

ALCAN INC
Form 425
May 07, 2007

Shared History, Shared Values, One Future
Alcoa's
Offer
for
Alcan
7 May 2007
Filed by Alcoa Inc.
Pursuant to Rule 425
under the Securities Act
of 1933
Subject Company: Alcan Inc.
Commission File No:
001-03677

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Forward-Looking Statements
Certain
statements
and
assumptions
in

this
communication
contain
or
are
based
on
"forward-looking
information
and
involve
risks and uncertainties. Forward-looking statements may be identified by their use of words like "anticipates," "believes,"
"estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or other words
similar
meaning.
Such
forward-looking
information
includes,
without
limitation,
the
statements
as
to
the
impact
of the
proposed acquisition on revenues, costs and earnings. Such forward looking statements are subject to numerous
assumptions, uncertainties and risks, many of which are outside of Alcoa's control. Accordingly, actual results and
developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking
statements contained in this communication. These risks and uncertainties include Alcoa's ability to successfully integrate the
operations of Alcan; the outcome of contingencies including litigation, environmental remediation, divestitures of businesses,
and anticipated costs of capital investments; general business and economic conditions; interest rates; the supply and
demand for, deliveries of, and the prices and price volatility of primary aluminum, fabricated aluminum, and alumina produced
by Alcoa and Alcan; the timing of the receipt of regulatory and governmental approvals necessary to complete the acquisition
of Alcan and any undertakings agreed to in connection with the receipt of such regulatory and governmental approvals; the
timing
of
receipt
of
regulatory
and
governmental
approvals
for
Alcoa's
and
Alcan's
development

projects
and
other
operations;
the
availability
of
financing
to
refinance
indebtedness
incurred
in
connection
with
the
acquisition
of
Alcan
on
reasonable
terms;
the
availability
of
financing
for
Alcoa's
and
Alcan's
development
projects
on
reasonable
terms;
Alcoa's
and
Alcan's respective costs of production and their respective production and productivity levels, as well as those of their
competitors;
energy
costs;
Alcoa's
and
Alcan's
ability
to
secure
adequate
transportation
for

their
respective
products,
to
procure mining equipment and operating supplies in sufficient quantities and on a timely basis, and to attract and retain
skilled
staff;
the
impact
of
changes
in
foreign
currency
exchange
rates
on
Alcoa's
and
Alcan's
costs
and
results,
particularly
the Canadian dollar, Euro, and Australian dollar, may affect profitability as some important raw materials are purchased in
other currencies, while products generally are sold in U.S. dollars; engineering and construction timetables and capital costs
for
Alcoa's
and
Alcan's
development
and
expansion
projects;
market
competition;
tax
benefits
and
tax
rates;
the
outcome
of
negotiations
with
key
customers;
the
resolution

of
environmental
and
other
proceedings
or
disputes;
and
Alcoa's
and
Alcan's
ongoing
relations
with
their
respective
employees
and
with
their
respective
business
partners
and
joint
venturers.

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Forward-Looking Statements

Additional risks, uncertainties and other factors affecting forward looking statements include, but are not limited to, the following:

Alcoa is, and the combined company will be, subject to cyclical fluctuations in London Metal Exchange primary aluminum prices, economic and business conditions generally, and aluminum end-use markets;

Alcoa's operations consume, and the combined company's operations will consume, substantial amounts of energy, and profitability may decline if energy costs rise or if energy supplies are interrupted;

The profitability of Alcoa and/or the combined company could be adversely affected by increases in the cost of raw materials;
Union disputes and other employee relations issues could adversely affect Alcoa's and/or the combined company's financial results;
Alcoa and/or the combined company may not be able to successfully implement its growth strategy;

Alcoa's operations are, and the combined company's operations will be, exposed to business and operational risks, changes in market conditions and events beyond its control in the countries in which it operates;

Alcoa is, and the combined company will be, exposed to fluctuations in foreign currency exchange rates and interest rates, as well as inflation and other economic factors in the countries in which it operates;

Alcoa faces, and the combined company will face, significant price competition from other aluminum producers and end-users of Alcoa products that are highly competitive;

Alcoa
and/or
the
combined
company
could
be
adversely
affected
by
changes
in
the
business
or
financial
condition
of
a
significant
customer or customers;

Alcoa and/or the combined company may not be able to successfully implement its productivity and cost-reduction initiatives;

Alcoa and/or the combined company may not be able to successfully develop and implement new technology initiatives;

Alcoa is, and the combined company will be, subject to a broad range of environmental laws and regulations in the jurisdictions in which it operates and may be exposed to substantial costs and liabilities associated with such laws;

Alcoa's smelting operations are expected to be affected by various regulations concerning greenhouse gas emissions;

Alcoa and the combined company may be exposed to significant legal proceedings, investigations or changes in law; and

Unexpected events may increase Alcoa's and/or the combined company's cost of doing business or disrupt Alcoa's and/or the combined company's operations.

See also the risk factors disclosed in Alcoa's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Readers are cautioned not to put undue reliance on forward-looking statements. Alcoa disclaims any intent or obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

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Presenters

Alain J. P. Belda

Chairman and Chief Executive Officer

Charles D. McLane

Vice President and Chief Financial Officer

Alain J. P. Belda
Chairman and Chief Executive Officer

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A Winning Strategic Combination

Creates the premier fully integrated aluminum company

Enhanced cash flow and \$1 billion in annual synergies

Significant scale to compete in a changing environment

Optimized portfolio of upstream assets

Enhanced capacity for growth

Strong technology, operations and talent
Shared values and commitment to sustainability

7
188,000
\$9.5 billion
\$54.0 billion
7.8 million tonnes
#1
21.5 million tonnes

#1

Combined

\$23.6 billion

\$30.4 billion

Revenue

\$3.9 billion

\$5.6 billion

EBITDA

65,000

123,000

Employees

4.4 million tonnes

#1

15.6 million tonnes

#1

3.4 million tonnes

#3

Aluminum Capacity

(Global Ranking)

Alumina Capacity

(Global Ranking)

5.9 million tonnes

#4

Creating an Industry Leader

Source: Company 2006 annual reports and 10-Ks

Note: Alumina includes specialty alumina

8
Bauxite & Refining
Access to
World-Class
Reserves
2
nd

Quartile
on Cost
Curve
Capacity:
21.5 MMT
Energy
Self
Generation:
34%
Long Term
Contracts:
54%
Smelting
Global Rank:
#1
2
nd
Quartile
on Cost
Curve
Capacity:
7.8 MMT
End Markets
Creating an Industry Leader
Renewable
Hydro:
54%
Building &
Construction
Packaging
Commercial
Transportation
Automotive
Aerospace
Global Rank:
#1

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Access to quality
bauxite and
alumina
Evolving Competitive Landscape
Aluminum consumption
projected to double over 15

years
Emerging global competitors
in Russia, China, India and the
Middle East
Scale required to maintain
competitiveness
Evolving end markets
demanding product
innovation
Industry Fundamentals
Access to long-term,
low cost energy
Innovation through
world-class
technology and
R&D
Proven commitment
to sustainability
Keys to Success
Alcoa
/
Alcan
well
positioned
to
compete
with
large
global
peers
and
deliver profitable growth

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World Aluminum Consumption (MT)
Outlook for Aluminum is Strong
2005: 32M
2020E: 60.6M
+0.4
+1.1

+0.9

+0.5

+7.1

+0.5

Latin America

+4.1

Western Europe

+2.4

E. Europe, CIS & Other

+4.4

North America

+17.2

Asia

Source: CRU; McKinsey & Co

1998: 22M

7.2

6.7

1.7

5.6

0.8

14.3

7.2

2.6

6.7

1.2

31.5

11.6

5.0

10.8

1.7

11
\$155
\$121
\$93
\$91
\$66
\$55

\$41
\$41
\$41
\$38
\$30
\$29
\$28
\$27
\$25
\$74
\$0
\$20
\$40
\$60
\$80
\$100
\$120
\$140
\$160
\$180

Industry Landscape Demands Large Scale
Top 15 Metals & Mining Companies

Source:

Factset
and
public
filings.

Market
data

as
of

May
4,
2007.

Note:

Alcoa
/

Alcan
represents
the
combined
enterprise
value

pro
forma

for
shares

and
new

debt

issued
for
transaction.

(1)
United
Company
Rusal.
Enterprise
value
estimate
per
Wall
Street
research.
Combination

creates
the
5
th
largest
metals
& mining company in the world

12
South America
6.5%
CIS/E. Europe
5.1%
BHP Billiton
5.6%

India

3.2%

Alcan

8.3%

Alcoa

19.8%

Alcoa

23.2%

Reynolds

5.7%

Pechiney

3.5%

India

2.8%

E. Europe

3.9%

South America

5.8%

Alcan

9.8%

Alusuisse

2.3%

Billiton

3.4%

Inespal

2.1%

1998

2006

Transforming Alumina Landscape

Total Market: 53 MMT

Total Market: 79 MMT

Source: CRU

Note: Percentages may not add to 100%

Significant Growth in the East

Alumina Capacity

Rusal

13.2%

Chalco

12.1%

Other China

9.8%

Hydro

2%

RTZ Comalco

4%

Other W. World

10%

China

6.8%

CIS

10.8%

Hydro

1%

VAW

1%

Comalco

3%

Other W. World

15%

13
Rusal
10.3%
Chalco
9.2%
Other China
21.0%

Alcan

9.4%

Alcoa

10.9%

Middle East

4.2%

BHP Billiton

3.5%

India

2.1%

CIS/E. Europe

2.8%

South America

3.9%

Alcoa

8.9%

Pechiney

3.3%

Reynolds

4.5%

E. Europe

1.9%

Middle East

3.6%

Alcan

6.7%

Alusuisse

1.1%

Billiton

4.2%

Inespal

1.4%

Alumax

2.8%

1998

2006

Significant Growth in the East

Aluminum Capacity

Transforming Aluminum Landscape

Total Market: 25 MMT

Total Market: 39 MMT

Source: CRU

Note: Percentages may not add to 100%

Hydro

3%

VAW

2%

Comalco

3%

Other W. World

29%

Hydro

4%

RTZ Comalco

2%

Other W. World

16%

China

10.4%

CIS

14.9%

14
Alcoa
Alcan
Shared
Access to Quality Bauxite & Alumina
Alcoa
Alcan

Shared

Total Potential

Bauxite

Alumina

12 mines and 13 refineries on 6 continents

Note: Includes ownership in JVs

15
9,564
2,269
2,930
4,448
5,907
10,443

15,617

21,524

6,926

16,490

0

5,000

10,000

15,000

20,000

25,000

Alumina Refinery Cash Costs (\$/MT)

0

50

100

150

200

250

300

350

400

450

0

10,000

20,000

30,000

40,000

50,000

60,000

70,000

Worldwide Production