of \$30 in 2003 and \$25 in 2002)		
— third parties (Note 11)	558	450
— related parties (Note 10)	163	174
Other receivables		
— third parties	97	68
— related parties (Notes 10 and 12)	1,167	407
Inventories		
Aluminum	867	690
Raw materials	14	17
Other supplies	99	90
	980	797
Total current assets	2,992	1,927
Deferred charges and other assets (Note 14)	196	170
Long-term receivables from related parties (Note 10)	614	112
Property, plant and equipment (Note 15)		
Cost (excluding construction work in progress)	5,218	4,842
Construction work in progress	129	148
Accumulated depreciation	(2,928)	(2,685)
	2,419	2,305
Intangible assets (net of accumulated amortization of \$6 in 2003 and \$4 in 2002) (Note 6)	26	23
Goodwill (Note 6)	69	21
Total assets	\$ 6,316	\$ 4,558
LIABILITIES AND INVESTED EQUITY		
Current liabilities		
Payables and accrued liabilities		
— third parties	\$ 802	\$ 597
— related parties (Note 10)	286	252
Short-term borrowings		
— third parties	900	308
— related parties (Note 10)	64	58
Debt maturing within one year (Note 17)		
— third parties	132	—
— related parties (Note 10)	10	—
Total current liabilities	2,194	1,215
Debt not maturing within one year (Notes 17 and 21)		
— third parties	506	132
— related parties (Note 10)	1,011	491
Deferred credits and other liabilities (Note 16)	362	281
Deferred income taxes (Note 8)	152	140
Minority interests	117	118
Invested equity		
Owner's net investment	1,890	2,200
Accumulated other comprehensive income (loss)	84	(19)
	1,974	2,181
Commitments and contingencies (Note 19)		
Total liabilities and invested equity	\$ 6,316	\$ 4,558

The accompanying notes are an integral part of the financial statements.

THE NOVELIS GROUP

Combined statements of cash flows

	Years ended December 31		
	2003	2002	2001
	(in millions of US\$)		
OPERATING ACTIVITIES			
Net income (Loss)	\$ 157	\$ (9)	\$(137)
Adjustments to determine cash from operating activities:			
Cumulative effect of accounting change	—	84	—
Depreciation and amortization	222	211	217
Deferred income taxes	(20)	(1)	(53)
Equity income	(6)	(8)	(5)
Asset impairment provisions	4	19	132
Stock option compensation	2	2	3
Loss (Gain) on sales of businesses and investment — net	(25)	4	—
Change in operating working capital			
Change in receivables			
— third parties	6	40	295
— related parties	101	(11)	(431)
Change in inventories	(18)	63	88
Change in payables and accrued liabilities			
— third parties	18	142	27
— related parties	(24)	(92)	216
Change in deferred charges and other assets	(28)	(59)	(115)
Change in deferred credits and other liabilities	48	37	30
Other — net	7	(12)	(16)
Cash from operating activities	444	410	251
FINANCING ACTIVITIES			
Proceeds from issuance of new debt			
— third parties	500	105	82
— related parties	471	—	46
Debt repayments			
— third parties	—	—	(64)
— related parties	—	(50)	(117)
Short-term borrowings — net			
— third parties	577	(75)	(101)
— related parties	(29)	(66)	75
Dividends — minority interest	—	(2)	—
Net payments to Alcan	(592)	(153)	(103)
Cash from (used for) financing activities	927	(241)	(182)
INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment	(189)	(179)	(236)
Business acquisitions, net of cash and time deposits acquired	(11)	—	(21)
Proceeds from disposal of businesses, investments and other assets, net of cash	33	24	13
Change in loans receivable — related parties	(1,210)	(2)	157
Cash used for investment activities	(1,377)	(157)	(87)
Effect of exchange rate changes on cash and time deposits	\$ 2	\$ 2	\$ —
Increase (Decrease) in cash and time deposits	\$ (4)	\$ 14	\$ (18)
Cash and time deposits — beginning of year	31	17	35
Cash and time deposits — end of year	\$ 27	\$ 31	\$ 17

The accompanying notes are an integral part of the financial statements.

THE NOVELIS GROUP

Combined statements of invested equity

	Years ended December 31			
	Comprehensive Income (Loss)	Owner's Net Investment	Accumulated Other Comprehensive Income (Loss)	Total Invested Equity
	(in millions of US\$)			
Balance at end of 2000		\$ 2,675	\$ (113)	\$2,562
Net Loss — 2001	\$ (137)	(137)		(137)
Other comprehensive loss:				
Net change in deferred translation adjustments	(28)			
Net change in minimum pension liability				
— net of taxes of nil	(1)		(29)	(29)
Comprehensive loss	\$ (166)			
Transfers (to)/from Alcan — net*		(162)		(162)
Balance at end of 2001		2,376	(142) a)	2,234
Net Loss — 2002	\$ (9)	(9)		(9)
Other comprehensive income:				
Net change in deferred translation adjustments	129			
Net change in minimum pension liability				
— net of taxes of \$4	(6)		123	123
Comprehensive income	\$ 114			
Transfers (to)/from Alcan — net*		(167)		(167)
Balance at end of 2002		2,200	(19) b)	2,181
Net income — 2003	\$ 157	157		157
Other comprehensive income:				
Net change in deferred translation adjustments	102			
Net change in minimum pension liability —				
net of taxes of (\$3)	1		103	103
Comprehensive income	\$ 260			
Transfers (to)/from Alcan — net*		(467)		(467)
Balance at end of 2003		\$ 1,890	\$ 84 c)	\$1,974

* Refer to note 2 — Basis of Presentation — Cash Management for discussion of these amounts.

a) Comprised of deferred translation adjustments of (\$141) and minimum pension liability of (\$1).

b) Comprised of deferred translation adjustments of (\$12) and minimum pension liability of (\$7).

c) Comprised of deferred translation adjustments of \$90 and minimum pension liability of (\$6).

The accompanying notes are an integral part of the financial statements.

THE NOVELIS GROUP

Notes to combined financial statements

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

1. Nature of operations

On May 18, 2004, Alcan Inc. (Alcan) announced its intention to separate its rolled products business into a separate company and to pursue a spin-off of that business to its shareholders. The rolled products businesses were managed under two separate operating segments within Alcan, Rolled Products Americas and Asia and Rolled Products Europe. Alcan and its subsidiaries will contribute and transfer to the company substantially all of the aluminum rolled products businesses operated 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. These businesses form the Novelis Group prior to the spin-off (the Contribution).

Novelis Inc. (the Company) was formed on September 21, 2004, to acquire the Novelis Group businesses through the reorganization transactions planned by Alcan. Alcan anticipates that the reorganization, including the distribution of the Company's common shares will occur by January 1, 2005. The transaction is contingent upon a number of conditions, including the receipt of required regulatory approvals from the European Commission and the United States Department of Justice (DOJ), approval by Alcan's Board of Directors, approval by Alcan's shareholders and approval by a Canadian court of competent jurisdiction of the plan of arrangement implementing the transaction. As a result, the distribution may not occur by the contemplated time or may not occur at all.

The aluminum rolled products businesses to be retained by Alcan consist primarily of: (1) facilities in Singen, Germany and a portion of the plant located in Sierre, Switzerland discussed below; (2) facilities acquired in connection with the Pechiney acquisition that have been operated under "hold separate" obligations and have not, therefore, been included in either of Alcan's Rolled Products Americas and Asia or Rolled Products Europe operating segments; and (3) facilities acquired in connection with the Pechiney acquisition that produce plate and aerospace products and which have been attributed to Alcan's Engineered Products operating segments. The Singen plant in Germany supplies three operating segments within Alcan, Rolled Products Europe, Engineered Products and Packaging. The products sold by the Singen rolled products operations are used primarily as raw materials for the Engineered Products and Packaging segments and therefore, the entire facility remains with Alcan. Also, the Sierre plant in Switzerland forms part of two operating segments, Engineered Products in addition to Rolled Products Europe. A portion of the Sierre plant that manufactures plate products remains with Alcan as Novelis has entered into a non-competition agreement with Alcan with respect to these products. The Neuf-Brisach rolling facility in France will remain with Alcan in order to meet the European regulatory requirement for the separation of Neuf-Brisach and the AluNorf/ Göttingen/ Nachterstedt rolling facilities in Germany, which will be transferred to the Company. Alcan also retains the Ravenswood, West Virginia, rolling mill, consistent with the requirements of the DOJ's divestiture order relating to an overlap in a non-aerospace related product line with the Oswego, New York rolling mill, which will be transferred to the Company.

The Group produces aluminum sheet and light gauge products where the end-use destination of the products includes the construction and industrial, beverage and food cans, foil products and transportation markets. The Group operates in four continents, North America, South America, Asia and Europe through 38 operating plants and three research facilities in 12 countries. In addition to aluminum rolled products plants, the Group's South American businesses include bauxite mining, aluminum refining and smelting facilities that are integrated with the rolling plants in Brazil.

THE NOVELIS GROUP

Notes to combined financial statements

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

The Company intends to enter into the transitional and technical services agreements with Alcan as described below:

Transitional services agreement

Prior to or concurrently with the separation, Novelis and Alcan intend to enter into a transitional services agreement pursuant to which Alcan will provide to Novelis or Novelis will provide to Alcan, as applicable, on an interim, transitional basis, various services, including, but not limited to, treasury administration, selected benefits administration functions, employee compensation and information technology services. The agreed upon charges for these services will generally be intended to allow Novelis or Alcan, as applicable, to recover fully the allocated costs of providing the services, plus all out-of-pocket costs and expenses plus a margin of 5 percent. No margin will be added to the cost of services supplied by external suppliers.

In general, the services will begin on the distribution date and will cover a period generally not expected to exceed 12 months following the separation. With respect to particular services, Novelis or Alcan, depending on who is the recipient of the relevant services, may terminate the agreement with respect to one or more of those services upon prior written notice.

With respect to all or any of the services, the agreement may be terminated by Alcan (1) upon a breach by Novelis or any of its affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “Arrangements Between Novelis and Alcan — Separation agreement — Change of control” in the prospectus).

Technical services agreements

Prior to or concurrently with the separation, Novelis and Alcan or one or more of its respective subsidiaries, intend to enter into technical services agreements pursuant to which (1) Alcan will provide technical support and related services to certain of Novelis’ facilities in Canada, Brazil, France and Switzerland, and (2) Novelis will provide similar services to certain Alcan facilities in Canada. The specific terms of these agreements are currently being established.

The agreements may be terminated by Alcan (1) upon a breach by Novelis or any of its affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “Arrangements Between Novelis and Alcan — Separation agreement — Change of control” in the prospectus).

2. Basis of presentation

The combined financial statements are presented using United States (U.S.) Generally Accepted Accounting Principles (GAAP) and have been derived from the accounting records of Alcan using the historical results of operations and historical basis of assets and liabilities of the businesses comprising the Group. Note 26 — Differences Between United States and Canadian Generally Accepted Accounting Principles (GAAP) provides an explanation and reconciliation of differences between U.S. and Canadian GAAP. The Group has elected to use the U.S. dollar as its reporting currency. Management believes the assumptions underlying the combined financial statements, including the allocations described below, are reasonable. However, the combined financial statements included herein may not necessarily reflect the Group’s results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had the Group been a stand-alone company during the periods presented. As these financial statements represent a portion of the businesses of Alcan which do not constitute a separate legal entity, the net assets of the Group have been presented as Alcan’s

THE NOVELIS GROUP

Notes to combined financial statements

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

net investment in the Group. Alcan's investment in the Group includes the accumulated earnings of the Group as well as cash transfers related to cash management functions performed by Alcan.

The combined financial statements include allocations of certain Alcan expenses, assets and liabilities, including the items described below.

General Corporate Expenses

Alcan has allocated general corporate expenses to the Group based on average head count and capital employed. Capital employed represents total assets less Payables and accrued liabilities and Deferred credits and other liabilities. These allocations are reflected in Selling, administrative and general expenses in the combined statements of income. The general corporate expenses allocations are primarily for human resources, legal, treasury, insurance, finance, internal audit, strategy and public affairs and amounted to \$24, \$28 and \$26 for the years ended December 31, 2003, 2002 and 2001, respectively. Total head office costs, including the amounts allocated amounted to \$42, \$47 and \$40 for the years ended December 31, 2003, 2002, and 2001, respectively. The costs allocated are not necessarily indicative of the costs that would have been incurred if the Group had performed these functions as a stand-alone company, nor are they indicative of costs that will be charged or incurred in the future. Assuming the spin-off is completed, the Group will perform these functions using its own resources or purchased services; however, for an interim period, these services will continue to be provided by Alcan.

Pensions and Post-Retirement Benefits

Certain businesses included in the Group have pension obligations mostly comprised of defined benefit plans in the U.S., unfunded pension benefits in Germany and lump sum indemnities payable upon retirement to employees of businesses in France, Korea and Malaysia. These pension benefits are managed separately and the related assets, liabilities and costs are included in the combined financial statements.

Alcan manages defined benefit plans in Canada, the U.S., the U.K. and Switzerland that include some of the entities of the Group. The Group's share of these plans' assets and liabilities is not included in the combined balance sheets. The combined statements of income, however, include an allocation of the costs of the plans that varies depending on whether the entity is a subsidiary or a division of Alcan. Pension costs of divisions of Alcan included in the Group are allocated based on the following methods: service costs were allocated based on a percentage of payroll costs; interest costs, the expected return on assets, and amortization of actuarial gains and losses were allocated based on a percentage of the projected benefit obligation (PBO); and prior service costs were allocated based on headcount. The total allocation of such pension costs amounted to \$15, \$14 and \$2 for the years ended December 31, 2003, 2002 and 2001, respectively. Pension costs of subsidiaries of Alcan included in the Group are accounted for on the same basis as a multi-employer pension plan whereby the subsidiaries' contributions for the period are recognized as net periodic pension cost. The total contributions of the subsidiaries amounted to \$3, \$2 and \$2 for the years ended December 31, 2003, 2002 and 2001, respectively.

Alcan provides post-retirement benefits in the form of unfunded healthcare and life insurance benefits to retired employees in Canada and United States that include retired employees of some of the Group's businesses. The Group's share of these plans' liabilities is included in the combined balance sheets and the Group's share of these plans' costs is included in the combined statements of income.

Income Taxes

Income taxes are calculated as if all of the Group's operations had been separate tax paying legal entities, each filing a separate tax return in its local tax jurisdiction. For jurisdictions where there is no tax sharing agreement, amounts currently payable have been included in the Owner's net investment.

THE NOVELIS GROUP

Notes to combined financial statements

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

Cash Management

Cash and cash equivalents in the combined balance sheets are comprised of the cash and cash equivalents of the Group's businesses, primarily in South America, Asia and parts of Europe, that perform their own cash management functions.

Historically, Alcan has performed cash management functions on behalf of certain of the Group's businesses primarily in North America, the United Kingdom, and parts of Europe. Cash deposits from these businesses are transferred to Alcan on a regular basis. As a result, none of Alcan's cash and cash equivalents has been allocated to the Group in the combined financial statements. Transfers to and from Alcan are netted against the Owner's net investment. Subsequent to the spin-off, the Group will be responsible for its own cash management functions.

Interest Expense

The Group obtains short and long-term financing from third parties as well as related parties. Interest is charged on all short and long-term debt and is included in Interest in the combined statements of income.

Historically, Alcan has provided certain financing to the Group and incurred third party debt at the parent level. This financing is reflected in the combined balance sheets within the amounts due to Alcan and is interest bearing as described in note 10 — Related Party Transactions. As a result of this arrangement, the combined financial statements do not include an allocation of additional interest expense. The Group's interest expense as a stand-alone company may be higher or lower than reflected in the combined statements of income.

Derivatives

The Group primarily enters into derivative contracts with Alcan to manage its foreign currency and commodity price risk. These contracts are reported at their fair value on the combined balance sheets. Changes in the fair value of these contracts are recorded in the combined statements of income.

Stock Options

Stock-options expense and other stock-based compensation expense in the combined statements of income include the Alcan expenses related to the fair value of awards held by certain employees of Alcan's Rolled Products businesses during the periods presented as well as an allocation, calculated based on the average of headcount and capital employed, for Alcan's corporate office employees. These expenses are not necessarily indicative of what the expenses would have been had the Group been a separate stand-alone company during the periods presented.

Earnings Per Share

The Group is not a separate legal entity with common shares outstanding. Therefore, historical earnings per share have not been presented in the combined financial statements.

3. Summary of significant accounting policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect

THE NOVELIS GROUP

Notes to combined financial statements

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

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination

The combined financial statements include the assets and liabilities of the Group. Investments in entities over which the Group has significant influence are accounted for using the equity method. Under the equity method, the Group's investment is increased or decreased by the Group's share of the undistributed net income or loss and deferred translation adjustments since their acquisition. Investments in joint ventures are accounted for using the equity method. Other investments are accounted for using the cost method. All material inter-group balances and transactions, including profits in inventories, between and among the Group's businesses have been eliminated.

All business combinations are accounted for under the purchase method.

Foreign Currency

The assets and liabilities of foreign operations, whose functional currency is other than the U.S. dollar (located principally in Europe and Asia), are translated into U.S. dollars at the year-end exchange rates. Revenues and expenses are translated at average exchange rates for the year. Differences arising from exchange rate changes are included in the Deferred translation adjustments (DTA) component of Accumulated other comprehensive income. If there is a reduction in the Group's ownership in a foreign operation, the relevant portion of DTA is recognized in Other expenses (income) — net. All other operations, including most of those in Canada, have the U.S. dollar as the functional currency. Monetary items denominated in currencies other than the U.S. dollar are translated at year-end exchange rates and translation gains and losses are included in income. Non-monetary items are translated at historical rates.

The Group has entered into foreign currency contracts to hedge certain future, identifiable foreign currency revenue and operating cost exposures. All such contracts are reported at fair value on the combined balance sheets. For contracts qualifying and designated as cash flow hedges, the effective portion of the change in their fair value is recorded in Other comprehensive income and reclassified to Sales and operating revenues, Cost of sales and operating expenses, or Depreciation and amortization, as applicable, when the item being hedged affects income. The portion of the change in the contract's fair value that is not effective at offsetting the hedged exposures is recorded in Other expenses (income) — net. For contracts qualifying and designated as fair value hedges, changes in fair value are recorded in the statement of income together with the changes in the fair value of the hedged item. For contracts either not qualifying or designated as hedges, changes in fair value are recorded in Other expenses (income) — net.

Revenue Recognition

Revenue from product sales, net of trade discounts and allowances, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Revenue from services is recognized as services are rendered and accepted by the customer.

Shipping and Handling Costs

Amounts charged to customers related to shipping and handling are included in Sales and operating revenues, and related shipping and handling costs are recorded in Cost of sales and operating expenses.

THE NOVELIS GROUP**Notes to combined financial statements**

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

Commodity Contracts

Generally, all of the forward metal contracts serve to hedge certain future identifiable aluminum price exposures. These contracts are accounted for at fair value on the combined balance sheets. For contracts qualifying and designated as cash flow hedges, the effective portions of the changes in fair value are recorded in Other comprehensive income and are reclassified, together with related hedging costs, to Sales and operating revenues or Cost of sales and operating expenses, when the item being hedged affects income. The portion of the change in the derivative's fair value that is not effective at offsetting the hedged exposures is recorded in Other expenses (income) — net. For contracts either not qualifying or designated as hedges, changes in their fair value are recorded in Other expenses (income) — net.

All natural gas futures contracts, swaps and options are recorded at fair value on the balance sheet. For contracts qualifying and designated as cash flow hedges, the effective portions of the changes in the fair value are recorded in Other comprehensive income and are reclassified to the statement of income concurrently with the recognition of the underlying item being hedged. For contracts not qualifying for hedge accounting, changes in fair value are recorded in Other expenses (income) — net.

Physical metal purchase and sales contracts are generally not recorded at fair value because either they are not derivative instruments or they are “normal purchases or normal sales”, as they involve quantities that are expected to be used or sold in the normal course of business over a reasonable period of time.

Interest Rate Swaps

The Group enters into interest rate swap agreements to manage its exposure to fluctuations in interest rates on its long-term debt. These swaps are marked-to-market in the financial statements and all changes in fair value are recorded in Other expenses (income) — net.

Inventories

Aluminum, raw materials and other supplies inventories are stated at cost (determined for the most part on the monthly average cost method) or net realizable value, whichever is lower. Cost includes material, labour and manufacturing overhead costs.

Capitalization of Interest Costs

The Group capitalizes interest costs associated with the financing of major capital expenditures up to the time the asset is ready for its intended use.

Sale of Receivables

When the Group sells certain receivables, it retains servicing rights, which constitute retained interests in the sold receivables. No servicing asset or liability is recognized in the financial statements as the fees received by the Group reflect the fair value of the cost of servicing these receivables.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Additions, improvements and major renewals are capitalized; normal maintenance and repair costs are expensed. An impairment loss is recognized when the carrying amount of these assets is not recoverable and exceeds their fair value. Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. The principal rates range from 2% to 10% for buildings and structures, 1% to 4% for power assets and 3% to

THE NOVELIS GROUP

Notes to combined financial statements

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

20% for chemical, smelter and fabricating assets. Gains or losses from the sale of assets are included in Other expenses (income) — net.

Impairment or Disposal of Long-Lived Assets

The Group reviews its long-lived assets including amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An impairment loss is recognized when the carrying amount of the assets exceeds the future undiscounted cash flows expected from the asset. Any impairment loss is measured as the amount by which the carrying value exceeds the fair value. Such evaluations for impairment are significantly impacted by estimates of future prices for the Group's product, capital needs, economic trends in the market and other factors. Quoted market values are used whenever available to estimate fair value. When quoted market values are unavailable, the fair value of the long-lived asset is generally based on estimates of discounted expected net cash flows. Assets to be disposed of by sale are reflected at the lower of their carrying amount or fair value less cost to sell and are not depreciated while classified as held for sale.

Goodwill

Goodwill is tested for impairment on an annual basis at the reporting unit level and is also tested for impairment when events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below the carrying value. Fair value is determined using discounted cash flows.

Intangible Assets

Intangible assets are primarily trademarks and patented and non-patented technology, all of which have finite lives. Intangible assets are recorded at cost less accumulated amortization and are amortized over their useful life, which is generally 15 years, using the straight-line method of amortization.

Environmental Costs and Liabilities

Environmental costs that are not legal asset retirement obligations are expensed or capitalized, as appropriate. Environmental expenditures of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate or prevent environmental contamination that has yet to occur are included in Property, plant and equipment and are depreciated generally over the remaining useful life of the underlying asset. Expenditures relating to existing conditions caused by past operations, and which do not contribute to future revenues, are expensed when probable and estimable and are normally included in Cost of sales and operating expenses except for large, unusual amounts, which are included in Other expenses (income) — net. Recoveries relating to environmental liabilities are recorded when received.

Pensions and Post-Retirement Benefits

As described in note 2 — Basis of Presentation, certain entities within the Group manage their defined benefit pension plans separately from those of Alcan. Using appropriate actuarial methods and assumptions, these defined benefit pension plans are accounted for in accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions. Pension and post-retirement benefit obligations for these plans are actuarially calculated using management's best estimates and based on expected service period, salary increases and retirement ages of employees. Pension and post-retirement benefit expense includes the actuarially computed cost of benefits earned during the current service period, the interest cost on accrued obligations, the expected return on plan assets based on fair market value and the straight-line

THE NOVELIS GROUP

Notes to combined financial statements

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

amortization of net actuarial gains and losses and adjustments due to plan amendments. Pension expense also includes the contributions of subsidiaries and the pension expense allocation of divisions that participate in Alcan plans, as described in note 2 — Basis of Presentation. All net actuarial gains and losses are amortized over the expected average remaining service life of the employees.

Stock Options and Other Stock-Based Compensation

The Group accounts for stock options granted to certain employees of Alcan's Rolled Products businesses under Alcan's share option plan using the fair value provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Under the fair value method, stock-based compensation expense is recognized in the statement of income over the applicable vesting period. Other stock-based compensation arrangements granted to certain employees of Alcan's Rolled Products businesses, that can be settled in cash and are based on the change in the Alcan common share price during the period, are recognized in income over the vesting period of awards. Stock-based compensation expense is recorded in Selling, administrative and general expenses in the statements of income.

Income Taxes

Income taxes are accounted for under the liability method (also refer to note 2 — Basis of Presentation). Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Cash and Time Deposits

All time deposits have original maturities of 90 days or less and qualify as cash equivalents.

Allowance For Doubtful Accounts

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the trade receivables balance. Management determines the allowance based on known doubtful accounts, historical experience, and other currently available evidence.

Recently Issued Accounting Standards

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. (FIN) 46, Consolidation of Variable Interest Entities. This interpretation requires that existing unconsolidated variable interest entities be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. An entity that holds a significant variable interest but is not the primary beneficiary is subject to specific disclosure requirements.

On December 24, 2003, the FASB issued a revision to FIN 46. Under this revision, application of FIN 46 is required for periods ending after December 15, 2003, only for existing variable interest entities

THE NOVELIS GROUP**Notes to combined financial statements**

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

that are structured as special-purpose entities. Application by public entities for all other types of variable interest entities is required in financial statements for periods ending after March 15, 2004. The Group holds interests in a variable interest entity that is structured as a joint venture as described in note 9 — Investment in Non-Controlled Affiliates. Upon adoption of FIN 46 as of March 31, 2004, assets of approximately \$39 and liabilities of approximately \$39 related to Logan Aluminum Inc. (Logan) that were previously not recorded on the combined balance sheet were recorded by the Group. Logan manages a tolling arrangement for the Group and an unrelated party.

4. Accounting changes***Stock Options and Other Stock-Based Compensation***

Effective January 1, 2004, Alcan retroactively adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation for stock options granted to employees. These combined financial statements include the compensation cost for options granted to certain employees of the Group for all periods presented using the fair value method as if that method had been applied from the original effective date of SFAS 123.

Goodwill and Other Intangible Assets

On January 1, 2002, the Group adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under this standard, goodwill and other intangible assets with an indefinite life are no longer amortized but are carried at the lower of carrying value and fair value. Goodwill and other intangible assets with an indefinite life are tested for impairment on an annual basis.

Goodwill is tested for impairment using a two-step test. Under the first step, the fair value of a reporting unit, based upon discounted cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist. However, if the fair value is less than the carrying amount, a second test must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its carrying amount. Fair value of goodwill is estimated in the same way as goodwill is determined at the date of acquisition in a business combination, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit.

An impairment of \$84 was identified in the goodwill balance as at January 1, 2002, and was charged to income as a cumulative effect of accounting change in 2002 upon adoption of the new accounting standard. Any further impairment arising subsequent to January 1, 2002, is taken as a charge against income. As a result of the new standard, the Group no longer amortizes goodwill. The amount of goodwill amortization was \$3 in 2001.

Impairment or Disposal of Long-Lived Assets

In 2002, the Group adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Under this standard, an impairment loss is recognized when the carrying amount of a long-lived asset held for use is not recoverable and exceeds its fair value. No impairment charges were recorded upon adoption of this new standard. Impairment charges recorded during 2003 are described in, note 7 — Restructuring, Impairment and Other Special Charges and note 13 — Other Expenses (Income) — Net.

Under this standard, a long-lived asset to be disposed of by sale is measured at the lower of its carrying amount or fair value less cost to sell, and is not depreciated while classified as held for sale. Assets and liabilities classified as held for sale are reported as assets held for sale and liabilities of operations held for sale on the balance sheet. A long-lived asset to be disposed of other than by sale, such

THE NOVELIS GROUP

Notes to combined financial statements

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

as by abandonment, before the end of its previously estimated useful life, is classified as held for use until it is disposed of and depreciation estimates revised to reflect the use of the asset over its shortened useful life. Also, the standard requires that the results of operations of a component of an enterprise, that has been disposed of either by sale or abandonment or is classified as held for sale, be reported as discontinued operations if the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations as a result of the disposal transaction and the Group will not have any significant continuing involvement in the operations of the component after the disposal transaction. A component of an enterprise comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise.

Derivatives

On January 1, 2001, the Group adopted SFAS Nos. 133 and 138, Accounting for Derivative Instruments and Hedging Activities. These standards require that all derivatives be recorded in the financial statements at fair value. Unrealized gains and losses resulting from the valuation of derivatives at fair value are recognized in net income as the gains and losses arise and not concurrently with the recognition of the transactions being hedged.

On July 1, 2003, the Group adopted SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This standard amends and clarifies financial accounting and reporting for derivatives and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This standard has no impact on the Group's financial statements.

Costs Associated with Exit or Disposal Activities

On January 1, 2003, the Group prospectively adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This standard requires that a liability associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of the Group's commitment to an exit plan. This standard has no impact on the Group's financial statements.

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity

On July 1, 2003, the Group adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This standard requires that certain financial instruments embodying an obligation to transfer assets or to issue equity securities be classified as liabilities. This standard has no impact on the Group's financial statements.

5. Sales and acquisitions of businesses

2003

Canada, United States, and Other Europe

In December 2003, Alcan completed the acquisition of Pechiney in a public offer for a cost of \$5,075, net of cash and time deposits acquired. A portion of the acquisition cost, \$128, relating to four Pechiney plants in three countries that are included in the Group was allocated to the Group and accounted for as additional invested equity. The four plants comprise rolled products operations in foil, painted sheet and circles. The business combination was accounted for using the purchase method. The net assets of the Pechiney plants are included in the combined financial statements as at December 31, 2003 and the results of operations and cash flows are included in the combined financial statements beginning January 1, 2004.

THE NOVELIS GROUP

Notes to combined financial statements

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

Allocation of the purchase price involves estimates and information gathering during months following the date of the combination. The estimation process will be finalized in 2004. Accordingly, there may be some changes to the assigned values presented below. The significant elements for which the fair values could be modified include property, plant and equipment, goodwill, deferred credits and other liabilities and deferred income taxes.

The allocated acquisition cost of \$128 for Pechiney was based on the assigned fair values and liabilities assumed of the four plants that are part of the Group. The fair value of the net assets acquired has been accounted for as an increase in the Owner's net investment. The allocation is as follows:

	2003
Trade receivables	\$ 82
Inventories	101
Property, plant and equipment	70
Goodwill(1)	45
	—
Total assets	298
Payables and accrued liabilities	139
Debt not maturing within one year	4
Deferred credits and other liabilities	14
Deferred income taxes — non-current	13
	—
Fair value of net assets acquired at date of acquisition (net of cash and time deposits acquired of \$5)	\$128
	—

(1) See note 6 — Goodwill and Intangible Assets.

Asia and Other Pacific

In the third quarter of 2003, the Group increased its ownership position in Aluminium Company of Malaysia, a manufacturer of light gauge aluminum products, from 36% to 59% by acquiring additional shares, with a value of \$30, from Nippon Light Metal Company, Ltd (NLM) in exchange for its ownership in Alcan Nikkei Siam Limited in Rangsit, Thailand, with a value of \$24, and a cash payment of \$6.

In December 2003, the Group sold the extrusions operations of Aluminium Company of Malaysia, for net proceeds of \$2. A pre-tax amount of \$6, which is included in Restructuring, impairment and other special charges, consists of a favourable adjustment to a previously recorded impairment provision.

2001

United Kingdom, Germany and Other Europe

In 2001, as part of the divestment requirements imposed by the European Commission as a condition to its approval of the merger between Alcan and algroup in October 2000, the Group sold certain assets at its lithographic sheet production plant, Star Litho, located in Bridgnorth, U.K. for proceeds of \$10.

THE NOVELIS GROUP

Notes to combined financial statements

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

Asia and Other Pacific

In 2001, Alcan Taihan Aluminum Limited (ATA), an entity in the Group, acquired the remaining 5% of Aluminium of Korea Limited (Koralu) for \$21. As a result of the transaction, the Group's ownership of ATA was reduced to 66% from 68%.

6. Goodwill and intangible assets

Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2003, are as follows:

	Balance as at January 1, 2003	Impairment losses	Additions	Deferred translation adjustments	Adjustments	Balance as at December 31, 2003
Europe	\$ 21	—	\$ 45	\$ 3	—	\$ 69

The changes in the carrying amount of goodwill for the year ended December 31, 2002, are as follows:

	Balance as at January 1, 2002	Impairment losses	Additions	Deferred translation adjustments	Adjustments	Balance as at December 31, 2002
Europe	\$ 98	\$ (84)	—	\$ 2	\$ 5	\$ 21

In accordance with SFAS No. 142, the Group completed an initial review to determine whether, at January 1, 2002, there was impairment in the goodwill balance. As a result of this review, an impairment loss of \$84 was recognized in income in 2002 as a cumulative effect of accounting change. The impairment reflected the decline in end-market conditions in the period from the group merger in October 2000 to January 1, 2002. The fair value of all reporting units was determined using discounted future cash flows. Annual tests were also completed in 2002 and 2003 and no further impairment was identified.

Intangible Assets with Finite Lives

	Gross carrying amount	Accumulated amortization	Net book value
		December 31, 2003	
Trademarks	\$ 11	\$ 2	\$ 9
Patented and non-patented technology	17	4	13
Prior pension service costs (Note 23)	4	—	4
	\$ 32	\$ 6	\$ 26
		December 31, 2002	
Trademarks	\$ 10	\$ 2	\$ 8
Patented and non-patented technology	16	2	14
Prior pension service costs (Note 23)	1	—	1
	\$ 27	\$ 4	\$ 23

THE NOVELIS GROUP

Notes to combined financial statements

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

The aggregate amortization expense for the year ended December 31, 2003, was \$2 (2002: \$2; 2001: \$1). The estimated amortization expense for the five succeeding fiscal years is approximately \$2 per year.

Pro forma net loss before goodwill amortization for 2001 is presented below.

	Year ended December 31 2001
Reported net loss	\$ 137
Goodwill amortization	3
Adjusted net loss	\$ 134

7. Restructuring, impairment and other special charges

In 2001, Alcan implemented a restructuring program, resulting in a series of plant sales, closures and divestments throughout the organization. A detailed business portfolio review was undertaken in 2001 to identify high cost operations, excess capacity and non-core products. Impairment charges arose as a result of negative projected cash flows and recurring losses. These charges related principally to buildings, machinery and equipment. This program was completed in 2003. The following information relates only to the 2001 program.

Restructuring and asset impairment charges

The schedule provided below shows details of the provision balances and related cash payments for the restructuring and asset impairment charges relating to the 2001 restructuring program as it pertains to the Group:

	Severance costs	Asset impairment provisions	Other	Total
2001:				
Charges	\$ 53	\$ 132	\$ 23	\$ 208
Cash payments — net	(4)	—	(7)	(11)
Non-cash charges	—	(132)	—	(132)
Provision balance as at December 31, 2001	49	—	16	65
2002:				
Charges	9	13	3	25
Cash payments — net	(8)	—	—	(8)
Non-cash charges	—	(13)	(2)	(15)
Provision balance as at December 31, 2002	50	—	17	67
2003:				
Charges (recoveries)	(3)	—	(21)	(24)
Cash payments — net	(28)	—	(13)	(41)
Non-cash charges	—	—	29	29
Provision balance as at December 31, 2003	\$ 19	\$ —	\$ 12	\$ 31

THE NOVELIS GROUP

Notes to combined financial statements

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

The remaining provision balance of \$31 as at December 31, 2003, related principally to employee severance and environmental remediation costs for which payments will be made over an extended period. The environmental remediation costs included in the provision balance are not included in the estimated environmental clean-up costs discussed in note 19 — Commitments and Contingencies.

2003 Activities

In 2003, Restructuring, impairment and other special charges of (\$24), pre-tax were recorded. The \$24 recovery consists of \$3 for the reversal of an excess redundancy provision in the U.K. (Novelis Europe), a gain of \$19 principally for the sale of the Borgofranco power facilities in Italy (Novelis Europe), income of \$6 on the sale of extrusions operations in Malaysia (Novelis Asia), a gain of \$4 on the sale of assets in the U.K., and partially offset by other costs of \$8 mainly in the U.K. In 2003, the Group completed the closure of facilities at Glasgow, U.K., sold its extrusions operations in Malaysia for net proceeds of \$2 and decided to retain the recycling operations at the Borgofranco plant in Italy and both cold mills at the light gauge operations in Fairmont, West Virginia (Novelis North America).

2002 Activities

In 2002, Restructuring, impairment and other special charges of \$25, pre-tax were recorded. The \$25 charge consisted of severance costs of \$9 related to workforce reductions of approximately 250 employees, impairment of long-lived assets of \$13 and other costs of \$3. Severance charges of \$9 related primarily to the extrusions operations in Malaysia (Novelis Asia) and light gauge operations in Fairmont, West Virginia (Novelis North America). Asset impairment charges of \$13 related primarily to the Borgofranco plant in Italy (Novelis Europe) and the operations in Korea (Novelis Asia). Other exit costs consisted principally of a loss of \$4 on the sale of the rolled products circles production unit at Pieve, Italy (Novelis Europe), for which the Group received proceeds of \$14.

2001 Activities

In 2001, Restructuring, impairment and other special charges of \$208 pre-tax were recorded. The charges of \$208 included severance costs of \$53, which related to workforce reductions of approximately 1,355 employees, impairment of long-lived assets of \$132 and other exit costs related to the shutdown of facilities of \$23.

Workforce Reductions

Workforce reductions relating to the 2001 restructuring program are as follows:

	2001	2002	Total
Novelis North America	360	50	410
Novelis Europe	915	—	915
Novelis Asia	10	200	210
Novelis South America	60	—	60
Other	10	—	10
Planned workforce reductions	1,355	250	1,605

As at December 31, 2003, approximately 1,585 of a total of 1,605 employees had been terminated.

THE NOVELIS GROUP

Notes to combined financial statements

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

Asset Impairment Provisions

	Assets held and used			Assets held for disposal
	2001(1)	2002(1)	Total	2001(2)
Novelis North America	\$ 2	\$ —	\$ 2	\$ —
Novelis Europe(3)(4)	98	10	108	22
Novelis Asia	2	3	5	8
Total	\$102	\$ 13	\$115	\$ 30

- (1) An impairment provision was recorded when the carrying amount was not recoverable and exceeded its fair value based on discounted cash flows.
- (2) An impairment provision was recorded to the extent that the net book value exceeded the fair value less selling costs. Fair values were determined based on either discounted cash flows or selling price.

Assets Held and Used

- (3) Charges principally relate to the cold mill at the Rogerstone plant in the U.K. (\$70), the recycling operations at the Borgofranco plant in Italy (\$9) and the foil facilities at Glasgow, U.K. (\$18).

Assets Held for Disposal

- (4) Charges principally relate to certain rolled products operations at the Pieve plant in Italy.

Assets Held for Disposal

	Novelis Europe	Novelis Asia	Total
Sales and Operating Revenues			
2003	\$ —	\$ 12	\$ 12
2002	32	15	47
2001	37	18	55
Net Operating Losses (Income)			
2003	—	(1)	(1)
2002	(1)	2	1
2001	—	—	—
Assets			
December 31, 2003	—	—	—
December 31, 2002	—	10	10
December 31, 2001	57	9	66
Liabilities			
December 31, 2003	—	—	—
December 31, 2002	13	5	18
December 31, 2001	11	6	17

THE NOVELIS GROUP

Notes to combined financial statements

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

8. Income taxes

	2003	2002	2001
Income (Loss) before income taxes and other items			
Canada	\$ (24)	\$ (22)	\$ (48)
Other countries	228	158	(105)
	—	—	—
	204	136	(153)
	—	—	—
Current income taxes			
Canada	(11)	(10)	(13)
Other countries	81	88	72
	—	—	—
	70	78	59
	—	—	—
Deferred income taxes			
Canada	4	2	(2)
Other countries	(24)	(3)	(51)
	—	—	—
	(20)	(1)	(53)
	—	—	—
Income tax provision	\$ 50	\$ 77	\$ 6
	—	—	—

The composite of the applicable statutory corporate income tax rates in Canada is 32% (2002: 32%; 2001: 33%).

The following is a reconciliation of income taxes calculated at the above composite statutory rates with the income tax provision:

	2003	2002	2001
Income taxes at the composite statutory rate	\$ 66	\$ 44	\$(50)
Differences attributable to:			
Exchange translation items	1	(18)	2
Exchange revaluation of deferred income taxes	4	—	(1)
Unrecorded tax benefits on losses — net	(14)	24	55
Investment and other allowances	(3)	(2)	(2)
Reduced rate or tax exempt items	(4)	5	4
Foreign tax rate differences	9	18	10
Prior years' tax adjustments	(13)	5	(12)
Other — net	4	1	—
	—	—	—
Income tax provision	\$ 50	\$ 77	\$ 6
	—	—	—

THE NOVELIS GROUP

Notes to combined financial statements

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

At December 31, the principal items included in Deferred income taxes are:

	2003	2002
Liabilities		
Property, plant, equipment and intangibles	\$259	\$221
Inventory valuation	11	17
Other — net	38	—
	308	238
Assets		
Tax benefit carryovers	123	157
Accounting provisions not currently deductible for tax	122	85
Other — net	—	1
	245	243
Valuation allowance (amounts not likely to be recovered)	89	145
	156	98
Net deferred income tax liability	\$152	\$140

The valuation allowance relates principally to loss carryforward benefits and tax credits where realization is not likely. The majority of the allowance relates to loss carryforwards of companies in Korea, the U.K. and Italy. The decrease in the valuation allowance is due to the realization of tax benefits on losses previously unrecognized, the expiry of unrecognized tax benefits on losses in Korea and fluctuations in exchange rates, principally in Brazil.

Based on rates of exchange at December 31, 2003, tax benefits of approximately \$68 relating to prior and current years' operating losses and \$5 of benefits related to tax credits carried forward will be recognized when it is more likely than not that such benefits will be realized. These amounts are included in the valuation allowance above. Approximately \$7 of these potential tax benefits expire in 2004.

9. Investment in non-controlled affiliates

At December 31, 2003, investments accounted for using the equity method and the ownership held by the Group principally include: Aluminium Norf GmbH (50%); Logan Aluminum Inc. (40%); Petrocoque S.A. — Indústria E Comércio (25%). The activities of the Group's major equity-accounted investments include the aluminum rolling operations in Germany and the United States. Logan Aluminum Inc. (Logan) meets the criteria of a variable interest entity under FIN 46. Effective January 1, 2004, the financial statements of Logan will be consolidated into the Group's combined financial statements.

THE NOVELIS GROUP

Notes to combined financial statements

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

A summary of the combined financial information for these companies is set forth below.

	2003	2002	
Summary of Combined Financial Position			
Current assets	\$216	\$128	
Non-current assets	662	866	
	—	—	
Total assets	\$878	\$994	
	—	—	
Current liabilities	492	689	
Non-current liabilities	160	132	
	—	—	
Total liabilities	652	821	
	—	—	
Net assets	\$226	\$173	
	—	—	
The Group's equity in net assets	\$110	\$ 84	
	—	—	
	2003	2002	2001
Summary of Combined Operations			
Revenues	\$411	\$359	\$334
Cost and expenses	385	332	316
Income taxes	11	12	7
	—	—	—
Income before cumulative effect of accounting change	15	15	11
	—	—	—
Net income	\$ 15	\$ 15	\$ 11
	—	—	—
The Group's share of net income	\$ 6	\$ 8	\$ 5
	—	—	—

THE NOVELIS GROUP

Notes to combined financial statements

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

10. Related party transactions

The table below describes the nature and amount of transactions the Group has with related parties. All of the transactions are part of the ordinary course of business and were agreed to by the Group and the related parties.

	Year ended December 31		
	2003	2002	2001
Sales and operating revenues(a)			
Alcan	\$ 472	\$ 437	\$ 386
Cost of sales and operating expenses(a)			
Alcan	\$ 436	\$ 411	\$ 356
Research and development expenses(b)			
Alcan	\$ 44	\$ 49	\$ 35
Interest expense			
Alcan(c)	\$ 19	\$ 22	\$ 33
Other expense (income) net			
Service fee income(d)	\$ (39)	\$ (37)	\$ (24)
Service fee expense(e)	26	28	4
Interest income	(4)	(1)	(3)
Derivatives(f)	(68)	(9)	22
Transfer pricing adjustment	—	44	—
Other	2	2	5
Total transactions with Alcan	(83)	27	4
Interest income from Aluminium Norf GmbH	(1)	(5)	(7)
	\$ (84)	\$ 22	\$ (3)
Purchase of inventory/tolling services			
Aluminium Norf GmbH	\$ 187	\$ 162	\$ 150
Alcan(g)	\$1,732	\$1,704	\$1,667

(a) The Group sells inventory to Alcan and certain investees accounted for under the equity method in the ordinary course of business.

(b) These expenses are comprised of an allocation of research and development expenses incurred by Alcan on behalf of the Group.

(c) As discussed further below as well as in note 17 — Debt Not Maturing Within One Year, the Group has various short-term and long-term debt payable to Alcan where interest is charged on a floating rate basis.

(d) Service fee income relates to revenues generated through sales of research and development and other corporate services to Alcan.

(e) Service fee expense relates to the purchase of corporate services from Alcan.

THE NOVELIS GROUP

Notes to combined financial statements

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

- (f) Alcan is the counterparty to all of the Group's metal derivatives and most of the currency derivatives. Refer to note 21 — Financial Instruments and Commodity Contracts.
- (g) Alcan is the primary supplier of prime and sheet ingot to the Group.

The table below describes the nature and amount of balances the Group has with related parties.

	As at December 31	
	2003	2002
Trade receivables(a)		
Alcan	\$ 163	\$174
	<u> </u>	<u> </u>
Other receivables(b)(c)(e)		
Alcan	\$1,154	\$382
Aluminium Norf GmbH	13	25
	<u> </u>	<u> </u>
	\$1,167	\$407
	<u> </u>	<u> </u>
Long-term receivables		
Alcan(c)	\$ 500	\$ —
Aluminium Norf GmbH(d)	114	112
	<u> </u>	<u> </u>
	\$ 614	\$112
	<u> </u>	<u> </u>
Payables and accrued liabilities(a)		
Aluminium Norf GmbH	\$ 4	\$ 13
Alcan	282	239
	<u> </u>	<u> </u>
	\$ 286	\$252
	<u> </u>	<u> </u>
Short-term borrowings(f)		
Alcan	\$ 64	\$ 58
	<u> </u>	<u> </u>
Debt maturing within one year(g)		
Alcan	\$ 10	\$ —
	<u> </u>	<u> </u>
Debt not maturing within one year(g)		
Alcan	\$1,011	\$491
	<u> </u>	<u> </u>

- (a) The Group purchases from and sells inventory to Alcan and purchases services from an investee accounted for under the equity method, in the ordinary course of business.
- (b) Includes Trade receivables sold to Alcan in the amount of \$218 (2002: \$233) as described in note 12 — Sales of Receivables.
- (c) Alcan Aluminum Corporation Inc. (AAC), which is part of the Group, issued two \$500 Floating Rate Notes (FRNs) on December 8, 2003, maturing in December 2004 and 2005, respectively, and advanced the funds including an additional \$125 to Alcan as part of Alcan's financing of its acquisition of Pechiney. The amounts due from Alcan to AAC are included in Other receivables, for the \$500 FRN due in 2004 and the \$125 loan (recorded by the Group in Short-term borrowings), and in Long-term receivables for the \$500 FRN due in 2005. The \$125 loan and the \$500 FRN due in 2005 were repaid to AAC in March and August 2004, respectively, as described in note 27 — Subsequent Events.

THE NOVELIS GROUP**Notes to combined financial statements**

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

- (d) Loan to an investee accounted for under the equity method.
- (e) Includes various floating rate notes totalling € 158.5 million (2002: € 121 million) maturing within one year.
- (f) Loan due to Alcan in the amount of GBP 36 million payable upon demand.
- (g) The Group has various loans payable to Alcan as described in note 17 — Debt Not Maturing Within One Year.

11. Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the trade receivables balance. Management determines the allowance based on known uncollectable accounts, historical experience, and other currently available evidence. Activity in the allowance for doubtful accounts is as follows:

Description	Balance at beginning of year	Additions charged to costs & expenses	Acquisitions	Write-offs	Balance at end of year
2003	\$ 25	\$ 5	\$ 1	\$ 1	\$ 30
2002	23	8	—	6	25
2001	29	6	—	12	23

12. Sales of receivables

Alcan performs cash management functions on behalf of certain of the Group's businesses primarily in North America, the United Kingdom, and parts of Europe. On an ongoing basis, the Group's businesses in North America sell to Alcan an undivided interest in certain third party trade receivables, with no recourse. The third party receivables are exchanged for receivables from Alcan, which are included in Other receivables — related parties (refer to note 10 — Related Party Transactions). The Group acts as a service agent and administers the collection of the receivables sold.

As at December 31, 2003, the Group sold third party trade receivables of \$218 (2002: \$233).

THE NOVELIS GROUP

Notes to combined financial statements

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

13. Other expenses (income) — net

Other expenses (income) — net comprise the following elements:

	2003	2002	2001
Restructuring costs	\$ 3	\$ (6)	\$ —
Asset impairment provisions	4	6	—
Loss (Gain) on disposal of fixed assets	1	(3)	3
Environmental provisions	25	—	—
Interest revenue	(7)	(16)	(14)
Exchange (gains) losses	17	3	5
Derivatives (gains) losses	(20)	(9)	27
Service fee expense (income) — net	(13)	(9)	(20)
Transfer pricing adjustment	—	44	—
Other	14	11	13
	\$ 24	\$ 21	\$ 14

The 2003 restructuring costs of \$3 consist principally of employee severance. The restructuring costs and asset impairment provisions above are not part of the 2001 restructuring program described in note 7 — Restructuring, Impairment and Other Special Charges. Environmental provisions consist of estimated and probable environmental remediation costs.

14. Deferred charges and other assets

Deferred charges and other assets comprise the following elements:

	2003	2002
Prepaid pension costs (Note 23)	\$ 2	\$ 2
Investments accounted for under the equity method (Note 9)	110	84
Long-term notes and other receivables	74	77
Other	10	7
	\$196	\$170

15. Property, plant and equipment

	2003	2002
Cost (excluding construction work in progress)		
Land and property rights	\$ 93	\$ 83
Buildings	848	777
Machinery and equipment	4,277	3,982
	\$5,218	\$4,842

Accumulated depreciation relates primarily to Buildings and Machinery and equipment.

THE NOVELIS GROUP

Notes to combined financial statements

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

16. Deferred credits and other liabilities

Deferred credits and other liabilities comprise the following elements:

	2003	2002
Post-retirement and post-employment benefits (Note 23)	\$211	\$168
Environmental liabilities (Note 19)	52	20
Restructuring liabilities	2	4
Claims	40	51
Other	57	38
	<u>\$362</u>	<u>\$281</u>

17. Debt not maturing within one year

	2003	2002
<u>Due to related parties</u>		
Alcan Deutschland Holdings GmbH & Co. KG		
4.30%, loan, due 2008 (€ 375 million)	\$ 472	\$ —
Floating rate loan, due 2006 (€ 51 million)(a)	64	54
Alcan Deutschland GmbH		
Floating rate loans, due 2005 (€ 214 million)(a)	268	224
Alcan Aluminio do Brasil Ltda		
Floating rate notes, due 2004/2007(a)	195	195
Alcan Aluminio S.p.A.		
Floating rate loan, due 2005 (€ 18 million)(a)	22	18
	<u>1,021</u>	<u>491</u>
Debt maturing within one year included in current liabilities	(10)	—
Debt not maturing within one year due to related parties	<u>\$1,011</u>	<u>\$491</u>
<u>Due to third parties</u>		
Alcan Aluminum Corporation		
Floating rate notes, due 2005(a)(b)	\$ 500	\$ —
Other		
Bank loans, due 2004/2011(a)	137	131
Other debt, due 2004/2009(a)	1	1
	<u>638</u>	<u>132</u>
Debt maturing within one year included in current liabilities	(132)	—
Debt not maturing within one year due to third parties	<u>\$ 506</u>	<u>\$132</u>

(a) Interest rates fluctuate principally with the lender's prime commercial rate, the commercial bank bill rate, or are tied to LIBOR/ EURIBOR rates.

(b) Alcan Aluminum Corporation (AAC) had the right to redeem the FRNs due December 8, 2005, at any time on or after June 8, 2004. It opted to repay the FRNs on August 6, 2004 (refer to note 27 — Subsequent Events). The FRNs ranked equally with AAC's senior unsecured debt and were guaranteed by Alcan.

THE NOVELIS GROUP**Notes to combined financial statements**

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

Based on rates of exchange at year-end, debt repayment requirements over the next five years amount to \$142 in 2004, \$853 in 2005, \$170 in 2006, \$21 in 2007 and \$472 in 2008. Related party debt repayments over the next five years amount to \$10 in 2004, \$350 in 2005, \$169 in 2006, \$20 in 2007 and \$472 in 2008.

18. Stock options and other stock-based compensation***Alcan Executive Share Option Plan***

Under the executive share option plan, certain key employees may purchase common shares at an exercise price that is based on the market value of the shares on the date of the grant of each option. The vesting period for options granted beginning in 1998 is linked to Alcan's share price performance, but does not exceed nine years. Options granted before 1998 vest generally over a fixed period of four years from the grant date and expire at various dates during the next ten years.

The number of options granted to certain employees of Alcan's Rolled Products businesses is 211,725 in 2003 (2002: 292,200; 2001: 338,980). The option activity is not necessarily indicative of what the activity would have been had the Group been a separate stand-alone company during the periods presented or what the activity may be in the future.

To compute compensation expense under SFAS No. 123, Accounting for Stock Compensation, the Black-Scholes valuation model was used to determine the fair value of the Alcan options granted that are held by the Group's employees.

The weighted average fair value of stock options granted to certain employees of Alcan's Rolled Products businesses in 2003 is \$9.95 (2002: \$7.72; 2001: \$10.90).

Stock-based compensation expense for stock options granted to certain employees of Alcan's Rolled Products businesses was \$2 in 2003 (2002: \$2; 2001: \$3).

The fair value of each option grant is estimated on the date of grant with the following weighted average assumptions used for the option grants:

	2003	2002	2001
Dividend yield	1.88%	1.65%	1.93%
Expected volatility	29.16%	35.73%	30.83%
Risk-free interest rate	3.39%	3.50%	5.57%
Expected life (years)	6	6	10

Compensation To Be Settled in Cash

Presented below is a summary of Alcan's other stock-based compensation plans to be settled in cash that are held by certain employees of Alcan's Rolled Products businesses.

Stock Price Appreciation Unit Plan

A small number of employees of Alcan's Rolled Products businesses are entitled to receive Stock Price Appreciation Units (SPAUs) whereby they are entitled to receive cash in an amount equal to the excess of the market value of an Alcan common share on the date of exercise of a SPAU over the market value of an Alcan common share as of the date of grant of such SPAUs. The vesting period is linked to Alcan's share price performance, but does not exceed nine years.

THE NOVELIS GROUP

Notes to combined financial statements

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

Total Shareholder Return Performance Plan

Certain employees of Alcan's Rolled Products businesses are entitled to receive cash awards under the Total Shareholder Return Performance Plan, a cash incentive plan which provides performance awards to eligible employees based on the relative performance of Alcan's common share price and cumulative dividend yield performance compared to other corporations included in the Standard & Poor's Industrial Composite Index measured over three-year periods commencing on October 1, 2003 and 2002. If the performance results for Alcan's common shares is below the 30th percentile compared to all companies in the Standard & Poor's Industrials Composite Index, the employee will not receive an award. At or above the 75th percentile rank, the employee will earn the maximum award, which is equal to 300% of the target set for the period. The actual amount of the award (if any) will be prorated between the percentile rankings.

Compensation Cost

Stock based compensation expense for Alcan's employee compensation awards held by certain employees of Alcan's Rolled Products businesses that are to be settled in cash was \$3 in 2003 (nil in 2002 and 2001).

19. Commitments and contingencies

Commitments with third parties for supplies of goods and services are estimated at \$34 in 2004, \$3 in 2005, \$3 in 2006, nil in 2007 and thereafter. Total payments to these entities were \$3 in 2003, \$5 in 2002 and nil in 2001, excluding capital expenditures.

Minimum rental obligations are estimated at \$12 in 2004, \$7 in 2005, \$5 in 2006, \$3 in 2007, \$2 in 2008 and \$2 thereafter. Total rental expenses amounted to \$15 in 2003, \$15 in 2002 and \$16 in 2001.

The Group, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. The Group has environmental contingencies relating to 13 existing and former Group sites and third-party sites. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated.

The Group is subject to various laws relating to the protection of the environment. The Group has established procedures for the ongoing evaluation of its operations, to identify potential environmental exposures and to comply with regulatory policies and procedures.

It is the Group's policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Group will be required to incur such costs. The Group has estimated its undiscounted remaining clean-up costs related to 13 sites will be in the range of \$47 to \$52. An estimated liability of \$52 has been recorded on the combined balance sheet at December 31, 2003 in Deferred credits and other liabilities. Other than these 13 sites, the Group is currently not aware of any material exposure to environmental liabilities. However, adverse changes in environmental regulations, new information or other factors could impact the Group.

Although there is a possibility that liabilities may arise in other instances for which no accruals have been made, the Group does not believe that it is reasonably possible that losses in excess of accrued amounts are sufficient to significantly impair its operations, have a material adverse effect on its financial position or liquidity, or materially and adversely affect its results of operations for any particular reporting period, absent unusual circumstances, will occur.

In addition, see reference to income taxes in note 8, debt repayments in note 17, and financial instruments and commodity contracts in note 21.

THE NOVELIS GROUP

Notes to combined financial statements

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

20. Currency gains and losses

The following are the amounts recognized in the financial statements:

	2003	2002	2001
Currency gains (losses) recorded in income			
Gains (Losses) realized and unrealized on currency derivatives	\$ (37)	\$ (21)	\$ 2
Realized deferred translation adjustments	1	—	—
Gains (Losses) on translation of monetary assets and liabilities	(7)	9	(7)
	<u>\$ (43)</u>	<u>\$ (12)</u>	<u>\$ (5)</u>
Deferred translation adjustments — beginning of year	\$ (12)	\$ (141)	\$ (113)
Effect of exchange rate changes	103	129	(28)
Losses (Gains) realized	(1)	—	—
	<u>\$ 90</u>	<u>\$ (12)</u>	<u>\$ (141)</u>

21. Financial instruments and commodity contracts

In conducting its business, the Group uses various derivative and non-derivative instruments, including forward contracts to manage the risks arising from fluctuations in exchange rates, interest rates, aluminum prices and other commodity prices. Generally, such instruments are used for risk management purposes only. The principal counterparty to these contracts is Alcan.

Derivatives — Currency

The Group enters into forward currency contracts that are designated as hedges of certain identifiable foreign currency revenue and operating cost exposures. Foreign currency forward contracts are also used to hedge certain foreign currency denominated debt.

		Outstanding at December 31			
		2003		2002	
	Hedge	Notional amount	Fair value	Notional amount	Fair value
Financial instrument					
Forward exchange contracts	Future firm net operating cash flows				
— third parties		\$ 12	\$ (4)	\$ 78	\$(5)
— related parties		439	(26)	190	(3)
Cross currency interest swap and forward exchange contracts (third parties)	To swap US\$ third party borrowings to KRW	233	2	271	(5)

THE NOVELIS GROUP

Notes to combined financial statements

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

Derivatives — Interest Rate

The Group sometimes enters into interest rate swaps to manage funding costs as well as the volatility of interest rates.

	Outstanding at December 31			
	2003		2002	
	Notional amount	Fair value	Notional amount	Fair value
Financial Instrument				
Rate swap — floating to fixed (third parties)				
— KRW floating to KRW fixed	\$ 25	\$ —	\$ 3	\$ —

Derivatives — Aluminum

Depending on supply and market conditions, as well as for logistical reasons, the Group may purchase primary and secondary aluminum on the open market to meet its fabricated products requirements. In addition, the Group may hedge certain commitments arising from pricing arrangements with some of its customers and the effects of price fluctuations on inventories.

	Outstanding at December 31	
	2003	2002
Financial Instrument		
Forward contracts (related parties)		
Tonnes covered	469,110	549,076
Maturing principally in years	2004 to 2005	2003 to 2004
Call options purchased (related parties)		
Number of tonnes	—	88,050
Maturing principally in years	—	2003
Fair value	\$86	\$(11)

Derivatives — Natural Gas

As a hedge of future natural gas purchases, the Group had outstanding as at December 31:

	2003	2002
Financial Instrument		
Swaps (third parties)		
Number of decatherms (in millions)	2.0	—
Options (third parties)		
Number of decatherms (in millions)	2.3	—
Fair value	\$ 1	\$ —

Counterparty risk

The Group may be exposed to losses in the future if the counterparties to the above contracts fail to perform. The principal counterparty is Alcan (refer to note 10 — Related Party Transactions). The Group is satisfied that the risk of such non-performance is remote, due to its monitoring of credit exposures.

THE NOVELIS GROUP

Notes to combined financial statements

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

Financial Instruments — Fair Value

On December 31, 2003, the fair value of the Group's long-term debt totaling \$1,659 (2002: \$623) was the same as its book value.

The fair values of all other financial assets and liabilities are approximately equal to their carrying values.

22. Supplementary information

	2003	2002	2001
Statements of income			
Interest on long-term debt	\$ 27	\$ 26	\$ 30
Capitalized interest	(1)	—	—
	—	—	—
Statements of cash flows			
Interest paid	41	42	65
Income taxes paid (refunded)	19	34	(80)
	—	—	—
	2003	2002	
Balance sheets			
Payables and accrued liabilities include the following:			
Trade payables	\$708	\$534	
Other accrued liabilities	286	208	
Income and other taxes	28	49	
Accrued employment costs	66	58	

At December 31, 2003, the weighted average interest rate on short-term borrowings was 1.8% (2002: 3.3%; 2001: 4.5%).

23. Post-retirement benefits

Most of the Group's pension obligation relates to funded defined benefit pension plans it has established in the United States, unfunded pension benefits in Germany, and lump sum indemnities payable upon retirement to employees of businesses in France, Korea and Malaysia. Pension benefits are generally based on the employee's service and either on a flat dollar rate or on the highest average eligible compensation before retirement. In addition, some of the entities of the Group participate in defined benefit plans managed by Alcan in Canada, the U.S., the U.K. and Switzerland. The Group's share of these plans' assets and liabilities is not included in the combined balance sheets, as discussed in note 2 — Basis of Presentation.

THE NOVELIS GROUP

Notes to combined financial statements

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

Investments are generally limited to publicly traded stocks and high-rated debt securities, and include only small amounts in other categories. Target allocation for 2003 is as indicated below.

Category of asset	Target Allocation	Allocation in aggregate at December 31	
		2003	2002
Equity	40% to 65%	46%	14%
Debt securities	30% to 55%	54%	86%
Real estate	0% to 5%	—	—

The Group's pension funding policy is to contribute the amount required to provide for contractual benefits attributed to service to date, and to amortize unfunded actuarial liabilities for the most part over periods of 15 years or less. The Group expects to contribute \$1 to its funded pension plans in 2004, and to pay \$7 of unfunded pension benefits and lump sum indemnities from operating cash flows.

Alcan provides unfunded health care and life insurance benefits to retired employees in Canada and the United States, which include retired employees of some of the Group's businesses. The Group's share of these plans' liabilities and costs are included in the combined financial statements. The Group expects to pay benefits of \$7 in 2004 from operating cash flows.

	Pension benefits		Other benefits	
	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation at January 1	\$115	\$105	\$ 69	\$ 62
Service cost	6	3	2	2
Interest cost	12	6	4	4
Benefits paid	(11)	(5)	(6)	(5)
Amendments	1	—	—	—
Acquisitions/reorganization	88	—	—	—
Curtailments/divestitures	—	1	—	—
Actuarial (gains) losses	28	(8)	10	6
Currency losses	17	13	—	—
	—	—	—	—
Benefit obligation measured at December 31	\$256	\$115	\$ 79	\$ 69
	—	—	—	—
Change in market value of plan assets				
Assets at January 1	\$ 25	\$ 27	\$ —	\$ —
Actual return on assets	24	(4)	—	—
Benefits paid from funded plans	(7)	(5)	—	—
Company contributions	4	7	—	—
Acquisitions/reorganization	68	—	—	—
	—	—	—	—
Assets at December 31	\$114	\$ 25	\$ —	\$ —
	—	—	—	—

THE NOVELIS GROUP

Notes to combined financial statements

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

	Pension benefits		Other benefits	
	2003	2002	2003	2002
Net benefit obligation	\$(142)	\$ (90)	\$(79)	\$(69)
Unamortized				
— actuarial (gains)/losses	(8)	(8)	10	2
— prior service cost	20	13	(1)	—
Minimum pension liability (excluding amount related to prior service costs)	(12)	(12)	—	—
Net liability in balance sheet	\$(142)	\$ (97)	\$(70)	\$(67)
Deferred charges and other assets	2	2	—	—
Intangible assets	4	1	—	—
Payables and accrued liabilities	(7)	1	—	—
Deferred credits and other liabilities	(141)	(101)	(70)	(67)
Net liability in balance sheet	\$(142)	\$ (97)	\$(70)	\$(67)

The total accumulated benefit obligation (ABO) is \$237 (2002: \$94). For certain plans, the PBO and the ABO exceed the market value of the assets. For these plans, including unfunded pensions and lump sum indemnities, the PBO is \$222 (2002: \$115), the ABO is \$203 (2002: \$94), while the market value of the assets is \$77 (2002: \$25).

	Pension Benefits			Other Benefits		
	2003	2002	2001	2003	2002	2001
Components of net periodic benefit cost						
Service cost	\$ 21	\$ 25	\$ 24	\$ 2	\$ 2	\$ 2
Interest cost	33	37	35	5	4	4
Expected return on assets	(28)	(40)	(45)	—	—	—
Amortization						
— actuarial (gains) losses	3	(3)	(11)	—	—	(1)
— prior service cost	5	6	8	—	—	—
Curtailment/settlement losses	7	—	—	—	—	—
Net periodic benefit cost	\$ 41	\$ 25	\$ 11	\$ 7	\$ 6	\$ 5
Weighted average assumptions used to determine benefit obligations at December 31						
Discount rate	5.8%	5.6%	5.6%	6.2%	6.5%	7.0%
Average compensation growth	3.3%	3.0%	3.0%	3.7%	3.9%	5.0%
Weighted average assumptions used to determine net periodic benefit cost						
Discount rate	6.2%	5.6%	5.9%	6.5%	7.0%	7.5%
Average compensation growth	3.0%	3.0%	3.0%	3.9%	5.0%	5.6%
Expected return on plan assets	8.0%	5.0%	5.0%	—	—	—

Included in net periodic benefit cost are contributions of subsidiaries and cost allocations of divisions that participate in Alcan plans, as described in note 2 — Basis of Presentation.

THE NOVELIS GROUP

Notes to combined financial statements

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

In estimating the expected return on assets of a pension plan, consideration is given primarily to its target allocation, the current yield on long-term bonds in the country where the plan is established, and the historical risk premium in each relevant country of equity or real estate over long-term bond yields. The approach is consistent with the principle that assets with higher risk provide a greater return over the long term.

The assumed health care cost trend used for measurement purposes is 10.0% for 2004, decreasing gradually to 4.3% in 2010 and remaining at that level thereafter. A one percentage point change in assumed health care cost trend rates would have the following effects:

	Other Benefits	
	1% Increase	1% Decrease
Sensitivity Analysis		
Effect on service and interest costs	—	—
Effect on benefit obligation	\$ 7	\$ (6)

24. Information by geographic areas

	Location	2003	2002	2001
Sales and operating revenues — third and related parties (by origin)	Canada	\$ 212	\$ 145	\$ 123
	United States	2,174	2,373	2,384
	Brazil	408	373	386
	United Kingdom	302	357	377
	Germany	1,705	1,409	1,308
	Other Europe	503	451	475
	Asia and Other Pacific	917	785	724
	Total	\$6,221	\$5,893	\$5,777
	Location	2003	2002	
Property, plant and equipment, Intangible assets and Goodwill at December 31 (*)(**)	Canada	\$ 116	\$ 119	
	United States	454	484	
	Brazil	568	577	
	United Kingdom	162	136	
	Germany	267	210	
	Other Europe	317	181	
	Asia and Other Pacific	630	642	
	Total	\$2,514	\$2,349	

(*) In 2002, Property, plant and equipment, Intangible assets and Goodwill — net included goodwill impairment charges of \$84 for Other Europe.

(**) The allocation of the purchase price for Pechiney by geographic area is tentative. The final valuation will be completed in 2004 and accordingly, the fair values could be modified for property, plant and equipment and goodwill.

THE NOVELIS GROUP**Notes to combined financial statements**

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

25. Information by operating segments

The following presents selected information by operating segment, viewed on a stand-alone basis. The operating management structure is comprised of four operating segments. The four operating segments are Novelis North America, Novelis Europe, Novelis Asia and Novelis South America. Alcan's measure of the profitability of its operating segments is referred to as business group profit (BGP). BGP comprises earnings before interest, income taxes, minority interests, depreciation and amortization and excludes certain items, such as corporate costs, restructuring costs (relating to major corporate-wide acquisitions or initiatives), impairment and other special charges, and pension actuarial gains, losses and other adjustments, that are not under the control of the business groups or are not considered in the measurement of their profitability. These items are generally managed by Alcan's corporate head office, which focuses on strategy development and oversees governance, policy, legal, compliance, human resources and finance matters. The change in fair market value of derivatives is removed from individual BGP and is shown on a separate line. This presentation provides a more accurate portrayal of underlying business group results and is in line with the Group's portfolio approach to risk management.

Transactions between operating segments are conducted on an arm's-length basis and reflect market prices.

The accounting principles used to prepare the information by operating segment are the same as those used to prepare the combined financial statements of the Group, except for the following two items:

- (1) The operating segments include the Group's proportionate share of joint ventures (including joint ventures accounted for using the equity method) as they are managed within each operating segment; and
- (2) Pension costs for the operating segments are based on the normal current service cost with all actuarial gains, losses and other adjustments being included in Intersegment and other.

The operating segments are described below.

Novelis North America

Headquartered in Cleveland, U.S.A., this group encompasses aluminum sheet and light gauge products, operating 12 plants in two countries.

Novelis Europe

Headquartered in Zurich, Switzerland, this group comprises aluminum sheet, including automotive, can and lithographic sheet as well as foil stock, operating 18 plants in seven countries.

Novelis Asia

Headquartered in Seoul, South Korea, this group encompasses aluminum sheet and light gauge products, operating three plants in two countries.

Novelis South America

Headquartered in Sao Paulo, Brazil, this group comprises bauxite mining, alumina refining, smelting operations, power generation, carbon products, aluminum sheet and light gauge products, operating five plants in Brazil. The Brazilian bauxite, alumina and smelting assets are included in the Group because they are integrated with the Brazilian rolling operations.

THE NOVELIS GROUP

Notes to combined financial statements

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

Intersegment and other

This classification includes the deferral or realization of profits on intersegment sales of aluminum and alumina, corporate office costs as well as other non-operating items.

Risk Concentration

All four operating segments traded with Rexam Plc (Rexam) during 2003 and all except for Novelis Asia traded with Rexam in 2002 and 2001. Revenues from Rexam of \$577 amounted to approximately 9% of total revenues for the year ended December 31, 2003 (2002: \$666 and 11%; 2001: \$639 and 11%).

	Intersegment			Third and related parties		
	2003	2002	2001	2003	2002	2001
Sales and operating revenues						
Novelis North America	\$ 40	\$ 9	\$ 6	\$2,385	\$2,517	\$2,506
Novelis Europe	23	40	27	2,510	2,218	2,158
Novelis Asia	13	11	5	918	785	724
Novelis South America	23	13	—	414	379	393
Adjustments for equity-accounted joint ventures	—	—	—	(7)	(7)	(7)
Other	(99)	(73)	(38)	1	1	3
	\$ —	\$ —	\$ —	\$6,221	\$5,893	\$5,777
			2003	2002	2001	
Business group profit						
Novelis North America			\$ 206	\$ 277	\$ 202	
Novelis Europe			173	130	80	
Novelis Asia			68	35	26	
Novelis South America			112	90	107	
Adjustments for equity-accounted joint ventures			(45)	(42)	(36)	
Adjustments for mark-to-market of derivatives			20	9	(27)	
Depreciation and amortization			(222)	(211)	(217)	
Restructuring, impairment and other special charges			24	(25)	(208)	
Intersegment, corporate offices and other			(92)	(85)	(16)	
Equity income			6	8	5	
Interest			(40)	(42)	(64)	
Income taxes			(50)	(77)	(6)	
Minority interests			(3)	8	17	
Cumulative effect of accounting change			—	(84)	—	
Net Income (Loss)			\$ 157	\$ (9)	\$ (137)	

THE NOVELIS GROUP

Notes to combined financial statements

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

	2003	2002
Total assets at December 31		
Novelis North America	\$1,131	\$1,130
Novelis Europe	2,167	1,650
Novelis Asia	837	824
Novelis South America	733	720
Adjustments for equity-accounted joint ventures	(135)	(110)
Other	1,583	344
	<u>\$6,316</u>	<u>\$4,558</u>

	Depreciation and Amortization			Cash Paid for Capital Expenditures and Business Acquisitions		
	2003	2002	2001	2003	2002	2001
Novelis North America	\$ 68	\$ 67	\$ 72	\$ 38	\$ 32	\$ 59
Novelis Europe	87	75	80	97	81	86
Novelis Asia	45	42	37	36	32	73
Novelis South America	49	49	49	41	46	42
Adjustments for equity-accounted joint ventures	(32)	(26)	(25)	(14)	(14)	(15)
Other	5	4	4	2	2	12
	<u>\$222</u>	<u>\$211</u>	<u>\$217</u>	<u>\$200</u>	<u>\$179</u>	<u>\$257</u>

26. Differences between United States and Canadian Generally Accepted Accounting Principles (GAAP)

Significant differences between United States and Canadian GAAP are described below.

(A) Derivatives

Under U.S. GAAP, all derivatives are recorded in the financial statements at fair value. Unrealized gains and losses resulting from the valuation at fair value of derivatives not meeting strict hedge accounting criteria are recognized in net income as the gains and losses arise and not concurrently with the recognition of the transactions being hedged.

Under Canadian GAAP, gains and losses on derivative contracts are recognized in income concurrently with the recognition of the transactions being hedged. For certain foreign currency forward contracts and swaps that are used to hedge certain foreign currency denominated debt, unrealized currency gains and losses are recorded in income concurrently with the unrealized gains and losses on the items being hedged. As described under Newly Issued Accounting Standards for Canadian GAAP Presentation, the Canadian Institute of Chartered Accountants (CICA) issued AcG-13, Hedging Relationships which is effective beginning January 1, 2004.

(B) Minimum Pension Liability

Under U.S. GAAP, if the accumulated benefit obligation exceeds the market value of plan assets, a minimum pension liability for the excess is recognized to the extent that the liability recorded in the balance sheet is less than the minimum liability. Any portion of this additional liability that relates to unrecognized past service cost is recognized as an intangible asset while the remainder is charged to Comprehensive income. Canadian GAAP has no such requirement to record a minimum liability.

THE NOVELIS GROUP

Notes to combined financial statements

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

(C) Impairment of Goodwill

Under U.S. GAAP, goodwill impairment identified as at January 1, 2002 was charged to income as the cumulative effect of an accounting change. Under Canadian GAAP, the impairment loss identified as at January 1, 2002 was recognized as a charge to opening Owner's net investment in 2002.

(D) Deferred Translation Adjustments

Under U.S. GAAP, deferred translation adjustments are reported as a component of Comprehensive income. Under Canadian GAAP, the concept of comprehensive income does not exist and deferred translation adjustments are reported as a component of invested equity.

(E) Joint Ventures

Under U.S. GAAP, joint ventures, other than those over which the Group has an undivided interest in the assets, are accounted for using the equity method while under Canadian GAAP, joint ventures are accounted for using the proportionate consolidation method. A joint venture is an entity owned and operated by a small group of businesses (the "joint venturers") as a separate and specific business or project for the mutual benefit of the members of the group. Venturers are bound by a contractual arrangement, which establishes that the venturers have joint control over the joint venture, regardless of the difference that may exist in their ownership interest. The different accounting treatment affects the display and classification of financial statement items and not net income or invested equity.

(F) Combined Statement of Income

Under U.S. GAAP, income from continuing operations before amortization of goodwill and income from continuing operations per common share before amortization of goodwill are not presented whereas they would be presented under Canadian GAAP.

(G) Currency Translation

The difference between Deferred translation adjustments under U.S. GAAP and Canadian GAAP arises from the different treatment of exchange on long-term debt at January 1, 1983, resulting from the adoption of Canadian accounting standards on foreign currency translation on such date.

(H) Comprehensive Income

U.S. GAAP requires the disclosure of Comprehensive income which, for the Group, comprises Net income, the movement in Deferred translation adjustments and the movement in the minimum pension liability. The concept of Comprehensive income does not exist under Canadian GAAP.

Recently Adopted Accounting Standards for Canadian GAAP Presentation

Goodwill and Other Intangible Assets

On January 1, 2002, the Group adopted the new standard of the CICA Section 3062, Goodwill and Other Intangible Assets. Under this standard, goodwill and other intangible assets with an indefinite life are no longer amortized but are carried at the lower of carrying value and fair value. Goodwill and other intangible assets with an indefinite life are tested for impairment on an annual basis.

Goodwill is tested for impairment using a two-step test. Under the first step, the fair value of a reporting unit, based upon discounted cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist. However, if the fair value is less

THE NOVELIS GROUP

Notes to combined financial statements

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

than the carrying amount, a second test must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its carrying amount. Fair value of goodwill is estimated in the same way as goodwill is determined at the date of acquisition in a business combination, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit.

An impairment of \$84 was identified in the goodwill balance as at January 1, 2002, and was charged to opening retained earnings in 2002 upon adoption of the new accounting standard. Any further impairment arising subsequent to January 1, 2002 is taken as a charge against income. As a result of the new standard, the Group no longer amortizes goodwill. The amount of goodwill amortization was \$3 in 2001.

Impairment of Long-Lived Assets

On January 1, 2003, the Group early adopted the CICA Section 3063, Impairment of Long-Lived Assets. Under this standard, an impairment loss is recognized when the carrying amount of a long-lived asset held for use is not recoverable and exceeds its fair value. No impairment charges were recorded upon adoption of this new standard.

Disposal of Long-Lived Assets and Discontinued Operations

On January 1, 2003, the Group early adopted the CICA Section 3475, Disposal of Long-Lived Assets and Discontinued Operations. Under this standard, a long-lived asset to be disposed of by sale is measured at the lower of its carrying amount or fair value less cost to sell, and is not depreciated while classified as held for sale. Assets and liabilities classified as held for sale are reported as assets held for sale and liabilities of operations held for sale on the balance sheet. A long-lived asset to be disposed of other than by sale, such as by abandonment, before the end of its previously estimated useful life, is classified as held for use until it is disposed of and depreciation estimates revised to reflect the use of the asset over its shortened useful life.

Also, the standard requires that the results of operations of a component of an enterprise, that has been disposed of either by sale or abandonment or is classified as held for sale, be reported as discontinued operations if the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations as a result of the disposal transaction and the Group will not have any significant continuing involvement in the operations of the component after the disposal transaction. A component of an enterprise comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise.

Severance and Termination Benefits

On April 1, 2003, the Group adopted the new CICA Emerging Issues Committee abstract No. 134, Accounting for Severance and Termination Benefits. Under this abstract, contractual termination benefits and severance costs are recognized as an expense when management, having the appropriate level of authority, approves a decision to terminate employees. Non-contractual termination benefits are recognized as an expense when communicated to employees. Retention bonuses are recognized as an expense over the required future service period.

Costs Associated with Exit or Disposal Activities

On April 1, 2003, the Group adopted the new CICA Emerging Issues Committee abstract No. 135, Accounting for Costs Associated with Exit or Disposal Activities (including Costs Incurred in a

THE NOVELIS GROUP

Notes to combined financial statements

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

Restructuring). This abstract requires that a liability associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of the Group's commitment to an exit plan.

Stock Options and Other Stock-Based Compensation

Effective January 1, 2004, Alcan retroactively adopted the provisions of the amendment to CICA section 3870, Stock-Based Compensation and Other Stock-Based Payments. The amendment requires the recognition of an expense computed using the fair value method of accounting for all stock options and payments at grant date. These combined financial statements under Canadian GAAP include the compensation cost for options granted to certain employees of the Group for all periods presented computed as per the amendment. The adoption of this amendment has the same impact as the adoption of the fair value method of accounting for stock-options under U.S. GAAP.

Newly Issued Accounting Standards for Canadian GAAP Presentation

Consolidation of Variable Interest Entities

The CICA issued accounting guideline AcG-15, Consolidation of Variable Interest Entities, which will be effective for the Group's annual and interim periods beginning on January 1, 2005. The guideline provides guidance as to when to apply consolidation principles to certain entities that are subject to control on a basis other than ownership of voting shares and thus determining when an enterprise includes the assets, liabilities and results of activities of such an entity (a variable interest entity) in its consolidated financial statements. The Group does not expect its financial statements to be significantly impacted by this guideline.

Hedging Relationships

The CICA issued accounting guideline AcG-13, Hedging Relationships, which establishes certain conditions regarding when hedge accounting may be applied and which is effective for the Group's annual and interim periods beginning on January 1, 2004. Each hedging relationship will be subject to an effectiveness test on a regular basis for reasonable assurance that it is and will continue to be effective. Under these rules, the fair value of derivatives will be recorded on the balance sheet and any derivative instrument that does not qualify for hedge accounting will be reported on a mark-to-market basis in earnings.

Generally Accepted Accounting Principles

In July 2003, the CICA issued Section 1100, Generally Accepted Accounting Principles, which was effective for the Group's fiscal year beginning on January 1, 2004. This standard establishes accounting standards for financial reporting in accordance with Canadian GAAP. It defines primary sources of Canadian GAAP and requires that the Group apply every relevant primary source.

General Standards of Financial Statement Presentation

In July 2003, the CICA issued Section 1400, General Standards of Financial Statement Presentation, which was effective for the Group's fiscal year beginning on January 1, 2004. This standard clarifies what constitutes fair presentation in accordance with Canadian GAAP, which involves providing sufficient information in a clear and understandable manner about certain transactions or events of such size, nature and incidence that their disclosure is necessary to understand the Group's financial statements.

THE NOVELIS GROUP

Notes to combined financial statements

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

Reconciliation of U.S. and Canadian GAAP

	Year ended December 31											
	2003				2002				2001			
	As reported	Ref.	Amount	Canadian GAAP	As Reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Statements of Income												
Sales and operating revenues												
— third parties	\$ 5,749	(e)	\$ 7	\$ 5,756	\$ 5,456	(e)	\$ 7	\$ 5,463	\$ 5,391	(e)	\$ 7	\$ 5,398
— related parties	472		—	472	437		—	437	386		—	386
	6,221		7	6,228	5,893		7	5,900	5,777		7	5,784
Costs and expenses												
Cost of sales and operating expenses												
— third parties	5,046	(e)	(35)	5,011	4,797	(e)	(37)	4,760	4,800	(e)	(33)	4,767
— related parties	436		—	436	411		—	411	356		—	356
Depreciation and amortization	222	(e)	32	254	211	(e)	27	238	217	(e)	25	239
										(f)	(3)	
Selling, administrative and general expenses	211		—	211	183		—	183	209		—	209
Research and development expenses												
— third parties	18		—	18	18		—	18	27		—	27
— related parties	44		—	44	49		—	49	35		—	35
Interest												
— third parties	21		—	21	20		—	20	31		—	31
— related parties	19		—	19	22		—	22	33		—	33
Restructuring, impairment and other special charges												
	(24)		—	(24)	25		—	25	208		—	208
Other expenses (income) — net												
— third parties	108	(a)	(48)	62	(1)	(e)	7	6	17	(a)	(5)	22
		(e)	2							(e)	10	
— related parties	(84)	(a)	68	(16)	22	(a)	9	31	(3)	(a)	(22)	(25)
	6,017		19	6,036	5,757		6	5,763	5,930		(28)	5,902
Income (Loss) before income taxes and other items												
	204		(12)	192	136		1	137	(153)		35	(118)
Income taxes												
	50	(a)	(10)	43	77	(a)	(4)	78	6	(a)	10	18
		(e)	3			(e)	5			(e)	2	

THE NOVELIS GROUP

Notes to combined financial statements

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

Year ended December 31

	2003				2002				2001			
	As reported	Ref.	Amount	Canadian GAAP	As Reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Income (Loss) before other items	154		(5)	149	59		—	59	(159)		23	(136)
Equity income	6	(e)	(5)	1	8	(e)	(5)	3	5	(e)	(3)	2
Minority interests	(3)		—	(3)	8		—	8	17		—	17
	—		—	—	—		—	—	—		—	—
Income (Loss) before amortization of goodwill	157		(10)	147	75		(5)	70	(137)		20	(117)
Amortization of goodwill	—		—	—	—		—	—	—	(f)	3	3
	—		—	—	—		—	—	—		—	—
Income (Loss) before cumulative effect of accounting change	157		(10)	147	75		(5)	70	(137)		17	(120)
Cumulative effect of accounting change, net	—		—	—	(84)		84	—	—		—	—
	—		—	—	—		—	—	—		—	—
Net Income (Loss)	\$ 157		\$ (10)	\$ 147	\$ (9)		\$ 79	\$ 70	\$ (137)		\$ 17	\$ (120)

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- (a) Derivatives
 - (b) Minimum pension liability
 - (c) Impairment of goodwill
 - (d) Deferred translation adjustments
 - (e) Joint ventures
 - (f) Combined statement of income
 - (g) Currency translation

THE NOVELIS GROUP

Notes to combined financial statements

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

Reconciliation of U.S. and Canadian GAAP

	December 31 2003				December 31 2002			
	As reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Balance Sheets								
Current assets								
Cash and time deposits	\$ 27	(e)	\$ 2	\$ 29	\$ 31	(e)	\$ 1	\$ 32
Trade receivables								
— third parties	558	(e)	1	559	450	(e)	(1)	449
— related parties	163	(a)	(88)	75	174		—	174
Other receivables								
— third parties	97	(a)	(2)	99	68	(a)	(3)	70
		(e)	4			(e)	5	
— related parties	1,167	(e)	(13)	1,154	407	(e)	(25)	382
Inventories								
— Aluminum	867	(a)	1	875	690	(e)	7	697
		(e)	7					
— Raw materials	14	(e)	1	15	17		—	17
— Other supplies	99	(e)	32	131	90	(e)	30	120
	980		41	1,021	797		37	834
Total current assets	2,992		(55)	2,937	1,927		14	1,941
Deferred charges and other assets	196	(a)	(1)	99	170	(e)	(73)	97
		(e)	(96)					
Long-term receivables from related parties	614	(e)	(114)	500	112	(e)	(112)	—
Property, plant and equipment								
Cost (excluding construction work in progress)	5,218	(e)	767	5,985	4,842	(e)	632	5,474
Construction work in progress	129	(e)	11	140	148	(e)	15	163
Accumulated depreciation	(2,928)	(e)	(470)	(3,398)	(2,685)	(e)	(370)	(3,055)
	2,419		308	2,727	2,305		277	2,582
Intangible assets, net of accumulated amortization	26	(b)	(6)	23	23	(b)	(1)	24
		(e)	3			(e)	2	
Goodwill	69		—	69	21		—	21
Total assets	\$ 6,316		\$ 39	\$ 6,355	\$ 4,558		\$ 107	\$ 4,665

THE NOVELIS GROUP

Notes to combined financial statements

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

Reconciliation of U.S. and Canadian GAAP

	2003				2002			
	As reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Current liabilities								
Payables and accrued liabilities								
— third parties	\$ 802	(a)	\$(54)	\$ 808	\$ 597	(a)	(5)	\$ 651
		(e)	60			(e)	59	
— related parties	286	(a)	(36)	246	252	(a)	(14)	225
		(e)	(4)			(e)	(13)	
Short-term borrowings								
— third parties	900	(e)	1	901	308	(e)	1	309
— related parties	64		—	64	58		—	58
Debt maturing within one year								
— third parties	132		—	132	—		—	—
— related parties	10		—	10	—		—	—
Total current liabilities	2,194		(33)	2,161	1,215		28	1,243
Debt not maturing within one year								
— third parties	506	(e)	8	514	132	(e)	7	139
— related parties	1,011		—	1,011	491		—	491
Deferred credits and other liabilities	362	(b)	(15)	394	281	(b)	(12)	311
		(e)	47			(e)	42	
Deferred income taxes	152	(a)	(2)	176	140	(a)	5	164
		(b)	3			(b)	4	
		(e)	23			(e)	15	
Minority interests	117		—	117	118		—	118
Invested equity								
Owner's net investment	1,890	(a)	2	1,879	2,200	(a)	11	2,198
		(g)	(13)			(g)	(13)	
Deferred translation adjustment	—	(d)	90	103	—	(d)	(12)	1
		(g)	13			(g)	13	
Accumulated other comprehensive income (loss)	84	(b)	6	—	(19)	(b)	7	—
		(d)	(90)			(d)	12	
	1,974		8	1,982	2,181		18	2,199
Total liabilities and invested equity	\$6,316		\$ 39	\$6,355	\$4,558		\$107	\$4,665

THE NOVELIS GROUP

Notes to combined financial statements

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

27. Subsequent events

In February 2004, AAC began issuing commercial paper through its U.S. commercial paper program. As of June 30, 2004, \$440 in commercial paper was outstanding with interest calculated on a floating rate basis.

On March 9, 2004 and on August 6, 2004, Alcan repaid part of its short-term payables and its long-term payable to AAC in the amount of \$125 and \$500, respectively (refer to note 10 — Related Party Transactions for discussion of the loans receivable from Alcan). The latter applied the funds to repay its 2-year \$500 Floating Rate Notes (FRNs) due in 2005. The FRNs and the \$125 loan were issued by AAC on December 8, 2003 and the funds advanced to Alcan as part of Alcan's financing of its acquisition of Pechiney (refer to note 17 — Debt Not Maturing Within One Year).

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. This proposal would result in the closure of the rolling mill at Falkirk, Scotland, by the end of 2004, where 85 people are employed. Formal consultation in accordance with U.K. employment law is currently in progress. The proposed consolidation is expected to result in charges of approximately \$20, pre-tax, in 2004.

INDEX TO UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS

Interim combined statements of income (unaudited)	F-50
Interim combined balance sheets (unaudited)	F-51
Interim combined statements of cash flows (unaudited)	F-53
Notes to the interim combined financial statements (unaudited)	F-54

THE NOVELIS GROUP

Interim combined statements of income (unaudited)

	Periods ended September 30	
	2004	2003
	(in millions of US\$)	
Sales and operating revenues		
— third parties	\$5,416	\$4,359
— related parties (Note 11)	323	326
	<u>\$5,739</u>	<u>\$4,685</u>
Costs and expenses		
Cost of sales and operating expenses, excluding depreciation and amortization noted below		
— third parties	\$4,744	\$3,824
— related parties (Note 11)	288	296
Depreciation and amortization	178	166
Selling, administrative and general expenses	182	158
Research and development expenses		
— third parties	13	13
— related parties (Note 11)	28	38
Interest		
— third parties	31	15
— related parties (Note 11)	24	14
Other expenses (income) — net (Note 8)		
— third parties	8	37
— related parties (Note 11)	(21)	(46)
	<u>\$5,475</u>	<u>\$4,515</u>
Income before income taxes and other items	264	170
Income taxes (Note 7)	111	72
Income before other items	153	98
Equity income	4	5
Minority interests	(9)	—
Net income	<u>\$ 148</u>	<u>\$ 103</u>

The accompanying notes are an integral part of the interim financial statements.

THE NOVELIS GROUP

Interim combined balance sheets (unaudited)

	As at	
	September 30, 2004	December 31, 2003
	(in millions of US\$)	
ASSETS		
Current assets		
Cash and time deposits	\$ 27	\$ 27
Trade receivables (net of allowances of \$29 in 2004 and \$30 in 2003)		
— third parties	653	558
— related parties (Note 11)	181	163
Other receivables		
— third parties	128	97
— related parties (Note 11)	1,227	1,167
Inventories		
Aluminum	964	867
Raw materials	18	14
Other supplies	130	99
	1,112	980
Total current assets	3,328	2,992
Deferred charges and other assets	239	196
Long-term receivables from related parties (Note 11)	97	614
Property, plant and equipment		
Cost (excluding Construction work in progress)	5,230	5,218
Construction work in progress	152	129
Accumulated depreciation	(3,057)	(2,928)
	2,325	2,419
Intangible assets (net of accumulated amortization of \$6 in 2004 and 2003)	26	26
Goodwill	61	69
Total assets	\$ 6,076	\$ 6,316

THE NOVELIS GROUP

Interim combined balance sheets (unaudited)

	As at	
	September 30, 2004	December 31, 2003
	(in millions of US\$)	
LIABILITIES AND INVESTED EQUITY		
Current liabilities		
Payables and accrued liabilities		
— third parties	\$ 946	\$ 802
— related parties (Note 11)	452	286
Short-term borrowings		
— third parties	850	900
— related parties (Note 11)	65	64
Debt maturing within one year		
— third parties	27	132
— related parties (Note 11)	285	10
Total current liabilities	2,625	2,194
Debt not maturing within one year		
— third parties	86	506
— related parties (Note 11)	721	1,011
Deferred credits and other liabilities	400	362
Deferred income taxes	173	152
Minority interests	123	117
Invested equity		
Owner's net investment	1,917	1,890
Accumulated other comprehensive income (Note 12)	31	84
	1,948	1,974
Commitments and contingencies (Note 10)		
Total liabilities and invested equity	\$6,076	\$6,316

The accompanying notes are an integral part of the interim financial statements.

THE NOVELIS GROUP

Interim combined statements of cash flows (unaudited)

	Periods ended September 30	
	2004	2003
	(in millions of US\$)	
Operating activities		
Net income	\$ 148	\$ 103
Adjustments to determine cash from operating activities:		
Depreciation and amortization	178	166
Deferred income taxes	22	(26)
Equity income, net of dividends	(3)	(5)
Asset impairment provisions	9	4
Stock option compensation	1	2
Gain on sale of businesses and investment — net	—	(18)
Change in operating working capital		
Change in receivables		
— third parties	(129)	(28)
— related parties	(121)	96
Change in inventories	(100)	(14)
Change in payables and accrued liabilities		
— third parties	99	15
— related parties	216	(50)
Change in deferred charges and other assets	(8)	(70)
Change in deferred credits and other liabilities	(6)	28
Other — net	(7)	22
Cash from operating activities	299	225
Financing activities		
Proceeds from issuance of new debt		
— third parties	442	—
Debt repayments		
— third parties	(889)	—
— related parties	(5)	(5)
Short-term borrowings — net		
— third parties	(132)	(44)
— related parties	4	(13)
Dividends — minority interest	(4)	(1)
Net payments to Alcan	(121)	(27)
Cash used for financing activities	(705)	(90)
Investment activities		
Purchase of property, plant and equipment	(95)	(122)
Business acquisitions, net of cash and time deposits acquired	—	(11)
Proceeds from disposal of businesses, investments and other assets, net of cash	—	24
Change in loans receivable — related parties	501	(34)
Cash from (used for) investment activities	406	(143)
Effect of exchange rate changes on cash and time deposits	\$ —	\$ 1
Decrease in cash and time deposits	—	(7)
Cash and time deposits — beginning of period	27	31
Cash and time deposits — end of period	\$ 27	\$ 24

The accompanying notes are an integral part of the interim financial statements.

THE NOVELIS GROUP**Notes to the interim combined financial statements (unaudited)**

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

1. Background and basis of presentation*Nature of operations*

On May 18, 2004, Alcan Inc. (Alcan) announced its intention to separate its rolled products business into a separate company and to pursue a spin-off of that business to its shareholders. The rolled products businesses were managed under two separate operating segments within Alcan, Rolled Products Americas and Asia and Rolled Products Europe. Alcan and its subsidiaries will contribute and transfer to the company substantially all of the aluminum rolled products businesses operated 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. These businesses form the Novelis Group prior to the spin-off (the Contribution).

Novelis Inc. (the Company) was formed on September 21, 2004, to acquire the Novelis Group businesses through the reorganization transactions planned by Alcan. Alcan anticipates that the reorganization, including the distribution of the Company's common shares will occur by January 1, 2005. The transaction is contingent upon a number of conditions, including the receipt of required regulatory approvals from the European Commission and the United States Department of Justice (DOJ), approval by Alcan's Board of Directors, approval by Alcan's shareholders and approval by a Canadian court of competent jurisdiction of the plan of arrangement implementing the transaction. As a result, the distribution may not occur by the contemplated time or may not occur at all.

The aluminum rolled products businesses to be retained by Alcan consist primarily of: (1) facilities in Singen, Germany and a portion of the plant located in Sierre, Switzerland discussed below; (2) facilities acquired in connection with the Pechiney acquisition that have been operated under "hold separate" obligations and have not, therefore, been included in either of Alcan's Rolled Products Americas and Asia or Rolled Products Europe operating segments; and (3) facilities acquired in connection with the Pechiney acquisition that produce plate and aerospace products and which have been attributed to Alcan's Engineered Products operating segment. The Singen plant in Germany supplies three operating segments within Alcan, Rolled Products Europe, Engineered Products and Packaging. The products sold by the Singen rolled products operations are used primarily as raw materials for the Engineered Products and Packaging segments and therefore, the entire facility remains with Alcan. Also, the Sierre plant in Switzerland forms part of two operating segments, Engineered Products in addition to Rolled Products Europe. A portion of the Sierre plant that manufactures plate products remains with Alcan as Novelis has entered into a non-competition agreement with Alcan with respect to these products. The Neuf-Brisach rolling facility in France will remain with Alcan in order to meet the European regulatory requirement for the separation of Neuf-Brisach and the AluNorf/ Göttingen/ Nachterstedt rolling facilities in Germany, which will be transferred to the Company. Alcan also retains the Ravenswood, West Virginia, rolling mill, consistent with the requirements of the DOJ's divestiture order relating to an overlap in a non-aerospace related product line with the Oswego, New York, rolling mill, which will be transferred to the Company.

The Group produces aluminum sheet and light-gauge products where the end-use destination of the products includes the construction and industrial, beverage and food cans, foil products and transportation markets. The Group operates in four continents, North America, South America, Asia and Europe through 38 operating plants and three research facilities in 12 countries. In addition to aluminum rolled products plants, the Group's South American businesses include bauxite mining, aluminum refining and smelting facilities that are integrated with the rolling plants in Brazil.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

The Group intends to enter into transitional and technical services agreements with Alcan as described below:

Transitional services agreement

Prior to or concurrently with the separation, Novelis and Alcan intend to enter into a transitional services agreement pursuant to which Alcan will provide to Novelis or Novelis will provide to Alcan, as applicable, on an interim, transitional basis, various services, including, but not limited to, treasury administration, selected benefits administration functions, employee compensation and information technology services. The agreed upon charges for these services will generally be intended to allow Novelis or Alcan, as applicable, to recover fully the allocated costs of providing the services, plus all out-of-pocket costs and expenses plus a margin of 5 percent. No margin will be added to the cost of services supplied by external suppliers.

In general, the services will begin on the distribution date and will cover a period generally not expected to exceed 12 months following the separation. With respect to particular services, Novelis or Alcan, depending on who is the recipient of the relevant services, may terminate the agreement with respect to one or more of those services upon prior written notice.

With respect to all or any of the services, the agreement may be terminated by Alcan (1) upon a breach by Novelis or any of its affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “Arrangements between Novelis and Alcan — Separation agreement — Change of control” in the prospectus).

Technical services agreements

Prior to or concurrently with the separation, Novelis and Alcan or one or more of its respective subsidiaries, intend to enter into technical services agreements pursuant to which (1) Alcan will provide technical support and related services to certain of Novelis’ facilities in Canada, Brazil, France and Switzerland, and (2) Novelis will provide similar services to certain Alcan facilities in Canada. The specific terms of these agreements are currently being established.

The agreements may be terminated by Alcan (1) upon a breach by Novelis or any of its affiliates of the non-competition covenant set forth in the separation agreement, or (2) upon the occurrence of a control-related event (as defined under “Arrangements between Novelis and Alcan — Separation agreement — Change of control” in the prospectus).

Basis of presentation

The accompanying unaudited combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim combined financial information. They are based upon accounting policies and methods of their application consistent with those used and described in the Group’s annual financial statements as contained in the prospectus, except for the recently adopted accounting policies described in note 2 — Accounting Changes below. In Management’s opinion, these combined financial statements include all adjustments, consisting only of normal recurring adjustments, which the Group considers necessary to fairly state the Group’s financial position and the results of its operations and its cash flows. The balance sheet at December 31, 2003 has been derived from the audited combined financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying combined financial statements should be read in conjunction with the Group’s financial statements and notes thereto for the years ended December 31, 2003, 2002 and 2001.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

included in the prospectus. The results of the Group's operations for any interim period are not necessarily indicative of the results of the Group's operations for any other interim period or for a full fiscal year.

As these financial statements represent a portion of the businesses of Alcan which do not constitute a separate legal entity, the net assets of the Group have been presented as Alcan's net investment in the Group. Alcan's investment in the Group includes the accumulated earnings of the Group as well as cash transfers related to cash management functions performed by Alcan.

The combined financial statements include allocations of certain Alcan expenses, assets and liabilities as described in the notes to the Group's combined financial statements for the years ended December 31, 2003, 2002 and 2001 included in the prospectus. The general corporate expenses allocation amounted to \$24 and \$19 for the nine months ended September 30, 2004 and 2003, respectively. Total head office costs, including the amounts allocated, amounted to \$41 and \$30 for the nine months ended September 30, 2004 and 2003, respectively.

2. Accounting changes

Stock options and other stock-based compensation

Effective January 1, 2004, Alcan retroactively adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation for stock options granted to employees. These combined financial statements include the compensation cost for options granted to certain employees of the Group for all periods presented using the fair value method as if that method had been applied from the original effective date of SFAS 123.

Consolidation of variable interest entities

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (revised December 2003) (FIN 46), Consolidation of Variable Interest Entities. Application of this interpretation was required in the financial statements for the year ended December 31, 2003 for interests in variable interest entities that were considered to be special-purpose entities. Management determined that it did not have any arrangements or relationships with special-purpose entities. Application of FIN 46 for all other types of variable interest entities was required for the Group effective March 31, 2004.

FIN 46 addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and noncontrolling interests at fair value and subsequently account for the variable interest as if it were consolidated based on majority voting interest.

In the combined financial statements as at December 31, 2003 and prior to December 31, 2003, the Group combined all entities that were controlled by ownership of a majority of voting interests. As a result of FIN 46, effective as at March 31, 2004, the combined balance sheet includes the assets and liabilities of Logan Aluminum Inc. (Logan), a variable interest entity for which the Group is the primary beneficiary. Logan manages a tolling arrangement for the Group and an unrelated party.

THE NOVELIS GROUP**Notes to the interim combined financial statements (unaudited)**

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

Upon adoption of FIN 46 as of March 31, 2004, assets of approximately \$39 and liabilities of approximately \$39 related to Logan that were previously not recorded on the combined balance sheet were recorded by the Group. Prior periods were not restated. The results of operations of this variable interest entity were included in the Group's combined results beginning March 31, 2004 and did not have a material impact for the nine months ended September 30, 2004. The Group's investment, plus any unfunded pension liability, related to Logan totalled approximately \$37 as at September 30, 2004, representing the Group's maximum exposure to loss. Creditors of Logan do not have recourse to the general credit of the Group as a result of including it in the Group's financial statements.

3. Sales and acquisitions of businesses**2004**

On August 19, 2004, Alcan announced, in light of increasingly competitive market conditions, a proposal to consolidate its U.K. aluminum sheet rolling activities at its plant in Rogerstone, Wales, to improve competitiveness through better capacity utilization and economies of scale. This proposal will result in the closure, by the end of 2004, of the rolling mill at Falkirk, Scotland, where 85 people are employed. Formal consultation in accordance with U.K. employment law is currently in progress. The proposed consolidation is expected to result in charges of approximately \$20, pre-tax, in 2004, of which \$18 was recorded in the third quarter of 2004.

2003*Canada, United States, and Other Europe*

In December 2003, Alcan completed the acquisition of Pechiney in a public offer for a cost of \$5,075, net of cash and time deposits acquired. A portion of the acquisition cost, \$128 relating to four Pechiney plants in three countries that are included in the Group, was allocated to the Group and accounted for as additional invested equity. The four plants comprise rolled products operations in foil, painted sheet and circles. The business combination is accounted for using the purchase method. The net assets of the Pechiney plants are included in the combined financial statements as at December 31, 2003 and the results of operations and cash flows are included in the combined financial statements beginning January 1, 2004.

Allocation of the purchase price involves estimates and information gathering during months following the date of the combination.

There have been no changes to the assigned fair values and liabilities assumed of the four Pechiney plants that are part of the Group since December 31, 2003. The Group is in the process of completing its valuations of certain assets and liabilities. Accordingly, the fair value of assets acquired and liabilities assumed could differ materially from the amounts presented in these financial statements. The significant elements for which the fair values could be modified include property, plant and equipment, goodwill, deferred credits and other liabilities and deferred income taxes.

Asia and Other Pacific

In the third quarter of 2003, the Group increased its ownership position in Aluminium Company of Malaysia, a manufacturer of light gauge aluminum products, from 36% to 59% by acquiring additional shares, with a value of \$30, from Nippon Light Metal Company, Ltd (NLM) in exchange for its ownership in Alcan Nikkei Siam Limited in Rangsit, Thailand, with a value of \$24, and a cash payment of \$6.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

In December 2003, the Group sold the extrusions operations of Aluminium Company of Malaysia, for net proceeds of \$2. A pre-tax amount of \$6, which is included in Restructuring, impairment and other special charges, consists of a favourable adjustment to a previously recorded impairment provision.

4. Restructuring, impairment and other special charges

In 2001, Alcan implemented a restructuring program, resulting in a series of plant sales, closures and divestments throughout the organization. A detailed business portfolio review was undertaken in 2001 to identify high cost operations, excess capacity and non-core products. Impairment charges arose as a result of negative projected cash flows and recurring losses. These charges related principally to buildings, machinery and equipment. This program was completed in 2003. The following information relates only to the 2001 program.

Restructuring and asset impairment charges

The schedule provided below shows details of the provision balances and related cash payments for the restructuring and asset impairment charges relating to the 2001 restructuring program as it relates to the Group:

	Severance Costs	Other	Total
Provision balance as at December 31, 2003	\$ 19	\$ 12	\$ 31
Charges (recoveries)	(1)	(7)	(8)
Cash payments — net	(10)	(2)	(12)
Non-cash charges	—	7	7
	—	—	—
Provision balance as at September 30, 2004	\$ 8	\$ 10	\$ 18

The remaining provision balance of \$18 as at September 30, 2004, related principally to employee severance and environmental remediation costs for which payments will be made over an extended period. The environmental remediation costs included in the provision balance are not included in the estimated environmental clean-up costs discussed in note 10 — Commitments and Contingencies.

2004 Activities

In the nine months ended September 30, 2004, the Group recorded recoveries of \$8, pre-tax consisting of sales of assets related to the closure of facilities at Glasgow, U.K (Novelis Europe) and the reversal of a provision for severance costs relating to a facility in the U.S.

5. Information by operating segment

The operating management structure is comprised of four operating segments. The four operating segments are Novelis North America, Novelis Europe, Novelis Asia and Novelis South America.

Risk concentration

Revenues from Rexam Plc (Rexam) of \$654 amounted to approximately 11% of total revenues for the nine-month period ended September 30, 2004 (2003: \$500, 11%). All four operating segments traded with Rexam during the periods presented.

The following presents selected information by operating segment, viewed on a stand-alone basis.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

Sales and Operating Revenues	Intersegment		Third and Related Parties	
			Periods ended September 30	
	2004	2003	2004	2003
Novelis North America	\$ 5	\$ 32	\$2,229	\$1,836
Novelis Europe	26	17	2,289	1,896
Novelis Asia	7	10	858	660
Novelis South America	43	17	369	298
Adjustments for equity-accounted joint ventures	—	—	(6)	(6)
Other	(81)	(76)	—	1
	\$ —	\$ —	\$5,739	\$4,685

Business Group Profit (BGP)	Periods ended September 30	
	2004	2003
Novelis North America	\$ 189	\$ 166
Novelis Europe	158	133
Novelis Asia	61	41
Novelis South America	103	80
Adjustments for equity-accounted joint ventures	(34)	(33)
Adjustments for mark-to-market of derivatives*	37	17
Depreciation and amortization	(178)	(166)
Intersegment, corporate offices and other	(17)	(39)
Equity income	4	5
Interest	(55)	(29)
Income taxes	(111)	(72)
Minority interests	(9)	—
Net Income	\$ 148	\$ 103

* Excludes currency derivatives related to the Group's operations in Korea.

6. Stock options and other stock-based compensation

Stock options

As described in note 2 — Accounting Changes, effective January 1, 2004, Alcan retroactively adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation for stock options granted to employees. The Black-Scholes valuation model is used to determine the fair value of the options granted. For the nine months of 2004, the stock-based compensation expense for Alcan options granted to employees of Alcan's Rolled Products businesses was \$1 (2003: \$2).

Other stock-based compensation

For the nine months of 2004, the stock-based compensation expense for arrangements that can be settled in cash was \$5 (2003: \$2).

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

7. Income taxes

	Periods ended September 30	
	2004	2003
Current	\$ 89	\$ 98
Deferred	22	(26)
	<u>—</u>	<u>—</u>
	\$111	\$ 72
	<u>—</u>	<u>—</u>

The composite of the applicable statutory corporate income tax rates in Canada is 33% (2003: 32%).

8. Other expenses (income) — net

Other expenses (income) — net comprise the following elements:

	Periods ended September 30	
	2004	2003
Restructuring costs	\$ 12	\$ 7
Asset impairment provisions	9	4
Gain on disposal of fixed assets and businesses	(6)	(16)
Interest revenue	(19)	(5)
Exchange losses	8	18
Derivatives gains	(36)	(17)
Service fee expense (income), net	(10)	(13)
Other	29	13
	<u>—</u>	<u>—</u>
	\$(13)	\$ (9)
	<u>—</u>	<u>—</u>

In 2004, restructuring costs of \$12 include a reversal of a provision in the U.S. of \$(1) which is part of the 2001 restructuring program described in note 4 — Restructuring, Impairment and Other Special Charges.

In 2003, restructuring costs of \$7 include \$4 for synergy costs related to a foils plant in the U.K. and the asset impairment provisions of \$4 include \$3 related to Malaysian extrusions, both of which are part of the 2001 restructuring program described in note 4 — Restructuring, Impairment and Other Special Charges.

9. Supplementary information

	Periods ended September 30	
	2004	2003
Statements of income		
Interest on long-term debt	\$ 36	\$ 19
Capitalized interest	(1)	(1)
	<u>—</u>	<u>—</u>
Statements of cash flows		
Interest paid	56	31
Income taxes paid	87	73
	<u>—</u>	<u>—</u>

THE NOVELIS GROUP**Notes to the interim combined financial statements (unaudited)**

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

	As at	
	September 30, 2004	December 31, 2003
Balance sheets		
Payables and accrued liabilities include the following:		
Trade payables	\$ 914	\$ 708
Other accrued liabilities	401	286
Income and other taxes payable	11	28
Accrued employment costs	72	66

10. Commitments and contingencies

The Group, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. The Group has environmental contingencies relating to 12 existing and former Group sites and third-party sites. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated.

The Group is subject to various laws relating to the protection of the environment. The Group has established procedures for the ongoing evaluation of its operations, to identify potential environmental exposures and to comply with regulatory policies and procedures.

It is the Group's policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Group will be required to incur such costs. The Group has estimated its undiscounted remaining clean-up costs related to 12 sites will be in the range of \$31 to \$38. An estimated liability of \$36 has been recorded on the combined balance sheet at September 30, 2004 in Deferred credits and other liabilities. Other than these 12 sites, the Group is currently not aware of any material exposure to environmental liabilities. However, adverse changes in environmental regulations, new information or other factors could impact the Group.

Although there is a possibility that liabilities may arise in other instances for which no accruals have been made, the Group does not believe that it is reasonably possible that losses in excess of accrued amounts are sufficient to significantly impair its operations, have a material adverse effect on its financial position or liquidity, or materially and adversely affect its results of operations for any particular reporting period, absent unusual circumstances.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

11. Related party transactions

The table below describes the nature and amount of transactions the Group has with related parties. All of the transactions are part of the ordinary course of business and were agreed to by the Group and the related parties.

	Periods ended September 30	
	2004	2003
Sales and operating revenues(a)		
Alcan	\$ 323	\$ 326
	<u> </u>	<u> </u>
Cost of sales and operating expenses(a)		
Alcan	\$ 288	\$ 296
	<u> </u>	<u> </u>
Research and development expenses(b)		
Alcan	\$ 28	\$ 38
	<u> </u>	<u> </u>
Interest expense(c)		
Alcan	\$ 24	\$ 14
	<u> </u>	<u> </u>
Other expense (income) — net		
Service fee income(d)	\$ (27)	\$ (27)
Service fee expense(e)	17	14
Interest income	(17)	(2)
Derivatives(f)	2	(32)
Other	5	2
	<u> </u>	<u> </u>
Total transactions with Alcan	(20)	(45)
Interest income from Aluminium Norf GmbH	(1)	(1)
	<u> </u>	<u> </u>
	\$ (21)	\$ (46)
	<u> </u>	<u> </u>
Purchase of inventory/tolling services		
Aluminium Norf GmbH	\$ 147	\$ 139
	<u> </u>	<u> </u>
Alcan(g)	\$1,485	\$1,316
	<u> </u>	<u> </u>

(a) The Group sells inventory to Alcan in the ordinary course of business.

(b) These expenses are comprised of an allocation of research and development expenses incurred by Alcan on behalf of the Group.

(c) As discussed further below, as well as in note 17 — Debt Not Maturing Within One Year of the 2003 combined financial statements, the Group has various short-term and long-term debt payable to Alcan where interest is charged on a floating rate basis.

(d) Service fee income relates to revenues generated through sales of research and development and other corporate services to Alcan.

(e) Service fee expense relates to the purchase of corporate services from Alcan.

(f) Alcan is the counterparty to all of the Group's metal derivatives and most of the currency derivatives. Refer to note 21 — Financial Instruments and Commodity Contracts of the 2003 combined financial statements.

(g) Alcan is the primary supplier of prime and sheet ingot to the Group.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

The table below describes the nature and amount of balances the Group has with related parties.

	As at September 30, 2004	As at December 31, 2003
Trade receivables(a)		
Alcan Nikkei China Limited	\$ 1	\$ —
Alcan	180	163
	<u>\$ 181</u>	<u>\$ 163</u>
Other receivables		
Aluminium Norf GmbH	\$ 39	\$ 13
Alcan (b)(c)(e)	1,188	1,154
	<u>\$ 1,227</u>	<u>\$ 1,167</u>
Long-term receivables		
Aluminium Norf GmbH (d)	\$ 97	\$ 114
Alcan (c)	—	500
	<u>\$ 97</u>	<u>\$ 614</u>
Payables and accrued liabilities(a)		
Aluminium Norf GmbH	\$ 39	\$ 4
Alcan	413	282
	<u>\$ 452</u>	<u>\$ 286</u>
Short-term borrowings(f)		
Alcan	\$ 65	\$ 64
	<u>\$ 65</u>	<u>\$ 64</u>
Debt maturing within one year(g)		
Alcan	\$ 285	\$ 10
	<u>\$ 285</u>	<u>\$ 10</u>
Debt not maturing within one year(g)		
Alcan	\$ 721	\$ 1,011
	<u>\$ 721</u>	<u>\$ 1,011</u>

(a) The Group sells to and purchases inventory from Alcan and purchases services from an investee accounted for under the equity method, in the ordinary course of business.

(b) Includes Trade receivables sold to Alcan in the amount of \$267 as of September 30, 2004 (2003: \$218) as described in note 12 — Sales of Receivables of the 2003 combined financial statements.

(c) Alcan Aluminum Corporation Inc. (AAC), which is part of the Group, issued two \$500 Floating Rate Notes (FRNs) on December 8, 2003, maturing in December 2004 and 2005, respectively, and advanced the funds including an additional \$125 to Alcan as part of Alcan's financing of its acquisition of Pechiney. As at December 31, 2003, the amounts due from Alcan to AAC are included in Other receivables, for the \$500 FRN due in 2004 and the \$125 loan (recorded by the Group in Short-term borrowings), and in Long-term receivables for the \$500 FRN due in 2005. The \$125 loan and the \$500 FRN due in 2005 were repaid to AAC in March and August 2004, respectively, and

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

AAC applied the funds to repay the corresponding third-party debt. As at September 30, 2004, the amount due from Alcan to AAC for the \$500 FRN due in 2004 is included in Other receivables.

In February 2004, AAC began issuing commercial paper through its U.S. commercial paper program. As of September 30, 2004, \$78 in commercial paper was outstanding with interest calculated on a floating rate basis, which was advanced to Alcan (recorded in Other receivables). The commercial paper was repaid to AAC on October 27, 2004 and AAC applied the funds to repay the corresponding third-party debt.

- (d) Loan to an investee accounted for under the equity method.
- (e) Includes various floating rate notes totalling € 203 million (2003: € 159 million) maturing within one year.
- (f) Loan due to Alcan in the amount of GBP 36 million payable upon demand.
- (g) The Group has various loans payable to Alcan as described in note 17 — Debt Not Maturing Within One Year of the 2003 combined financial statements.

12. Comprehensive income

	Periods ended September 30	
	2004	2003
Net income	\$148	\$103
Other comprehensive income:		
Net change in deferred translation adjustments	(53)	48
Comprehensive income	\$ 95	\$151
	■	■
	As at	
	September 30, 2004	December 31, 2003
Accumulated other comprehensive income		
Deferred translation adjustments	\$ 37	\$ 90
Minimum pension liability	(6)	(6)
	\$ 31	\$ 84
	■	■

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

13. Post-retirement benefits

The following table summarizes net periodic benefit cost for our pension and other post-retirement benefit plans for the applicable periods:

Components of Net Periodic Benefit Cost

	Pension benefits		Other benefits	
	Periods ended September 30			
	2004	2003	2004	2003
Components of net periodic benefit cost:				
Service cost	\$ 14	\$ 17	\$ 2	\$ 2
Interest cost	21	26	4	4
Expected return on assets	(17)	(23)	—	—
Amortization				
— actuarial losses	3	2	—	—
— prior service cost	3	4	—	—
Curtailment/settlement (gains) losses	(19)	7	—	—
Net periodic benefit cost	\$ 5	\$ 33	\$ 6	\$ 6

The expected long-term rate of return on plan assets is 8.25% in 2004.

In the nine months ended September 30, 2004, the Group recognized a \$19 settlement gain on the wind-up of the Brazilian operations' defined benefit plan.

Employer contributions

The Group previously disclosed in its financial statements for the year ended December 31, 2003 that the pension expense also includes the contributions of subsidiaries and the pension expense allocation of divisions that participate in Alcan plans.

14. Differences between United States and Canadian Generally Accepted Accounting Principles (GAAP)

The following material adjustments to these unaudited combined financial statements would be required to conform with accounting principles generally accepted in Canada (Canadian GAAP). Except as described below, information on the nature of these adjustments is described in Note 26 of the 2003 combined financial statements.

Derivatives

Beginning in 2001, the Group was required to adopt, for its primary U.S. GAAP financial statements, SFAS Nos. 133 and 138, Accounting for Derivative Instruments and Hedging Activities. These standards require that all derivatives be recorded in the financial statements at fair value. Beginning in 2001, unrealized gains and losses resulting from the valuation at fair value of derivatives not meeting strict hedge accounting criteria are recognized in net income as the gains and losses arise and not concurrently with the recognition of the transactions being hedged.

Beginning January 1, 2004, with the adoption of CICA guideline AcG-13, Hedging Relationships, unrealized gains and losses resulting from the valuation at fair value of derivatives not meeting strict hedge

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

accounting criteria are recognized in net income as the gains and losses arise and not concurrently with the recognition of the transactions being hedged. The impact of the initial adoption of AcG-13 on the combined financial statements of the Group was an increase in Other receivables-related parties of \$86, an increase in Deferred charges and other assets of \$30, an increase in Payables and accrued liabilities-related parties of \$30, and an increase in Deferred credits and other liabilities of \$86. Under Canadian GAAP, the recognition of embedded derivatives is not permitted.

AcG-13 establishes certain criteria regarding when hedge accounting may be applied and this guideline is effective for the Group's fiscal year beginning January 1, 2004. Each hedging relationship is subject to an effectiveness test on a regular basis for reasonable assurance that it is and will continue to be effective. Under these rules, any derivative instrument that does not qualify for hedge accounting is reported on a mark-to-market basis in earnings. Under U.S. GAAP, hedge ineffectiveness is recognized in the statement of income in the current period whereas under Canadian GAAP such recognition is elective. In order to minimize differences with U.S. GAAP, the Group has chosen to record ineffectiveness under Canadian GAAP.

Recently adopted accounting standards for Canadian GAAP presentation

Consolidation of variable interest entities

The Group early adopted CICA accounting guideline AcG-15, Consolidation of Variable Interest Entities as of March 31, 2004. The guideline provides guidance as to when to apply consolidation principles to certain entities that are subject to control on a basis other than ownership of voting shares and thus determining when an enterprise includes the assets, liabilities and results of activities of such an entity (a variable interest entity) in its consolidated financial statements.

In the combined financial statements as at December 31, 2003 and prior to December 31, 2003, the Group combined all entities that were controlled by ownership of a majority of voting interests. As a result of AcG-15, the combined balance sheet includes the assets and liabilities of Logan Aluminum Inc. (Logan), a variable interest entity for which the Group is the primary beneficiary. Logan manages a tolling arrangement for the Group and an unrelated party.

The adoption of this guideline has the same impact as the adoption of FIN 46 under U.S. GAAP. See note 2 — Accounting Changes — Consolidation of Variable Interest Entities.

Stock options and other stock-based compensation

Effective January 1, 2004, Alcan retroactively adopted the provisions of the amendment to CICA section 3870, Stock-Based Compensation and Other Stock-Based Payments. The amendment requires the recognition of an expense computed using the fair value method of accounting for all stock options and payments at grant date. These combined financial statements under Canadian GAAP include the compensation cost for options granted to certain employees of the Group for all periods presented computed as per the amendment. The adoption of this amendment has the same impact as the adoption of the fair value method of accounting for stock options under U.S. GAAP.

Generally accepted accounting principles

In July 2003, the CICA issued Section 1100, Generally Accepted Accounting Principles, which was effective for the Group's fiscal year beginning on January 1, 2004. This standard establishes accounting standards for financial reporting in accordance with Canadian GAAP. It defines primary sources of Canadian GAAP and requires that the Group apply every relevant primary source.

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

General standards of financial statement presentation

In July 2003, the CICA issued Section 1400, General Standards of Financial Statement Presentation, which was effective for the Group's fiscal year beginning on January 1, 2004. This standard clarifies what constitutes fair presentation in accordance with Canadian GAAP, which involves providing sufficient information in a clear and understandable manner about certain transactions or events of such size, nature and incidence that their disclosure is necessary to understand the Group's financial statements.

Reconciliation of U.S. and Canadian GAAP

	Period ended September 30				Period ended September 30			
	2004				2003			
	As reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Statement of Income								
Sales and operating revenues								
— third parties	\$ 5,416	(d)	\$ 6	\$ 5,422	\$ 4,359	(d)	\$ 6	\$ 4,365
— related parties	323		—	323	326		—	326
	5,739		6	5,745	4,685		6	4,691
Cost and expenses								
Cost of sales and operating expenses								
— third parties	4,744	(a)	2	4,719	3,824	(d)	(27)	3,797
— related parties	288	(d)	(27)	288	296		—	296
Depreciation and amortization	178	(d)	27	205	166	(d)	24	190
Selling, administrative and general expenses	182		—	182	158		—	158
Research and development expenses								
— third parties	13		—	13	13		—	13
— related parties	28		—	28	38		—	38
Interest								
— third parties	31		—	31	15		—	15
— related parties	24		—	24	14		—	14
Other expenses (income) — net								
— third parties	8	(a)	37	47	37	(a)	17	55
— related parties	(21)	(d)	2	(70)	(46)	(d)	1	(46)
	5,475		(8)	5,467	4,515		15	4,530
Income before income taxes and other it	ems 264		14	278	170		(9)	161
Income taxes	111	(a)	19	132	72	(a)	(6)	68
		(d)	2			(d)	2	
Income before other items	153		(7)	146	98		(5)	93
Equity income	4	(d)	(2)	2	5	(d)	(5)	—
Minority interests	(9)		—	(9)	—		—	—
Net income	\$ 148		\$ (9)	\$ 139	\$ 103		\$ (10)	\$ 93

- (a) Derivatives
- (b) Minimum pension liability
- (c) Deferred translation adjustments
- (d) Joint ventures
- (e) Currency translation

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

	September 30, 2004				December 31, 2003			
	As reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Balance Sheet								
Current assets								
Cash and time deposits	\$ 27	(d)	\$ 1	\$ 28	\$ 27	(d)	\$ 2	\$ 29
Trade receivables, net								
— third parties	653	(d)	1	654	558	(d)	1	559
— related parties	181		—	181	163	(a)	(88)	75
Other receivables								
— third parties	128	(a)	(9)	122	97	(a)	(2)	99
		(d)	3			(d)	4	
— related parties	1,227	(d)	(39)	1,188	1,167	(d)	(13)	1,154
Inventories								
— Aluminum	964	(d)	8	972	867	(a)	1	875
						(d)	7	
— Raw materials	18	(d)	1	19	14	(d)	1	15
— Other supplies	130	(d)	14	144	99	(d)	32	131
	<u>1,112</u>		<u>23</u>	<u>1,135</u>	<u>980</u>		<u>41</u>	<u>1,021</u>
Total current assets	3,328		(20)	3,308	2,992		(55)	2,937
Deferred charges and other assets	239	(a)	16	145	196	(a)	(1)	99
		(d)	(110)			(d)	(96)	
Long-term receivables from related parties	97	(d)	(97)	—	614	(d)	(114)	500
Property, plant and equipment								
Cost (excluding Construction work in Progress)	5,230	(d)	760	5,990	5,218	(d)	767	5,985
Construction work in progress	152	(d)	5	157	129	(d)	11	140
Accumulated depreciation	(3,057)	(d)	(488)	(3,545)	(2,928)	(d)	(470)	(3,398)
	<u>2,325</u>		<u>277</u>	<u>2,602</u>	<u>2,419</u>		<u>308</u>	<u>2,727</u>
Intangible assets, net	26	(b)	(2)	24	26	(b)	(6)	23
						(d)	3	
Goodwill	61		—	61	69		—	69
Total assets	\$ 6,076		\$ 64	\$ 6,140	\$ 6,316		\$ 39	\$ 6,355

THE NOVELIS GROUP

Notes to the interim combined financial statements (unaudited)

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

	September 30, 2004				December 31, 2003			
	As reported	Ref.	Amount	Canadian GAAP	As reported	Ref.	Amount	Canadian GAAP
Current liabilities								
Payables and accrued liabilities								
— third parties	\$ 946	(a)	\$(70)	\$ 905	\$ 802	(a)	\$(54)	\$ 808
		(d)	29			(d)	60	
— related parties	452	(d)	(37)	415	286	(a)	(36)	246
						(d)	(4)	
Short term borrowings								
— third parties	850	(d)	(3)	847	900	(d)	1	901
— related parties	65		—	65	64		—	64
Debt maturing within one year								
— third parties	27		—	27	132		—	132
— related parties	285		—	285	10		—	10
Total current liabilities	2,625		(81)	2,544	2,194		(33)	2,161
Debt not maturing within one year								
— third parties	86	(d)	8	94	506	(d)	8	514
— related parties	721		—	721	1,011		—	1,011
Deferred credits and other liabilities	400	(a)	23	450	362	(b)	(15)	394
		(b)	(11)			(d)	47	
		(d)	38					
Deferred income taxes	173	(a)	36	236	152	(a)	(2)	176
		(b)	3			(b)	3	
		(d)	24			(d)	23	
Minority interests	123		—	123	117		—	117
Invested equity								
Owner's net investment	1,917	(a)	19	1,923	1,890	(a)	2	1,879
		(e)	(13)			(e)	(13)	
Deferred translation adjustment	—	(c)	36	49	—	(c)	90	103
		(e)	13			(e)	13	
Accumulated other comprehensive income	31	(b)	5	—	84	(b)	6	—
		(c)	(36)			(c)	(90)	
	1,948		24	1,972	1,974		8	1,982
Total liabilities and invested equity	\$6,076		\$ 64	\$6,140	\$6,316		\$ 39	\$6,355



**Notice of Special Meeting
of Shareholders of Alcan Inc.
and
Management Proxy Circular
relating to a
Plan of Arrangement
Involving
Novelis Inc.**

23 November 2004



Table of Contents:

CHAIRMAN'S LETTER	3
NOTICE TO UNITED STATES SHAREHOLDERS	4
CURRENCY EXCHANGE RATES	4
NOTICE OF SPECIAL MEETING	5
MANAGEMENT PROXY CIRCULAR	6
Definitions	6
Cautionary Statement in Respect of Forward-Looking Information	10
Summary	11
Questions & Answers on Voting and Proxies	13
Voting by Non-Registered Alcan Shareholders	16
Questions & Answers on the Arrangement	17
Alcan Prior to the Arrangement	19
Description of Alcan Share Capital	19
Stock Exchange Listings, Trading Prices and Dividends	19
Intercorporate Relationships	21
Documents Incorporated by Reference	21
The Arrangement	22
Reasons for the Arrangement	22
Background to the Arrangement	23
The Separation Agreement and Other Inter-Company Arrangements	24
Pre-Arrangement Organizational Structure	25
Details of the Arrangement	25
Distribution of Novelis Common Shares and New Alcan Common Shares	26
Post-Arrangement Organizational Structure	27
Determination of the Number of Novelis Common Shares	27
Treatment of Certain Outstanding Securities	27
Risk Factors	28
Qualification for Trading Common Shares	29
Eligibility for Investment	29
Expenses of the Arrangement	29
Novelis	29
Description of Novelis Share Capital	30
Shareholder Rights Plan	30
Directors and Officers of Novelis	31
Stock Exchange Listings of Novelis Common Shares	33
Dividend Policy	33
Additional Information on Novelis	33
Alcan Following the Arrangement	33
Description of Business	33
Pro Forma Financial Statements	33
Opinion of Morgan Stanley	33
Opinion of Lazard	34
Recommendation of the Alcan Board of Directors	34
Dissent Rights	34
Dissent Right	34
Repurchase Right	36
Regulatory and Other Matters	37
Canadian Tax Ruling	37
Other Regulatory Approvals	37
Shareholder Approval	37
Court Approval	37
Other Conditions to the Arrangement	37
Final Board Authority	38
Income Tax Considerations	38
Canadian Tax Ruling Application	38
Certain Canadian Federal Income Tax Considerations	38
Alcan Shareholders Resident in Canada	39
Alcan Shareholders Not Resident in Canada	41
Certain United States Federal Income Tax Considerations	43
Interests of Directors, Executive Officers	44
Additional Information	44
Approval of the Alcan Board of Directors	45
SCHEDULE A: ARRANGEMENT RESOLUTION	A-1
SCHEDULE B: MOTION FOR COURT ORDER	B-1
SCHEDULE C: INTERIM COURT ORDER	C-1
SCHEDULE D: PLAN OF ARRANGEMENT	D-1
SCHEDULE E: OPINION OF MORGAN STANLEY	E-1
SCHEDULE F: OPINION OF LAZARD	F-1

La version française du présent document ainsi que la formule de procuration qui l'accompagne seront envoyées aux actionnaires sur demande. Veuillez communiquer avec la Compagnie Trust CIBC Mellon, en appelant au 1 800-387-0825 (sans frais) ou à frais virés au (416) 643-5500.



Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders of Alcan Inc., which will take place on 22 December 2004, at the Centre Mont-Royal, 2200 Mansfield Street, Montreal, Quebec, Canada at 2:00 p.m.

The Meeting has been called to consider and vote on a special resolution in connection with a proposed Arrangement pursuant to which most of the aluminum rolled businesses operated by Alcan will be transferred to a new public company, Novelis Inc., and the shares of that public company will be distributed to Common Shareholders of Alcan. Novelis will be comprised of substantially all of the aluminum rolled products businesses operated by Alcan prior to the December 2003 acquisition of Pechiney, together with some of Alcan's alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe. The accompanying circular describes the Arrangement.

Prior to becoming effective, the Arrangement must be approved by the Shareholders and by the Quebec Superior Court, and Alcan must receive an advance income tax ruling from the Canada Revenue Agency which confirms that the distribution may be made on a tax neutral basis for Common Shareholders in form and substance satisfactory to the Board of Directors of Alcan. The Board of Directors will retain the discretion to proceed with the Arrangement once all necessary approvals have been obtained.

The anticipated benefits of the Arrangement are set out in the accompanying circular. Information about the businesses to be transferred pursuant to the Arrangement is set out in the accompanying preliminary non-offering prospectus of Novelis Inc. We encourage you to read both documents carefully. The Board of Directors of Alcan unanimously recommends that you vote in favour of the Arrangement.

Your vote is important. Please complete, sign and date the accompanying form of proxy and return it in the enclosed envelope, whether or not you plan to attend the Meeting. Returning the proxy will not limit your right to vote in person if you attend the Meeting.

The Meeting will be webcast on Alcan's web site (www.alcan.com).

If you have any questions regarding the matters to be dealt with at the Meeting or require assistance in completing your proxy form, please contact CIBC Mellon Trust Company, at (416) 643-5500 or 1-800-387-0825 (toll free throughout Canada and the United States) or Georgeson Shareholder Communications Canada, Inc., at 1-888-288-1076 (toll free throughout Canada and the United States) or +800-6790-0674 (toll free in other countries).

Yours sincerely,

A handwritten signature in black ink, appearing to read "L. Yves Fortier".

L. Yves Fortier

Chairman of the Board of Alcan Inc.
23 November 2004

NOTICE TO UNITED STATES SHAREHOLDERS

The accompanying proxy circular (the “Circular”) has been prepared in accordance with the disclosure requirements of Canada. The holders of Common Shares, Series C Preference Shares and Series E Preference Shares of Alcan Inc. (the “Alcan Shareholders”) should be aware that such requirements are different from those of the United States. Alcan Shareholders should also be aware that the Circular distributed outside of Canada omits certain information that is solely required to be included for Canadian regulatory purposes.

Alcan Shareholders should be aware that the receipt of the securities and/or cash pursuant to the arrangement described in the Circular (the “Arrangement”) may have tax consequences both in Canada and the United States. Such consequences for Alcan Shareholders who are residents in, or citizens of, the United States may not be fully described in the Circular. See “Income Tax Considerations — Certain Canadian Federal Income Tax Considerations” and “Income Tax Considerations — Certain United States Federal Income Tax Considerations” for certain information concerning tax consequences of the Arrangement and the other transactions described in the Circular for Alcan Shareholders who are United States taxpayers.

The enforcement by Alcan Shareholders of civil liabilities under the United States securities laws may be adversely affected by the fact that each of Alcan and Novelis is incorporated in Canada, that some or all of their respective officers and directors may be residents of countries other than the United States, that some or all of the experts named in the Circular may be residents of countries other than the United States and that all or a substantial portion of the assets of Alcan and Novelis and such persons may or will be located outside the United States. Therefore, it may be difficult for United States shareholders to effect service within the United States upon those persons who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws. Ogilvy Renault, Alcan’s Canadian counsel, has advised that, in their opinion, there is doubt as to the enforceability in Canada against Alcan or against its directors, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

No securities regulatory authority in Canada has expressed an opinion about the securities to be issued pursuant to the Arrangement and it is an offence to claim otherwise. Neither the United States Securities Exchange Commission nor any state securities commission has approved or disapproved any of these securities or determined if the Circular is truthful or complete. Any representation to the contrary is a criminal offense. This Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities.

CURRENCY EXCHANGE RATES

Except where otherwise indicated, all dollar amounts set forth in the Circular are expressed in U.S. dollars and “\$” and “US\$” mean U.S. dollars.

The following table sets forth exchange rate information expressed in terms of Canadian dollars per U.S. dollar at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. The rates set forth below may differ from the actual rate used in our accounting processes and in the preparation of our financial statements.

Year ended 31 December	At period end	Average rate ⁽¹⁾	High	Low
1999	1.4440	1.4827	1.5302	1.4440
2000	1.4995	1.4871	1.5600	1.4350
2001	1.5925	1.5519	1.6023	1.4933
2002	1.5800	1.5702	1.6128	1.5108
2003	1.2923	1.3916	1.5750	1.2923
2004 (through 19 November)	1.1928	1.3187	1.3970	1.1919

(1) The average of the noon buying rates on the last day of each month during the period.



NOTICE OF SPECIAL MEETING

A Special Meeting (the "Meeting") of the holders of Common Shares, Series C Preference Shares and Series E Preference Shares of Alcan Inc. ("Alcan") will be held on 22 December 2004 at 2:00 p.m. Eastern Standard Time (EST), at the Centre Mont-Royal, 2200 Mansfield Street, Montreal, Quebec, Canada, for the following purposes:

1. to consider, pursuant to the Interim Order of the Quebec Superior Court dated 22 November 2004 (the "Interim Order"), and, if thought advisable, to pass, with or without variation, a special resolution (the full text of which is reproduced as Schedule A to the accompanying Circular) to approve the Arrangement under section 192 of the *Canada Business Corporations Act* set out in the plan of arrangement (the "Plan of Arrangement") attached as Schedule D to the accompanying Circular; and
2. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Pursuant to the Interim Order, holders of Alcan Common Shares and Alcan Preference Shares have the right to dissent and to obtain the repurchase of their shares, the whole as contemplated in the Interim Order and in the Plan of Arrangement and as described in the accompanying Circular.

Shareholders who cannot attend the Meeting to vote in person are requested to submit their proxies in accordance with the procedures set out in the accompanying Circular.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read "R. Millington".

Roy Millington

Corporate Secretary

Montreal, Canada

23 November 2004

MANAGEMENT PROXY CIRCULAR

(As of 1 November 2004, except as otherwise provided)

This Circular is furnished in connection with the solicitation of proxies by the board of directors and management of Alcan Inc. for use at the special meeting of Alcan shareholders to be held in Montreal on 22 December 2004 (and at any adjournment thereof) for the purposes set out in the attached Notice of Special Meeting.

DEFINITIONS

Unless stated otherwise, the following expressions used in this Circular have the meanings indicated below:

“**Alcan**” or “**Company**” means Alcan Inc., a corporation organized under the CBCA,

“**Alcan Annual Report**” means the 2003 annual report of Alcan sent to Alcan Shareholders and filed with Canadian and United States securities regulators,

“**Alcan Board**” or “**Alcan Board of Directors**” or “**Board**” means the board of directors of Alcan,

“**Alcan Class A Common Shares**” or “**New Alcan Common Shares**” means the class A common shares of Alcan, having the terms and conditions set out in the Plan of Arrangement, which Alcan will be authorized to issue upon the Arrangement becoming effective and which are to be issued under the Arrangement to Alcan Common Shareholders in exchange, in part, for Alcan Common Shares. The Alcan Class A Common Shares will be redesignated as Alcan common shares (such redesignated Alcan common shares being referred to as the New Alcan Common Shares) once the current Alcan common shares have been deleted from the share capital of Alcan,

“**Alcan Common Shares**” means the voting common shares of Alcan,

“**Alcan Common Shareholders**” means the holders of Alcan Common Shares,

“**Alcan Executive Share Option Plan**” means the executive share option plan of Alcan, which came into effect on 26 March 1981, as amended from time to time,

“**Alcan Group**” means Alcan and its subsidiaries, whether held directly or indirectly,

“**Alcan Option**” means an outstanding option to acquire Alcan Common Shares granted by Alcan pursuant to the Alcan Executive Share Option Plan,

“**Alcan Optionholders**” means the holders of Alcan Options,

“**Alcan Preference Shareholders**” means the holders of Alcan Preference Shares,

“**Alcan Preference Shares**” means the Alcan Series C Preference Shares and the Alcan Series E Preference Shares,

“**Alcan Redemption Note**” means the demand, non-interest bearing promissory note to be issued by Alcan to Novelis as consideration for the aggregate redemption price of the Alcan Special Shares held by Novelis, as contemplated by the Plan of Arrangement,

“**Alcan’s Form 10-K**” means the annual information form of Alcan dated 12 March 2004, for the year ended 31 December 2003 filed on Form 10-K with Canadian and United States securities regulators,

“**Alcan Shareholders**” or “**Shareholders**” means collectively, the Alcan Common Shareholders and the Alcan Preference Shareholders,

“**Alcan Shares**” or “**Shares**” means Alcan Common Shares and Alcan Preference Shares,

“**Alcan Special Shares**” means the non-voting redeemable, retractable, special shares of Alcan, having the terms and conditions set out in the Plan of Arrangement, which Alcan will be authorized to issue upon the Arrangement becoming effective and which are to be issued under the Arrangement to Alcan Common Shareholders in exchange, in part, for Alcan Common Shares,

“**AMF**” means the Quebec Agence nationale d’encadrement du secteur financier, also known as the “Autorité des marchés financiers”, the securities regulator for the province of Quebec,

“**Arcustarget**” means Arcustarget Inc., a wholly-owned subsidiary of Alcan incorporated under the CBCA and designated by Alcan to own the Separated Businesses on the Effective Date prior to its amalgamation to Novelis pursuant to the Plan of Arrangement,

“**Arcustarget Common Shares**” means the voting common shares of Arcustarget to be transferred by Alcan to Novelis in exchange for Novelis Special Shares, as contemplated in the Plan of Arrangement,

“**Arrangement**” means the arrangement described in the Plan of Arrangement,

“**Arrangement Resolution**” means the plan of arrangement resolution, the text of which is set out in Schedule A hereto,

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday in Canada or any of its provinces,

“**Canadian Tax Ruling**” means the advance income tax ruling and opinions to be obtained from the CRA and any amendments thereto confirming the Canadian federal income tax consequences of certain aspects of the Arrangement,

“**CBCA**” means the *Canada Business Corporations Act*,

“**Certificate of Arrangement**” means the certificate of arrangement to be issued by the director under the CBCA giving effect to the Arrangement,

“**Chairman**” means the Chairman of the Alcan Board of Directors,

“**CIBC Mellon**” means CIBC Mellon Trust Company,

“**Circular**” means this management proxy circular to be sent to Alcan Shareholders in connection with the Meeting,

“**Court**” means the Quebec Superior Court,

“**CRA**” means the Canada Revenue Agency,

“**Deferred Share Unit**”, or “**DSU**” means a unit credited by Alcan to a DSU Member by way of a bookkeeping entry in the books of Alcan or another employer in the Alcan Group, pursuant to the Directors 1997 DSUP, Directors 2001 DSUP or the Executive DSUP, the value of which, as of a particular date, is based on the price of Alcan Common Shares,

“**Director**” means a director of Alcan,

“**Directors 1997 DSUP**” means the Deferred Stock Unit Plan for Non-Employee Directors of Alcan Aluminium Limited, which came into effect on 1 January 1997, as the same may be amended from time to time,

“**Directors 2001 DSUP**” means the Alcan Deferred Share Unit Plan for Non-Executive Directors, which came into effect on 1 April 2001, as the same may be amended from time to time,

“**Dissent Right**” means the right of an Alcan Common Shareholder to dissent in respect of the Arrangement and obtain the repurchase of such Alcan’s Common Shares pursuant to the Interim Order and the Plan of Arrangement,

“**Dissenting Shareholder**” means an Alcan Common Shareholder who exercises such holder’s Dissent Right,

“**Distribution**” means the pro rata distribution of New Alcan Common Shares and Novelis Common Shares to Alcan Common Shareholders, as contemplated in the Plan of Arrangement,

“**Distribution Record Date**” means the third trading day on the TSX following the Effective Date or such other date as the Novelis Board and the Alcan Board may select,

“**DSU Member**” means an individual who has been granted DSUs under the Directors 1997 DSUP, the Directors 2001 DSUP or the Executive DSUP,

“**Effective Date**” means the effective date of the Arrangement, being the date shown on the Certificate of Arrangement,

“**Executive DSUP**” means the Alcan Deferred Share Unit Plan for Executives, which came into effect on 1 January 1997 and was amended and restated as of 1 January 2003, as the same may be amended from time to time,

“**Executive Officers**” means the President and Chief Executive Officer, the Executive Vice Presidents, the Senior Vice Presidents, the Vice Presidents, the Treasurer, the Controller and the Secretary of Alcan,

“**Final Hearing**” means the hearing by the Court in respect of the Final Order,

“**Final Order**” means the final order of the Court made in connection with the approval of the Arrangement and the fairness of the terms and conditions thereof,

“**In the Money Amount**” means, in relation to a particular stock option, the amount by which the fair market value of the shares that are the subject of the particular option exceeds the exercise price of such option,

“**Interim Order**” means the interim order of the Court dated 22 November 2004 providing for, among other things, the holding of the Meeting, a copy of which is set out as Schedule C hereto, as the same may be amended, supplemented or varied by the Court,

“**Lazard**” means Lazard Canada Corporation,

“**Meeting**” means the special meeting of Alcan Shareholders to be held on 22 December 2004 and any adjournment or postponement thereof,

“**Morgan Stanley**” means Morgan Stanley & Co. Incorporated,

“**New Alcan Options**” means the options to acquire New Alcan Common Shares issued to holders of Alcan Options, other than Transferred Employees, pursuant to the Plan of Arrangement in replacement of the Alcan Options,

“**Notice of Meeting**” means the attached Notice of Special Meeting,

“**Novelis**” means Novelis Inc., a corporation incorporated under the CBCA formed to acquire, under the Arrangement, and independently carry on most of the aluminum rolled product businesses operated by Alcan,

“**Novelis Board**” or “**Novelis Board of Directors**” means the board of directors of Novelis,

“**Novelis Common Shares**” means the voting common shares of Novelis, having the terms and conditions set out in the Plan of Arrangement, to be issued to holders of Alcan Special Shares under the Arrangement in exchange for such Alcan Special Shares,

“**Novelis Common Shareholders**” means the holders of Novelis Common Shares,

“**Novelis First Preferred Shares**” means the first preferred shares of Novelis,

“**Novelis Option**” means an option to purchase Novelis Common Shares,

“**Novelis Preferred Shares**” means the Novelis First Preferred Shares and the Novelis Second Preferred Shares,

“**Novelis Redemption Note**” means the demand, non-interest bearing promissory note to be issued by Novelis to Alcan as consideration for the aggregate redemption price of the Novelis Special Shares held by Alcan, as contemplated by the Plan of Arrangement,

“**Novelis Second Preferred Shares**” means the second preferred shares of Novelis,

“**Novelis Special Shares**” means the non-voting redeemable, retractable, special shares of Novelis to be issued by Novelis to Alcan in consideration for the transfer by Alcan to Novelis of the Arcustarget Common Shares, as contemplated by the Plan of Arrangement,

“**NYSE**” means the New York Stock Exchange, Inc.,

“**OSC**” means the Ontario Securities Commission,

“**Pechiney**” means Pechiney, a French *société anonyme*, a subsidiary of Alcan following the Pechiney Combination,

“**Pechiney Combination**” means the process by which Pechiney became a subsidiary of Alcan,

“**Plan of Arrangement**” means the plan of arrangement, the text of which is set out in Schedule D hereto, as the same may be amended from time to time,

“**Prospectus**” means the amended preliminary non-offering prospectus filed with the securities regulatory authorities in each of the provinces and territories of Canada on 23 November 2004, and included as exhibit 99.1 of the Registration Statement, together with all amendments or supplements thereto,

“Record Date” means 19 November 2004,

“Registration Statement” means the registration statement on Form 10, file number 001-32312, filed with the SEC under the *United States Securities Exchange Act of 1934*, together with all amendments or supplements thereto,

“Repurchase Right” means the right of an Alcan Preference Shareholder to dissent in respect of the Arrangement and obtain the repurchase of such holder’s Alcan Preference Shares pursuant to the Interim Order and the Plan of Arrangement,

“Repurchased Shareholder” means an Alcan Preference Shareholder who exercises such holder’s Repurchase Right,

“SEC” means the United States Securities and Exchange Commission,

“Separated Businesses” means substantially all of the aluminum rolled products businesses operated by Alcan prior to the December 2003 acquisition of Pechiney, together with some of Alcan’s alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe, which are to be transferred to Novelis as described in this Circular,

“Separation Agreement” means the separation agreement to be entered into between Alcan and Novelis with respect to the transfer of the Separated Businesses to Novelis,

“Tax Act” means the *Income Tax Act* (Canada),

“Tax Proposals” means all specific proposals to amend the Tax Act and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Circular,

“TSX” means the Toronto Stock Exchange,

“Transferred Employees” means employees of Alcan or its subsidiaries who will become employees of Novelis or its subsidiaries upon the separation of Novelis and Alcan, and

“\$”, except where otherwise indicated, means U.S. Dollars.

CAUTIONARY STATEMENT IN RESPECT OF FORWARD-LOOKING INFORMATION

This Circular contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industries in which Alcan operates, and beliefs and assumptions made by Alcan management relating, but not limited, to operations, anticipated financial performance, business prospects and strategies of each of Alcan and Novelis. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan” or similar words.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information of Alcan and Novelis involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur.

Factors that could cause actual results to differ from the results expressed or implied by forward-looking statements include, but are not necessarily limited to, those discussed under the heading “Risks and Uncertainties” in the Management’s Discussion and Analysis section of the Alcan Annual Report and under the heading “Risk Factors” in the Prospectus. See also “The Arrangement — Risk Factors” in this Circular.

Alcan does not intend, and disclaims any obligation to update any forward-looking statements after the date of this Circular whether as a result of new information, future events or otherwise.

SUMMARY

The following is a summary of certain information contained elsewhere in this Circular. This summary is included for convenience only and is qualified in its entirety by the more detailed information contained elsewhere in, or incorporated by reference into, this Circular.

Meeting

The Meeting will be held at 2:00 p.m. (EST) at the Centre Mont-Royal, 2200 Mansfield Street, Montreal, Quebec, Canada, on 22 December 2004. The purpose of the meeting is to permit the Alcan Shareholders to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the full text of which is set out in Schedule A to this Circular) approving the Arrangement.

Shareholders Entitled to Vote

The Record Date for the determination of Alcan Shareholders entitled to vote at the Meeting is the close of business on 19 November 2004. As at that date, 369,739,183 Alcan Common Shares, 5,700,000 Alcan Series C Preference Shares and 3,000,000 Alcan Series E Preference Shares entitled to be voted at the Meeting were outstanding.

Effect of the Arrangement

Upon the Arrangement becoming effective, the holders of Alcan Common Shares at the close of business on the Distribution Record Date will hold directly all the outstanding New Alcan Common Shares and Novelis Common Shares. The distribution ratio in respect of the Novelis Common Shares will be one Novelis Common Share for each five Alcan Common Shares held. By way of example, a holder of 1,000 Alcan Common Shares at the close of business on the Distribution Record Date will, upon the Arrangement becoming effective, hold 1,000 New Alcan Common Shares and 200 Novelis Common Shares. Alcan Common Shareholders who would otherwise be entitled to receive an interest in a Novelis Common Share will be entitled to cash for any such fractional interest.

Novelis

Novelis is a corporation that has been formed to acquire, under the Arrangement, and independently carry on most of the aluminum rolled products businesses operated by Alcan. For more information on Novelis, see the Prospectus and the section entitled “Novelis” in this Circular.

Reasons for the Arrangement

The Alcan Board believes that the separation of Novelis from Alcan will provide a number of benefits to both companies, including: (i) a sharper business focus; (ii) independent access to capital; (iii) targeted incentives for employees; (iv) two distinct investment profiles; and (v) a sound resolution to regulatory requirements. See “The Arrangement — Reasons for the Arrangement”.

The Arrangement and Related Transactions

If approved by the Alcan Shareholders and the Court, and subject to certain other conditions being fulfilled and approvals obtained, the Arrangement will be implemented pursuant to the terms of the Plan of Arrangement. The Plan of Arrangement is set out as Schedule D. The steps in the Arrangement are described under “The Arrangement — Details of the Arrangement”.

Approvals of Shareholders and the Court

In order for the Arrangement to be implemented as proposed, the Arrangement Resolution must be passed, without variation, by the affirmative vote of at least 66 2/3% of the votes cast by Alcan Common Shareholders and Alcan Preference Shareholders, voting as a single class, present in person or represented by proxy at the Meeting.

Following approval of the Arrangement by the Alcan Shareholders at the Meeting, Alcan will make application to the Court for the Final Order. A copy of the Motion for the Court Order is attached as Schedule B to this Circular. At that hearing, any Alcan Shareholder who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing a notice of appearance with the Court, serving this notice on Alcan and satisfying other requirements, including those identified in the Interim Order. At the hearing for the Final Order,

the Court will consider, among other things, the fairness and reasonableness of the Arrangement to the Alcan Shareholders.

Recommendation of the Alcan Board of Directors

The Alcan Board of Directors has determined that the separation of the Separated Businesses from the other Alcan businesses is in the best interest of Alcan and its Shareholders. The Alcan Board has unanimously approved the Plan of Arrangement, the terms of the Separation Agreement and the transactions contemplated thereby. The Alcan Board of Directors recommends that Alcan Shareholders vote FOR the Arrangement Resolution. See “Recommendation of the Alcan Board of Directors”.

Dissent Rights

Pursuant to the Interim Order, each Alcan Common Shareholder has the right to dissent in respect of the Arrangement and obtain the repurchase of such holder’s Alcan Common Shares if Alcan receives from such Dissenting Shareholder a written objection thereto at or before the Meeting and such Dissenting Shareholder otherwise complies with the procedures set forth in the Interim Order and the Plan of Arrangement. See “Dissent Rights — Dissent Right”.

Pursuant to the Interim Order, each Alcan Preference Shareholder has the right to dissent in respect of the Arrangement and obtain the repurchase of such holder’s Alcan Preference Shares if Alcan receives from such Repurchased Shareholder a written objection thereto at or before the Meeting and such Repurchased Shareholder otherwise complies with the procedures set forth in the Interim Order and the Plan of Arrangement. See “Dissent Rights — Repurchase Right”.

Selected Pro Forma and Historical Financial Information

To assist the Shareholders in assessing the Arrangement and its impact on Alcan, the unaudited pro forma consolidated balance sheet of Alcan as at 30 September 2004 and the unaudited pro forma consolidated statements of income for the year ended 31 December 2003 and for the nine months ended 30 September 2004, all of which give pro forma effect to the Arrangement, are included as Schedule G to this Circular. Certain other documents containing historical financial information are also incorporated by reference in this Circular. See “Alcan Prior to the Arrangement — Documents Incorporated by Reference”. **Copies of the documents so incorporated by reference may be obtained on SEDAR at www.sedar.com or on request without charge from the Corporate Secretary of Alcan at the registered office of Alcan at 1188 Sherbrooke Street West, Montreal, Quebec, Canada, H3A 3G2, telephone: (514) 848-8000.**

Income Tax Considerations

The following brief summary of the Canadian federal income tax consequences of the Arrangement is not intended to be, nor should it be construed to be, advice to any particular Alcan Shareholder. Alcan Shareholders should consult their own tax advisers with respect to their particular circumstances.

In general, a Canadian resident holder of Alcan Common Shares (other than a Dissenting Shareholder) who holds such shares as capital property will not realize a capital gain or capital loss as a result of the Arrangement unless the holder chooses to realize a capital gain or capital loss pursuant to the provisions of the Tax Act. Assuming that a holder of Alcan Common Shares does not choose to realize a capital gain or a capital loss on the Arrangement, the adjusted cost base of the Alcan Common Shares will generally be allocated among the Novelis Common Shares and the New Alcan Common Shares based upon the relative fair market values of such shares at the time of the Arrangement. Following the Effective Date, Alcan will advise holders by press release of its estimation of the appropriate proportionate allocation.

In general, a non-resident holder of Alcan Common Shares will not be subject to tax in Canada as a result of the Arrangement provided the Alcan Common Shares do not constitute “taxable Canadian property” to such holder.

For a more detailed description of the Canadian federal income tax considerations relating to the Arrangement, see “Income Tax Considerations — Certain Canadian Federal Income Tax Considerations”.

For a summary of certain United States federal income tax considerations relating to the Arrangement. See “Income Tax Considerations — Certain United States Federal Income Tax Considerations”.

QUESTIONS & ANSWERS ON VOTING AND PROXIES

Q: WHO IS SOLICITING MY PROXY?

A: This Circular is furnished in connection with the solicitation by Alcan Board of Directors and Alcan management of Shareholder proxies to be used at the Meeting to vote your Alcan Shares. The solicitation of proxies will be made primarily by mail, but may also be made by electronic means, by telephone or in person. The cost of soliciting proxies will be borne by Alcan. Georgeson Shareholder Communications Canada and Morrow & Co., Inc. have been retained by Alcan in Canada and the United States, respectively, to assist in the solicitation of proxies from Shareholders. For these services, Georgeson Shareholder Communications Canada, Inc. and Morrow & Co., Inc. are expected to receive, from Alcan, fees of approximately CAD \$40,000 and US\$ \$15,000, respectively, plus reimbursement of reasonable expenses. In addition, employees of Alcan may solicit proxies without compensation. CIBC Mellon is responsible for the tabulation of proxies.

Q: WHAT AM I VOTING ON?

A: Shareholders will be voting on the approval of the Arrangement Resolution as described in this Circular.

Q: HOW WILL THIS MATTER BE DECIDED AT THE MEETING?

A: The affirmative vote of at least 66 2/3% of the votes cast at the Meeting by Alcan Common Shareholders and Alcan Preference Shareholders voting as a single class, by proxy or in person, will constitute approval of the Arrangement Resolution.

Q: WHAT DOCUMENTS ARE SENT TO SHAREHOLDERS?

A: Alcan Shareholders will receive, together with the Circular, a form of proxy and the Prospectus. The Prospectus will be amended prior to the Effective Date, and all amended versions of the Prospectus will be available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. If the Arrangement is approved, a final version of the Prospectus will be filed with the Canadian and United States securities regulators and mailed to Alcan Common Shareholders of record on the Distribution Record Date as soon as reasonably practicable thereafter.

Copies of the Alcan Annual Report and audited consolidated financial statements filed with the Canadian and United States securities regulators can be found on the Company's website at www.alcan.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov or may be obtained, without charge, on request from the Corporate Secretary of Alcan at the registered office of Alcan, 1188 Sherbrooke Street West, Montreal, Quebec, Canada, H3A 3G2, telephone: (514) 848-8000.

Q: WHO IS ENTITLED TO VOTE AND WHAT IS THE QUORUM?

A: On 19 November 2004, 369,739,183 Alcan Common Shares, 5,700,000 Alcan Series C Preference Shares and 3,000,000 Alcan Series E Preference Shares were outstanding. Alcan Shareholders of record as of the close of business on that date are entitled to receive Notice of Meeting and either they or their duly appointed proxyholders will be entitled to attend the Meeting and vote.

Each holder of Alcan Common Shares is entitled to one vote at the Meeting for each Alcan Common Share registered in his or her name at the close of business on the Record Date. Alcan Preference Shareholders are usually not allowed to vote at Shareholders meetings but will be entitled, pursuant to the Interim Order, to vote on the Arrangement Resolution, together with the Alcan Common Shareholders and not separately as a class. Each holder of Alcan Preference Shares will be entitled to one vote for each Alcan Preference Share registered in his or her name at the close of business on the Record Date. With respect to the vote on the Arrangement Resolution, the percentage of the aggregate voting rights attached to the Alcan Common Shares, Alcan Series C Preference Shares and Alcan Series E Preference Shares are 97.75%, 1.50% and 0.75% respectively.

Pursuant to the Alcan by-laws, the holders of not less than 40% of the shares entitled to vote at a meeting of shareholders, present in person or by proxy, shall constitute a quorum.

Q: HOW DO I VOTE?

- A:** There are three ways that you can vote your Alcan Shares if you are a registered Alcan Shareholder. (1) You may vote in person at the Meeting, (2) you may complete and sign the enclosed form of proxy appointing the named persons or another person you choose to represent you and to vote your Alcan Shares at the Meeting, or (3) you may forward your proxy electronically.

Completing, signing and returning your form of proxy does not preclude you from attending the Meeting in person. If you do not wish to attend the Meeting or do not wish to vote in person, your proxy will be voted or be withheld from voting in accordance with your wishes as specified on your proxy. For Alcan Shareholders who are bodies corporate or associations, the form of proxy must be signed by a person duly authorized by that body corporate or association.

To forward your proxy electronically, you must go to the following website: www.eproxyvoting.com/alcan and enter your personalized e-voting control number located on your form of proxy and follow the instructions.

If your Alcan Shares are registered in the name of a nominee, please see “Voting by Non-Registered Alcan Shareholders” on page 16.

Q: WHAT IF I PLAN TO ATTEND THE MEETING AND VOTE IN PERSON?

- A:** If you plan to attend the Meeting and wish to vote your Alcan Shares in person at the Meeting, it is not necessary for you to complete or return the form of proxy. Your vote will be taken and counted at the Meeting. Please register with the transfer agent, CIBC Mellon, upon arrival at the Meeting. Your participation in person in a vote by ballot at the Meeting would automatically revoke any proxy that you had previously given in respect of business covered by that vote.

Non-registered Shareholders wishing to attend the Meeting should refer to “Voting by Non-Registered Alcan Shareholders” on page 16.

Q: WHAT HAPPENS WHEN I SIGN AND RETURN THE FORM OF PROXY?

- A:** Signing the enclosed proxy gives authority to the named proxyholders on the form, or to another person you have appointed, to vote your Alcan Shares at the Meeting in accordance with the voting instructions you provide.

Q: CAN I APPOINT SOMEONE OTHER THAN THE NAMED PROXYHOLDERS TO VOTE MY ALCAN SHARES?

- A:** **Yes. Write the name of your chosen person, who need not be an Alcan Shareholder, in the blank space provided in the form of proxy.** It is important to ensure that any person you appoint is attending the Meeting and is aware that his or her appointment has been made to vote your Alcan Shares. Proxyholders should, upon their arrival at the Meeting, present themselves to a representative of CIBC Mellon. Please note that if you choose to forward your proxy electronically, only the named proxyholders may be appointed.

Q: WHAT DO I DO WITH MY COMPLETED FORM OF PROXY?

- A:** Return it to the transfer agent, CIBC Mellon, in the envelope provided, or forward it by telecopier to (416) 368-2502, so that it arrives no later than 5:00 p.m. EST on 21 December 2004. All Alcan Shares represented by a properly executed proxy received by CIBC Mellon prior to such time will be voted or be withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot that may be called at the Meeting.

Q: HOW WILL MY ALCAN COMMON SHARES BE VOTED IF I RETURN MY PROXY?

- A:** The persons named in the form of proxy will vote or withhold from voting your Alcan Shares in accordance with your instructions. **In the absence of such instructions, however, your Alcan Shares will be voted FOR the Arrangement Resolution.**

Q: IF I CHANGE MY MIND, CAN I TAKE BACK MY PROXY ONCE I HAVE GIVEN IT?

- A:** Yes. An Alcan Shareholder who has given a proxy may revoke it with an instrument in writing which includes another proxy with a later date, executed by the Alcan Shareholder or by the Alcan Shareholder's attorney

authorized in writing and delivered to CIBC Mellon, 200 Queen's Quay East, Unit 6, Toronto, Ontario, M5A 4K9, Canada or by telecopier at (416) 368-2502, no later than 5:00 p.m. EST on 21 December 2004 or to the Chairman on the day of the Meeting or any adjournment or postponement thereof.

It should be noted that the participation in person by an Alcan Shareholder in a vote by ballot at the Meeting would automatically revoke any proxy that has been previously given by the Shareholder in respect of business covered by that vote.

Q: WHAT IF AMENDMENTS ARE MADE TO THIS MATTER OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and to other matters which may properly come before the Meeting. As of the date of this Circular, the management of Alcan knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

Q: HOW CAN I CONTACT THE TRANSFER AGENT?

A: You can contact the transfer agent at:

CIBC Mellon Trust Company

320 Bay Street, 3rd Floor

Toronto, Ontario, Canada M5H 4A6

Telephone: (416) 643-5500

1-800-387-0825

(toll free throughout Canada and the United States)

Telecopier: (416) 643-5501

Q: WHO ARE THE PRINCIPAL SHAREHOLDERS OF THE COMPANY?

A: To the knowledge of the Directors and Executive Officers of Alcan, no person or company beneficially owns or exercises control or direction over more than 10% of any class of the outstanding Alcan Shares.

VOTING BY NON-REGISTERED ALCAN SHAREHOLDERS

Q: IF MY ALCAN SHARES ARE NOT REGISTERED IN MY NAME BUT ARE HELD IN THE NAME OF AN INTERMEDIARY (A BANK, TRUST COMPANY, SECURITIES BROKER, TRUSTEE, ETC.), HOW DO I VOTE MY ALCAN SHARES?

A: Non-registered or beneficial Alcan Shareholders are not personally listed in Alcan's Share register. Their Alcan Shares are held in the name of an intermediary or a "nominee", which is usually a trust company, securities broker or other financial institution. If you are a non-registered Alcan Shareholder, there are two ways that you can vote your Alcan Shares held in the name of your nominee:

1) By providing voting instructions to your nominee

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee either a request for voting instructions or a form of proxy for the number of Alcan Shares you hold. Every nominee has its own mailing procedures and provides its own signing and return instructions, which should be carefully followed by non-registered Alcan Shareholders to ensure that their Alcan Shares are voted at the Meeting.

2) By attending the Meeting in person

Alcan generally does not have access to the names of its non-registered Alcan Shareholders. Therefore, if you attend the Meeting, Alcan will have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder.

If you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions or form of proxy provided by your nominee to appoint yourself as proxyholder. Then follow the signing and return instructions provided by your nominee. Non-registered Alcan Shareholders who instruct their nominee to appoint themselves as proxyholders should, at the Meeting, present themselves to a representative of CIBC Mellon.

QUESTIONS & ANSWERS ON THE ARRANGEMENT

Q: WHAT IS A PLAN OF ARRANGEMENT?

A: A plan of arrangement is a statutory procedure under Canadian corporate law which, upon court approval being obtained, permits companies to engage in complex restructurings. A plan of arrangement is frequently used where a corporate transaction has many steps that must occur in a particular sequence that would not be practicable to organize under statutory provisions.

Q: WHEN IS THE ARRANGEMENT LIKELY TO OCCUR?

A: It is presently anticipated that, if approved, the Arrangement will become effective in January 2005. The Board of Directors may, however, decide to delay or not to proceed with the Arrangement despite receipt of all required approvals.

Q: WHAT WILL I HAVE TO DO AS AN ALCAN COMMON SHAREHOLDER TO RECEIVE MY SHARE CERTIFICATES FOR NOVELIS COMMON SHARES OR CASH FOR ANY FRACTIONAL NOVELIS COMMON SHARE?

A: Nothing. Alcan Common Shareholders will not be required to send in certificates representing Alcan Common Shares in order to receive certificates for the Novelis Common Shares or cash for any fractional interest in those shares. If the Arrangement proceeds, the certificates for the Novelis Common Shares and cash for any fractional interest in those shares will be distributed to the Alcan Common Shareholders as soon as practicable after the Distribution Record Date. From and including on the Effective Date to the Distribution Record Date, share certificates representing Alcan Common Shares will represent the New Alcan Common Shares and Novelis Common Shares to be issued to Alcan Common Shareholders under the Arrangement. The certificates representing Alcan Common Shares will be deemed for all purposes thereafter to be certificates representing New Alcan Common Shares and accordingly, no new certificates will be issued for the New Alcan Common Shares.

Q: HOW WAS THE RATIO ESTABLISHING THE NUMBER OF NOVELIS COMMON SHARES DETERMINED?

A: The ratio of one Novelis Common Share to five Alcan Common Shares was chosen to provide appropriate liquidity for Novelis.

Q: WHAT ARE THE ALCAN PREFERENCE SHAREHOLDERS BEING ASKED TO VOTE ON?

A: The Alcan Preference Shareholders are also being asked to approve the Arrangement Resolution. In order for the Arrangement to be implemented as proposed, the Arrangement Resolution must be passed without variation by the affirmative vote of at least 66 2/3% of the votes cast at the Meeting by Alcan Common Shareholders and Alcan Preference Shareholders voting as a single class, present in person or represented by proxy at the Meeting.

Q: WHEN MUST I BE AN ALCAN COMMON SHAREHOLDER IN ORDER TO RECEIVE NOVELIS COMMON SHARES?

A: The Novelis Common Shares will be sent to Alcan Common Shareholders of record at the close of business on the Distribution Record Date (other than those who have exercised their Dissent Right). Holders of Alcan Common Shares who sell shares over the TSX on or before the third trading day prior to the Distribution Record Date will also be selling their entitlement to receive Novelis Common Shares in the Arrangement. Holders who sell shares over the NYSE on or before the date the Novelis Common Shares certificates are delivered will also be selling their entitlement to receive Novelis Common Shares in the Arrangement. Given the nature of the Arrangement and the markets upon which Alcan Common Shares trade, Alcan Shareholders are encouraged to consult with their financial advisors regarding the specific implications of selling Alcan Common Shares before the Distribution.

Q: WHAT WILL BE THE IMPACT OF THE ARRANGEMENT ON THE MARKET PRICE AND THE TRADING OF MY ALCAN COMMON SHARES?

A: Alcan expects that the market price of an Alcan Common Share will be reduced to reflect the consequences of the Distribution. Alcan Common Shareholders will hold two separate freely tradable securities upon the effectiveness of the Arrangement: New Alcan Common Shares and Novelis Common Shares. The trading in the Alcan Common Shares will not be interrupted during the Arrangement process. If the Arrangement were to become effective on 1 January 2005, we expect that Alcan Common Shares would begin trading

ex-distribution on the TSX at the opening of business on 4 January 2005, and ex-distribution on the NYSE at the opening of business on the trading day following the delivery of Novelis Common Share certificates.

Q: WHEN WILL I BE ABLE TO TRADE MY NOVELIS COMMON SHARES ON THE TSX AND NYSE?

A: If the Arrangement were to become effective on 1 January 2005, we expect that the Novelis Shares would begin trading at the opening of business on 4 January 2005 on a “regular way” basis on the TSX and on a “when issued” basis on the NYSE. We expect that the Novelis Common Shares would begin trading on a regular way basis on the NYSE at the opening of business on the trading day following the delivery of Novelis Common Share certificates.

Q: WHO SHOULD I CONTACT IF I HAVE QUESTIONS RELATING TO THE ARRANGEMENT?

A: Answers to many of your questions may be found in this Circular and the Prospectus, however, you may wish to consult your financial advisor or you may contact CIBC Mellon at (416) 643-5500 or 1-800-387-0825 (toll free throughout Canada and the United States) or Georgeson Shareholder Communications Canada, Inc. at 1-888-288-1076 (toll free throughout Canada and the U.S.) or +800-6790-0674 (toll free in other countries).

Q: WHAT HAPPENS IF THE ALCAN SHAREHOLDERS DO NOT PASS THE ARRANGEMENT RESOLUTION?

A: At a minimum, Alcan will be compelled to identify other measures to meet pending regulatory divestment requirements. See “The Arrangement — Reasons for the Arrangement”. There is no assurance that satisfactory alternative measures can be identified and implemented in a timely manner and that the assets in question would not have to be divested for a consideration below their actual fair value.

ALCAN PRIOR TO THE ARRANGEMENT

The predecessor company to what is today Alcan was incorporated on 3 June 1902. Alcan is governed by the CBCA. Its head and registered office is located at 1188 Sherbrooke Street West, Montreal, Quebec, H3A 3G2.

Alcan is the parent company of an international group involved in many aspects of the aluminum and packaging industries. Through subsidiaries, joint ventures and related companies around the world, the activities of Alcan include bauxite mining, alumina refining, production of specialty chemicals, aluminum smelting, manufacturing and recycling, flexible and specialty packaging, as well as related research and development.

On 15 December 2003, through the Pechiney Combination, Alcan acquired a majority of the shares of Pechiney, a French aluminum and packaging company, which became one of its subsidiaries. The integration of Pechiney is being actively implemented. Alcan employs 88,000 people in 58 countries and regions.

Alcan currently operates through six business groups, each responsible for different business units of which they are composed. The operating segments of Alcan are:

- **Bauxite and Alumina**, headquartered in Montreal, Canada; this group comprises Alcan's worldwide activities related to bauxite mining, alumina refining and the production of specialty aluminas, owning and/or operating eight bauxite mines and deposits in seven countries, seven smelter-grade alumina plants in five countries and seven specialty alumina plants in four countries;
- **Primary Metal**, also headquartered in Montreal, Canada; this group comprises smelting operations, power generation and production of primary value-added ingot in the form of sheet ingot, extrusion billet, rod and foundry ingot, as well as engineering services and trading operations for alumina and aluminum, operating or having interests in 26 smelters in 13 countries;
- **Rolled Products Americas and Asia**, headquartered in Cleveland, United States; this group produces aluminum sheet and light gauge products, operating 20 plants in five countries;
- **Rolled Products Europe**, headquartered in Zurich, Switzerland; this group produces aluminum sheet including automotive, can and lithographic sheet, plate and foil stock production, operating 18 plants in seven countries;
- **Engineered Products**, headquartered in Paris, France; this group produces fabricated aluminum products, including wire and cable, components for the mass transportation, automotive, building, display, electromechanical and other industrial markets, and includes sales and service centres throughout Europe, operating 140 sites (including 48 plants, 51 service centres and 37 commercial offices) in 36 countries; and
- **Packaging**, also headquartered in Paris, France; this group consists of Alcan's worldwide food flexible, foil, tobacco, pharmaceutical and personal care packaging businesses, operating 180 manufacturing facilities in 26 countries.

Reference is made to Alcan's Form 10-K for a more detailed description of the business carried on by Alcan.

Description of Alcan Share Capital

The authorized and issued share capital of Alcan consists of an unlimited number of Alcan Common Shares, Alcan Series C Preference Shares and Alcan Series E Preference Shares. As of 19 November 2004, there were 369,739,183 Alcan Common Shares, 5,700,000 Alcan Series C Preference Shares and 3,000,000 Alcan Series E Preference Shares issued and outstanding. Reference is made to Alcan's Form 10-K for a more detailed description of Alcan's authorized and issued share capital.

Stock Exchange Listings, Trading Prices and Dividends

The Alcan Common Shares are listed and posted for trading on the TSX, the NYSE, and the London, Swiss and Euronext Paris stock exchanges under the stock symbol "AL".

The following table sets out the market price range and volumes of trading of Alcan Common Shares on the TSX during the periods indicated.

	High	Low	Volume
	(CAD \$)	(CAD \$)	(millions)
2002			
First Quarter	66.81	54.93	54,927,400
Second Quarter	63.61	52.90	52,417,900
Third Quarter	57.10	37.75	101,100,000
Fourth Quarter	50.71	36.90	60,942,800
2003			
First Quarter	49.61	38.77	54,547,900
Second Quarter	44.60	39.30	49,590,700
Third Quarter	53.80	40.86	71,132,200
Fourth Quarter	64.25	49.83	67,519,700
2004			
January	63.33	53.75	25,893,200
February	64.29	55.93	33,210,800
March	66.08	55.35	34,301,900
April	61.87	54.62	22,849,900
May	57.88	51.02	29,541,300
June	56.96	53.80	21,689,970
July	55.34	50.71	17,367,900
August	58.62	50.75	19,284,300
September	60.74	54.86	23,159,700
October	62.50	56.04	24,604,000
1 November to 19 November	62.80	56.24	14,555,700

On 19 November 2004, the closing price of the Alcan Common Shares on the TSX was CAD \$59.81 per share.

The Alcan Series C Preference Shares and the Alcan Series E Preference Shares are listed on the TSX. The following table sets out the market price range and volumes of trading of Alcan Series C Preference Shares and Alcan Series E Preference Shares on the TSX during the periods indicated.

	Series C Preference Shares			Series E Preference Shares		
	High	Low	Volume	High	Low	Volume
	(CAD \$)	(CAD \$)	(millions)	(CAD \$)	(CAD \$)	(millions)
2002						
First Quarter	25.40	24.75	710,800	25.25	20.25	87,600
Second Quarter	25.40	24.85	295,900	23.00	21.35	287,100
Third Quarter	25.50	25.02	663,900	22.15	19.60	1,253,600
Fourth Quarter	25.65	24.90	285,700	20.90	20.01	190,000
2003						
First Quarter	26.00	25.10	439,200	22.75	20.50	261,700
Second Quarter	26.30	25.20	195,500	23.85	22.20	486,100
Third Quarter	26.45	25.50	126,800	24.50	23.00	308,800
Fourth Quarter	26.50	25.51	271,500	25.10	23.86	499,600
2004						
January	26.75	26.00	34,900	25.00	24.40	44,600
February	26.95	26.22	111,300	25.60	24.70	46,300
March	27.10	26.30	208,100	25.50	24.65	133,000
April	26.90	26.11	172,100	25.25	24.62	19,100
May	26.50	25.50	49,600	25.60	24.60	166,700
June	26.50	25.50	113,700	25.30	24.66	206,700
July	26.35	25.50	36,400	25.30	25.00	19,640
August	25.90	25.11	40,800	25.30	24.60	221,400
September	26.07	25.30	42,400	25.40	25.00	46,700
October	26.49	25.88	41,300	25.30	25.02	20,200
1 November to 19 November	26.25	25.66	57,800	25.75	25.01	16,200

On 19 November 2004, the closing prices of Alcan Series C Preference Shares and Alcan Series E Preference Shares on the TSX were CAD \$25.90 and CAD \$25.20 per share, respectively.

The TSX has conditionally approved the listing of the Novelis Common Shares, subject to the filing of the usual documentation. Novelis intends to apply for a listing of Novelis Common Shares on the NYSE. The TSX, the NYSE and the London, Swiss and Euronext Paris stock exchanges have confirmed that the redesignated New Alcan Common Shares will continue trading as the Alcan Common Shares following the Effective Date. The listing of the Alcan Preference Shares is not affected by the Arrangement.

Alcan does not have a stated dividend policy in respect of the Alcan Common Shares but has historically paid dividends on a quarterly basis. Dividends on the Alcan Preference Shares are paid quarterly in accordance with the terms of these shares. The per share totals for the last two fiscal years and until 20 November 2004 are as follows:

	1 January 2004 through 20 November 2004	2003	2002
Alcan Series C Preference Shares	CAD \$1.021	CAD \$1.173	CAD \$1.048
Alcan Series E Preference Shares	CAD \$0.766	CAD \$0.880	CAD \$0.787
Alcan Common Shares	\$0.45	\$0.60	\$0.60

On 23 September 2004, the Alcan Board declared a dividend of \$0.15 per share payable on 20 December 2004 to holders of Alcan Common Shares of record on 19 November 2004.

Intercorporate Relationships

The intercorporate relationships among Alcan and its subsidiaries, as of the 2003 fiscal year end, are described in Alcan's Form 10-K.

Documents Incorporated by Reference

The following documents, filed with the securities regulators in Canada, are specifically incorporated by reference and form an integral part of this Circular:

- (a) the audited comparative financial statements of Alcan for the fiscal year ended 31 December 2002 and 2003, together with the auditors' report thereon;
- (b) Alcan management's discussion and analysis of financial condition and results of operations for the fiscal year ended 31 December 2003;
- (c) the unaudited comparative interim financial statements of Alcan for the nine-month period ended 30 September 2004, incorporated in Alcan's quarterly report to shareholders;
- (d) Alcan management's discussion and analysis of financial condition and results of operations for the nine-month period ended 30 September 2004;
- (e) the proxy circular dated 3 March 2004 with respect to the annual meeting of shareholders of Alcan held on 22 April 2004;
- (f) Alcan's Form 10-K;
- (g) the documents filed by Alcan, with the SEC, on Form 8-K for fiscal year 2004; and
- (h) the documents filed by Alcan, with the SEC, on Form 10-Q for fiscal year 2004.

Any document of the type referred to above as well as any material change reports (excluding any confidential material change reports) filed by Alcan with the various provincial or territorial securities commissions or similar authorities in the provinces and territories of Canada after the date of this Circular and prior to the Meeting will be deemed to be incorporated by reference into this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission

for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement or a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Copies of the documents incorporated herein by reference in this Circular may be obtained on SEDAR at www.sedar.com or without charge, upon request, from the Corporate Secretary of Alcan at the registered office of Alcan, 1188 Sherbrooke Street West, Montreal, Quebec, Canada, H3A 3G2, telephone: (514) 848-8000. The public may read and copy any materials that Alcan files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

THE ARRANGEMENT

Under the Arrangement, Alcan will effectively transfer most of the aluminum rolled products businesses that it operates to Novelis and distribute the shares of Novelis to Alcan Common Shareholders. For more information on the steps involved in the Arrangement, see "The Arrangement — Details of the Arrangement".

Upon the proposed Arrangement becoming effective, holders of Alcan Common Shares (other than Dissenting Shareholders) will hold five New Alcan Common Shares and one Novelis Common Share for each five Alcan Common Shares held. Under the Arrangement an Alcan Common Shareholder will not be entitled to be registered on the books of Novelis in respect of a fraction of a Novelis Common Share. All fractional interests in Novelis Common Shares otherwise issuable will be aggregated and sold by appropriately registered broker/ dealers on the TSX and each Alcan Common Shareholder otherwise entitled to receive a fractional interest will receive cash for its proportionate interest in the net proceeds of sale. Non-registered Alcan Common Shareholders will also receive cash in lieu of fractional interests in accordance with the respective procedures of the Canadian Depository for Securities and The Depository Trust Company and their respective participants. Certificates for Novelis Common Shares and cash in lieu of fractional interests will be sent to Alcan Common Shareholders entitled thereto as soon as practicable after the Distribution Record Date.

The Arrangement will not require any Alcan Common Shareholder to make any payment and will generally be effected on a tax-deferred basis in Canada for Alcan Common Shareholders who hold their shares as capital property. See "Income Tax Considerations — Certain Canadian Federal Income Tax Considerations". Alcan Common Shareholders who are subject to United States federal income taxation should see "Income Tax Considerations — Certain United States Federal Income Tax Considerations".

Reasons for the Arrangement

The Alcan Board of Directors has determined that the separation of most of Alcan's rolled products businesses from the other Alcan businesses is a portfolio choice that is in the best interests of Alcan and its shareholders. The Board believes that the separation of Novelis from Alcan will provide a number of benefits to both companies, including:

- *Sharper Business Focus.* The Board believes that the separation of Novelis from Alcan will enable Alcan to focus on developing its portfolio of low cost alumina and primary aluminum businesses as well as its high value-added specialty packaging, aerospace and engineered products businesses. Management believes that the separation will permit Novelis to focus on aluminum rolled products, which will allow Novelis to respond more quickly to market demands and efficiently allocate its capital, technical and human resources.
- *Independent Access to Capital.* The separation will provide each of Alcan and Novelis with independent access to capital which management believes is expected to result in more focused capital allocation practices including an appropriate focused alignment of debt capacity with the individual cash generation profile of each company.
- *Targeted Incentives for Employees.* Management believes that the separation will provide opportunities within each company to provide incentives to employees that more closely align their interests with the performance of the business within which they are employed.
- *Distinct Investment Profiles.* Because Alcan and Novelis will operate in different industries with different business profiles, including different cash flow profiles, the shares of each company may appeal to different

classes of investors. Establishing two separate equity securities will allow investors to hold a direct investment in the businesses to be operated by Novelis and to value each of Alcan and Novelis separately.

- *Sound Resolution to Regulatory Requirements.* As part of the Pechiney Combination, Alcan entered into undertakings with European competition regulators that require, among other things, the ownership of Alcan's Neuf Brisach rolling facility in France and Norf rolling facility in Germany be separated. Alcan also entered into undertakings with the United States Department of Justice ("DOJ") that require that the ownership of the Oswego, New York rolling facility be separate from Alcan's Ravenswood, West Virginia rolling facility. The management of Alcan believes that the separation offers a sound resolution to these regulatory requirements.

Background to the Arrangement

In 2003, Alcan initiated an evaluation of its portfolio of businesses. As part of this exercise, a strategic review of Alcan's rolled products business was presented to the Alcan Board. A strategy was subsequently developed by management involving the separation of Novelis and Alcan into two distinct platforms with different underlying market economics. This strategy involved the spin-off of most of Alcan's rolled products businesses into a separate legal entity, and was presented to the Alcan Board at its 14 February 2004 meeting, together with a comprehensive overview of portfolio alternatives and transaction rationale.

The Alcan Board met subsequently on 26 February 2004 to consider the separate investment theses and on 5 March 2004 to discuss the details of the possibility of executing the spin-off. On 24 March 2004, the Alcan Board received a comprehensive report on alternatives to the proposed spin-off, its potential for value creation, expected financial performance and the duties of directors in the circumstances. The Alcan Board considered the spin-off again at its 22 April 2004 meeting and on 11 May 2004 held a detailed review and discussion on the investment theses and execution plan prior to a public announcement. External financial and legal advisors were present at this meeting and reported directly to the Alcan Board. The Directors confirmed their continuing support for the project and, on 17 May 2004, held a meeting to approve the announcement of the spin-off. On 18 May 2004, the spin-off was publicly announced.

On 26 May 2004, Alcan publicly confirmed that the planned spin-off was a fundamental portfolio choice that would have the collateral benefit of achieving the separation of competing businesses and that was required to obtain the necessary competition approvals for the Pechiney Combination. Alcan 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, Alcan has taken into account the comments received from the European Commission. On 3 November 2004, Alcan submitted a formal approval proposal to the European Commission. In light of the progress achieved in the discussions with the European Commission to date, Alcan anticipates that the European Commission's approval of the separation will be received.

Also on 26 May 2004, Alcan and the DOJ executed and filed with the United States District Court in Washington, D.C. an amended final judgment. The amendment recognizes that the Company's proposed spin-off transaction provides an alternative solution to the competition law issue addressed by the existing order to divest the Ravenswood rolling facility, as described above. According to the terms of the amendment, either the sale of Ravenswood or the divestment of the Oswego rolling facility will sufficiently address the concern that prompted the DOJ to file its lawsuit. The DOJ has confirmed to Alcan that the proposed spin-off will satisfy the undertaking under the amended final judgement.

The Alcan Board reviewed the progress in relation to the proposed spin-off again at its 23 June 2004 and 23 September 2004 meetings.

On 28 September 2004, Alcan filed with the securities authorities in Canada and the United States a preliminary version of the Prospectus and the Registration Statement containing such Prospectus in connection with the spin-off of Novelis. The Prospectus describes Novelis and provides market and commercial information, as well as historical and pro forma financial data. The Prospectus and the Registration Statement will be amended prior to the Effective Date, and all amended versions of the Prospectus and the Registration Statement will be available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov, respectively. If the Arrangement is approved and implemented, a final prospectus in respect of the distribution of Novelis Common Shares to Alcan Common Shareholders will be filed with the Canadian and United States securities regulators and mailed to Alcan Common Shareholders as soon as reasonably practicable after the Distribution Record Date.

The Alcan Board received a comprehensive update of the proposed separation and financial arrangements for the proposed spin-off at its 27 October 2004 meeting.

Following announcement of the spin-off, certain parties independently expressed an interest to acquire Alcan's rolled products businesses. Management, with the assistance of Alcan's financial advisors, engaged in confidential discussions with some of these parties, emphasizing the advantages of the Arrangement regarding value, execution certainty and timing. The best of these proposed offers were presented to the Board at its 23 November 2004 meeting. The Board considered these offers and the terms, conditions and risks attached thereto and concluded that the proposed Arrangement provided the best value creation proposition to Alcan's Shareholders.

At a meeting of the Alcan Board on 23 November 2004, Morgan Stanley and Lazard delivered their respective opinions, confirmed in writing as of the same date, that, as of 23 November 2004 and based upon and subject to the factors and assumptions set forth in such opinions, the Distribution was fair from a financial point of view to Alcan Shareholders. Neither of the opinions addresses how Alcan Shareholders should vote in connection with the Arrangement or whether any such holder should exercise a dissent or repurchase right associated with his or her shares.

The Separation Agreement and Other Inter-Company Arrangements

In connection with the separation, Novelis and Alcan will enter into a Separation Agreement and several ancillary agreements to complete the transfer of the Separated Businesses to Novelis. The Separation Agreement will set forth the agreement between Novelis and Alcan with respect to: the principal corporate transactions required to effect the Novelis separation from Alcan, the transfer to Novelis of substantially all of the aluminum rolled products businesses operated by Alcan prior to the December 2003 acquisition of Pechiney, together with some of its alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe; the distribution of the Novelis Common Shares to Alcan Common Shareholders; and other agreements governing the relationship between Alcan and Novelis following the separation. Under the terms of the Separation Agreement, Novelis will assume and agree to perform and fulfill all of the liabilities and obligations of the contributed businesses and of the entities through which such businesses shall be contributed, including liabilities and obligations related to discontinued rolled products businesses conducted by Alcan prior to the separation, in accordance with their respective terms.

The Separation Agreement will provide for a full and complete mutual release and discharge of all liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the separation, between or among Novelis or any of its subsidiaries, on the one hand, and Alcan or any of its subsidiaries other than Novelis, on the other hand, except as expressly set forth in the agreement.

Novelis will also agree not to engage, directly or indirectly, in any manner whatsoever, for a period of five years following the separation, in the manufacturing, production and sale of certain products for the aluminum plate and aerospace markets, unless expressly permitted to do so under the terms of the agreement.

Novelis will agree (1) not to undergo a change of control event, as defined in the Separation Agreement, for a period of 12 months following the separation, and (2) in the event of a change of control (including a change of control achieved in an indirect manner), during the four-year period following the first anniversary of the separation, to provide Alcan, within 30 days thereafter with a written undertaking of the acquirer that such acquirer shall be bound by the non-compete covenants set forth in the Separation Agreement during the remainder of the four-year period, to the same extent as if it had been an original party to the agreement.

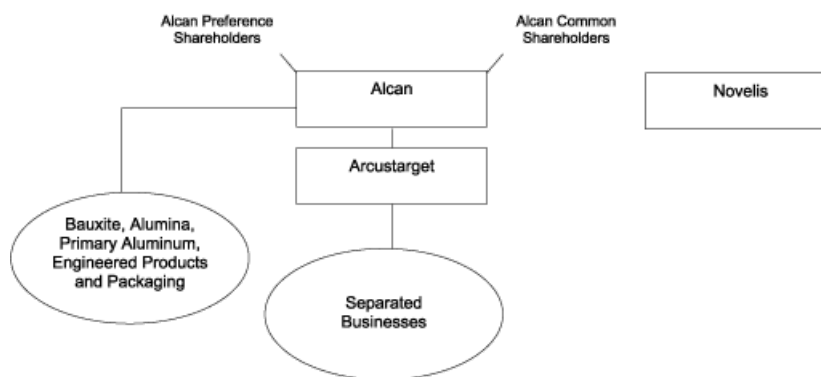
Novelis and Alcan will enter into a transitional services agreement pursuant to which Alcan and Novelis will provide each other, on an interim transitional basis, various services such as treasury administration, selected benefits administration functions, employee compensation and information technology services.

The ancillary agreements also include commercial arrangements for the supply of metal by Alcan to Novelis, for the supply of foil by Novelis to Alcan and for the supply of alumina by Alcan to Novelis after the separation.

For a more complete description of the Separation Agreement and the ancillary agreements, please refer to the section of the Prospectus entitled "Arrangements Between Novelis and Alcan".

Pre-Arrangement Organizational Structure

The following diagram sets out an abbreviated organizational structure immediately prior to the proposed Arrangement taking effect:



Details of the Arrangement

Before the Arrangement takes effect, Alcan has taken or will take the following preliminary steps:

- Alcan incorporated Arcustarget, a wholly-owned subsidiary; and
- Alcan and certain of its subsidiaries will transfer to Arcustarget the Separated Businesses.

The Arrangement will involve the following steps which shall be deemed to occur in the following order:

- Alcan will amend its articles of incorporation to create and authorize the issuance of an unlimited number of Alcan Class A Common Shares and an unlimited number of Alcan Special Shares having the terms and conditions set out in the Plan of Arrangement.
- Each Alcan Common Share outstanding on the Effective Date (other than any such shares in respect of which the holder has exercised Dissent Rights) will be exchanged for one new Alcan Class A Common Share and one Alcan Special Share (the Alcan Class A Common Shares to become the New Alcan Common Shares as described below).
- Concurrent with the exchange of Alcan Common Shares, the value of a Deferred Share Unit will be determined based on Alcan Class A Common Shares (to become New Alcan Common Shares) and shall be valued based on Alcan Class A Common Shares thereafter. At the same time, there shall be an adjustment to the number of Deferred Share Units as further described in the Plan of Arrangement.
- Also concurrent with the exchange of Alcan Common Shares, each employee and former employee of Alcan and its subsidiaries who is at that time an Alcan Optionholder, other than the Transferred Employees, will be required to exchange all existing Alcan Options held by such Alcan Optionholder for new Alcan Options granted by Alcan to acquire Alcan Class A Common Shares (to become New Alcan Common Shares).
- The holders of Alcan Special Shares will receive one Novelis Common Share for each five Alcan Special Shares held.
- Concurrent with the transfer of the Alcan Special Shares, each Alcan Optionholder who is a Transferred Employee will exchange all existing Alcan Options held by him or her for new Novelis Options.
- Alcan will transfer to Novelis all of its Arcustarget Common Shares in consideration for the issuance by Novelis of Novelis Special Shares with an aggregate redemption and fair market value equal to the fair market value of the Arcustarget Common Shares at the time of such transfer.

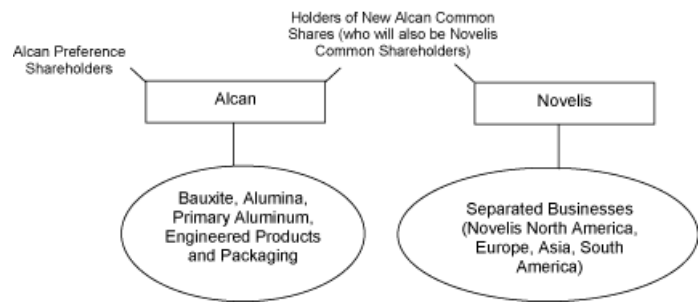
- Cross shareholdings of Alcan in Novelis and Novelis in Alcan will be eliminated as follows:
 - Novelis will redeem the Novelis Special Shares held by Alcan in consideration for the issuance by Novelis to Alcan of the Novelis Redemption Note in the principal amount and fair market value equal to the fair market value of the Novelis Special Shares that are redeemed.
 - Alcan will redeem the Alcan Special Shares held by Novelis in consideration for the issuance by Alcan to Novelis of the Alcan Redemption Note having a principal amount and fair market value equal to the fair market value of the Alcan Special Shares that are redeemed.
 - The Novelis Redemption Note will be set off against the Alcan Redemption Note in full satisfaction of the respective obligations under each note and the notes will be paid in full and cancelled.
- Immediately after the redemption of the Novelis Special Shares and the Alcan Special Shares, the employment of the Transferred Employees with Alcan or its subsidiaries will be terminated and the Transferred Employees will become employees of Novelis or its subsidiaries. Each Transferred Employee who is a DSU Member will be entitled to receive a payment of the value of his or her Deferred Share Units at a date elected by the Transferred Employee, but no later than 15 December of the following calendar year.
- The articles of incorporation of Alcan will be amended by deleting the Alcan Special Shares and the Alcan Common Shares from the share capital which Alcan is authorized to issue and to redesignate the Alcan Class A Common Shares as the new Alcan Common Shares (such redesignated Alcan common shares being referred to as the New Alcan Common Shares).
- The articles of incorporation of Alcan will be restated and such restated articles will be filed by Alcan with the director under the CBCA.
- The articles of incorporation of Novelis will be amended by deleting the Novelis Special Shares from the share capital which Novelis is authorized to issue and the articles of incorporation of Novelis will be restated thereafter and filed with the director under the CBCA.
- Novelis and Arcustarget will amalgamate under the provisions of the CBCA.
- The New Alcan Common Shares will be traded under the same ticker symbol as the current Alcan Common Shares listed on the TSX, the NYSE, as well as on the London, Swiss and Euronext Paris stock exchanges, without any other registration being required.
- If the Arrangement were to be effective on 1 January 2005, we expect that the Novelis Common Shares would be traded on a regular way basis on the TSX and on a when issued basis on the NYSE at the opening of business on 4 January 2005.

Distribution of Novelis Common Shares and New Alcan Common Shares

Upon the Arrangement becoming effective, from and including the Effective Date to and including the Distribution Record Date, share certificates representing Alcan Common Shares will represent the New Alcan Common Shares and Novelis Common Shares to be issued to Alcan Common Shareholders under the Arrangement. As soon as practicable after the Distribution Record Date, there will be delivered to each Alcan Common Shareholder of record at the close of business in Montreal on the Distribution Record Date, certificates representing the Novelis Common Shares to which such holder is entitled pursuant to the Arrangement and cash for any fractional interest in a Novelis Common Share. The certificates representing Alcan Common Shares will be deemed for all purposes thereafter to be certificates representing New Alcan Common Shares and accordingly no new certificates will be issued for the New Alcan Common Shares.

Post-Arrangement Organizational Structure

The following diagram sets out an abbreviated organization structure immediately after giving effect to the proposed Arrangement:



Determination of the Number of Novelis Common Shares

The ratio of one Novelis Common Share to five Alcan Common Shares was chosen to provide appropriate liquidity for Novelis.

Treatment of Certain Outstanding Securities

Alcan Preference Shares

At 19 November 2004, 5,700,000 Alcan Series C Preference Shares and 3,000,000 Alcan Series E Preference Shares were outstanding. The terms of, and, subject to the exercise by Alcan Preference Shareholders of Repurchase Rights, the number of Alcan Preference Shares outstanding will not be changed by the Arrangement.

In the event that Alcan liquidates, dissolves or winds up or distributes its assets among Alcan Shareholders for the purpose of winding up its affairs, the holders of the Alcan Preference Shares will be entitled to receive, in preference to holders of the Alcan Common Shares, the sum of CAD \$25 per Alcan Preference Share plus all accrued and unpaid dividends. The Alcan Preference Shares are redeemable at Alcan’s option at CAD \$25 per Alcan Preference Share plus all accrued and unpaid dividends. Alcan Common Shares are subject to the rights of the holders of the Alcan Preference Shares.

Alcan believes that it will continue to have adequate financial resources to pay the regular dividends on the Alcan Preference Shares.

Share Purchase Plan and Dividend Reinvestment Plan of Alcan

Participants in the Share Purchase Plan of Alcan and the Dividend Reinvestment Plan of Alcan will participate in the Arrangement and receive one Novelis Common Share and five New Alcan Common Shares for each five Alcan Common Shares held under such plans.

Accordingly, Alcan Common Shares resulting from the reinvestment of cash dividends will be combined with a holder’s Alcan Common Shares of record on the close of business on the Distribution Record Date to calculate the entitlement of the holder to receive New Alcan Common Shares and Novelis Common Shares.

Alcan Executive Share Option Plan

As part of the Arrangement, each employee and former employee of Alcan and its subsidiaries who is an Alcan Optionholder, other than the Transferred Employees, will exchange all existing Alcan Options held by such Alcan Optionholder for New Alcan Options. The only consideration such Alcan Optionholder will receive for the disposition of his or her Alcan Options will be New Alcan Options. The number and exercise price of the New Alcan Options will be based on the trading prices of the Alcan Common Shares immediately before and the New Alcan Common Shares immediately after the Effective Date to preserve the economic value of the Alcan Options. The exercise price of the New Alcan Options will be denominated in Canadian dollars and the aggregate In the Money Amount applicable to the New Alcan Options determined immediately after the exchange will not exceed the aggregate In the Money Amount determined immediately before the exchange applicable to the Existing

Alcan Options that were the subject of the exchange by the particular Alcan Optionholder. In calculating the In the Money Amount applicable to the Alcan Options, the fair market value of the Alcan Common Shares will be computed in Canadian dollars as the volume weighted average trading price on the TSX of those shares on the last trading day immediately prior to the time of the exchange, such exchange to occur on the Effective Date. For the purposes of calculating the In the Money Amount applicable to the New Alcan Options, the fair market value of the New Alcan Common Shares will be computed in Canadian dollars as the volume weighted average trading price on the TSX of those shares on the first trading day immediately following the time of the exchange, such exchange to occur on the Effective Date. A more detailed description of the treatment of Alcan Options is described in the Plan of Arrangement.

Deferred Share Units

As part of the Arrangement, the value of a Deferred Share Unit under each of the Directors 1997 DSUP, Directors 2001 DSUP and the Executive DSUP shall be determined based on Alcan Class A Common Shares (to become New Alcan Common Shares) and shall be valued based on Alcan Class A Common Shares thereafter. At the same time, there shall be an adjustment to the number of Deferred Share Units credited to DSU Members of the Directors 1997 DSUP, Directors 2001 DSUP and the Executive DSUP and the Executive DSUP so that the value of the DSU Members' outstanding Deferred Share Units based on Alcan Class A Common Shares after the Arrangement is the same as the value of the DSU Members' outstanding Deferred Share Units based on Alcan Common Shares immediately before the Arrangement. A more detailed description of the treatment of Deferred Share Units, including with respect to Transferred Employees, is included in the Plan of Arrangement.

Risk Factors

The following factors relating to Alcan, in conjunction with the other information included in this Circular (including the documents incorporated by reference herein), should be carefully considered by Alcan Shareholders in evaluating the Arrangement. Please refer to the section of the Prospectus entitled "Risk Factors" for risks relating to Novelis.

Pre-Arrangement Consents and Approvals

Alcan continues to seek and obtain certain necessary consents and approvals, including those relating to certain of its financing agreements, in order to implement the Arrangement and related transactions as currently structured. In addition, Alcan has arranged, or is in the process of arranging, new financing facilities appropriate for its operations after the implementation of the Arrangement. Alcan believes that it will obtain such consents and approvals and will have effected appropriate new financing arrangements prior to the Effective Date. However, if certain approvals and consents are not received or such new financings are not finalized prior to the Effective Date, Alcan may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Arrangement, including possibly delaying the spin-off of one or more of certain of its subsidiaries, in order to allow sufficient time to complete such matters.

Indemnification Obligations

Alcan and Novelis have each agreed to indemnify the other for certain liabilities and obligations related to, among other things, in the case of Novelis' indemnity, the Separated Businesses, and in the case of Alcan's indemnity, the business retained by Alcan. These indemnification obligations could be significant. Alcan cannot determine whether it will have to indemnify Novelis for any substantial obligations after the distribution. Alcan also cannot assure that if Novelis has to indemnify Alcan for any substantial obligations, Novelis will be able to satisfy those obligations.

Trading Prices

The trading price of Alcan Common Shares is expected to be lower following the Arrangement than the trading price of Alcan Common Shares prior thereto, reflecting the disposition of the Separated Businesses and such price may fluctuate significantly for a period of time following the Arrangement. The combined trading prices of Alcan Common Shares and Novelis Common Shares received pursuant to the Arrangement may be less than, equal to or greater than the trading price of Alcan Common Shares prior to the Arrangement.

Qualification for Trading Common Shares

Canada

The issuance of the New Alcan Common Shares and the Novelis Common Shares pursuant to the Arrangement will be exempt from the registration and prospectus requirements of applicable Canadian securities legislation. In accordance with the applicable securities legislation, the New Alcan Common Shares and the Novelis Common Shares may be resold without restriction, subject to the conditions that no unusual effort is made to prepare the market for the resale or create a demand for the shares and no extraordinary commission or consideration is paid in respect of the resale and to customary restrictions applicable to distributions of securities held by control persons and persons in “special relationships” to the relevant company.

United States

The resale of New Alcan Common Shares and Novelis Common Shares generally may be effected without registration under the United States *Securities Act of 1933* except for resales by affiliates of Alcan or Novelis that do not qualify for an exemption from registration. For these purposes, an “affiliate” is any person that directly or indirectly controls, or is controlled by or is under common control with such company, and the term “control” means the direct or indirect possession of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by contract or otherwise. Holders who may be affiliates for these purposes should consult their own legal advisors prior to the sale of the New Alcan Common Shares and Novelis Common Shares.

Eligibility for Investment

Eligibility of each of the New Alcan Common Shares and the Novelis Common Shares for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

Insurance Companies Act (Canada)

Trust and Loan Companies Act (Canada)

Pension Benefits Standards Act, 1985 (Canada)

Loan and Trust Corporations Act (Ontario)

Pension Benefits Act (Ontario)

Trustee Act (Ontario)

Supplemental Pension Plans Act (Quebec)

An Act respecting insurance (Quebec) for insurers other than a guarantee fund corporation

An Act respecting trust companies and savings companies (Quebec) for a trust company investing its own funds and deposits it receives and a savings company, as defined therein, which invests its funds

Loan and Trust Corporations Act (Alberta)

Insurance Act (Alberta)

Financial Institutions Act (British Columbia)

The Trustee Act (Manitoba)

The Insurance Act (Manitoba)

Assuming the New Alcan Common Shares and the Novelis Common Shares are and continue to be listed on the TSX, such shares (and the Alcan Special Shares) will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan. Based in part on certificates of officers of Alcan and Novelis as to certain factual matters, such shares also should not be foreign property for purposes of Part XI of the Tax Act when issued pursuant to the Plan of Arrangement.

Expenses of the Arrangement

Alcan estimates that approximately \$107 million in costs, fees and expenses will be incurred in relation to the separation of Novelis from Alcan. These costs, fees and expenses will be primarily related to financing fees, legal separation matters, professional expenses, taxes and costs of producing, printing, mailing and other shareholder communications. With the exception of the financing fee in the amount of \$68 million, all these costs, fees and expenses will be borne by Alcan.

NOVELIS

Following the Distribution, Novelis will be the world’s leading aluminum rolled products corporation, based on 2003 rolled products shipment volume. With operations on four continents comprised of 38 operating facilities in 12 countries, Novelis would be the only company of its size and scope focused solely on aluminum rolled

products markets and capable of local supply of technically sophisticated products in all of these geographic regions. For more information on Novelis, please see the Prospectus.

Description of Novelis Share Capital

Authorized and Outstanding Share Capital

The authorized share capital of Novelis consists of an unlimited number of Novelis Special Shares issuable in series, an unlimited number of Novelis First Preferred Shares issuable in series, an unlimited number of Novelis Second Preferred Shares issuable in series and an unlimited number of Novelis Common Shares. The Novelis Special Shares have been created for the purposes of the Arrangement. They will be cancelled as part of the Arrangement and the articles of incorporation of Novelis will be restated thereafter.

Description of Novelis Common Shares

The Novelis Common Shares are subject to the rights, privileges, restrictions and conditions attaching to any of the Novelis First Preferred Shares, the Novelis Second Preferred Shares and shares of any other class ranking senior to the Novelis Common Shares that may be issued in the future.

Holders of the Novelis Common Shares are entitled to one vote per common share at all meetings of Novelis Shareholders, to participate ratably in any dividends which may be declared on the Novelis Common Shares by the Novelis Board of Directors and, in the event of the dissolution of Novelis, to the remaining property of Novelis. The Novelis Common Shares have no pre-emptive, redemption or conversion rights.

Novelis Common Shareholders are also entitled to rights and privileges under the shareholder rights plan summarized below.

The Novelis Common Shares are further described in the Plan of Arrangement.

Description of the Novelis Preferred Shares

The Novelis First Preferred Shares and Novelis Second Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by the Novelis Board of Directors prior to issuance.

Holders of Novelis Preferred Shares are not entitled to receive notice of, or to attend, any meeting of Novelis Shareholders and are not entitled to vote at any such meeting, except to the extent otherwise provided in the Novelis articles of incorporation in respect of any series of Novelis Preferred Shares. With respect to any meeting of Novelis Shareholders at which, notwithstanding the foregoing, holders of Novelis First Preferred Shares or Novelis Second Preferred Shares are required or entitled by law to vote separately as a class, each holder of such preferred shares of any series is entitled to cast in respect of each such share held, that number of votes which is equal to the quotient obtained by dividing the total consideration received for the issuance of all the outstanding shares of such series by the number of such outstanding shares.

The Novelis First Preferred Shares of each series rank equally with the Novelis First Preferred Shares of all other series and will rank ahead of the Novelis Second Preferred Shares, which in turn rank ahead of the Novelis Common Shares and any other class of shares ranking subordinate to the Novelis Second Preferred Shares with respect to the return of capital and the payment of dividends in the event of liquidation, dissolution or winding-up of Novelis or other distribution of assets or property of Novelis.

Holders of the Novelis Preferred Shares are entitled to receive dividends in such amounts and at such intervals as may be determined by the Novelis Board of Directors in respect of each series.

Shareholder Rights Plan

The initial Novelis Board of Directors will approve a plan whereby each of the Novelis Common Shares carries one right to purchase additional Novelis Common Shares. The terms of the rights will be contained in an agreement called the shareholder rights agreement, made between Novelis and CIBC Mellon, which is the rights agent under the agreement. The agreement is governed by the laws of Ontario and Canada. The rights expire in 2014, subject to re-confirmation at the annual meetings of Novelis shareholders in 2008 and 2011.

The rights under the plan are not currently exercisable, nor may they be separated from the Novelis Common Shares. Subject to specified exceptions and qualifications, on the tenth business day after the first to occur of:

- the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 20%; or more of Novelis outstanding voting shares; or
- a bid to acquire 20% or more of Novelis outstanding voting shares,

holders of rights, with the exception of the acquiring or bidding party, will be entitled to purchase from Novelis, upon payment of the exercise price (currently \$200), the number of Novelis Common Shares that can be purchased for double the exercise price, based on the market value of Novelis Common Shares at the time the rights become exercisable. At and after such time the rights will also be transferable separately from the Novelis Common Shares. The exercise price mentioned above is subject to adjustment according to the terms of the rights plan to account for, among other things, adjustments to the Novelis Common Shares such as stock splits, stock dividends and distributions to the Novelis shareholders.

The rights agreement has a permitted bid feature which allows a take-over bid to proceed without the rights becoming exercisable, provided that the bid meets specified minimum standards of fairness and disclosure, even if the Novelis Board of Directors does not support the bid.

The rights may be redeemed by the Novelis Board of Directors prior to the expiration or reauthorization of the rights agreement, with the prior consent of the holders of rights or the Novelis Common Shares, for \$0.01 per right. In addition, under specified conditions, the Novelis Board of Directors may waive the application of the rights agreement for particular share acquisitions or take-over bids, and in that event the Novelis Board of Directors will be deemed to have elected to redeem the rights at \$0.01 per right.

Directors and Officers of Novelis

As described in the Prospectus, the Board of Directors of Novelis is expected to be composed of between nine and 15 directors. The following list sets forth information as to persons who are currently expected to serve as Novelis directors and officers. Other prospective directors may be announced in the coming weeks. For more information, please refer to “Management — Our directors and executive officers” in the Prospectus.

Directors

Brian W. Sturgell, please see “Officers” below.

Jacques Bougie, O.C., 57, was president and chief executive officer of Alcan from 1993 to 2001 and was president and chief operating officer of Alcan from 1989 to 1993. He is chairman of the International Advisory Council of CGI Group Inc. and is a director of NOVA Chemicals Corporation, McCain Foods Ltd., RONA Inc. and Abitibi Consolidated Inc.

Clarence J. Chandran, 55, is chairman of the Chandran Family Foundation Inc. He retired as president, business process services, of CGI Group Inc. in 2004 and retired as chief operating officer of Nortel Networks Corporation in 2001. Mr. Chandran is also a director of MDS Inc., and chairman of the board of directors of Conros Corporation.

C. Roberto Cordaro, 54, is president, chief executive officer and has been a director of Nuvera Fuel Cells, Inc. since 2002. He was chief executive officer of the Motor Coach Industries International from 2000 to 2001 and was executive vice president of Cummins Inc. from 1996 to 1999.

Helmut Eschwey, 55, has been chairman of the board of management of Heraeus Holding GmbH in Germany since 2003. Prior to that, Dr. Eschwey was the head of the plastics technology business at SMS AG from 1994. Before he joined SMS AG, he held management positions at Freudenberg Group of Companies, Pirelli & C. S.p.A. and the Henkel Group.

Suzanne Labarge, 58, retired as vice chairman and chief risk officer of the Royal Bank of Canada in September 2004. She was executive vice president, corporate treasury, of the Royal Bank of Canada from 1995 to 1998.

William T. Monahan, 57, is the retired chairman and chief executive officer of Imation Corporation, where he served in that capacity from its spin-off from 3M Co. in 1996 to May of 2004. Prior to that, he held numerous executive positions at 3M, including group vice president, senior vice president of 3M Italy and the vice president

of the data storage division. Mr. Monahan is a director of Pentair, Inc., Hutchinson Technology Inc. and Mosaic, Inc.

J.E. Newall, O.C., 69, will be the Non-Executive Chairman of the Novelis Board of Directors. Prior to that, Mr. Newall had been on the Alcan Board of Directors since 1985. Mr. Newall has been Chairman of the board of directors of NOVA Chemicals Corporation since 1998 and of Canadian Pacific Railway Limited since 2001. He was Vice Chairman and Chief Executive Officer of Nova Corporation from 1991 to 1998. He is also a director of Maple Leaf Foods Inc. and the Royal Bank of Canada.

Rudolf Rupprecht, 63, has been chairman of the executive board of MAN AG in Germany since 1996. Prior to that, Dr. Rupprecht occupied various supervisory board positions within that company which he joined in 1966. Dr. Rupprecht is also a member of the supervisory boards of Salzgitter AG and WalterBau AG and is chairman of the supervisory board of SMS GmbH.

Edward Yang, 58, is chief executive officer of the Netstar Group of Companies. Currently, Mr. Yang is operating partner at ING Barings Private Equity Partners Asia. Prior to his current role, Mr. Yang was also corporate senior vice president and president of Asia Pacific at EDS Corporation from 1992 to 2000.

Officers

Novelis will be managed as one global rolling business with four (4) regional business groups (North America, Europe, Asia and South America). The members of Novelis's executive management team will report directly to Brian W. Sturgell. The individuals and their roles in the new company are as follows:

Brian W. Sturgell, 55, will be the Chief Executive Officer and a Director of Novelis following the separation. Mr. Sturgell has 31 years of experience in the aluminum business and has worked for Alcan for the past 15 years. Since January 2002, Mr. Sturgell has been Executive Vice President and a member of the Office of the President, at Alcan, and responsible for Alcan's Rolled Products Americas and Asia, Rolled Products Europe and Packaging business groups. In this role, he oversaw the global operations of Alcan's rolled products and packaging businesses.

Martha Finn Brooks, 45, will be the Chief Operating Officer of Novelis following the separation. Ms. Brooks joined Alcan as President and Chief Executive Officer of Alcan's Rolled Products Americas and Asia business group in August 2002. Ms. Brooks leads three of Alcan's business units, namely North America, Asia and South America.

Geoffrey P. Batt, 56, will be the Chief Financial Officer of Novelis following the separation. Mr. Batt retired from Alcan in January 2004 after a 29-year career as a senior financial manager with Alcan.

Christopher Bark-Jones, 58, will be President of the European operations of Novelis following the separation. Mr. Bark-Jones has been President and Chief Executive Officer, Alcan Rolled Products, Europe since January 2002. He has held several positions with Alcan, and was chairman and chief executive officer of Indian Aluminum Company, Limited from 1998 to 2000.

Kevin Greenawalt, 47, will be President of Novelis North American operations following the separation. From April 2004, Mr. Greenawalt has been President, Rolled Products North America of Alcan. Mr. Greenawalt has been with Alcan since 1983, holding various managerial positions in corporate and business planning, operations planning, manufacturing, sales and business unit management.

Jack Morrison, 52, will be President of Novelis Asian operations following the separation. Since June 2000, he has been President, Rolled Products Asia and Chief Executive Officer of Alcan Taihan Aluminum Limited. Mr. Morrison has been responsible for Aluminium Company of Malaysia since November 2001. Mr. Morrison has over 30 years experience in the aluminum industry having worked for Alcoa Inc. prior to joining Alcan in 1981.

Antonio Tadeu Coelho Nardocci, 47, will be President of Novelis South American operations following the separation. Mr. Nardocci joined Alcan in 1980. From March 2002, he was President, Rolled Products South America. Prior to that, he was Vice President and Managing Director of Alcan Nikkei, in Malaysia.

Pierre Arseneault, 48, will be the Vice President, Strategic Planning and Information Technology of Novelis following the separation where he will be responsible for developing Novelis' global strategic planning efforts and leading the organization's information technology function. Mr. Arseneault joined Alcan in 1981. Mr. Arseneault has been Vice President of Alcan since December 2003. In his 23 years with Alcan, he has held different key positions.

David Godsell, 49, will be the Vice President, Human Resources and Environment, Health and Safety of Novelis following the separation. In this position, he will have global responsibilities for all aspects of the organization's

human resource function as well as environment, health and safety. Mr. Godsell joined Alcan in 1979. Since 1996, Mr. Godsell has been Vice President of Human Resources and Environment, Health and Safety for Alcan Rolled Products Americas and Asia.

Brenda D. Pulley, 46, will be the Vice President, Corporate Affairs and Communications of Novelis following the separation where she will have global responsibility for the organization's corporate affairs and communication efforts, which include branding, strategic planning, and internal and external communications. Ms. Pulley was Vice President, Corporate Affairs and Government Relations of Alcan from September 2000 to 2004.

Jo-Ann Longworth, 43, will be the Vice President and Controller of Novelis following the separation. Prior to the separation, Ms. Longworth was Vice President and Business Finance Director for Rolled Products Americas and Asia in Cleveland, Ohio, United States. Ms. Longworth joined Alcan in 1989 and has progressed through a series of financial positions with several Alcan businesses.

Stock Exchange Listings of Novelis Common Shares

The TSX has conditionally approved the listing of the Novelis Common Shares, subject to the filing of the usual documentation. Novelis intends to apply to list the Novelis Common Shares on the NYSE.

Dividend Policy

Subject to applicable law, Alcan expects that the Novelis Board of Directors will adopt a policy of quarterly dividend payments on the Novelis Common Shares. Alcan expects that the ultimate decision and dividend rate will be established by the Novelis Board of Directors and will depend on, among other things, Novelis' financial resources, cash flows generated by its business, its cash requirements and other relevant factors.

Additional Information on Novelis

Additional information on Novelis is provided in the Prospectus.

ALCAN FOLLOWING THE ARRANGEMENT

Description of Business

After the Effective Date, Alcan, with its local headquarters and executive offices in Montreal, Canada, will continue to have a strong position in bauxite and alumina, aluminum production, aerospace and engineered product businesses, as well as a world-leading flexible and specialty packaging business.

Pro Forma Financial Statements

To assist the Shareholders in assessing the Arrangement and its impact on Alcan, the unaudited pro forma consolidated balance sheet of Alcan as at 30 September 2004 and the unaudited pro forma consolidated statements of income for the year ended 31 December 2003 and for the nine months ended 30 September 2004, all of which give pro forma effect to the Arrangement, are included as Schedule G to this Circular.

OPINION OF MORGAN STANLEY

The Alcan Board retained Morgan Stanley to provide financial advice to it with respect to the Arrangement. Morgan Stanley was selected by the Alcan Board to act as Alcan's financial advisor based on Morgan Stanley's qualifications, experience and reputation and its knowledge of the business and affairs of Alcan. Morgan Stanley delivered to the Alcan Board a written opinion on 23 November 2004 that as of such date and based upon and subject to factors and assumptions set forth in the opinion, the Distribution was fair, from a financial point of view, to Alcan Shareholders.

The opinion provided to the Alcan Board is set out in Schedule E. The opinion is not, and should not be construed as, a valuation of Alcan, the Separated Businesses or Novelis, or any of their respective assets or securities thereof, or an opinion or recommendation by Morgan Stanley as to how Alcan Shareholders should vote at the Meeting. Alcan Shareholders are urged to, and should, read the opinion carefully and in its entirety.

Alcan has agreed to pay Morgan Stanley a fee for financial advisory services in connection with the Arrangement, those services including providing the opinion referred to above. In addition, Alcan has agreed to reimburse Morgan Stanley for reasonable expenses, including the reasonable fees and disbursements of its counsel, and has agreed to indemnify Morgan Stanley in respect of certain liabilities which may be incurred by Morgan

Stanley in connection herewith or contribute to payments that Morgan Stanley may be required to make in respect thereof. In addition, Morgan Stanley will be providing financing services to Alcan and Novelis as it relates to the initial capitalization of Novelis and will be receiving fees for the rendering of such services from Alcan or Novelis.

During the past two years, Morgan Stanley has provided financial advisory and financing services to Alcan and its subsidiaries and has received customary fees in connection with such services. In addition to the various financial advisory and related services provided to Alcan and its subsidiaries during the past two years, Morgan Stanley may be expected to provide further similar services in the future.

OPINION OF LAZARD

The Alcan Board retained Lazard to provide financial advice to it with respect to the Arrangement. Lazard was selected by the Alcan Board to act as Alcan's financial advisor based on Lazard's qualifications, experience and reputation and its knowledge of the business and affairs of Alcan. Lazard delivered to the Alcan Board a written opinion on 23 November 2004 that as of such date and based upon and subject to factors and assumptions set forth in the opinion, the Distribution was fair from a financial point of view to Alcan Shareholders.

The opinion provided to the Alcan Board is set out in Schedule F. The opinion is not, and should not be construed as, a valuation of Alcan, the Separated Businesses or Novelis, or any of their respective assets or securities thereof, or an opinion or recommendation by Lazard as to how Alcan Shareholders should vote at the Meeting. Alcan Shareholders are urged to, and should, read the opinion carefully and in its entirety.

Alcan has agreed to pay Lazard or its affiliates a fee for financial advisory services in connection with the Arrangement, those services including providing the opinion referred to above. In addition, Alcan has agreed to reimburse Lazard for reasonable expenses, including the reasonable fees and disbursements of its counsel, and has agreed to indemnify Lazard and its affiliates in respect of certain liabilities which may be incurred by them in connection herewith or contribute to payments that they may be required to make in respect thereof.

During the past two years, Lazard and its affiliates have provided financial advisory services to Alcan and its subsidiaries and have received customary fees in connection with such services. In addition to the various financial advisory services provided to Alcan and its subsidiaries during the past two years, Lazard may provide further services in the future. Alcan's President and Chief Executive Officer is also a member of the Lazard Canada Corporation Roundtable. He does not receive any fees in connection with such membership.

RECOMMENDATION OF THE ALCAN BOARD OF DIRECTORS

The Alcan Board, having considered, among other things, the reasons for the Arrangement, alternatives thereto and the opinions of its advisors, has unanimously approved the Arrangement, the terms of the Separation Agreement and the transactions contemplated thereby **and unanimously recommends that the Alcan Shareholders vote FOR the Arrangement Resolution.**

DISSENT RIGHTS

Dissent Right

Pursuant to the Interim Order, Alcan Common Shareholders are entitled to dissent from the Arrangement Resolution and obtain the repurchase of their Common Shares in the manner provided by Section 190 of the CBCA, the Interim Order and the Plan of Arrangement.

Any Dissenting Shareholder will be entitled, in the event the Arrangement becomes effective, to be paid by Alcan the fair value of the Alcan Common Shares, for each Alcan Common Share (the "Dissent Shares") held by such Dissenting Shareholder, determined as at the close of business on the Business Day immediately preceding the Meeting. There can be no assurance that a Dissenting Shareholder will receive consideration for its shares of equal value to the consideration that such Dissenting Shareholder would have received upon completion of the Arrangement.

An Alcan Common Shareholder who wishes to dissent must provide to Alcan, at or before the Meeting (by delivery to the Corporate Secretary of Alcan at its registered office located at 1188 Sherbrooke Street West, Montreal, Quebec H3A 3G2 or lodging with the chairman of the Meeting no later than the time of the Meeting), a written objection to the Arrangement Resolution (a "Dissent Notice"). The filing of a Dissent Notice does not deprive a Shareholder of the right to vote; however, a Shareholder who has submitted a Dissent Notice and who

votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to shares voted in favour of the Arrangement Resolution. Alcan will not assume that a vote against the Arrangement Resolution constitutes a Dissent Notice. There is no right of partial dissent and, accordingly, a Dissenting Shareholder may only dissent with respect to all shares of a class held by it on behalf of any one beneficial owner and which are registered in the name of the Dissenting Shareholder.

Alcan will, within ten days after adoption of the Arrangement Resolution, notify each Dissenting Shareholder that the Arrangement Resolution has been adopted. Such notice will not be sent to any Shareholder who voted for the Arrangement Resolution or who has withdrawn its Dissent Notice.

A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the Arrangement Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the Arrangement Resolution has been adopted, send to Alcan a written notice (a "Payment Demand") containing its name and address and a demand for payment with respect to such shares. Within 30 days after a Payment Demand, the Dissenting Shareholder must send to the Corporate Secretary of Alcan at the same address as above, the certificates representing the Dissent Shares in respect of which it dissented. A Dissenting Shareholder who fails to send the certificates representing the Dissent Shares in respect of which he or she dissented forfeits its right to make a claim. CIBC Mellon will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder.

On filing a Payment Demand, a Dissenting Shareholder ceases to have any rights as a Shareholder, other than the right to the payment described above, except where:

- (i) the Dissenting Shareholder withdraws its Payment Demand before Alcan makes an offer to the Dissenting Shareholder;
- (ii) Alcan fails to make an offer as hereinafter described and the Dissenting Shareholder withdraws its Payment Demand; or
- (iii) the Alcan Board revokes the Arrangement Resolution.

If the Arrangement Resolution is revoked, Alcan will reinstate the Dissenting Shareholder's rights as a Shareholder.

Alcan will, not later than seven days after the later of the Effective Date or the date on which Alcan received the Payment Demand of a Dissenting Shareholder, send to each Dissenting Shareholder who has sent a Payment Demand with respect to Alcan Common Shares to Alcan, a written offer to pay ("Offer to Pay") an amount considered by the Alcan Board of Directors to be the fair value thereof, accompanied by a statement showing the manner in which the fair value was determined. Alcan will pay for the Dissent Shares of a Dissenting Shareholder within ten days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such Offer to Pay lapses if Alcan does not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

If Alcan fails to make an Offer to Pay for the Dissent Shares of a Dissenting Shareholder, or if a Dissenting Shareholder fails to accept an offer that has been made, Alcan may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court to fix the payment to be made for the Dissent Shares of Dissenting Shareholders. If Alcan fails to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to a court, all Dissenting Shareholders whose Dissent Shares have not been purchased by Alcan will be joined as parties and bound by the decision of the court, and Alcan will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of its right to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any person is a Dissenting Shareholder who should be joined as a party, and the court will then decide on the payment to be made by Alcan for the Dissent Shares of all Dissenting Shareholders. The final order of a court will be rendered against Alcan in favour of each Dissenting Shareholder and for the amount to be paid for its Dissent Shares as fixed by the court.

The above is only a summary of the Dissenting Shareholder procedure set forth in the CBCA, the Interim Order and the Plan of Arrangement, which is technical and complex. It is suggested that any Alcan Shareholder wishing to avail itself of its Dissent Right seek its own legal advice as failure to comply strictly with the procedure set forth in the CBCA, the Interim Order and the Plan of Arrangement may prejudice its rights. For a general summary of

certain Canadian federal income tax implications and United States federal tax considerations to a Dissenting Shareholder, see “Income Tax Considerations”.

Repurchase Right

Pursuant to the Interim Order, Alcan Preference Shareholders are entitled to dissent from the Arrangement Resolution and obtain the repurchase of their Alcan Preference Shares in the manner provided by the Interim Order and the Plan of Arrangement.

Any Repurchased Shareholder will be entitled, in the event the Arrangement becomes effective, to be paid by Alcan an amount of CAD \$25 plus any accrued dividend on such Alcan Preference Shares, for each Alcan Preference Share (the “Repurchased Shares”) held by such Repurchased Shareholder determined as at the close of business on the Business Day immediately preceding the Meeting (the “Repurchase Price”).

An Alcan Preference Shareholder who wishes to exercise his or her Repurchase Right must provide to Alcan, at or before the Meeting (by delivery to the Corporate Secretary of Alcan at its registered office located at 1188 Sherbrooke Street West, Montreal, Quebec H3A 3G2 or lodging with the chairman of the Meeting no later than the time of the Meeting), a written objection to the Arrangement Resolution (a “Repurchase Notice”). The filing of a Repurchase Notice does not deprive an Alcan Preference Shareholder of the right to vote; however, an Alcan Preference Shareholder who has submitted a Repurchase Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Repurchased Shareholder with respect to Alcan Preference Shares voted in favour of the Arrangement Resolution. Alcan will not assume that a vote against the Arrangement Resolution constitutes a Repurchase Notice. There is no right of partial dissent and, accordingly, a Repurchased Shareholder may only dissent with respect to all Alcan Preference Shares of a class held by it on behalf of any one beneficial owner and which are registered in the name of the Repurchased Shareholder.

Alcan will, within ten days after adoption of the Arrangement Resolution, notify each Repurchased Shareholder that the Arrangement Resolution has been adopted. Such notice will not be sent to any Alcan Preference Shareholder who voted for the Arrangement Resolution or who has withdrawn its Repurchase Notice.

A Repurchased Shareholder must, within 20 days after the Repurchased Shareholder receives notice that the Arrangement Resolution has been adopted or, if the Repurchased Shareholder does not receive such notice, within 20 days after the Repurchased Shareholder learns that the Arrangement Resolution has been adopted, send to Alcan a written notice (a “Payment Demand”) containing its name and address, the number and class of Alcan Preference Shares in respect of which the Repurchased Shareholder dissented, and a demand for payment with respect to such shares. Within 30 days after a Payment Demand, the Repurchased Shareholder must send to the Corporate Secretary of Alcan at the same address as above, the certificates representing the Dissent Shares in respect of which it dissented. A Repurchased Shareholder who fails to send the certificates representing the Repurchased Shares in respect of which he or she dissented forfeits its right to make a claim.

On filing a Payment Demand, a Repurchased Shareholder ceases to have any rights as an Alcan Preference Shareholder, other than the right to the payment described above, except where:

- (i) the Repurchased Shareholder withdraws its Payment Demand before Alcan pays the Repurchase Price;
- (ii) Alcan fails to pay the Repurchase Price as hereinafter described and the Repurchased Shareholder withdraws its Payment Demand; or
- (iii) the Alcan Board revokes the Arrangement Resolution.

If the Arrangement Resolution is revoked, Alcan will reinstate the Repurchased Shareholder’s rights as an Alcan Preference Shareholder.

Alcan will, not later than seven days after the later of the Effective Date or the date on which Alcan received the Payment Demand of a Repurchased Shareholder, send to each Repurchased Shareholder who has sent a Payment Demand with respect to Alcan Preference Shares, a cheque in an amount corresponding to the Repurchase Price.

The above is only a summary of the Repurchased Right procedure set forth in the Interim Order and the Plan of Arrangement, which is technical and complex. It is suggested that any Alcan Shareholder wishing to avail itself of its Repurchase Right seek its own legal advice as failure to comply strictly with provisions of the Interim Order and the Plan of Arrangement may prejudice its rights. For a general summary of certain Canadian federal income tax implications and United States federal income tax considerations to a Repurchased Shareholder, see “Income Tax Considerations”.

REGULATORY AND OTHER MATTERS

Canadian Tax Ruling

The obligations of the parties to the Separation Agreement to complete the Arrangement are conditional upon receipt of the Canadian Tax Ruling, in form and substance satisfactory to Alcan, confirming that, based on the current provisions of the Tax Act, the regulations thereunder, and the Tax Proposals, the proposed Arrangement and related transactions will be treated for purposes of the Tax Act as a tax-deferred “butterfly” reorganization pursuant to paragraph 55(3)(b) of the Tax Act with no material Canadian federal income tax payable by any of Alcan, Novelis or their affiliates or Alcan Common Shareholders who hold their Shares as capital property.

Other Regulatory Approvals

Certain steps of the Arrangement may be considered as transactions subject to the requirements of Rule 61-501 of the OSC and Policy Q-27 of the AMF. However, the minority approval and formal valuation requirements of Rule 61-501 and Policy Q-27 do not apply to these transactions or an exemption from these requirements is available.

Shareholder Approval

The Interim Order provides that, for the Arrangement to be implemented, the Arrangement Resolution must be passed, with or without variation, by at least 66 2/3% of the votes cast by Alcan Common Shareholders and Alcan Preference Shareholders, voting as a single class, present in person or represented by proxy at the Meeting.

Court Approval

An Arrangement under the CBCA requires court approval. Prior to mailing this Circular, Alcan obtained the Interim Order providing for the calling and holding of the Meeting and certain other procedural matters. The Interim Order further provides that any Alcan Shareholder wishing to contest the manner in which the Meeting will be held or any vote taken at the Meeting shall do so at the latest by 10 December 2004. Any such contestation shall be dealt with by the Court before the date of the Meeting.

Following approval of the Arrangement by the Alcan Shareholders at the Meeting, Alcan will make application to the Court for the Final Order. A copy of the Motion for the Final Order is attached as Schedule B to this Circular. All Alcan Shareholders who wish to participate or be represented or to present evidence or arguments at the hearing for the Final Order may do so, subject to filing a notice of appearance with the Court, serving this notice on Alcan and satisfying certain other requirements. In hearing the Motion for the Final Order, the Court will consider, among other things, the fairness and reasonableness of the Arrangement to the Alcan Shareholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit.

Other Conditions to the Arrangement

In addition to receipt of the approvals, rulings and orders noted above, certain conditions set out in the Separation Agreement will have to be satisfied before the Arrangement becomes effective, including:

- the Novelis Common Shares to be distributed pursuant to the Arrangement shall have been accepted for listing on the TSX and the NYSE subject to compliance with normal listing requirements;
- no order or other legal restraint or prohibition preventing the consummation of the Arrangement or any of the transactions contemplated by the Separation Agreement or any ancillary agreement thereto shall be threatened, pending or in effect;
- any consents and governmental authorization necessary to complete the Arrangement shall have been obtained and be in full force and effect;
- the Alcan Board shall have approved the Arrangement and shall not have abandoned, deferred or modified the Arrangement at any time prior to the Effective Date;
- the Separation Agreement will not have been terminated as provided therein.

Certain of the conditions described above may be waived in whole or in part by Alcan or Novelis, as applicable.

Upon the foregoing conditions being fulfilled or waived, it is anticipated that Articles of Arrangement will be filed with the director under the CBCA in order that the director may issue the Certificate of Arrangement to give effect

to the Arrangement. Simultaneously, the various other documents necessary to consummate the transactions contemplated under the Separation Agreement will be executed and delivered.

In the event that the Arrangement is not approved by the Alcan Shareholders or the Court, or that the other conditions precedent to the Arrangement are not fulfilled or waived, the Arrangement will not proceed.

Final Board Authority

Notwithstanding the adoption of the Arrangement Resolution, the Arrangement shall take effect only at such time as determined by further resolution of the Board of Directors, which shall also have the authority to revoke the Arrangement Resolution at any time prior to the issuance of the Certificate of Arrangement, without further approval of the Alcan Shareholders. If the Board of Directors decides to proceed with the Arrangement, Articles of Arrangement must be filed on or before 28 April 2005.

INCOME TAX CONSIDERATIONS

Canadian Tax Ruling Application

The respective obligations of the parties to the Separation Agreement to complete the Arrangement are conditional upon the receipt of, among other things, the Canadian Tax Ruling, which Alcan has requested, in form and substance satisfactory to Alcan. The advance income tax ruling and opinion process permits a taxpayer to obtain confirmation in advance as to the Canadian federal income tax consequences of one or more proposed transactions. The principal purpose of requesting the Canadian Tax Ruling is to obtain confirmation from the CRA that the Arrangement will qualify as a tax-deferred “butterfly” reorganization pursuant to paragraph 55(3)(b) of the Tax Act, thereby not imposing any material current Canadian federal income tax on any of Alcan, Novelis or their affiliates or, in general, Alcan Common Shareholders who hold their shares as capital property (see “Certain Canadian Federal Income Tax Considerations” below). Advance income tax rulings are issued by the CRA in respect of provisions of the Tax Act as enacted as of the date of the ruling and are binding upon the CRA provided the material facts presented are accurately stated and the transactions are implemented as disclosed to the CRA. Opinions are provided by the CRA in respect of Tax Proposals and are non-binding. It is not certain that any Tax Proposals will be enacted in the form announced or at all. Similar policies and procedures apply to any other tax rulings that Alcan requests from other taxation authorities.

Certain Canadian Federal Income Tax Considerations

In the opinion of Ogilvy Renault, counsel to Alcan and its affiliates in respect of the Arrangement and related transactions, the following summaries fairly present the principal Canadian federal income tax considerations relating to the Arrangement generally applicable to Alcan Common Shareholders and Alcan Preference Shareholders who, at all relevant times and for the purposes of the Tax Act, hold their Alcan Common Shares and Alcan Preference Shares, and will hold all other shares discussed in the following summaries, as capital property and deal at arm’s length with, and are not affiliated with, Alcan and Novelis.

Shares generally will constitute capital property to a holder thereof unless such shares are held in the course of carrying on a business of buying and selling shares or have been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Alcan Shareholders who are resident of Canada for purposes of the Tax Act whose shares might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such shares, and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year in which the election is made and all subsequent taxation years, deemed to be capital property. Alcan Shareholders who do not hold their shares as capital property should consult their own tax advisors regarding their particular circumstances.

The Tax Act contains certain provisions applicable to certain financial institutions and provisions applicable to taxpayers in which an interest is a tax-shelter investment. The following summaries do not take into account these provisions. Alcan Shareholders who are or may be subject to these provisions should consult their own tax advisors.

An Alcan Common Shareholder or Alcan Preference Shareholder who acquired or was deemed to have acquired such shares in one or more non-arm’s length transactions from a person who held such shares at any time prior to 1972 should consult his own tax advisors as to the impact of certain transitional rules on the following description of the Canadian federal income tax consequences described below. The transitional rules are not considered below. These summaries are based upon the current provisions of the Tax Act and the regulations thereunder as enacted to the date of this Circular, the Tax Proposals and counsel’s understanding of the

published administrative practices and assessing policies of the CRA in effect as at the date of this Circular. It is not certain that any of the Tax Proposals will be enacted in the form announced or at all. These summaries are not exhaustive of all considerations under the Tax Act and, except for the Tax Proposals, do not take into account or anticipate any changes in the law or administrative practices or assessing policies, whether by judicial, governmental or legislative action or decision, nor do they take into account other federal tax legislation or the tax legislation of any province or territory of Canada, or of any foreign jurisdiction. Provincial and territorial income tax legislation varies in Canada and in some cases differs from federal income tax legislation.

These summaries are of a general nature only and are not intended to be, and should not be construed to be, legal, business or tax advice to any particular Alcan Shareholder, and no representations with respect to the tax consequences to any particular Alcan Shareholder are made. Alcan Shareholders should consult their own tax advisors to determine the tax consequences to them of the Arrangement having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Alcan Shareholders Resident in Canada

The following portion of the summary generally is applicable to Alcan Common Shareholders and Alcan Preference Shareholders who, at all relevant times, are, or are deemed to be, resident in Canada for purposes of the Tax Act and any applicable tax treaty or convention.

Alcan Common Shareholders other than Dissenting Shareholders

Exchange of Alcan Common Shares for New Alcan Common Shares and Alcan Special Shares

Each Alcan Common Shareholder (other than a Dissenting Shareholder) will, in exchange for each Alcan Common Share, receive one Alcan Class A Common Share and one Alcan Special Share. An Alcan Common Shareholder will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of this share exchange.

The aggregate adjusted cost base of the New Alcan Common Shares and Alcan Special Shares acquired by an Alcan Common Shareholder on this share exchange will be equal to the adjusted cost base immediately before the share exchange of the Alcan Common Shares disposed of by the holder on the share exchange. The adjusted cost base immediately before the share exchange of an Alcan Common Share will be allocated among the holder's New Alcan Common Shares and Alcan Special Shares in proportion to the relative fair market value of such shares immediately after the share exchange. Alcan has advised that Alcan Common Shareholders will be advised by press release as to Alcan's estimation of the proportionate allocation. This allocation is not binding on the CRA or any particular Alcan Common Shareholder. However, it is recommended that the allocations made by Alcan Common Shareholders be consistent with that estimated by Alcan.

Exchange of Alcan Special Shares for Novelis Common Shares

Each Alcan Common Shareholder (other than a Dissenting Shareholder) will, for each Alcan Common Share held at the commencement of the Arrangement, hold one Alcan Class A Common Share (which will become a New Alcan Common Share) and one Alcan Special Share. Each five Alcan Special Shares held by an Alcan Common Shareholder will then be acquired by Novelis in consideration for the issuance to the particular Alcan Common Shareholder of one Novelis Common Shares.

Except where the Alcan Common Shareholder chooses to recognize a capital gain or a capital loss on the exchange of the Alcan Special Shares as described below, an Alcan Common Shareholder will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of this share exchange. The cost of the Novelis Common Shares acquired by an Alcan Common Shareholder on this share exchange will be equal to the adjusted cost base immediately before the share exchange of the Alcan Special Shares disposed of by the holder on the share exchange, except as noted below.

An Alcan Common Shareholder may choose to recognize a capital gain or a capital loss on the exchange of the Alcan Special Shares by including the amount of capital gain or capital loss, otherwise determined, in computing such holder's income for the taxation year in which such exchange occurs. An Alcan Common Shareholder who chooses to realize a capital gain or a capital loss in this manner will realize a capital gain (or capital loss) to the extent that such holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base immediately before the share exchange of the holder's Alcan Special Shares so exchanged. For the purpose of computing such capital gain or capital loss, an Alcan Common Shareholder will be

considered to have disposed of the Alcan Special Shares for proceeds of disposition equal to the fair market value of the Novelis Common Shares received on the share exchange. The tax treatment of capital gains and capital losses is discussed below under “Taxation of Capital Gains and Capital Losses”. Where an Alcan Common Shareholder has chosen to recognize a capital gain or a capital loss on the exchange of Alcan Special Shares for Novelis Common Shares, the adjusted cost base of the Novelis Common Shares acquired by an Alcan Common Shareholder on this exchange will be equal to the fair market value of the Novelis Common Shares so received.

Receipt of Cash for Fractional Shares

The Arrangement provides that Alcan Common Shareholders will not be issued share certificates for any fractional Novelis Common Shares issued on the conversion of the Alcan Common Shares. An Alcan Common Shareholder will be considered to have received proceeds of disposition equal to the amount of cash received from the Depository for any fractional Novelis Common Shares. To the extent such proceeds of disposition of fractional Novelis Common Shares exceed (or are less than) the adjusted cost base thereof immediately before the disposition, a capital gain (or a capital loss) will result. The tax treatment of capital gains and capital losses is discussed below under “Taxation of Capital Gains and Capital Losses”.

Dividends on New Alcan Common Shares or Novelis Common Shares (Post-Arrangement)

Dividends received or deemed to be received on New Alcan Common Shares or Novelis Common Shares after the Arrangement will be included in computing the holder’s income for the purposes of the Tax Act. Such dividends received or deemed to be received by an individual (including a trust) will generally be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from corporations resident in Canada. Dividends received or deemed to be received on such shares by an individual and certain trusts may give rise to alternative minimum tax.

Generally, dividends received or deemed to be received on New Alcan Common Shares or Novelis Common Shares after the Arrangement by a holder that is a corporation will be included in computing the corporation’s income, but will be deductible in computing the corporation’s taxable income, subject to certain limitations in the Tax Act. A holder of New Alcan Common Shares or Novelis Common Shares that is a “private corporation” or a “subject corporation” (as defined in the Tax Act) generally will be subject to a refundable tax of 33 1/3% on dividends received or deemed to be received on such shares to the extent such dividends are deductible in computing the holder’s taxable income. Subsection 55(2) of the Tax Act provides that where certain corporate holders of shares receive a dividend or deemed dividend in specified circumstances, all or part of such dividend may be treated as a capital gain from the disposition of capital property and not as a dividend. The tax treatment of capital gains and capital losses is discussed below under “Taxation of Capital Gains and Capital Losses.”

Dispositions of New Alcan Common Shares or Novelis Common Shares (Post-Arrangement)

A disposition of New Alcan Common Shares or Novelis Common Shares after the Arrangement generally will result in a capital gain (or a capital loss) to the extent the proceeds of disposition received, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares immediately before the disposition. The tax treatment of capital gains and capital losses is discussed below under “Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

An Alcan Shareholder will be required to include in income 50% of the amount of any capital gain (a “taxable capital gain”) and generally will be entitled to deduct 50% of the amount of any capital loss (an “allowable capital loss”) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act. In certain circumstances, a capital loss otherwise arising on the disposition of shares by a corporation may be reduced by dividends previously received or deemed to have been received on such shares or shares for which the particular shares were issued in exchange. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Shareholders to whom these rules may be relevant should consult their own tax advisors.

A “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of 6 2/3% of its “aggregate investment income”. For this purpose, aggregate investment income will include taxable capital gains.

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the Tax Act.

Alcan Preference Shareholders other than Repurchased Shareholders

An Alcan Preference Shareholder (other than a Repurchased Shareholder) will not experience any Canadian federal income tax consequences as a result of the Arrangement.

Dissenting Shareholders and Repurchased Shareholders

An Alcan Common Shareholder or Alcan Preference Shareholder who dissents in respect of the Arrangement and who receives payment equal to the fair value of such holder’s Alcan Common Shares (in the case of Alcan Common Shares) or the Repurchase Price (in the case of Alcan Preference Shares) will be considered to have disposed of the holder’s shares for proceeds of disposition equal to the amount received by the Repurchased Shareholder, less the amount of any interest awarded by a court, as the case may be.

A Dissenting Shareholder or a Repurchased Shareholder generally will be deemed to have received a dividend equal to the amount by which such proceeds exceed the paid-up capital of such shares, and such deemed dividend will reduce the proceeds of disposition for purposes of computing a capital gain (or a capital loss) on the disposition of such shares. Alcan has advised that Dissenting Shareholders and Repurchased Shareholders will be notified following the Effective Date by press release of the estimated paid-up capital for purposes of the Tax Act of an Alcan Common Share and an Alcan Preference Share as of the Effective Date. The income tax treatment accorded to any deemed dividend received by a Dissenting Shareholder or a Repurchased Shareholder will be that normally accorded to taxable dividends received by such Dissenting Shareholder or a Repurchased Shareholder on shares of a corporation resident in Canada.

A Dissenting Shareholder or a Repurchased Shareholder will also realize a capital gain (or a capital loss) to the extent that the proceeds of disposition for purposes of the Tax Act of such shares, as reduced by the amount of any deemed dividend as discussed above and net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares immediately before the disposition.

Interest awarded by a court to a Dissenting Shareholder or a Repurchased Shareholder will be included in the Dissenting Shareholder’s or the Repurchased Shareholder’s income for a particular taxation year to the extent the amount is received or receivable in that year, depending upon the method regularly followed by the Dissenting Shareholder or a Repurchased Shareholder in computing income. Where the Dissenting Shareholder or a Repurchased Shareholder is a corporation, partnership or, subject to certain exceptions, a trust, the shareholder must include interest in income for a taxation year to the extent the interest accrues to it before the end of the taxation year, or becomes receivable or is received before the end of the year (to the extent not included in income for a preceding taxation year).

Alcan Shareholders Not Resident in Canada

The following portion of the summary generally is applicable to Alcan Common Shareholders and Alcan Preference Shareholders who, at all relevant times and for purposes of the Tax Act and any applicable tax treaty or convention, are not, and are not deemed to be, resident in Canada and whose Alcan Common Shares and any Alcan Preference Shares are not “taxable Canadian property” (as defined in the Tax Act and the Tax Proposals). Generally, such shares will not be taxable Canadian property provided that such Alcan Shareholder does not use or hold, and is not deemed to use or hold, such shares in connection with carrying on a business in Canada and such Alcan Shareholder has not, either alone or in combination with persons with whom such Alcan Shareholder does not deal at arm’s length, owned 25% or more of the issued shares of any class or series of the capital stock of Alcan at any time within 60 months preceding the Effective Date, and provided the Alcan Shareholder is not carrying on an insurance business in Canada and elsewhere.

This summary assumes that the New Alcan Common Shares and the Novelis Common Shares, issued in connection with the Arrangement, will be listed on a prescribed stock exchange (the definition of which includes the TSX and NYSE) at the time of disposition by an Alcan Common Shareholder in accordance with the Arrangement. Under certain of the Tax Proposals, the Alcan Special Shares that will be acquired under the

Arrangement will be deemed, as a result of the Arrangement transactions, to be listed on a prescribed stock exchange.

Alcan Common Shareholders other than Dissenting Shareholders

The Arrangement

Generally, an Alcan Common Shareholder (other than a Dissenting Shareholder) who is not resident in Canada will not be subject to income tax under the Tax Act as a result of the Arrangement.

No clearance certificate will be required under section 116 of the Tax Act in respect of any disposition of shares occurring pursuant to the Arrangement.

Dividends on New Alcan Common Shares or Novelis Common Shares (Post-Arrangement)

Dividends on New Alcan Common Shares or Novelis Common Shares that are paid or credited or deemed to be paid or credited to a non-resident holder will be subject to Canadian non-resident withholding tax at the rate of 25% of the gross amount of such dividends. This rate may be reduced under any applicable tax treaty or convention. In the case of a beneficial owner of dividends who is a resident of the United States for the purposes of the Canada-United States Income Tax Convention, as amended (the “Tax Treaty”), the rate of Canadian withholding tax generally will be reduced to 15% of the gross amount of such dividends.

Dispositions of New Alcan Common Shares or Novelis Common Shares (Post-Arrangement)

On a disposition of New Alcan Common Shares or Novelis Common Shares after the Arrangement, a non-resident holder will not be subject to tax under the Tax Act unless, at the time of disposition, the particular shares are “taxable Canadian property” (as defined in the Tax Act and the Tax Proposals) to the holder.

Generally, New Alcan Common Shares or Novelis Common Shares will not be taxable Canadian property to a non-resident holder at a particular time if such shares are listed on a prescribed stock exchange (including the TSX) at the particular time, provided the holder thereof does not use or hold, and is not deemed to use or hold, such shares in connection with carrying on a business in Canada and such holder has not, either alone or together with persons with whom the holder does not deal at arm’s length, owned 25% or more of the issued shares of any class or series of the capital stock of Alcan or Novelis at any time within 60 months preceding the particular time, and provided the holder is not carrying on an insurance business in Canada and elsewhere.

Provided the New Alcan Common Shares or Novelis Common Shares are listed on a prescribed stock exchange (including the TSX) at the time of a disposition of such shares, no clearance certificate will be required under section 116 of the Tax Act in respect of a disposition of such shares.

Alcan Preference Shareholders other than Repurchased Shareholders

An Alcan Preference Shareholder (other than a Repurchased Shareholder) who is not resident in Canada will not experience any Canadian federal income tax consequences as a result of the Arrangement.

Dissenting Shareholders and Repurchased Shareholders

A Dissenting Shareholder or Repurchased Shareholder who is not resident in Canada and becomes entitled to a payment equal to the fair value of Alcan Common Shares (in the case of Alcan Common Shares) or the Repurchase Price (in the case of Alcan Preference Shares) will be considered to have disposed of such shares for proceeds of disposition equal to the amount received by the Dissenting Shareholder or the Repurchased Shareholder, less the amount of any interest awarded by a court (if applicable).

A Dissenting Shareholder or a Repurchased Shareholder generally will be deemed to have received a dividend equal to the amount by which such proceeds exceed the paid-up capital of such shares. Alcan has advised that Dissenting Shareholders and Repurchased Shareholders will be notified following the Effective Date by press release of the estimated paid-up capital for purposes of the Tax Act of an Alcan Common Share and an Alcan Preference Share as of the Effective Date. Such deemed dividend will be subject to Canadian withholding tax as described under the heading “Alcan Shareholders Not Resident in Canada — Dividend on New Alcan Common Shares or Novelis Common Shares (Post-Arrangement)”.

A Dissenting Shareholder or a Repurchased Shareholder generally will not be subject to income tax under the Tax Act in respect of any capital gain resulting from such disposition of the holder’s Alcan Common Shares or Alcan

Preference Shares, and no clearance certificate will be required under section 116 of the Tax Act in respect of such disposition of the holder's Alcan Common Shares or Alcan Preference Shares.

Interest awarded by a court to a Dissenting Shareholder or a Repurchased Shareholder who is not resident in Canada will be subject to Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable tax treaty or convention. Under the Tax Treaty, the withholding rate generally applicable to interest paid to a resident of the United States for purposes of the Tax Treaty is 10%.

Certain United States Federal Income Tax Considerations

This section discusses the material United States federal income tax consequences to a U.S. holder (as defined below) of receiving Novelis Common Shares and New Alcan Common Shares and of exercising the Dissent Right or the Repurchase Right pursuant to this Arrangement. This section applies only to U.S. holders who hold Alcan Common Shares or Alcan Preference Shares as capital assets, and does not apply to members of special classes of holders subject to special rules, including: dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, organizations exempt from United States taxation, life insurance companies, persons liable for alternative minimum tax, persons that actually or constructively own 10% or more of Alcan Common Shares and Alcan Preference Shares, persons that hold shares as part of a straddle or a hedging or conversion transaction, or U.S. holders (as defined below) whose functional currency is not the U.S. dollar. This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

A U.S. holder is a beneficial owner of Alcan Common Shares or Alcan Preference Shares, as the case may be, who is a citizen or resident of the United States, a domestic corporation, an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Alcan has not received, nor does it intend to seek, a ruling from the Internal Revenue Service concerning the United States federal income tax treatment of the distribution of Novelis Common Shares to Alcan Common Shareholders. Accordingly, holders should be aware that the Internal Revenue Service may disagree with the consequences of the Arrangement described herein and instead assert alternative characterizations of the Arrangement, some of which may be adverse to U.S. holders.

All holders should consult their own tax advisor regarding the United States federal, state and local and the other tax consequences of the receipt of Novelis Common Shares in their particular circumstances.

Consequences of the Receipt of Novelis Common Shares by U.S. holders

The distribution of Novelis Common Shares in respect of Alcan Common Shares is intended to qualify as tax-free to U.S. holders and, except where otherwise stated below, the remainder of this discussion so assumes.

Except for any cash received in lieu of a fractional Novelis Common Share, a U.S. holder will not recognize any income, gain or loss as a result of the receipt of Novelis Common Shares. A U.S. holder's holding period for Novelis Common Shares will include the period for which the U.S. holder held the Alcan Common Shares exchanged. A U.S. holder's tax basis for Novelis Common Shares will be determined by allocating to the Novelis Common Shares, on the basis of the relative fair market values of New Alcan Common Shares and Novelis Common Shares at the time of the completion of the Arrangement, a portion of the U.S. holder's basis in the Alcan Common Shares.

A U.S. holder who receives cash in lieu of a fractional Novelis Common Share will recognize gain or loss equal to the difference between the amount of cash received and the holder's basis in the fractional Novelis Common Share, determined as described above. The gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for the fractional Novelis Common Share, determined as described above, is more than one year.

If the Arrangement were not to qualify as a tax-free transaction, each U.S. holder who receives Novelis Common Shares would generally be treated as receiving a distribution in respect of its Alcan Common Shares equal to the fair market value of the Novelis Common Shares received. The distribution would be treated as a taxable dividend to the extent of Alcan's current and accumulated earnings and profits, and then first as a return of capital to the extent of the holder's adjusted tax basis in its Alcan Common Shares and thereafter as capital gain.

United States Treasury regulations require each U.S. holder who receives Novelis Common Shares to attach to the U.S. holder's United States federal income tax return for the year in which such Novelis Common Shares are received a detailed statement setting forth such data as may be appropriate to show the applicability of Section 355 of the Internal Revenue Code to the receipt of Novelis Common Shares. Within a reasonable period of time Alcan will provide its U.S. holders who receive Novelis Common Shares with the information necessary to comply with such requirement.

This summary is not a complete description of the United States federal income tax consequences of the receipt of Novelis Common Shares by Alcan Common Shareholders, and does not address the United States federal income tax consequences to Alcan of the distribution of Novelis Common Shares.

Consequence of the Receipt of New Alcan Common Shares by U.S. Holders.

A U.S. holder will not recognize any income, gain or loss as a result of the receipt of New Alcan Common Shares in exchange for the holder's Alcan Common Shares. The U.S. holder's holding period for the New Alcan Common Shares will include the period for which the U.S. holder held the Alcan Common Shares exchanged. The U.S. holder's tax basis in the New Alcan Common Shares will equal the holder's tax basis in the Alcan Common Shares, reduced by the portion of the basis of the Alcan Common Shares allocated to the Novelis Common Shares, as described above under "— Consequences of the Receipt of Novelis Common Shares by U.S. holders".

Consequences of the Receipt of Consideration other than Novelis Common Shares by Dissenting Shareholders or the Exercise of Repurchase Rights by Alcan Preference Shareholders.

A U.S. holder who exercises the Dissent Right and receives cash (as described above under "Dissent Right") will be treated as having disposed of its Alcan Common Shares in a fully taxable transaction. As a result, such a U.S. holders will generally recognize gain or loss equal to the difference between the adjusted basis in the Alcan Common Shares and the amount of cash received in consideration of the exercise of the Dissent Right. In general, such gain or loss recognized will be capital gain or loss, and will be long-term capital gain or loss to the extent the U.S. holder's holding period for the Alcan Common Shares is greater than one year.

A U.S. holder who exercises the Repurchase Right and receives cash in redemption of its Alcan Preference Shares (as described above under "Repurchase Right") generally will recognize gain or loss equal to the difference between the amount of cash received in consideration of its exercise of the Repurchase Right and the adjusted basis in its Alcan Preference Shares. In general, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss to the extent such a U.S. holder's holding period for the Alcan Preference Shares is greater than one year.

U.S. holders who intend to exercise either the Dissent Right or the Repurchase Right should consult their tax advisors as to the United States federal income tax consequences of such actions.

INTERESTS OF DIRECTORS, EXECUTIVE OFFICERS

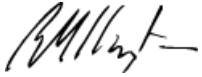
As of 1 November 2004, Directors and Executive Officers of Alcan, as a group, beneficially own 323,822 Alcan Common Shares (including shares over which control or direction is exercised). This represents 0.088% of Alcan Common Shares issued and outstanding. In addition, Executive Officers as a group have options to purchase 4,032,666 Alcan Common Shares. Directors and Executive Officers do not own Alcan Preference Shares.

ADDITIONAL INFORMATION

Additional information relating to Alcan may be found on its website at www.alcan.com, on SEDAR at www.sedar.com or EDGAR at www.sec.gov. Financial information is provided in Alcan's financial statements and Management Discussion & Analysis reports, which may be obtained, without charge, on request from the Corporate Secretary of Alcan at the registered office of Alcan, 1188 Sherbrooke Street West, Montreal, Quebec, Canada, H3A 3G2, telephone: (514) 848-8000.

APPROVAL OF THE ALCAN BOARD OF DIRECTORS

The contents and the sending of the Notice of Meeting and the Circular have been approved by the Board of Directors.



Roy Millington

Corporate Secretary

Montreal, Canada

23 November 2004

Schedule A:

Arrangement Resolution

Resolved as a special resolution:

- 1- THAT the arrangement (the “Arrangement”) under section 192 of the *Canada Business Corporations Act* substantially as set out in the plan of arrangement attached as Schedule D to Alcan’s management proxy circular dated 23 November 2004 be and it is hereby authorized and approved;
- 2- THAT notwithstanding that this resolution be adopted by the Shareholders of Alcan, the Arrangement shall take effect only at such time as determined by further resolution of the Board of Directors, which shall also have the authority to revoke this resolution at any time prior to the issuance of a certificate giving effect to the Arrangement, without further approval of the shareholders of the Corporation; provided, however, that if the Board of Directors decides to proceed with the Arrangement, articles of arrangement shall be filed on or before 28 April 2005;
- 3- THAT any officer of the Corporation be and hereby is authorized, for and on behalf of the Corporation, to execute and deliver articles of arrangement and all other documents and to do all such other acts or things as such person may determine to be necessary or advisable to give effect to this resolution.

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

NO.: 500-11-024285-047

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE ARRANGEMENT concerning Alcan Inc. and its shareholders under section 192 of the *Canada Business Corporations Act*

ALCAN INC., a duly incorporated corporation, having its head office at 1188 Sherbrooke Street West, Montreal, Quebec, H3A 3G2

Applicant

RE-AMENDED MOTION FOR AN ORDER REQUIRING THE CALLING OF A
SHAREHOLDERS' MEETING AND APPROVING AN ARRANGEMENT
(S. 192 of the *Canada Business Corporations Act*)

TO THE HONOURABLE MR. JUSTICE ROBERT MONGEON OF THE QUEBEC SUPERIOR COURT, SITTING IN THE COMMERCIAL DIVISION IN THE DISTRICT OF MONTRÉAL, THE APPLICANT RESPECTFULLY STATES:

INTRODUCTION

1. The Applicant Alcan Inc. ("**Alcan**") is a public corporation incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. 44 (the "**Act**"), as appears from the Alcan's articles filed in support hereof as Exhibit R-6;
2. In accordance with s. 192 of the Act, the purpose of this motion is:
 - a. first, to obtain this Court's authorization to call a special general meeting (the "**Meeting**") of the holders of common shares and preference shares of Alcan (collectively the "**Alcan Shareholders**"), for the purpose of *i*) considering a special resolution relating to the proposed arrangement pursuant to which Alcan would distribute most of its rolled products businesses to its common shareholders (the "**Arrangement Resolution**"), and *ii*) having the *Alcan Shareholders* present or represented by proxy at the *Meeting* vote on the *Arrangement Resolution* together; and
 - b. secondly, to obtain this Court's approval of the proposed arrangement in the form of the *Arrangement Resolution*, once the said resolution has been ratified by 66 2/3% of the votes cast by the *Alcan Shareholders* present or represented by proxy at the *Meeting*;
3. In this motion, Alcan will deal with the following topics in the order they are presented here:
 - a. Description of its Share Capital;
 - b. Description of the Proposed Arrangement;
 - c. Reasons for the Arrangement;
 - d. Approval of the Arrangement;

- e. Opinion of the Alcan Board with regard to the Proposed Arrangement;
 - f. Dissent Right of the Alcan Common Shareholders and (ـ) the Alcan Preference Shareholders;
 - g. The *Meeting*;
 - h. Alcan's Solvency;
 - i. Need to Proceed by Way of Arrangement;
 - j. Fairness and Reasonableness of the Arrangement; and
 - k. Notice to the Director under the Act;
4. Alcan is filing *en liasse* in support hereof as Exhibit R-7 the draft documents it has prepared, which its Board of Directors will probably approve in substantially identical form at its meeting on November 23, 2004, with a view to calling, holding and conducting the *Meeting* at which the *Alcan Shareholders* will be invited to vote on the *Arrangement Resolution*, namely:
- a. a management proxy circular whose schedules include:
 - i. a notice of *Meeting*;
 - ii. the wording of the *Arrangement Resolution* (Schedule A);
 - iii. this motion giving notice that the Superior Court will be asked to approve the Arrangement (Schedule B);
 - iv. the interim order of the Superior Court with respect to this motion, ordering *inter alia* the conduct and holding of the *Meeting* (Schedule C);
 - v. the plan of arrangement under s. 192 of the Act (the "***Plan of Arrangement***") (Schedule D);
 - vi. Schedule E will contain the opinion delivered by Morgan Stanley & Co. Incorporated ("**Morgan Stanley**") on November 18, 2004 or thereabouts as to the fairness of the Arrangement for the *Alcan Shareholders* (ـ);
 - vii. Schedule F will contain an unaudited *pro forma* consolidated balance sheet of Alcan showing Alcan's situation as if the Arrangement had already been completed as at September 30, 2004 and the unaudited *pro forma* consolidated statements of income of Alcan showing Alcan's situation as if the Arrangement had already been completed as at January 1, 2003, for the year ended December 31, 2003 and for the nine months ended September 30, 2004. This consolidated balance sheet and these consolidated statements of income are not available as at the date hereof;
 - b. a form of proxy; and
 - c. the preliminary prospectus filed by Novelis Inc. ("**Novelis**") (ـ) with the securities authorities as at September 28, 2004 (Exhibit R-3 already in the Court record);

DESCRIPTION OF ALCAN'S SHARE CAPITAL

Common Shares

- 5. Alcan is authorized to issue an unlimited number of common shares without nominal or par value, of which 369,025,554 were issued and outstanding as at November 1, 2004, as appears from Alcan's articles (R-6);
- 6. Common shareholders may cast one vote for each registered share held by them at all meetings of Alcan except meetings at which only holders of other classes of shares are entitled to vote. Subject to the rights attached to the preference shares, common shareholders are entitled to receive the remaining property of the Alcan upon dissolution;
- 7. Alcan's common shares are listed and posted for trading on the TSX, the NYSE, and the London, Swiss and Euronext Paris stock exchanges under the stock symbol "AL";

Preference Shares

8. Alcan is also authorized to issue an unlimited number of preference shares, without nominal or par value, issuable in series, of which 5,700,000 Series C were issued and outstanding as at November 1, 2004 and 3,000,000 Series E were issued and outstanding as at November 1, 2004 (collectively the “**Preference Shares**”), as appears from Alcan’s articles (R-6);
9. There have been two issues of Series C Preference Shares: 4,200,000 Series C floating rate cumulative redeemable Preference Shares were issued in 1984 and 1,500,000 Series C floating rate cumulative redeemable Preference Shares were issued in 1985, both issues being redeemable upon prior notice of at least thirty (30) days at a price of \$25 per share;
10. The Series E Preference Shares are cumulative redeemable Preference Shares, redeemable upon prior notice of at least thirty (30) days at a price of \$25 per share;
11. It would cost Alcan \$217,500,000 to redeem all the currently issued and outstanding Preference Shares;
12. Except in the specific events provided in Alcan’s Articles,¹ preference shareholders are not entitled to vote at, receive notice of or attend any meeting of Alcan’s shareholders;
13. As at the date hereof, Alcan has not failed to pay in the aggregate six quarterly dividends on the Preference Shares on the dividend payment dates and consequently preference shareholders are not entitled to vote at, receive notice of or attend meetings of Alcan’s shareholders;
14. As appears from Alcan’s articles (R-6) the approval of preference shareholders is only required if Alcan wishes to create or issue shares ranking prior to or on a parity with the Preference Shares with respect to return of capital or payment of dividends;
15. In the event of the liquidation, dissolution or winding-up of Alcan or other distribution of assets of Alcan among shareholders for the purpose of winding up its affairs, the holders of the Preference Shares shall be entitled to receive the sum of \$25.00 per share, being the redemption price, together with all accrued and unpaid dividends up to and excluding the date of distribution, before any amount shall be paid to, or any property or assets of the Alcan distributed among, the holders of any shares of Alcan ranking junior to the Preference Shares. After payment to the holders of the Preference Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the corporation;
16. Alcan’s Preference Shares are listed for trading on the TSX under the symbols “AL.T.R.E” for the Series C Preference Shares and “AL.T.R.F” for the Series E Preference Shares;

DESCRIPTION OF THE ARRANGEMENT

17. Alcan is proposing to reorganize its share capital by means of an arrangement under section 192 of the Act, pursuant to which Alcan would distribute to its common shareholders (...) substantially all of the rolled products businesses operated (...) by Alcan prior to the December 2003 acquisition of Pechiney, a French société anonyme and a subsidiary of Alcan (“Pechiney”), together with some of Alcan’s alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe (...), thus forming the largest rolled aluminium products company in the world, Novelis (...);
18. Before the Arrangement takes effect [namely, at the date appearing on the certificate of arrangement to be issued by the Director under the Act and giving effect to the Arrangement, which is expected to be January 1, 2005], Alcan will have taken or will take the following preliminary steps:
 - a. Alcan incorporated its wholly-owned subsidiary Arcustarget Inc. (“**Arcustarget**”) under the Act;
 - b. Alcan and certain of its subsidiaries will transfer to Arcustarget certain of their assets or shares relating to Alcan’s rolled products businesses; and

1 If Alcan from time to time shall fail to pay in the aggregate six quarterly dividends on the Preference Shares on the dividend payment dates whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends, but only so long as any dividends on the Preference Shares remain in arrears, the holders of the Preference Shares shall be entitled to receive notice of and to attend, but not to vote at, all meetings of shareholders of the Corporation and shall be entitled on any election of Directors, together with holders of shares of all other series of Preference Shares having the right to vote in similar circumstances, voting separately and exclusively as a class, to elect two members of the Board of Directors of the Corporation.

- c. Alcan will transfer Alcan Aluminum Corporation (“AAC”), which will be its wholly-owned subsidiary, to Arcustarget. Alcan owes about \$1.4 billion to AAC and proposes to pay that debt by borrowing from an arm’s length lender before the effective date of the Arrangement;
- d. (د);
19. As soon as possible following the effective date, subject to the dissent right granted to the common shareholders and the repurchase right granted to the preference shareholders, as discussed hereinafter, the following events and transactions will take place and will be deemed to take place in the order indicated hereinafter, without further actions or formalities, each event or transaction being deemed to occur immediately after the preceding event or transaction is effected;
20. The Arrangement consists of the eight steps described hereinafter;
- Step One — Reorganization of Alcan’s Share Capital*
21. Alcan’s articles will be amended to create and authorize the issuance of:
- a. an unlimited number of Alcan Class A common shares; and
- b. an unlimited number of Alcan special shares;
22. The said Class A common shares and the special shares of Alcan will not rank prior to or on a parity with the Preference Shares with respect to return of capital or payment of dividends and consequently, their creation and issue does not require the approval of preference shareholders;
- Step Two — Exchange of Alcan Common Shares*
23. Each Alcan common share outstanding on the effective date (other than any such shares in respect of which the holder has exercised dissent rights) will be exchanged for one new Alcan Class A common share and one Alcan special share;
24. Concurrent with the exchange of Alcan common shares, the value of a deferred share unit will be determined based on Alcan Class A common shares and will be valued based on Alcan Class A common shares thereafter;
25. Concurrent with the exchange of Alcan common shares, each employee and former employee of Alcan and its subsidiaries who is at that time an optionholder, other than the employees transferred to Novelis or one of its subsidiaries, will exchange all existing Alcan options held by such optionholder for new Alcan options granted by Alcan to acquire Alcan Class A common shares. The only consideration such optionholder will receive for the disposition of his or her existing Alcan options will be new Alcan options;
- Step Three — Transfer of Alcan’s Special Shares to Novelis*
26. Each outstanding Alcan special share will be transferred by the holder thereof to Novelis in exchange for the issuance by Novelis to such holder, as the sole consideration therefor, of a fractional Novelis common share to be determined;
27. Concurrent with such transfer, each optionholder who is an employee of Alcan or its subsidiaries and who will become an employee of Novelis or a subsidiary of Novelis will exchange all existing Alcan options held by him or her for Novelis options granted by Novelis to acquire Novelis common shares. The only consideration such transferred employee will receive for the disposition of existing Alcan options will be Novelis options;
- Step Four — Transfer of Arcustarget Common Shares to Novelis*
28. Alcan will transfer to Novelis all of its Arcustarget common shares in consideration for Novelis issuing to Alcan that number of Novelis special shares having an aggregate redemption and fair market value equal to the fair market value of the Arcustarget common shares at the time of such transfer;
- Step Five — (د) Elimination of Cross Shareholdings*
29. Immediately following the transfer of the Arcustarget common shares, Novelis will redeem for cancellation all of the Novelis special shares held by Alcan in consideration for the issuance by Novelis to Alcan of the Novelis redemption note in the principal amount and fair market value equal to the fair market value of the

Novelis special shares redeemed, in full and absolute payment, satisfaction and discharge of the redemption price of the Novelis special shares:

30. Alcan will redeem for cancellation all of the Alcan special shares held by Novelis in consideration for the issuance by Alcan to Novelis of the Alcan redemption note in the principal amount and fair market value equal to the fair market value of the Alcan special shares redeemed, in full and absolute payment, satisfaction and discharge of the redemption price of the Alcan special shares;

Step Six — Termination of the Employment of the Employees transferred to Novelis

31. Immediately after the purchase for cancellation of the Novelis special shares and the Alcan special shares (...), the employment by Alcan or its subsidiaries of the employees transferred to Novelis or one of its subsidiaries will terminate and such employees will become employees of Novelis or one of its subsidiaries. Each transferred employee will be entitled to the payment of his or her deferred share units at the date of his or her choice, but not later than December 15 of the following calendar year;

Step Seven — Set-off of Notes

32. The Novelis redemption note will be set off against the Alcan redemption note in full satisfaction of the respective obligations under each note and the notes will be () cancelled;

Step Eight — Post Butterfly Transaction

33. Alcan's Articles will be amended by deleting the Alcan special shares and the Alcan common shares from the share capital which Alcan is authorized to issue and redesignating the Alcan Class A common shares as the new Alcan common shares (the "***New Alcan Common Shares***");
34. Alcan's articles will be restated and the said restated articles will be filed by Alcan with the Director under the Act pursuant to subsection 192(6) of the Act;
35. Novelis's articles of incorporation will be amended by deleting the Novelis special shares from the share capital which Novelis is authorized to issue and Novelis's amended articles will be filed with the Director under the Act;
36. (...) Novelis and Arcustarget will be amalgamated pursuant to the Act;

REASONS FOR THE ARRANGEMENT

37. (ب) Alcan's Board believes that the separation of Novelis from Alcan will provide a number of benefits to both companies, including;

Sharper Business Focus

38. Alcan's Board believes that the disposition of most of its rolled products businesses will enable Alcan to focus on developing its portfolio of low cost alumina and primary aluminum businesses as well as its high value-added specialty packaging, aerospace and engineered products businesses. Management believes that the separation will permit Novelis to focus on aluminum rolled products, which will allow Novelis to respond more quickly to market demands and efficiently allocate its capital, technical and human resources;

Independent Access to Capital

39. Alcan's management believes that the separation will provide each of Alcan and Novelis with independent access to capital which is expected to result in more focused capital allocation practices including an appropriate focused alignment of debt capacity with the individual cash generation profile of each company;

Targeted Incentives for Employees

40. Management believes that the separation will provide opportunities within each company to provide incentives to employees that more closely align their interests with the performance of the business within which they are employed;

Distinct Investment Profiles

41. Because Alcan and Novelis will operate in different industries with different business profiles, including different cash flow profiles, the shares of each company may appeal to different classes of investors. Establishing two separate equity securities will allow investors to hold a direct investment in the businesses to be operated by Novelis and to value each of Alcan and Novelis separately;

Sound Resolution to Regulatory Requirements

42. As part of the Pechiney combination, Alcan entered into undertakings with European competition regulators that require, among other things, the ownership of Alcan's Neuf Brisach rolling facility in France and Norf rolling facility in Germany to be separated;
43. Alcan also entered into undertakings with the United States Department of Justice that require that the ownership of the Oswego, New York rolling facility be separate from Alcan's Ravenswood, West Virginia rolling facility;
44. The management of Alcan believes that the separation offers a sound resolution to these regulatory requirements;

APPROVAL OF THE ARRANGEMENT

45. Pursuant to the Act, the Arrangement described hereinabove requires the approval of this Court;
46. In addition, Alcan intends to submit the *Arrangement Resolution* to a vote by all the *Alcan Shareholders* at the *Meeting* called for that purpose, provided they vote together;

Approval by the Alcan Shareholders

47. As previously mentioned, under Alcan's articles, only common shareholders would be entitled to receive notice of, attend and vote at the *Meeting* as none of the specific events in which preference shareholders would obtain such rights has occurred;
48. Notwithstanding the foregoing, Alcan intends to give notice of the *Meeting* to the preference shareholders, so that they can attend and vote thereat, together with the common shareholders, on the *Arrangement Resolution*;
49. The *Arrangement Resolution* would pass if at least 66 2/3% of the votes cast by the *Alcan Shareholders*, present or represented by proxy at the *Meeting*, voting together, are in favour of the *Arrangement Resolution*;

Approval by the Superior Court

50. Following the holding of the Meeting and passing of the *Arrangement Resolution* by the *Alcan Shareholders* voting together, and upon proof of such passage, Alcan wishes to obtain the Superior Court's approval of the proposed arrangement;
51. Subsequent to the approval of the Superior Court, Alcan's Board will meet in order to decide, as the case may be, on the approval of the required reorganization transactions to give effect to the Arrangement;

OPINION OF ALCAN'S BOARD WITH RESPECT TO THE PROPOSED ARRANGEMENT

52. If the Alcan Board decides to proceed with the Proposed Arrangement it will be because it has determined that the separation of most of Alcan's rolled products businesses from the other Alcan businesses is a portfolio choice that is in the best interests of Alcan and the *Alcan Shareholders*;
53. That being the case, Alcan's Board would ensure that post-arrangement Alcan has adequate financial resources to continue to declare and pay a dividend on the Preference Shares;
54. Alcan's Board retained Morgan Stanley to provide financial advice with respect to the proposed Arrangement;
55. Morgan Stanley was selected by Alcan's Board to act as Alcan's financial advisor based on Morgan Stanley's qualifications, experience and reputation and its knowledge of the business and affairs of Alcan;

56. As previously mentioned, Morgan Stanley will issue an opinion with respect to the fairness of the Arrangement for Alcan common and preference shareholders on November 18, 2004 or thereabouts, which opinion will be included in the management proxy circular. The said opinion does not constitute a recommendation to the *Alcan Shareholders* as to how they should vote at the *Meeting*;

DISSENT RIGHT

For Common Shareholders

57. Alcan intends to allow Alcan's common shareholders to dissent in respect of the *Arrangement Resolution* by delivering to Alcan a written objection thereto at or before the *Meeting* and otherwise complying with the procedure described in s. 190 of the Act, in the interim order to be handed down on this motion and in the *Plan of Arrangement* which will be attached to the management proxy circular;
58. Alcan common shareholders who duly exercise such dissent rights and who are ultimately entitled to obtain the repurchase of their shares and to be paid fair value for their Alcan common shares will be deemed to have transferred such shares to Alcan for cancellation on the effective date immediately prior to the first step of the proposed *Plan of Arrangement* being effected;
59. Furthermore, Alcan common shareholders who duly exercise such dissent rights and who are ultimately not entitled, for any reason, to obtain the repurchase of their shares and to be paid fair value for their Alcan common shares shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of Alcan common shares as at and from the effective date and shall receive Alcan Class A common shares (to be redesignated as New Alcan Common Shares) and Novelis common shares on the basis set out in the proposed *Plan of Arrangement*;

(...) For Preference Shareholders

60. Alcan intends to permit Alcan preference shareholders (...) to dissent in respect of the Arrangement Resolution by delivering to Alcan a written objection thereto at or before the Meeting and otherwise complying with the procedure described in the interim order to be handed down on this motion and in the Plan of Arrangement which will be attached to the management proxy circular;
61. Alcan preference shareholders who have duly exercised their (...) dissent right and are ultimately entitled (...) to obtain the repurchase of their shares will be deemed to have transferred such shares to Alcan for cancellation on the effective date immediately prior to the first step of the proposed *Plan of Arrangement* being effected;
62. Alcan preference shareholders who have duly exercised their (...) dissent right and who are ultimately not entitled, for any reason, (...) to obtain the repurchase of their shares will be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of Alcan Preference Shares as at and from the effective date and shall continue to beneficially own their Alcan Preference Shares subject to the rights, privileges, restrictions and conditions applicable thereto;

THE MEETING

63. Alcan intends to hold the *Alcan Shareholders' Meeting* on December 22, 2004 at 2:00 P.M. (Montreal time) at the Centre Mont-Royal, 2200 Mansfield Street, Montréal, Quebec for the purposes of allowing the *Alcan Shareholders* to consider, and if deemed appropriate, to pass, with or without variation, the *Arrangement Resolution* (Schedule A to the Circular (R-7));
64. Alcan is proposing that the ordinary procedure for the holding and conduct of a meeting of its shareholders, as provided by its articles, its By-law No. 1A ("**By-law No. 1A**") (a copy of which is filed in support hereof as Exhibit R-8), the Act and the *Canada Business Corporations Regulation, 2001*, SOR/2001-512, (2001) 135 Gaz. Can., Part II, 2683, should be followed at the *Meeting*. Alcan's articles, By-law No. 1A, the Act and the *Canada Business Corporations Regulation, 2001*, as the case may be, provide more specifically as follows;

Notice

65. Pursuant to the Act, the *Canada Business Corporations Regulation, 2001*, and Alcan's By-law No. 1A, notice of the holding and conduct of a meeting of the *Alcan Shareholders* shall be given by Alcan's directors not (...) less than twenty-one nor (...) more than sixty days before the date of the *Meeting*;

Chairman of the Meeting

66. Alcan's By-law No. 1A provides that, subject to the provisions of any resolution of the directors, the Chairman of the Board or, in his absence, the Vice Chairman of the Board, if any, or, in his absence, the President or, in the absence of each of the foregoing officers, any officer who is also a director designated by the directors of Alcan for that purpose shall preside at all meetings of the shareholders. If at any meeting all of the foregoing officers be absent, the shareholders entitled to vote at such meeting may choose a chairman;

Place of Meeting

67. The Act provides that a shareholders' meeting must be held in Canada, at the place provided in the corporation's by-laws or, failing that, at a place chosen by the directors;
68. Alcan's By-law 1A provides that shareholder meetings shall be held at such place as the directors may determine;
69. In this case, as mentioned hereinabove, Alcan's directors have chosen to hold the *Meeting* at 2:00 P.M. (Montreal time) at Centre Mont-Royal, 2200 Mansfield Street, Montréal, Quebec;

Quorum

70. By-law No. 1A of Alcan provides that the holders of not less than 40% of the shares entitled to vote at a meeting of Shareholders present in person or by proxy shall constitute a quorum;

Adoption of the Arrangement Resolution

71. The proposed *Plan of Arrangement* provides that the *Arrangement Resolution* will be considered passed if at least 66 2/3% of the votes cast by Alcan Shareholders, voting together, are cast for the *Arrangement Resolution*;
72. If the interim orders sought herein are obtained, Alcan will send a notice of *Meeting* by mail no later than November 25, 2004 to all the *Alcan Shareholders*, for the purpose of considering and voting on the *Arrangement Resolution*;
73. The other documents filed as Exhibit R-7 will be put into final form and sent at the same time and in the same manner as the above-mentioned notice of *Meeting*;
74. The information circular filed as Exhibit R-7 will contain the information and reasons for passing the *Arrangement Resolution*;

ALCAN'S SOLVENCY

75. Alcan is not insolvent within the meaning of section 192 of the Act, as appears from Alcan's audited consolidated financial statements for the year ended December 31, 2003 and its unaudited financial statements as at June 30, 2004, copies of which are filed *en liasse* in support hereof as Exhibit R-9 and from the unaudited financial statements as at September 30, 2004 filed in support hereof as Exhibit R-11;
76. Alcan meets the solvency tests contained in the Act in that it has no reasonable grounds for believing that it is unable to pay its liabilities as they become due or that the realizable value of the assets of the corporation is less than the aggregate of its liabilities and stated capital;

NECESSITY OF PROCEEDING BY WAY OF ARRANGEMENT

77. As appears from the foregoing, due to the number of steps in the Proposed Arrangement, their complexity and the tax treatment sought, it is "not practicable" for Alcan to effect a fundamental change in the nature of the proposed arrangement under any provision of the Act other than section 192;

FAIRNESS AND REASONABLENESS OF THE ARRANGEMENT

78. The proposed arrangement is fair and reasonable in the circumstances;

NOTICE TO THE DIRECTOR UNDER THE ACT

79. By letter dated November 10, 2004, Alcan has given notice of this motion to the Director under the Act, sending him a copy with the supporting exhibits. A copy of the letter is filed in support hereof as Exhibit R-10;

WHEREFORE, MAY IT PLEASE THE COURT:

TO GRANT this motion;

AND, AS A FIRST STEP,

TO DISPENSE Alcan Inc. from the requirement to serve this motion on any person other than the Director under the *Canada Business Corporations Act* at the time of calling the special general meeting of holders of common shares and Preference Shares of Alcan Inc.;

TO ORDER that a special general meeting of holders of common shares and Preference Shares of Alcan Inc. be called in accordance with the draft notice of meeting filed in support hereof as Exhibit R-7;

TO AUTHORIZE Alcan Inc. to give notice of the said special general meeting by sending the said notice of meeting and the other documents filed in support hereof as Exhibit R-7 by regular mail to all holders of its common shares and Preference Shares;

TO AUTHORIZE service to be made of this motion for an order approving the proposed arrangement by sending the notice of presentation of the motion and the text of the motion, filed in support hereof as Exhibit R-7, by regular mail to all holders of common shares and Preference Shares of Alcan Inc.;

TO ORDER the holding and conduct of the special general meeting of Alcan Inc. in accordance with the articles of Alcan Inc., its By-law No. 1A, the *Canada Business Corporations Act* and the *Canada Business Corporations Regulation, 2001* for the purpose of *i)* considering the Arrangement Resolution and *ii)* having the holders of common shares and Preference Shares of Alcan Inc., present or represented by proxy at the special general meeting called in accordance with the terms of this order, vote together on the Arrangement Resolution;

TO ORDER that any contestation by any interested party of the conditions for the approval of the Arrangement Resolution at the special general meeting on December 22, 2004 shall be served on the clerk of this Court and on Alcan Inc.'s counsel no later than December 10, 2004;

TO ORDER, if applicable, that any such contestation by an interested party of the conditions for the approval of the Arrangement Resolution at the special general meeting on December 22, 2004 shall be resolved by this Court no later than December 21, 2004 at 4:30 P.M.;

TO ORDER that the arrangement must be ratified by 66 2/3% of the votes cast by the holders of common shares and Preference Shares of Alcan Inc., present or represented by proxy at the special general meeting called in accordance with the terms of this order, voting together;

TO ORDER that the holders of common shares of Alcan Inc. shall be entitled to exercise a right to dissent and to obtain the repurchase of their shares in the manner set forth in section 190 of the *Canada Business Corporations Act* and in the Plan of Arrangement (Exhibit R-7) with a view to obtaining payment of the fair value of their shares;

TO ORDER that the holders of Preference Shares of Alcan Inc. shall be entitled to exercise a right to dissent and to obtain the repurchase of their shares in the manner set forth in the Plan of Arrangement (Exhibit R-7);

TO RESERVE judgment with respect to the part of this motion for an order approving an arrangement until December 23, 2004, the date as of which proof may be made at the Montreal Courthouse of the confirmation of the proposed arrangement by the holders of common shares and Preference Shares of Alcan Inc. at the special general meeting called in accordance with the terms of this order;

TO FIX the date of the hearing on the part of this motion that relates to this Court's approval of the proposed arrangement at December 23, 2004;

AND, AS A SECOND STEP, IF THE PROPOSED ARRANGEMENT IS RATIFIED BY AT LEAST 66 2/3% OF THE VOTES CAST BY THE ALCAN COMMON AND PREFERENCE SHAREHOLDERS, PRESENT OR REPRESENTED BY PROXY AT THE SPECIAL GENERAL MEETING, VOTING TOGETHER:

TO AUTHORIZE Alcan Inc. to file at the hearing on December 23, 2004, any additional evidence to establish passage of the Arrangement Resolution by the Alcan common and preference shareholders present or represented by proxy at the special general meeting held on December 22, 2004, voting together;

TO APPROVE Alcan Inc.'s Arrangement Resolution as adopted by the Alcan common and preference shareholders, present or represented by proxy at the special general meeting held on December 22, 2004, voting together;

THE WHOLE WITHOUT COSTS, EXCEPT IN THE EVENT OF CONTESTATION.

Montréal, November 21, 2004

(Signed)

OGILVY RENAULT, S.E.N.C.

Counsel for the Applicant

ALCAN INC.

CANADA

PROVINCE DE / OF QUÉBEC

DISTRICT DE / OF MONTRÉAL

COUR SUPÉRIEURE / SUPERIOR COURT

(Chambre commerciale / Commercial Chamber)

NO: 500-11-024285-047 MONTRÉAL, ce 22^e jour de novembre 2004 /

this 22nd day of November 2004

L'honorable juge Robert Mongeon, j.c.s. /
The Honourable Mr. Justice Robert Mongeon, J.S.C.

DANS L'AFFAIRE DE L'ARRANGEMENT concernant Alcan Inc. et ses
actionnaires en vertu de l'article 192 de la *Loi canadienne sur les sociétés par*
actions / **IN THE MATTER OF THE ARRANGEMENT** concerning Alcan
Inc. and its shareholders under section 192 of the *Canada Business Corporations*
Act

ALCAN INC.,

Requérante/ Applicant

ORDONNANCE / ORDER

LA PRÉSENTE ORDONNANCE EST RENDUE TANT EN LANGUE FRANÇAISE QU'EN LANGUE ANGLAISE /
THIS ORDER IS RENDERED BOTH IN ENGLISH AND IN FRENCH

DANS SA VERSION FRANÇAISE

LA COUR, saisie de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement datée du 21 novembre 2004, après avoir étudié la procédure et la preuve;

VU la requête réamendée pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement;

Vu les représentations de la requérante;

VU le communiqué de presse émis par Alcan Inc. le 18 mai 2004 (pièce R-1);

VU le communiqué de presse émis par Alcan Inc. le 28 septembre 2004 (pièce R-2);

VU le prospectus provisoire déposé par Novelis Inc. en date du 28 septembre 2004 (pièce R-3);

VU la note de Alcan Inc. adressée à l'Autorité des marchés financiers le 22 octobre 2004 (pièce R-4);

VU la Politique à l'égard des arrangements pris en vertu de l'article 192 de la *Loi canadienne sur les sociétés par actions* du Directeur nommé en vertu de la *Loi canadienne sur les sociétés par actions* (Énoncé de politique 15.1) en date du 7 novembre 2003 (pièce R-5);

VU les statuts de Alcan Inc. (pièce R-6);

VU les documents préparés par Alcan Inc. (sous forme de projets) et que son conseil d'administration approuvera vraisemblablement dans une forme essentiellement identique à sa réunion du 23 novembre 2004 en vue de convoquer et tenir l'assemblée, lors de laquelle les porteurs d'actions de Alcan seraient appelés à se prononcer sur la résolution visant l'arrangement (pièce R-7), soit:

- a. une circulaire de sollicitation de procurations, dont les annexes comprennent:
 - i. un avis de convocation de l'assemblée;
 - ii. le texte de la résolution visant l'arrangement (Annexe A);
 - iii. la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement donnant avis du fait que la Cour supérieure sera appelée à approuver l'arrangement (Annexe B);
 - iv. la présente ordonnance provisoire de la Cour supérieure, ordonnant notamment la tenue de l'assemblée (Annexe C);
 - v. le plan d'arrangement en vertu de l'article 192 de la *Loi canadienne sur les sociétés par actions* (Annexe D);
 - vi. en Annexe E sera inclus l'avis donné par Morgan Stanley & Co. Incorporated le ou vers le 18 novembre 2004 sur le caractère équitable de l'arrangement, pour les porteurs d'actions de Alcan;
 - vii. en Annexe F sera inclus un bilan consolidé *pro forma* non vérifié de Alcan reflétant la situation de celle-ci comme si l'arrangement avait déjà été réalisé au 30 septembre 2004 et les résultats consolidés *pro forma* non vérifiés de Alcan reflétant la situation de celle-ci comme si l'arrangement avait déjà été réalisé au 1er janvier 2003 pour l'exercice terminé le 31 décembre 2003 et pour la période de neuf mois terminée le 30 septembre 2004;
- b. un formulaire de procuration; et
- c. le prospectus provisoire déposé par Novelis Inc. auprès des autorités en valeurs mobilières en date du 28 septembre 2004 (pièce R-3);

VU le règlement administratif No. 1A de Alcan Inc. (pièce R-8);

VU les états financiers consolidés vérifiés de Alcan Inc. pour l'exercice terminé le 31 décembre 2003 et les états financiers non vérifiés au 30 juin 2004 (pièce R-9);

VU la lettre de Alcan Inc. au Directeur nommé en vertu de la *Loi canadienne sur les sociétés par actions* avec pièces donnant avis de la requête pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement en date du 10 novembre 2004 de Alcan Inc. (pièce R-10);

VU les états financiers non vérifiés de Alcan Inc. au 30 septembre 2004 (pièce R-11);

VU la lettre du Directeur nommé en vertu de la *Loi canadienne sur les sociétés par actions* en date du 17 novembre 2004 (pièce R-12);

VU l'affidavit du Secrétaire général de la requérante au soutien de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement;

VU les dispositions de l'article 192 de la *Loi canadienne sur les sociétés par actions*;

PAR CES MOTIFS, LA COUR

ACCUEILLE en partie la présente requête;

ET, DANS UN PREMIER TEMPS,

DISPENSE Alcan Inc. de la signification de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement au stade de la convocation de l'assemblée générale spéciale des porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc. à quiconque, à l'exception du Directeur nommé en vertu de la *Loi canadienne sur les sociétés par actions*;

ORDONNE la convocation d'une assemblée générale spéciale des porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc. suivant les termes du projet d'avis de convocation déposé au soutien de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement sous la cote R-7;

AUTORISE Alcan Inc. à donner avis de cette assemblée générale spéciale en transmettant par la poste par courrier ordinaire ledit avis de convocation et les autres documents déposés au soutien de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement sous la cote R-7 à tous ses porteurs d'actions ordinaires et d'actions préférentielles;

AUTORISE la signification de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement en transmettant par la poste par courrier ordinaire à tous les porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc. l'avis de présentation de la requête réamendée et le texte de celle-ci déposés au soutien de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement sous la cote R-7;

ORDONNE la tenue de l'assemblée générale spéciale de Alcan Inc. conformément aux statuts de Alcan Inc., à son règlement administratif No. 1A, à la *Loi canadienne sur les sociétés par actions* et au *Règlement sur les sociétés par actions de régime fédéral (2001)* en vue i) de l'examen de la résolution visant l'arrangement et ii) du vote sur la résolution visant l'arrangement par les porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc., présents ou représentés par procuration à l'assemblée générale spéciale convoquée aux termes de la présente ordonnance, votant ensemble;

ORDONNE que toute contestation par une partie intéressée des modalités d'approbation de la résolution visant l'arrangement à l'assemblée générale spéciale du 22 décembre 2004 soit signifiée au greffe de cette Cour et aux procureurs de Alcan Inc. au plus tard le 10 décembre 2004;

ORDONNE, le cas échéant, que toute telle contestation par une partie intéressée des modalités d'approbation de la résolution visant l'arrangement à l'assemblée générale spéciale du 22 décembre 2004 soit tranchée par cette Cour au plus tard le 21 décembre 2004, à 16h30;

ORDONNE que l'arrangement doit être ratifié par 66 2/3% des voix exprimées par les porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc. présents ou représentés par procuration à l'assemblée générale spéciale convoquée aux termes de la présente ordonnance, votant ensemble;

ORDONNE que les porteurs d'actions ordinaires de Alcan Inc. auront le droit d'exercer un droit à la dissidence et d'exiger le rachat de leurs actions en la manière prévue à l'article 190 de la *Loi canadienne sur les sociétés par actions* et au plan d'arrangement (pièce R-7) en vue d'obtenir le remboursement de leurs actions à leur juste valeur;

ORDONNE que les porteurs d'actions préférentielles de Alcan Inc. auront le droit d'exercer un droit à la dissidence et d'exiger le rachat de leurs actions en la manière prévue au plan d'arrangement (pièce R-7);

RÉSERVE son jugement sur la partie de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement jusqu'au 23 décembre 2004, date à compter de laquelle la preuve de la ratification de l'arrangement proposé par les porteurs d'actions ordinaires et d'actions préférentielles de Alcan Inc. lors de l'assemblée générale spéciale convoquée aux termes de la présente ordonnance pourra être faite au Palais de justice de Montréal;

FIXE au 23 décembre 2004 l'audition de la partie de la requête réamendée de la requérante pour la convocation d'une assemblée d'actionnaires et pour l'approbation d'un arrangement;

LE TOUT SANS FRAIS, SAUF EN CAS DE CONTESTATION.

AND IN ITS ENGLISH VERSION

THE COURT, in connection with a reamended motion by the Applicant for an order requiring it to call, hold and conduct a shareholders' meeting and approving an arrangement dated November 21, 2004, having examined the proceedings and the evidence;

SEEING the reamended motion for an order requiring the Applicant to call, hold and conduct a shareholders' meeting and approving an arrangement;

SEEING the Applicant's representations;

SEEING the press release issued by Alcan Inc. on May 18, 2004 (Exhibit R-1);

SEEING the press release issued by Alcan Inc. on September 28, 2004 (Exhibit R-2);

SEEING the preliminary prospectus filed by Novelis Inc. on September 28, 2004 (Exhibit R-3);

SEEING Alcan Inc.'s memo to the Autorité des marchés financiers dated October 22, 2004 (Exhibit R-4);

SEEING the Policy concerning Arrangements under Section 192 of the *Canada Business Corporations Act* adopted by the Director under the *Canada Business Corporations Act* (Policy Statement 15.1) dated November 7, 2003 (Exhibit R-5);

SEEING the articles of Alcan Inc. (Exhibit R-6);

SEEING the draft documents prepared by Alcan Inc., which its board of directors will probably approve in substantially identical form at its meeting on November 23, 2004, with a view to calling, holding and conducting the meeting at which the holders of shares of Alcan will be invited to vote on the arrangement resolution (Exhibit R-7), namely:

- a. a management proxy circular whose schedules include:
 - i. a notice of meeting;
 - ii. the wording of the arrangement resolution (Schedule A);
 - iii. the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement, giving notice that the Superior Court will be asked to approve the arrangement (Schedule B);
 - iv. this interim order of the Superior Court, ordering *inter alia* the conduct and holding of the meeting (Schedule C);
 - v. the plan of arrangement under section 192 of the *Canada Business Corporations Act* (Schedule D);
 - vi. Schedule E will contain the opinion delivered by Morgan Stanley & Co. Incorporated on November 18, 2004 or thereabouts as to the fairness of the arrangement for Alcan's shareholders;
 - vii. Schedule F will contain an unaudited *pro forma* consolidated balance sheet of Alcan showing Alcan's situation as if the arrangement had already been completed as at September 30, 2004 and the unaudited *pro forma* consolidated statements of income of Alcan showing Alcan's situation as if the arrangement had already been completed as at January 1, 2003, for the year ended December 31, 2003 and for the nine months ended September 30, 2004;
- b. a form of proxy; and

c. the preliminary prospectus filed by Novelis Inc. with the securities authorities as at September 28, 2004 (Exhibit R-3);

SEEING By-law No. 1A of Alcan Inc. (Exhibit R-8);

SEEING the audited consolidated financial statements of Alcan Inc. for the year ended December 31, 2003 and the unaudited financial statements as at June 30, 2004 (Exhibit R-9);

SEEING the letter of Alcan Inc. to the Director under the *Canada Business Corporations Act*, together with enclosures, giving notice of the motion for an order requiring the calling, holding and conducting of a meeting of shareholders and approving an arrangement of Alcan Inc. dated November 10, 2004 (Exhibit R-10);

SEEING the unaudited financial statements of Alcan Inc. as at September 30, 2004 (Exhibit R-11);

SEEING the letter of the Director under the *Canada Business Corporations Act* dated November 17, 2004 (Exhibit R-12);

SEEING the affidavit of the Corporate Secretary of the Applicant in support of the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement;

SEEING the provisions of section 192 of the *Canada Business Corporations Act*;

WHEREFORE, THE COURT

GRANTS this application in part;

AND, AS A FIRST STEP,

DISPENSES Alcan Inc. from the requirement to serve the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement on any person other than the Director under the *Canada Business Corporations Act* at the time of calling the special general meeting of holders of common shares and preference shares of Alcan Inc.;

ORDERS that a special general meeting of holders of common shares and preference shares of Alcan Inc. be called in accordance with the draft notice of meeting filed in support of the Applicant's reamended motion for an order requiring the holding of a shareholders' meeting and approving an arrangement as Exhibit R-7;

AUTHORIZES Alcan Inc. to give notice of the said special general meeting by sending the said notice of meeting and the other documents filed in support of the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement as Exhibit R-7 by regular mail to all holders of its common shares and preference shares;

AUTHORIZES service to be made of the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement by sending the notice of presentation of the Applicant's reamended motion for an order requiring the calling of a shareholders' meeting and approving an arrangement and the text of the motion, filed in support hereof as Exhibit R-7, by regular mail to all holders of common shares and preference shares of Alcan Inc.;

ORDERS the holding and conduct of the special general meeting of Alcan Inc. in accordance with the articles of Alcan Inc., its By-law No. 1A, the *Canada Business Corporations Act* and the *Canada Business Corporations Regulation, 2001* for the purpose of *i)* considering the arrangement resolution and *ii)* having the holders of common shares and preference shares of Alcan Inc., present or represented by proxy at the special general meeting called in accordance with the terms of this order, vote together on the arrangement resolution;

ORDERS that any contestation by any interested party of the conditions for the approval of the arrangement resolution at the special general meeting on December 22, 2004 shall be served on the clerk of this Court and on Alcan Inc.'s counsel no later than December 10, 2004;

ORDERS, if applicable, that any such contestation by an interested party of the conditions for the approval of the arrangement resolution at the special general meeting on December 22, 2004 shall be resolved by this Court no later than December 21, 2004 at 4:30 P.M.;

ORDERS that the arrangement must be ratified by 66 2/3% of the votes cast by the holders of common shares and preference shares of Alcan Inc., present or represented by proxy at the special general meeting called in accordance with the terms of this order, voting together;

ORDERS that the holders of common shares of Alcan Inc. shall be entitled to exercise a right to dissent and to obtain the repurchase of their shares in the manner set forth in section 190 of the *Canada Business Corporations Act* and in the plan of arrangement (Exhibit R-7) with a view to obtaining payment of the fair value of their shares;

ORDERS that the holders of preference shares of Alcan Inc. shall be entitled to exercise a right to dissent and to obtain the repurchase of their shares in the manner set forth in the plan of arrangement (Exhibit R-7);

RESERVES judgment with respect to the part of the Applicant's reamended motion for an order approving an arrangement until December 23, 2004, the date as of which proof may be made at the Montreal Courthouse of the confirmation of the proposed arrangement by the holders of common shares and preference shares of Alcan Inc. at the special general meeting called in accordance with the terms of this order;

FIXES the date of the hearing on the part of the Applicant's amended motion that relates to this Court's approval of the proposed arrangement at December 23, 2004;

THE WHOLE WITHOUT COSTS, EXCEPT IN THE EVENT OF CONTESTATION.

(Signed)

ROBERT MONGEON

**PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE
CANADA BUSINESS CORPORATIONS ACT**

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith:

- (a) **“Affiliate”** means an affiliate of Alcan as that term is defined in paragraph 8 of Canada Revenue Agency’s Interpretation Bulletin IT-337R4, Retiring Allowances;
- (b) **“Alcan”** means Alcan Inc., a corporation organized under the CBCA;
- (c) **“Alcan Class A Common Shares”** means the class A common shares of Alcan, having the terms and conditions set out in Schedule A hereto, which Alcan will be authorized to issue upon the Arrangement becoming effective and which are shares to be issued under the Arrangement to Alcan Common Shareholders in exchange, in part, for Alcan Common Shares, and to be redesignated as Alcan common shares (such redesignated Alcan common shares being referred to as the **“New Alcan Common Shares”** in this Plan of Arrangement) once the current Alcan Common Shares have been deleted from the share capital of Alcan;
- (d) **“Alcan Common Shares”** means the voting common shares of Alcan;
- (e) **“Alcan Common Shareholders”** means the holders of Alcan Common Shares;
- (f) **“Alcan Executive Share Option Plan”** means the executive share option plan of Alcan, which came into effect on March 26, 1981, as amended from time to time;
- (g) **“Alcan Group”** means Alcan and its subsidiaries, whether held directly or indirectly;
- (h) **“Alcan Preference Shareholders”** means the holders of Alcan Preference Shares;
- (i) **“Alcan Preference Shares”** means the Series C Preference Shares and the Series E Preference Shares of Alcan;
- (j) **“Alcan Proxy Circular”** means the management proxy circular of Alcan to be sent to Alcan Shareholders in connection with the Meeting;
- (k) **“Alcan Redemption Note”** means the demand, non-interest bearing promissory note to be issued by Alcan to Novelis as consideration for the aggregate redemption price of the Alcan Special Shares held by Novelis, as contemplated by this Plan of Arrangement;
- (l) **“Alcan Shareholders”** means collectively, the Alcan Common Shareholders and the Alcan Preference Shareholders;
- (m) **“Alcan Special Shares”** means the non-voting redeemable, retractable, special shares of Alcan, having the terms and conditions set out in Schedule A hereto, which Alcan will be authorized to issue upon the Arrangement becoming effective and which are to be issued under the Arrangement to Alcan Common Shareholders in exchange, in part, for Alcan Common Shares;
- (n) **“Arcustarget”** means Arcustarget Inc., a wholly-owned subsidiary of Alcan incorporated under the CBCA and designated by Alcan to own the Separated Businesses on the Effective Date prior to its amalgamation to Novelis pursuant to this Plan of Arrangement;
- (o) **“Arcustarget Common Shares”** means the voting common shares of Arcustarget to be transferred by Alcan to Novelis in exchange for Novelis Special Shares, as contemplated in this Plan of Arrangement;

- (p) **“Arrangement”** means the proposed arrangement under the provisions of Section 192 of the CBCA, on and subject to the terms and conditions set forth in this Plan of Arrangement and any amendment thereto;
- (q) **“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday in Canada or any of its provinces;
- (r) **“CBCA”** means the Canada Business Corporations Act;
- (s) **“Certificate of Arrangement”** means the certificate of arrangement to be issued by the director under the CBCA giving effect to the Arrangement;
- (t) **“Court”** means the Quebec Superior Court;
- (u) **“Deferred Share Unit”, or “DSU”** means a unit credited by Alcan to a Member by way of a bookkeeping entry in the books of Alcan or another employer in the Alcan Group, pursuant to the Directors 1997 DSUP, Directors 2001 DSUP or the Executive DSUP, the value of which, as of a particular date, is based on the price of Alcan Common Shares;
- (v) **“Depository”** means CIBC Mellon Trust Company;
- (w) **“Directors 1997 DSUP”** means the Deferred Stock Unit Plan for Non-Employee Directors of Alcan Aluminium Limited, which came into effect on January 1, 1997, as the same may be amended from time to time;
- (x) **“Directors 2001 DSUP”** means the Alcan Deferred Share Unit Plan for Non-Executive Directors which came into effect on April 1, 2001, as the same may be amended from time to time;
- (y) **“Dissent Right”** means the right of an Alcan Common Shareholder to dissent in respect of the Arrangement and obtain the repurchase of such holder’s Alcan Common Shares pursuant to this Plan of Arrangement and in the manner set forth in Section 190 of the CBCA;
- (z) **“Dissenting Shareholder”** means an Alcan Common Shareholder who exercises such holder’s Dissent Right;
- (aa) **“Distribution”** means the pro rata distribution of New Alcan Common Shares and Novelis Common Shares to Alcan Common Shareholders, as contemplated in this Plan of Arrangement;
- (bb) **“Distribution Record Date”** means the third trading day on the Toronto Stock Exchange following the Effective Date, expected to be January 6, 2005, or such other date as the board of directors of Novelis and the board of directors of Alcan may select;
- (cc) **“Effective Date”** means the effective date of the Arrangement, being the date shown on the Certificate of Arrangement, expected to be January 1, 2005, or such later date on which the conditions to the Arrangement have been met;
- (dd) **“Executive DSUP”** means the Alcan Deferred Share Unit Plan for Executives, which came into effect on January 1, 1997 and was amended and restated as of January 1, 2003, as the same may be amended from time to time;
- (ee) **“Existing Alcan Options”** means an outstanding option to acquire Alcan Common Shares granted by Alcan pursuant to the Alcan Executive Share Option Plan;
- (ff) **“Fair Market Value of the Arcustarget Common Shares”** means an amount, determined as of immediately before the transfer of the Arcustarget Common Shares by Alcan to Novelis, equal to the proportion of the fair market value of the net assets of Alcan determined before the transfer that:
 - (a) the aggregate fair market value of the Alcan Special Shares owned by Novelis, immediately before the transfer, is of
 - (b) the aggregate fair market value of all the issued and outstanding shares of Alcan immediately before the transfer;
- (gg) **“Final Order”** means the final order of the Court made in connection with the approval of the Arrangement and the fairness of the terms and conditions thereof;

- (hh) **“In the Money Amount”** means in relation to a particular stock option, the amount by which the fair market value of the shares that are the subject of the particular option exceeds the exercise price of such option;
- (ii) **“Interim Order”** means the interim order of the Court made in connection with the approval of the Arrangement, providing for, among other things, the holding of the Meeting, as the same may be amended, supplemented or varied by the Court;
- (jj) **“Meeting”** means the special meeting of Alcan Shareholders to consider the Plan of Arrangement, and any adjournment or postponement thereof;
- (kk) **“Member”** means an individual who has been granted DSUs under the Directors 1997 DSUP, the Directors 2001 DSUP or the Executive DSUP;
- (ll) **“New Alcan Options”** means the stock options that Alcan will grant as described in Subsection 2.2(f);
- (mm) **“Novelis”** means Novelis Inc., a corporation incorporated under the CBCA formed to acquire under the Arrangement and independently carry on most of the aluminum rolled products businesses operated by Alcan;
- (nn) **“Novelis Common Shares”** means the voting common shares of Novelis, having the terms and conditions set out in Schedule B hereto, to be issued to holders of Alcan Special Shares under the Arrangement in exchange for such Alcan Special Shares;
- (oo) **“Novelis Options”** means the stock options that Novelis will grant as described in Subsection 2.2(h);
- (pp) **“Novelis Redemption Note”** means the demand, non-interest bearing promissory note to be issued by Novelis to Alcan as consideration for the aggregate redemption price of the Novelis Special Shares held by Alcan, as contemplated by this Plan of Arrangement;
- (qq) **“Novelis Special Shares”** means the non-voting redeemable, retractable, special shares of Novelis to be issued by Novelis to Alcan in consideration for the transfer by Alcan to Novelis of the Arcustarget Common Shares, as contemplated by this Plan of Arrangement;
- (rr) **“Optionholder”** means an individual who holds Existing Alcan Options on the date of the exchanges described in Subsections 2.2(f) and (h);
- (ss) **“Plan of Arrangement”** means this plan of arrangement, as the same may be amended from time to time;
- (tt) **“Preference Repurchase Price”** means the amount that would be payable to an Alcan Preference Shareholder in respect of an Alcan Preference Share if redeemed by Alcan on the Effective Date in accordance with the rights, privileges, restrictions and conditions attaching to the Alcan Preference Shares;
- (uu) **“Repurchase Right”** means the right of an Alcan Preference Shareholder to dissent in respect of the Arrangement and obtain the repurchase of such holder’s Alcan Preference Shares pursuant to this Plan of Arrangement;
- (vv) **“Repurchase Shareholder”** means an Alcan Preference Shareholder who exercises such holder’s Repurchase Right;
- (ww) **“Separated Businesses”** means substantially all of the aluminum rolled products businesses operated by Alcan prior to the December 2003 acquisition of Pechiney, together with some of Alcan’s alumina and primary metal-related businesses in Brazil and four former Pechiney rolling facilities in Europe, which are to be transferred to Novelis as described in the Alcan Proxy Circular;
- (xx) **“Separation Agreement”** means the separation agreement to be entered into between Alcan and Novelis with respect to the transfer of the Separated Businesses to Novelis;
- (yy) **“Tax Act”** means the *Income Tax Act* (Canada);
- (zz) **“Termination Date”** means the earliest date on which both of the following conditions are met: (1) the Member has ceased to be employed by Alcan or any Affiliate for any reason whatsoever,

and (2) the Member is not a member of the board of directors of Alcan or the board of directors of an Affiliate; and

(aaa) “**Transferred Employee**” has the meaning ascribed thereto in Subsection 2.2(h).

1.2 Schedules

The following Schedules are attached to this Plan of Arrangement and form part hereof:

Schedule A –	Share Conditions of Alcan Class A Common Shares and Alcan Special Shares
Schedule B –	Share Conditions of Novelis Common Shares
Schedule C –	Repurchase Rights

1.3 Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to “herein,” “hereby,” “hereunder,” “hereof,” “hereto” and similar expressions are references to this Plan of Arrangement as a whole and not to any particular Section, Subsection or Schedule;
- (b) references to an “Article,” “Section,” “Subsection,” “Clause” or “Schedule” are references to an article, section, subsection, clause or schedule of, or to, this Plan of Arrangement, unless otherwise indicated;
- (c) words importing the singular shall include the plural and *vice versa*, words importing gender shall include the masculine, feminine and neuter genders, and references to a “person” or “persons” shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;
- (d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (e) the word “including,” when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

ARTICLE 2

THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to the provisions of the Separation Agreement and constitutes an arrangement as referred to in Section 192 of the CBCA.

2.2 The Arrangement

At the earliest possible time on the Effective Date, subject to the Dissent Rights referred to in Section 3.1 and the Repurchase Rights referred to in Section 3.2 hereof, the following shall occur and be deemed to occur in the following order without any further act or formality and with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

Reorganization of Alcan's Share Capital

- (a) The articles of Alcan will be amended to create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment):
 - (i) an unlimited number of Alcan Class A Common Shares; and
 - (ii) an unlimited number of Alcan Special Shares;
 - (iii) which shall have rights, privileges, restrictions and conditions set out in Schedule A hereto;

Exchange of Alcan Common Shares

- (b) Each Alcan Common Share outstanding on the Effective Date (other than any such shares in respect of which the holder has exercised Dissent Rights) will be exchanged for one new Alcan Class A Common Share and one Alcan Special Share (the Alcan Class A Common Shares to become the New Alcan Common Shares as described below). In connection with such exchange:
 - (i) no other consideration will be received by any holder of such Alcan Common Shares;
 - (ii) the additions to the stated capital accounts of the Alcan Class A Common Shares and the Alcan Special Shares will reflect the relative aggregate fair market values of such shares; and
 - (iii) the Alcan Common Shares so exchanged will be cancelled;

Deferred Share Units

- (c) Concurrent with the exchange of Alcan Common Shares described in Subsection 2.2(b) above, the value of a Deferred Share Unit under each of the Directors 1997 DSUP, Directors 2001 DSUP and the Executive DSUP shall be determined based on Alcan Class A Common Shares and shall be valued based on Alcan Class A Common Shares thereafter. At the same time, there shall be an adjustment to the number of Deferred Share Units credited to Members of the Directors 1997 DSUP, Directors 2001 DSUP and the Executive DSUP so that the value of the Members' outstanding Deferred Share Units based on Alcan Class A Common Shares immediately after the exchange described in Subsection 2.2(b) above is the same as the value of the Members' outstanding Deferred Share Units based on Alcan Common Shares immediately before the exchange described in Subsection 2.2(b) above.
- (d) As described in Subsection 2.2(p) below, immediately following the transfer of the Arcustarget Common Shares to Novelis, Novelis and Arcustarget will undertake an amalgamation under the provisions of the CBCA.
- (e) Immediately after the redemption of the Novelis Special Shares and the Alcan Special Shares described in Subsections 2.2(j) and (k) below, the employment of the Transferred Employees with Alcan or its subsidiaries will be terminated and the Transferred Employees will become employees of Novelis or its subsidiaries. In accordance with the terms of the Directors 1997 DSUP, Directors 2001 DSUP and the Executive DSUP, each Transferred Employee who is a Member will be entitled to receive a payment of the value of his or her Deferred Share Units at a date elected by the Transferred Employee following the Transferred Employee's Termination Date and in any event no later than December 15 of the following calendar year.

Existing Alcan Options

- (f) Concurrent with the exchange of Alcan Common Shares described Subsection 2.2(b) above, each employee and former employee of Alcan and its subsidiaries who is at that time an Optionholder, other than the Transferred Employees discussed in Subsection 2.2(h) below, will exchange all Existing Alcan Option held by such Optionholder for new Alcan options (a "**New Alcan Option**") granted by Alcan to acquire Alcan Class A Common Shares. The only consideration such Optionholder will receive for the disposition of his or her Existing Alcan Options will be New Alcan Options. The number and exercise price of the New Alcan Options will be based on the trading prices of the Alcan Common Shares before and the New Alcan Common Shares after the Effective Date to preserve the economic value of the Alcan Options. The exercise price of the New Alcan Options will be denominated in Canadian dollars and the aggregate In the Money Amount

applicable to the New Alcan Options determined immediately after the exchange will not exceed the aggregate In the Money Amount determined immediately before the exchange applicable to the Existing Alcan Options that were the subject of the exchange by the particular Optionholder. In calculating the In the Money Amount applicable to the Existing Alcan Options, the fair market value of the Alcan Common Shares will be computed in Canadian dollars as the volume weighted average trading price on The Toronto Stock Exchange of those shares on the last trading day immediately prior to the time of the exchange. For the purposes of calculating the In the Money Amount applicable to the New Alcan Options, the fair market value of the Alcan Class A Common Shares will be computed in Canadian dollars as the volume weighted average trading price on The Toronto Stock Exchange of those shares on the first trading day immediately following the time of the exchange.

Transfer of Alcan's Special Shares to Novelis

- (g) Each outstanding Alcan Special Share will be transferred by the holder thereof to Novelis in exchange for the issuance by Novelis to such holder, as the sole consideration therefor, of a number of Novelis Common Shares, such number to be determined by Alcan prior to the Effective Date. In connection with such exchange:
 - (i) all fractional Novelis Common Shares otherwise receivable by Alcan Common Shareholders on such exchange will be aggregated and sold by a third-party trustee on behalf of such Alcan Common Shareholders for cash proceeds in the open market, such cash proceeds to be remitted to the Alcan Common Shareholders entitled thereto;
 - (ii) each holder of Alcan Special Shares so exchanged shall, on such exchange, cease to be the holder of such shares and shall become the holder of the number of Novelis Common Shares issued to such holder;
 - (iii) the stated capital account for the Novelis Common Shares shall be increased by an amount equal to the fair market value of the transferred Alcan Special Shares;
 - (iv) the Novelis Common Shares will be listed on prescribed stock exchanges on the first Business Day following their issuance;
 - (v) no election under Subsection 85(1) of the Tax Act will be filed; and
 - (vi) Alcan and Novelis agree that Novelis shall have the right to acquire the Arcustarget Common Shares for Novelis Special Shares

Existing Alcan Options of Transferred Employees

- (h) Concurrent with the transfer of the Alcan Special Shares described in Subsection 2.2(g) above, each Optionholder who is an employee of Alcan or its subsidiaries and who will become an employee of Novelis or a subsidiary of Novelis (a "**Transferred Employee**") will exchange all Existing Alcan Options held by him or her for new Novelis options granted by Novelis to acquire Novelis Common Shares (a "**Novelis Option**"). The only consideration such Transferred Employee will receive for the disposition of Existing Alcan Options will be Novelis Options. The exercise price of the Novelis options will be denominated in United States dollars. The aggregate In the Money Amount applicable to the Novelis Options (determined as described below in this Subsection 2.2(h)) determined immediately after the exchange will not exceed the aggregate In the Money Amount determined immediately before the exchange applicable to the Existing Alcan Options that were the subject of the exchange by the particular Transferred Employee. In calculating the In the Money Amount applicable to the Existing Alcan Options, the fair market value of the Alcan Common Shares will be computed in Canadian dollars as the weighted average trading price of those shares on The Toronto Stock Exchange on the last trading day immediately prior to the time of the exchange. For purposes of calculating the In the Money Amount applicable to the Novelis Options, the fair market value of the Novelis Common Shares will be computed in Canadian dollars as the weighted average trading price of those shares on The Toronto Stock Exchange on the first trading day immediately following the exchange described in Subsection 2.2(g) above.

Transfer of Arcustarget Common Shares to Novelis

- (i) Alcan will transfer to Novelis all of its Arcustarget Common Shares in consideration for Novelis issuing to Alcan that number of Novelis Special Shares having an aggregate redemption and fair market value equal to the Fair Market Value of the Arcustarget Common Shares at the time of such transfer:
 - (i) Alcan will jointly elect with Novelis, in prescribed form and within the time allowed by Subsection 85(6) of the Tax Act, to have provisions of Subsection 85(1) of the Tax Act apply to the transfer of the Arcustarget Common Shares. The agreed amount in respect of the Arcustarget Common Shares transferred will be equal to the cost amount of such shares to Alcan at the time of disposition, which will be less than the Fair Market Value of the Arcustarget Common Shares transferred at that time;
 - (ii) Novelis will add an amount to the stated capital account in respect of the Novelis Special Shares issued as consideration on the transfer of the Arcustarget Common Shares equal to the aggregate Fair Market Value of the Arcustarget Common Shares;

Elimination of Cross Shareholdings

- (j) Immediately following the transfer of the Arcustarget Common Shares referred to in Subsection 2.2(i) above, Novelis will redeem for cancellation all of the Novelis Special Shares held by Alcan in consideration for the issuance by Novelis to Alcan of the Novelis Redemption Note in the principal amount and fair market value equal to the fair market value of the Novelis Special Shares redeemed, in full and absolute payment, satisfaction and discharge of the redemption price of the Novelis Special Shares;
- (k) Alcan will redeem for cancellation all of the Alcan Special Shares held by Novelis in consideration for the issuance by Alcan to Novelis of the Alcan Redemption Note in the principal amount and fair market value equal to the fair market value of the Alcan Special Shares redeemed, in full and absolute payment, satisfaction and discharge of the redemption price of the Alcan Special Shares;

Set-off of Notes

- (l) The Novelis Redemption Note will be set off against the Alcan Redemption Note in full satisfaction of the respective obligations under each note and the notes will be cancelled;

Post Butterfly Transaction

- (m) The articles of Alcan will be amended by deleting the Alcan Special Shares and the Alcan Common Shares from the share capital which Alcan is authorized to issue and to redesignate the Alcan Class A Common Shares as the new Alcan Common Shares;
- (n) The articles of Alcan will be restated and such restated articles will be filed by Alcan with the director under the CBCA pursuant to Subsection 192(6) of the CBCA;
- (o) The articles of incorporation of Novelis will be amended by deleting the Novelis Special Shares from the share capital which Novelis is authorized to issue and the articles of incorporation of Novelis will be restated thereafter and filed with the director under the CBCA;
- (p) Novelis and Arcustarget will be amalgamated under the provisions of the CBCA.

ARTICLE 3

RIGHTS OF DISSENT

3.1 Dissent Rights

Holders of Alcan Common Shares may exercise a right to dissent and obtain the repurchase of their Alcan Common Shares pursuant to this Section 3.1 and in the manner set forth in Section 190 of the CBCA. Holders who duly exercise such Dissent Rights and who:

- (a) are ultimately entitled to be paid fair value for their Alcan Common Shares shall be deemed to have transferred such shares to Alcan for cancellation on the Effective Date immediately prior to the first step of this Plan of Arrangement set out in Subsection 2.2(a) above being effected, or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Alcan Common Shares shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of Alcan Common Shares as at and from the Effective Date and shall receive Alcan Class A Common Shares (to be redesignated as New Alcan Common Shares) and Novelis Common Shares on the basis set out in this Plan of Arrangement.

3.2 Repurchase Rights

Holders of Alcan Preference Shares may exercise a right to dissent and obtain the repurchase of their Alcan Preference Shares pursuant to the procedures set forth in Schedule C hereto. Alcan Preference Shareholders who have duly exercised their Repurchase Rights and who:

- (a) are ultimately entitled to be paid the Preference Repurchase Price for their Preference Shares shall be deemed to have transferred such shares to Alcan for cancellation on the Effective Date immediately prior to the first step of this Plan of Arrangement set out in Subsection 2.2(a) above being effected, or
- (b) are ultimately not entitled, for any reason, to be paid the Preference Repurchase Price for their Alcan Preference Shares shall be deemed to have participated in the Arrangement on the same basis as any holder of Alcan Preference Shares not exercising its Repurchase Rights as at and from the Effective Date and shall continue to beneficially own their Alcan Preference Shares subject to the rights, privileges, restrictions and conditions applicable thereto.

ARTICLE 4

CERTIFICATES

4.1 Entitlement to Share Certificates

- (a) Upon the Arrangement becoming effective, from and including the Effective Date to and including the Distribution Record Date, share certificates representing Alcan Common Shares will represent the New Alcan Common Shares and Novelis Common Shares to be issued to Alcan Common Shareholders under the Arrangement;
- (b) As soon as practicable after the Distribution Record Date, there will be delivered to each Alcan Common Shareholder of record at the close of business in Montreal on the Distribution Record Date, certificates representing the Novelis Common Shares to which such holder is entitled pursuant to the Arrangement and cash for any fractional interest in a Novelis Common Share;
- (c) The certificates representing Alcan Common Shares will be deemed for all purposes thereafter to be certificates representing New Alcan Common Shares and accordingly no new certificates will be issued for the New Alcan Common Shares.

4.2 Lost Certificates

If any certificate representing, immediately prior to the Effective Date, one or more outstanding Alcan Common Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and the giving by such person of a bond satisfactory to Alcan and the Depositary in such sum as Alcan and the Depositary may determine against any claim that may be made against Alcan or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed, the Depositary will make such distribution or delivery in respect of the Alcan Common Shares represented by such lost, stolen or destroyed certificate as determined in accordance with Subsection 4.1(a).

ARTICLE 5

PLAN OF ARRANGEMENT AMENDMENT

5.1 Amendment

- (a) Alcan reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time from time to time, whether before or after the Interim Order or the Final Order, provided that any amendment, modification, or supplement must be contained in a written document which is filed with the Court and, if made following the Meeting, approved by the Court and communicated to any persons in the manner required by the Court;
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Alcan at any time prior to or at the Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Meeting, will become part of this Plan of Arrangement for all purposes;
- (c) Any amendment, modification or supplement to this Plan of Arrangement which is approved or directed by the Court following the Meeting will be effective only if it is consented to by Alcan, Arcustarget and Novelis;
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Alcan, provided that it concerns a matter which, in the reasonable opinion of Alcan, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of shares of Alcan or Novelis.

ARTICLE 6

TERMINATION

6.1 Termination

Notwithstanding any prior approvals by the Court or by Alcan Shareholders, the board of directors of Alcan may decide not to proceed with the Arrangement and to revoke the Arrangement resolution adopted at the Meeting at any time prior to the issuance of the Certificate of Arrangement, without further approval of the Court or the Alcan Shareholders.

SCHEDULE A

SHARE CONDITIONS OF ALCAN

CLASS A COMMON SHARES AND ALCAN SPECIAL SHARES

1. The Alcan Class A Common Shares shall be subject to the prior rights, privileges, restrictions and conditions attached to the Alcan Preference Shares and the Alcan Common Shares and the holders of the Alcan Class A Common Shares shall amongst other things, be entitled:
 - (i) to vote at all meetings of shareholders of Alcan except meetings at which only holders of other classes of shares are entitled to vote; and
 - (ii) to receive the remaining property of Alcan upon dissolution.
2. The rights, privileges, restrictions and conditions attaching to the Alcan Special Shares are as follows:
 - (i) **Dividends:** Subject to the preferential right of the Preference Shares to receive dividends and subject to any preferential rights attaching to any other shares of the Corporation, the holders of Alcan Special Shares shall be entitled to receive out of the assets of the Corporation lawfully applicable to the payment of dividends, if, as and when declared by the directors of the Corporation, in equal amounts per share on all Alcan Special Shares at the relevant time issued and outstanding, such dividends as may be declared by the directors of the Corporation to be payable in respect of Alcan Special Shares.
 - (ii) **Liquidation:** In the event of the liquidation, dissolution or winding up of the Corporation, or other distribution of the property and assets of the Corporation among its shareholders for the purpose of winding up its affairs, whether on a voluntary or involuntary basis, the holders of Alcan Special Shares shall be entitled to receive out of the property and assets of the Corporation lawfully available for distribution to its shareholders an amount per Alcan Special Share equal to the Special Redemption Amount (as defined below) together with any dividends thereon which have been declared prior to, but remain unpaid on, the date of distribution. The right of the holders of Alcan Special Shares to receive such distribution shall rank in priority to any distribution to the holders of any other class of shares of the Corporation (other than any outstanding Alcan Preference Share). Except for a distribution in the amount of the Special Redemption Amount as aforesaid, the holders of Alcan Special Shares shall not as such be entitled to receive or participate in any distribution of the property and assets of the Corporation among its shareholders.
 - (iii) **Redemption:** Subject to the provisions of the CBCA, the Corporation may at any time and from time to time redeem all or any part of the Alcan Special Shares at an amount per share (which shall be paid in money or, with the concurrence of the holder, money's worth) equal to the sum of \$ 1 (the "Special Redemption Amount") together with any dividends thereon which have been declared prior to, but remain unpaid on, the redemption date. *[Note to reader: the dollar amount to be inserted in this clause will be equal to that proportion of the fair market value of the shares of Alcan that the Fair Market Value of the Arcustarget Common Shares to be transferred to Novelis pursuant to subsection 2.2(i) of the Plan of Arrangement is of the fair market value of all of the net assets of Alcan, all as determined by the board of directors of Alcan as of Effective Date, divided by the number of Alcan Special Shares issued in connection therewith. This amount will be ascertained and inserted in these share provisions immediately prior to the filing of the articles of arrangement to effect the Plan of Arrangement].*
 - (iv) **Retraction:** Subject to the provisions of the CBCA, every registered holder of Alcan Special Shares may at any time, at the option of such holder, require the Corporation to redeem the whole or any part of the Alcan Special Shares registered in such holder's name by depositing with the Corporation an irrevocable written request for the same, together with the share certificate or certificates, if any, representing the Alcan Special Shares to be redeemed. Upon receipt of such request and certificate or certificates the Corporation shall, subject to the provision of the CBCA, redeem such Alcan Special Shares and pay such holder the Special Redemption Amount, together with any dividends thereon which have been declared prior to, but remain unpaid on, the redemption date, for each Alcan Special Share so redeemed.
 - (v) **Cancellation:** Any Alcan Special Shares that are redeemed by the Corporation pursuant to any of the provision hereof shall for all purposes be considered to have been redeemed on, and shall be cancelled concurrently with, the payment by the Corporation to or to the benefit of the holder thereof

the Special Redemption Amount together with any dividends thereon which have been declared prior to but remain unpaid on the date of such payment.

- (vi) **Voting:** Subject to the provisions of the CBCA, the holders of Alcan Special Shares shall not be entitled to receive notice of or attend or vote at any meetings of the shareholders of the Corporation.
- (vii) **Amount Specified:** For purposes of Subsection 191(4) of the Tax Act the amount specified in respect of each Alcan Special Share is \$ 1 . [*Note to reader: This amount will be the same as the amount in Section 2(iii) above.*]

SCHEDULE B

SHARE CONDITIONS OF NOVELIS COMMON SHARES

The common shares shall entitle the holders thereof to one vote per common share at all meetings of shareholders, except meetings at which only holders of another specified class or series of shares are entitled to vote. The holders of common shares shall have the right, subject to the rights, privileges, restrictions and conditions attaching to any Special Shares, First Preferred Shares, Second Preferred Shares and shares of any other class of the Corporation ranking senior to the common shares, to receive any dividend declared by the Corporation and the remaining property of the Corporation upon a dissolution.

SCHEDULE C

REPURCHASE RIGHTS

Alcan Preference Shareholders who object to the Arrangement Resolution may request to have their Alcan Preference Shares repurchased in the manner provided in the Interim Order and the Plan of Arrangement.

Any Repurchased Shareholder will be entitled, in the event the Arrangement becomes effective, to be paid by Alcan an amount of CAD \$25 plus any accrued dividend on such Alcan Preference Shares, for each Alcan Preference Share (the “**Repurchased Shares**”) held by such Repurchased Shareholder determined as at the close of business on the Business Day immediately preceding the Meeting (the “**Repurchase Price**”).

An Alcan Preference Shareholder who wishes to exercise his or her Repurchase Right must provide to Alcan, at or before the Meeting (by delivery to the Corporate Secretary of Alcan at its registered office located at 1188 Sherbrooke Street West, Montreal, Quebec H3A 3G2 or lodging with the chairman of the Meeting no later than the time of the Meeting), a written objection to the Arrangement Resolution (a “**Repurchase Notice**”). The filing of a Repurchase Notice does not deprive an Alcan Preference Shareholder of the right to vote; however, an Alcan Preference Shareholder who has submitted a Repurchase Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Repurchased Shareholder with respect to Alcan Preference Shares voted in favour of the Arrangement Resolution. Alcan will not assume that a vote against the Arrangement Resolution constitutes a Repurchase Notice. There is no right of partial dissent and, accordingly, a Repurchased Shareholder may only dissent with respect to all Alcan Preference Shares of a class held by it on behalf of any one beneficial owner and which are registered in the name of the Repurchased Shareholder.

Alcan will, within ten days after adoption of the Arrangement Resolution, notify each Repurchased Shareholder that the Arrangement Resolution has been adopted. Such notice will not be sent to any Alcan Preference Shareholder who voted for the Arrangement Resolution or who has withdrawn its Repurchase Notice.

A Repurchased Shareholder must, within 20 days after the Repurchased Shareholder receives notice that the Arrangement Resolution has been adopted or, if the Repurchased Shareholder does not receive such notice, within 20 days after the Repurchased Shareholder learns that the Arrangement Resolution has been adopted, send to Alcan a written notice (a “**Payment Demand**”) containing its name and address, the number and class of Alcan Preference Shares in respect of which the Repurchased Shareholder dissented, and a demand for payment with respect to such shares. Within 30 days after a Payment Demand, the Repurchased Shareholder must send to the Corporate Secretary of Alcan at the same address as above, the certificates representing the Dissent Shares in respect of which it dissented. A Repurchased Shareholder who fails to send the certificates representing the Repurchased Shares in respect of which he or she dissented forfeits its right to make a claim.

On filing a Payment Demand a Repurchased Shareholder ceases to have any rights as an Alcan Preference Shareholder, other than the right to the payment described above, except where:

- (iv) the Repurchased Shareholder withdraws its Payment Demand before Alcan pays the Repurchase Price;
- (v) Alcan fails to pay the Repurchase Price as hereinafter described and the Repurchased Shareholder withdraws its Payment Demand; or
- (vi) the Alcan Board revokes the Arrangement Resolution.

If the Arrangement Resolution is revoked, Alcan will reinstate the Repurchased Shareholder’s rights as an Alcan Preference Shareholder.

Alcan will, not later than seven days after the later of the Effective Date or the date on which Alcan received the Payment Demand of a Repurchased Shareholder, send to each Repurchased Shareholder who has sent a Payment Demand with respect to Alcan Preference Shares, a cheque in an amount corresponding to the Repurchase Price.

[Morgan Stanley & Co. Incorporated Letterhead]

November 23, 2004

Board of Directors
Alcan Inc.
1188 Sherbrooke Street West
Montreal, Quebec H3A 3G2

Members of the Board of Directors:

We understand that Alcan Inc. (“Alcan”), Arcustarget, a wholly owned subsidiary of Alcan (“Arcustarget”), and Novelis, an affiliate of Alcan (“Novelis”), propose to enter into a Plan of Arrangement, substantially in the form of the draft dated November 22, 2004 (the “Plan of Arrangement”) to distribute 100% of the capital stock of Novelis, which will, through Arcustarget, contain substantially all of the aluminum rolled product business operated by Alcan prior to its 2003 acquisition of Pechiney, together with some of Alcan’s alumina and primary metal-related businesses in Brazil and four former Pechiney facilities in Europe (collectively, the “Businesses”) to the holders of common shares of Alcan (the “Distribution”) by way of a statutory plan of arrangement under section 192 of the Canada Business Corporations Act (“CBCA”). All undefined capitalized terms shall have the meanings ascribed to them in the Plan of Arrangement.

Under the Plan of Arrangement, among other things, each Alcan Common Share outstanding on the Effective Date will receive one new Alcan Class A Common Share and one Alcan Special Share. Thereafter, on the Effective Date, each outstanding Alcan Special Share will be exchanged for a certain number of Novelis Common Shares, determined pursuant to the provisions in the Plan of Arrangement. In addition, prior to the Effective Date, Alcan will transfer the Businesses to Arcustarget, and as of the Effective Date, Novelis and Arcustarget will be amalgamated. We understand that the Plan of Arrangement is subject to approval of at least 66 2/3% of the votes cast by holders of the Alcan Common Shares, Alcan Series C Preference Shares and Alcan Series E Preference Shares (collectively, the “Alcan Shareholders”), voting together as a class, on a basis ordered by the Quebec Superior Court (the “Court”). We understand that holders of Alcan Common Shares will, by order of the Court, be provided with a right to dissent as set forth in the CBCA in respect of the Plan of Arrangement. We also understand holders of Alcan Series C Preference Shares and Alcan Series E Preference Shares (collectively the “Alcan Preference Shares” and collectively with the Alcan Common Shares, the “Alcan Shares”) will, by order of the Court, be provided with Repurchase Rights, which require Alcan to repurchase such holders’ Alcan Preference Shares in accordance with the terms thereof, provided, however, that if a holder does not exercise his or her Repurchase Rights, such holder will retain the Alcan Preference Shares, which will remain subject to the same terms and conditions, including, among other things, the right of redemption, by the holder thereof, as in effect prior to the Effective Date.

We further understand that Novelis expects to assume approximately \$2,800 million in debt under senior secured and unsecured borrowing arrangements that Novelis will enter into prior to the Distribution and will also enter into a \$500 million revolving credit facility to be drawn down subsequent to the Distribution for working capital and other requirements from Morgan Stanley Senior Funding, Inc. (collectively the “Capitalization Agreements”). We also understand that, in connection with the Distribution, Alcan and Novelis have entered into certain arrangements including transition service, employee benefit, manufacturing and supply, tax sharing, and intellectual property assignment and license arrangements that will govern their relationship after the Distribution, substantially in the forms of the drafts dated November 16, 2004 (collectively, the “Transition Agreements”, and together with the Plan of Arrangement and the Capitalization Agreements, the “Distribution Agreements”).

The terms and conditions of the Distribution are more fully set forth in the Distribution Agreements as well as the preliminary non-offering prospectus, substantially in the form of the draft dated November 17, 2004 (the “Preliminary Prospectus”) filed with the Canadian provincial and territorial securities commissions and with the US Securities and Exchange Commission (“SEC”) under cover of a Registration Statement on Form 10 in connection with the proposed Distribution and the Notice of Special Meeting of Shareholders of Alcan and Management Proxy Circular, substantially in the form of the draft dated November 21, 2004 (“the Proxy Circular”).

You have asked for our opinion as of the date hereof whether the proposed Distribution is fair, from a financial point of view, to Alcan Shareholders.

For purposes of the opinion set forth herein, we have:

- i) reviewed certain publicly available financial statements and other business and financial information of Alcan and Novelis;
- ii) reviewed certain internal financial statements and other financial and operating data concerning Alcan and Novelis prepared by the managements of Alcan and Novelis;
- iii) reviewed certain financial forecasts prepared by the managements of Alcan and Novelis;
- iv) reviewed information relating to certain strategic, financial and operational benefits and costs anticipated from the Distribution prepared by the managements of Alcan and Novelis;
- v) discussed with senior executives of Alcan and Novelis the past and current operations and financial condition and the prospects of Alcan and Novelis, respectively, including information relating to certain strategic, financial and operational benefits and costs anticipated from the Distribution;
- vi) discussed with senior executives of Alcan and Novelis the investment theses for each entity pro forma for the Distribution;
- vii) reviewed the pro forma impact of the Distribution on Alcan's and Novelis' financial performance including earnings per share, cash flow and financial ratios;
- viii) reviewed the proposed capital structure for Novelis and Alcan pro forma for the Distribution;
- ix) reviewed the reported prices and trading activity for the Alcan Common Shares;
- x) compared the financial performance of Novelis with that of certain other comparable companies with publicly traded securities;
- xi) compared the financial performance of Alcan (including and excluding Novelis) with that of certain other comparable companies with publicly traded securities;
- xii) participated in discussions among representatives of Alcan, Novelis and their legal and tax advisors;
- xiii) reviewed the terms of the Alcan Common Shares and the Alcan Preference Shares;
- xiv) discussed with senior executives of Alcan and its legal advisors the terms of the Alcan Common Shares and Alcan Preference Shares;
- xv) reviewed the draft Preliminary Prospectus, draft Proxy Circular and Distribution Agreements;
- xvi) reviewed the application for the Canadian Tax Ruling (as defined in the Proxy Circular) and other documents, as relevant; and
- xvii) considered such other factors and performed such other analyses as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to us by Alcan and Novelis for the purposes of this opinion. With respect to financial forecasts, including information relating to certain strategic, financial and operational benefits and costs anticipated from the Distribution, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Alcan and Novelis and we express no opinion with respect to such forecasts or the assumptions on which they are based. We have not made and have not assumed responsibility for making any independent valuation or appraisal of the assets or liabilities, contingent or otherwise, of Alcan or Novelis, nor have we been furnished with any such appraisals.

We have assumed that the Distribution will be consummated in accordance with the terms set forth in the Distribution Agreements. We have relied upon, and assumed the correctness of, the conclusions set forth in the application for the Canadian Tax Ruling, including that the Distribution will not be a taxable transaction to Alcan, Novelis or their respective shareholders under Canadian income tax laws and have assumed that such application will be approved with no material modification or waiver. In addition, we have relied upon the assessment by Alcan's management, with advice from their legal and tax advisors, that the Distribution will not be a taxable transaction to Alcan, Novelis or their respective shareholders under U.S. federal income tax laws or regulations. We have further assumed that the Distribution, including its structure and the receipt of any

approvals, will comply with all applicable laws or regulations, except for any noncompliance with such applicable laws or regulations that would not have a material adverse effect on Alcan or Novelis. We are not legal, tax or regulatory experts and have relied on the assessments of such advisors to Alcan with respect to those matters.

In rendering our opinion, we have, with your consent, not considered the effect on Alcan and Novelis of the terms of any tax, employee benefits or any other similar agreement or arrangement, or any amendment or modification to any existing such agreement or arrangement, except that you have informed us and we have assumed that (i) the existing tax consolidation between Alcan and Novelis will be terminated as of the date of the Distribution and (ii) the effects of such termination will be as represented to us by the respective managements of Alcan and Novelis. Further, we have not been requested to opine as to, and our opinion does not address (i) the terms of the Transition Arrangements or (ii) the solvency of Alcan or Novelis after giving effect to the Distribution.

Our opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as of the date hereof, and the conditions and prospects, financial and otherwise, of Alcan and Novelis as they are represented to us as of date hereof or as they were reflected in the information and documents reviewed by us. Our opinion assumes the Distribution is completed on the basis set forth in this letter and the shares of Alcan and Novelis are fully and widely distributed among investors and are subject only to normal trading activity. We note that trading in the capital stock of Alcan and Novelis for a period commencing with the public announcement of the Distribution and continuing for a time following completion of the Distribution may involve a redistribution of such securities among Alcan's and Novelis' shareholders and other investors and, accordingly, during such period, such securities may trade at prices below those at which they traded prior to the public announcement and those at which they would trade on a fully distributed basis after the Distribution. The estimation of market trading prices of newly distributed securities is subject to uncertainties and contingencies, all of which are difficult to predict and beyond the control of the firm making such estimates. In addition, the market prices of such securities will fluctuate with changes in market conditions, the conditions and prospects, financial and otherwise, of Alcan and Novelis, and other factors which generally influence the prices of securities. In rendering our opinion, we are not opining on the price at which the capital stock of Alcan or Novelis will trade after the Distribution is effected.

We have acted as financial advisor to the Board of Directors of Alcan in connection with the Distribution and will receive a fee for our services, which fee is contingent upon the completion of the Distribution. In the ordinary course of our securities trading, investment management or brokerage activities, we or our affiliates may actively trade the securities of Alcan for our own account, for the accounts of investment funds or other accounts under the management of Morgan Stanley or its affiliates and for the accounts of customers, and, accordingly, may at any time hold a long or short position in such securities. In the past, Morgan Stanley & Co. Incorporated ("Morgan Stanley") and its affiliates have provided financial advisory and financing services for Alcan and have received fees for the rendering of these services, including fees in connection with Alcan financing transactions in 2002, and Alcan's acquisition of Pechiney in 2003 and the financing of such an acquisition. In addition, Morgan Stanley will be providing financing services to Alcan as it relates to the initial capitalization of Novelis, as more fully described in the Capitalization Agreements, and will be receiving fees for the rendering of such services from Alcan or Novelis.

We do not address the fairness of the order by the Quebec Superior Court setting the single class vote among the Alcan Common Shares and Alcan Preferred Shares. This opinion addresses only the question of fairness of the Distribution to the holders of Alcan Shares as a whole, without distinction as between class or category and without consideration of the relative fairness among such holders. Our opinion does not address the relative merits of the Distribution compared to any other alternative business transaction that might be available to Alcan. In addition, Morgan Stanley expresses no opinion or recommendation as to how holders of the Alcan Shares should vote at the Special Meeting held in connection with the Distribution or whether such holders should exercise any dissent or repurchase rights available to them. It is understood that this letter is for the information of the Board of Directors of Alcan only in connection with its consideration of the Distribution and may not be used by any other person or relied upon by any other person without prior written consent. This letter may not be disclosed without our prior written consent, except that a copy of this letter may be included in its entirety in the Proxy Circular.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that the proposed Distribution is fair, from a financial point of view, to the Alcan Shareholders.

Very truly yours,
MORGAN STANLEY & CO. INCORPORATED

By: *(Signed)*

Carl Contiguglia
Managing Director

[Lazard Canada Corporation Letterhead]

November 23, 2004

The Board of Directors
 Alcan Inc.
 1188 Sherbrooke Street West
 Montreal, Quebec, Canada H3A 3G2

Dear Members of the Board:

We understand that Alcan Inc. (the “Company”) proposes to transfer in a series of related transactions certain assets of its aluminum rolled products businesses together with some of its alumina and primary metal-related assets in Brazil (collectively, the “Business”) to a newly formed subsidiary corporation, Novelis Inc. (“Novelis”). Ultimately, all of the outstanding common shares of Novelis will be held on a pro rata basis by the holders of the Company’s Common Shares (the “Spin-off”). A description of the Spin-off is more fully set forth in the Plan of Arrangement document (the “Plan of Arrangement”), the Management Proxy Circular relating to a Plan of Arrangement Involving Novelis Inc. (the “Proxy Circular”), the Preliminary U.S. Information Statement dated November 17, 2004 filed with the United States Securities and Exchange Commission (the “Information Statement”) and the Separation Agreement relating to the transfer of the Business by the Company to Novelis (the “Separation Agreement”).

We understand that the Spin-off is subject to the approval of at least 66 2/3% of the votes cast by the holders of the Company’s Common Shares, Series C Preference Shares and Series E Preference Shares (collectively, the “Company Shareholders”), voting as a single class, on a basis ordered by the Quebec Superior Court. We further understand that (i) the holders of the Company’s Common Shares have the right to dissent from the Spin-off and to be paid by the Company the fair value of their Company Common Shares and (ii) the holders of the Company’s Series C Preference Shares and Series E Preference Shares who do not vote in favor of the Spin-off will have the right to require the Company to repurchase such shares at a price equal to \$25 per share, plus all accrued but unpaid dividends.

We further understand that Novelis expects to assume approximately \$2.8 billion in debt under senior secured and unsecured borrowing arrangements that Novelis will enter into prior to the Spin-off and will also enter into a \$500 million revolving credit facility to be drawn down subsequent to the Spin-off for working capital and other requirements (the “Capitalization Agreements”) as contained in the draft commitment letter dated November 22, 2004 (the “Commitment Letter”) from Morgan Stanley Senior Funding, Inc. We also understand that, in connection with the Spin-off, the Company and Novelis have entered into certain arrangements, including transitional services, employee matters, manufacturing and supply, tax sharing and intellectual property assignment and license arrangements that will govern their relationship after the Spin-off, substantially in the forms of the drafts last drafts distributed to us as of November 18, 2004 (collectively, the “Transition Agreements” and together with the Plan of Arrangement and the Separation Agreement, the “Spin-off Agreements”).

You have requested our opinion as of the date hereof as to the fairness, from a financial point of view, of the Spin-off to the Company Shareholders. In connection with this opinion, we have:

- (i) Reviewed the financial terms and conditions contained in the drafts of the Proxy Circular dated as of November 21, 2004, the Information Statement dated as of November 17, 2004, the Plan of Arrangement dated as of November 17, 2004, the Separation Agreement dated as of October 20, 2004 and the Transition Agreements;
- (ii) Analyzed certain historical business and financial information relating to the Company and the Business, including publicly available information with respect to the Company and the Business;
- (iii) Reviewed various financial forecasts and other data provided to us by the managements of the Company and the Business relating to the Business and the other businesses of the Company;
- (iv) Reviewed information and held discussions with members of the senior managements of the Company and the Business with respect to the businesses and prospects of the Company and the Business, the strategic objectives of each, and possible benefits and costs to each which might be realized following the Spin-off;

- (v) Reviewed public information with respect to certain other companies in lines of businesses we believe to be generally comparable to the Business and the other businesses of the Company;
- (vi) Reviewed the historical stock prices and trading volumes of the Company's common stock;
- (vii) Participated in discussions among representatives of the Company and its tax, accounting and legal advisors;
- (viii) Reviewed management's assessment of the pro forma impact of the Spin-off on the Company's and Novelis' financial performance including earnings per share, cash flow and financial ratios;
- (ix) Reviewed the proposed capital structure for the Company and Novelis pro forma for the Spin-off;
- (x) Reviewed the terms of the Company's Common Shares, Series C Preference Shares and Series E Preference Shares and discussed such terms with the Company's legal advisors;
- (xi) Reviewed the application for the Canadian Tax Ruling relating to the Spin-off sought by the Company (the "Application") and other related documents; and
- (xii) Conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of the Company or Novelis, or concerning the solvency or fair value of either of the foregoing entities or any matters relating thereto, either before or after giving effect to the Spin-off. With respect to financial forecasts, including the benefits and costs projected by the Company and Novelis to be realized following the Spin-off, and the timing thereof, we have relied on such forecasts and assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of managements of the Company and the Business as to the future financial performance, respectively, of the Company and the Business. We assume no responsibility for and express no view as to such forecasts or the assumptions on which they are based.

Further, our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Our opinion assumes the shares of the Company and Novelis are fully and widely distributed among investors and are subject only to normal trading activity. We note that trading in the securities of the Company and Novelis for a time following completion of the Spin-off may involve a redistribution of such securities among the Company's and Novelis' shareholders and other investors and, accordingly, during such period, such securities may trade at prices below those at which they traded prior to the public announcement and below those at which they would trade on a fully distributed basis after the Spin-off. In addition, the market prices of such securities will fluctuate with changes in market conditions, the conditions and prospects, financial and otherwise, of the Company and Novelis, and other factors which generally influence the prices of securities. We do not express any opinion as to the price at which the common shares of the Company may trade subsequent to the announcement of the Spin-off or as to the price at which the common shares of the Company or Novelis may trade subsequent to the Spin-off. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.

In rendering our opinion, we have assumed that the Spin-off will be consummated on the terms described in the drafts provided to us of the Proxy Circular, Information Statement and the Spin-off Agreements, without any waiver of any material terms or conditions and that obtaining the necessary regulatory approvals for the Spin-off will not have an adverse effect on the Company, the Business or Novelis. We have relied upon, and assumed the correctness of, the conclusions set forth in the Application, including that the Spin-off will not be a taxable transaction to the Company, Novelis or the Company Shareholders under Canadian income tax laws (except to the extent of cash received by Company Shareholders in lieu of fractional shares), and we have assumed that the Application will be approved with no material modification or waiver. We have also assumed that the Spin-off will not be a taxable transaction to the Company, Novelis or the Company Shareholders under United States federal income tax laws (except to the extent of cash received by Company Shareholders in lieu of fractional shares). Our opinion does not address any legal, tax, regulatory or accounting matters, as to which we understand that the Company obtained such advice as it deemed necessary from qualified professionals.

In rendering our opinion, we have, with your consent, not considered the effect on the Company and Novelis of the terms of any tax, employee matters or any other similar agreement or arrangement, or any amendment or modification to any such existing agreement or arrangement, except that you have informed us and we have assumed that (i) the existing tax consolidation between the Company and Novelis will be terminated

as of the date of the Spin-off, (ii) the effects of such termination will be as represented to us by the respective managements of the Company and the Business and (iii) any modifications or amendments to the Company's and Novelis' employee equity incentive plans in connection with the Spin-off will not affect the aggregate costs of such plans to the Company and Novelis. Further, we have not been requested to opine as to, and our opinion does not address, the terms of the Transition Agreements, the Commitment Letter or the Capitalization Agreements.

Our opinion does not address the underlying decision by the Company to engage in the Spin-off or the merits of any specific capital structure for the Spin-off as compared to alternative capital structures for the Spin-off. Our opinion also does not address the relative merits of the Spin-off compared to any alternative business transaction that might be available to the Company or the Company Shareholders. We do not address the fairness of the order by the Quebec Superior Court setting the single class vote among the Company's Common Shares, Series C Preference Shares and Series E Preference Shares. This opinion addresses only the question of fairness of the Spin-off to the Company Shareholders as a whole, without distinction as between class or category and without consideration of the relative fairness among such shareholders. In addition, we express no opinion or recommendation as to how the Company Shareholders should vote at the Special Meeting held in connection with the Spin-off or take any other action in connection with the Spin-off.

Lazard Canada Corporation is acting as investment banker to the Company in connection with the Spin-off and we or our affiliates will receive a fee for our services, a substantial portion of which is contingent upon the completion of the Spin-off. We and our affiliates have in the past provided investment banking services to the Company for which we have received customary fees and the Company's President and Chief Executive Officer is a member of the Lazard Canada Corporation Roundtable. In addition, in the ordinary course of our business, we may actively trade the securities of the Company or, in the future, Novelis for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our engagement and the opinion expressed herein are for the benefit of the Company's Board of Directors and are not on behalf of, and are not intended to confer rights or remedies upon, Novelis, any shareholders of the Company or Novelis or any other person. It is understood that this letter may not be disclosed or otherwise referred to without our prior consent, except as may otherwise be required by law or by a court of competent jurisdiction and except that a copy of this letter may be included in its entirety in the Proxy Circular. Our opinion is to be interpreted in accordance with customary practice in the United States and may only be relied on with the express condition that it is governed by New York law, and delivered in accordance with custom and practice in the United States.

Based on and subject to the foregoing, we are of the opinion as of the date hereof that the Spin-off is fair from a financial point of view to the Company Shareholders.

Very truly yours,

LAZARD CANADA CORPORATION

By (Signed)
Evan Siddall
Managing Director

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA**Pro forma Financial Results**

The following tables set forth the unaudited pro forma condensed consolidated financial information of Alcan Inc. (Alcan) for the year ended December 31, 2003, and as of and for the nine months ended September 30, 2004, giving effect to the proposed distribution of Novelis Inc. (Novelis) as of January 1, 2003 for the statement of income, and as of September 30, 2004 for the balance sheet. The unaudited pro forma condensed consolidated financial information set forth below presents the historical financial statements of Alcan adjusted to reflect the following:

- the removal of the statement of income and balance sheet of Novelis; and
- pro forma adjustments to reflect the following transactions:
 - sales made between Alcan and Novelis;
 - the release of deferred profit on sales from Alcan to Novelis;
 - loans payable and receivable between Alcan and Novelis;
 - interest expense paid by Alcan to Novelis and interest income received by Alcan from Novelis;
 - revenue from the sale of research and development and other corporate services to Novelis;
 - allocation of general corporate expenses;
 - the distribution to Alcan of \$1,558 million of cash from Novelis; and
 - other adjustments described below.

The unaudited pro forma condensed consolidated financial information below is based upon available information and assumptions that management believes are reasonable. The unaudited pro forma condensed consolidated financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on the dates indicated. The unaudited pro forma condensed consolidated financial information also is not necessarily indicative of our future financial condition or results of operations.

ALCAN INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As at September 30, 2004

(in millions of U.S. dollars)

	Alcan	Removal of Novelis	Pro Forma Adjustments	Alcan Pro Forma
ASSETS				
Current assets				
Cash and time deposits	\$ 447	\$ (27)	\$ —	\$ 420
Receivables, net	4,507	(2,189)	2,116	(c) 4,084
			(350)	(h)
Deferred income taxes	50	—	—	50
Inventories	3,751	(1,112)	138	(a) 2,777
Current assets held for sale	604	—	—	604
Total current assets	9,359	(3,328)	1,904	7,935
Deferred charges and other assets	1,678	(239)	—	1,439
Deferred income taxes	869	—	—	869
Long-term receivables from related parties	—	(97)	818	(c) —
			(721)	(h)
Property, plant and equipment, net	13,247	(2,325)	—	10,922
Intangible assets	1,286	(26)	—	1,260
Goodwill	5,433	(61)	—	5,372
Long-term assets held for sale	94	—	—	94
Total assets	\$31,966	\$(6,076)	\$2,001	\$27,891

ALCAN INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at September 30, 2004

(in millions of U.S. dollars)

	Alcan	Removal of Novelis	Pro Forma Adjustments		Alcan Pro Forma
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Payables and accrued liabilities	\$ 5,253	\$(1,398)	\$ 1,783	(c)	\$ 4,778
			(860)	(h)	
Short-term borrowings	1,025	(915)	145	(c)	255
Debt maturing within one year	544	(312)	285	(c)	517
Deferred income taxes	76	—	—		76
Current liabilities of operations held for sale	614	—			614
Total current liabilities	7,512	(2,625)	1,353		6,240
Debt not maturing within one year	7,509	(807)	(1,558)	(g)	5,654
			721	(c)	
			(211)	(h)	
Deferred credits and other liabilities	4,240	(400)	—		3,840
Deferred income taxes	1,307	(173)	48	(a)	1,182
Long-term liabilities of operations held for sale	321	—	—		321
Minority interests	329	(123)	—		206
Shareholders' equity					
Redeemable non-retractable preference shares	160	—	—		160
Common shareholders' equity					
Common shares	6,615	—	—		6,615
Additional paid-in capital	117	—	—		117
Retained earnings	3,708	(1,917)	90	(a)	3,439
			1,558	(g)	
Common shares held by a subsidiary	(56)	—	—		(56)
Accumulated other comprehensive income	204	(31)	—		173
	10,588	(1,948)	1,648		10,288
	10,748	(1,948)	1,648		10,448
Total liabilities and shareholders' equity	\$31,966	\$(6,076)	\$ 2,001		\$27,891

See notes to the unaudited pro forma condensed consolidated financial statements.

ALCAN INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

for the nine months ended September 30, 2004

(in millions of U.S. dollars except per share amounts)

	Alcan	Removal of Novelis	Pro Forma Adjustments		Alcan Pro Forma
Sales and operating revenues	\$18,573	\$(5,739)	\$ 1,808	(b)	\$14,642
Costs and expenses					
Cost of sales and operating expenses	14,947	(5,032)	(62)	(a)	11,661
			1,808	(b)	
Depreciation and amortization	1,000	(178)	—		822
Selling, administrative and general expenses	1,189	(182)	21	(f)	1,028
Research and development expenses	174	(41)	28	(e)	161
Interest	255	(55)	27	(d)	209
			(18)	(g)	
Other expenses (income) — net	111	13	3	(f)	79
			(20)	(d)	
			(28)	(e)	
	17,676	(5,475)	1,759		13,960
Income from continuing operations before income taxes and other items	897	(264)	49		682
Income taxes	327	(111)	17	(i)	233
Income from continuing operations before other items	570	(153)	32		449
Equity income	46	(4)	—		42
Minority interests	(26)	9	—		(17)
Income from continuing operations	590	(148)	32		474
Income from discontinued operations	14	—	—		14
Net income	604	(148)	32		488
Dividends on preference shares	4	—	—		4
Net income attributable to common shareholders	\$ 600	\$ (148)	\$ 32		\$ 484
Earnings per share					
Net income per common share — basic	1.63				1.31
Net income per common share — diluted	1.62				1.30

See notes to the unaudited pro forma condensed consolidated financial statements.

ALCAN INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
for the year ended December 31, 2003

(in millions of U.S. dollars except per share amounts)

	Alcan	Removal of Novelis	Pro Forma Adjustments		Alcan Pro Forma
Sales and operating revenues	\$13,850	\$(6,221)	\$2,204	(b)	\$9,833
Costs and expenses					
Cost of sales and operating expenses	11,171	(5,482)	2,204	(b)	7,893
Depreciation and amortization	862	(222)	—		640
Selling, administrative and general expenses	758	(211)	24	(f)	571
Research and development expenses	190	(62)	44	(e)	172
Interest	212	(40)	22	(d)	184
			(10)	(g)	
Restructuring, impairment and other special charges	(38)	24	—		(14)
Goodwill impairment	28	—	—		28
Other expenses (income) — net	167	(24)	(7)	(d)	92
			(44)	(e)	
	13,350	(6,017)	2,233		9,566
Income (Loss) from continuing operations before income taxes and other items	500	(204)	(29)		267
Income taxes	260	(50)	(10)	(i)	200
Income (Loss) from continuing operations before other items	240	(154)	(19)		67
Equity income	38	(6)	—		32
Minority interests	(16)	3	—		(13)
Income (Loss) from continuing operations	262	(157)	(19)		86
Loss from discontinued operations	(159)	—	—		(159)
Income (Loss) before cumulative effect of accounting changes	103	(157)	(19)		(73)
Cumulative effect of accounting changes, net of income taxes	(39)	—	—		(39)
Net income (Loss)	64	(157)	(19)		(112)
Dividends on preference shares	7	—	—		7
Net income (Loss) attributable to common shareholders	\$ 57	\$ (157)	\$ (19)		\$ (119)
Earnings (Loss) Per Share					
Net income (Loss) per common share — basic	0.18				(0.30)
Net income (Loss) per common share — diluted	0.18				(0.30)

See notes to the unaudited pro forma condensed consolidated financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine month period ended September 30, 2004 and for the year ended December 31, 2003

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed consolidated statement of income for the nine-months ended September 30, 2004 and for the year ended December 31, 2003 and the unaudited pro forma condensed consolidated balance sheet as at September 30, 2004 of Alcan have been prepared to give effect to the distribution by Alcan of the Novelis Group (the Group). This Group is comprised of substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney, together with some of Alcan's alumina and primary metal-related businesses in Brazil, as well as four former Pechiney rolling facilities in Europe.

The accompanying unaudited pro forma condensed consolidated financial statements were derived using, and should be read in conjunction with, the following information:

- The unaudited interim combined financial statements of Novelis as at and for the nine-months ended September 30, 2004, that appear in the Prospectus;
- The combined financial statements of Novelis as at December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001, that appear in the Prospectus;
- the unaudited interim consolidated financial statements of Alcan as at and for the nine-months ended September 30, 2004; and
- the audited consolidated financial statements of Alcan as at December 31, 2003, 2002 and 2001, and for the years ended December 31, 2003, 2002 and 2001.

The unaudited pro forma condensed consolidated financial statements are not intended to reflect the results of operations or financial position which would have actually resulted had the disposition and other pro forma adjustments been effected on the dates indicated. Furthermore, the unaudited pro forma financial information is not necessarily indicative of the results of operations nor of the financial position and presentation that may be obtained for any future date or period.

2. DISTRIBUTION OF NOVELIS BY ALCAN

As part of the Arrangement, described elsewhere in this Circular, Alcan will distribute to its shareholders the Novelis Group. This group is comprised of substantially all of the aluminum rolled products businesses operated by Alcan prior to its 2003 acquisition of Pechiney, together with some of Alcan's alumina and primary metal-related businesses in Brazil, as well as four former Pechiney rolling facilities in Europe. The unaudited pro forma condensed consolidated statements of earnings reflect Alcan's distribution of Novelis as if it had occurred on January 1, 2003. For the unaudited pro forma condensed consolidated statements of income for the nine-months ended September 30, 2004 and the year ended December 31, 2003, the adjustment reflects the removal of the revenues and expenses of Novelis. The unaudited pro forma condensed consolidated balance sheet as at September 30, 2004 reflects the distribution of Novelis as if it had occurred on that date and accordingly reflects the removal of the assets and liabilities of Novelis included in the consolidated balance sheet of Alcan.

The unaudited pro forma condensed consolidated financial statements also include the following pro forma adjustments:

- (a) Adjustments to reflect the release of deferred profits held in inventory, and the related tax effects. These adjustments arise due to the change in relationship between Alcan and Novelis

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at and for the nine month period ended September 30, 2004 and for the year ended December 31, 2003

(Unaudited)

subsequent to the distribution. Prior to the distribution, all profits on sales of inventory between Alcan and Novelis were deferred on the balance sheet until the inventory was sold to a third party. Subsequent to the distribution, Alcan and Novelis will no longer be considered affiliated and any sales between Alcan and Novelis will be considered third party.

- (b) Adjustments to reflect the sales and cost of sales between Alcan and Novelis. These adjustments arise due to the change in relationship between Alcan and Novelis subsequent to the distribution. Prior to the distribution, all sales and cost of sales between Alcan and Novelis were eliminated upon consolidation in Alcan's financial statements. Subsequent to the distribution, all sales and cost of sales between Alcan and Novelis will be considered third party and will not be eliminated.
- (c) Adjustments to reflect the receivables, payables and debt between Alcan and Novelis. These adjustments arise due to the change in relationship between Alcan and Novelis subsequent to the distribution. Prior to the distribution, all receivables and payables between Alcan and Novelis were eliminated upon consolidation in Alcan's financial statements. Subsequent to the distribution, receivables and payables between Alcan and Novelis will be considered third party and will not be eliminated.
- (d) Adjustments to reflect the interest expense and income on loans payable and receivable between Alcan and Novelis. These adjustments arise due to the change in relationship between Alcan and Novelis subsequent to the distribution. Prior to the distribution, all interest expense and income on loans payable and receivable between Alcan and Novelis were eliminated upon consolidation in Alcan's financial statements. Subsequent to the distribution, interest expense and income have been adjusted to reflect the settlement of the intercompany loans receivable and payable between Alcan and Novelis.
- (e) Adjustments to reflect the research and development and other services rendered between Alcan and Novelis. These adjustments arise due to the change in relationship between Alcan and Novelis subsequent to the distribution. Prior to the distribution, all revenues and expenses related to these services rendered were eliminated upon consolidation in Alcan's financial statements. Subsequent to the distribution, these revenues and expenses will be considered third party and will not be eliminated.
- (f) Adjustments to record the general corporate expenses allocated to Novelis. As these expenses will continue to be incurred by Alcan subsequent to the distribution, they are included in Alcan's pro forma condensed consolidated statements of income.
- (g) Represents the estimated payment from Novelis following the issuance of its debt securities. The exact amount will be determined only at the effective date of the reorganization and will be based on the value of Alcan's net investment in the assets being distributed. These proceeds are expected be used to reduce Alcan's commercial paper balance included in Debt not maturing within one year in Alcan's financial statements as at September 30, 2004. As a result of this reduction in debt, interest expense has been reduced by \$18 million and \$10 million in Alcan's pro forma condensed consolidated income statements for the nine months ended September 30, 2004 and the year ended December 31, 2003, respectively.
- (h) Represents the settlement of intercompany loans receivable and payable between Alcan and Novelis, with the balance of \$211 million reflected as a reduction of Alcan's commercial paper included in Debt not maturing within one year.

ALCAN INC.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at and for the nine month period ended September 30, 2004 and for the year ended December 31, 2003

(Unaudited)

- (i) Represents the tax effect of pro forma adjustments at the statutory rate of 34%.
- (j) In October 2003, Alcan entered into a derivative financial instrument that was designated as a hedge of Alcan's net investment in certain foreign subsidiary companies. With the distribution of Novelis, the amount of the net investment in those foreign subsidiaries is less than the notional amount of the derivative instrument, until December 31, 2003 when Alcan acquired Pechiney. The change in fair value of the derivative instrument for 2003 amounted to a \$32 million loss and is reported in Accumulated other comprehensive income. No adjustment has been made in this pro forma financial information related to this transaction, as it would not have a recurring impact on Alcan's consolidated results of operations.

