

ALCAN INC
Form 425
June 11, 2007

JP Morgan Basics and Industrials Conference
Alcoa
The Momentum Continues
Alain Belda, Chairman and CEO
11 June 2007
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Registration Statement:

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Commission File No.:

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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

3

Rapid growth of cities presents significant opportunities for physical infrastructure utilizing products that we currently make
New opportunities in areas like passenger rail, bus, natural disaster survivability products (e.g. hurricane resistant panels), modular housing, integrated building and construction solutions
Global Mega Trends Support Growth

1
2
3
4

Increasing trade. Lightweight a key enabler of rapid migration
payload increases of trucks, transport planes, containers
Lead the development of lighter, faster, and stronger multi-
product offerings to combat the increasing potential for conflicts
and terrorism (e.g. tactical / combat vehicles, fighter aircraft)
Products for ultra-deep oil and gas exploration
Green Building products and solutions to conserve resource
usage (e.g. energy, water, construction materials)
Solar energy products for buildings and utilities
Trends towards miniaturization, hybridization and information
integrated products
Light and low maintenance hybrid aircraft structures, lightweight
multi-fuel vehicles, durable and easy to clean nano-coated
aluminum
Integrated thermal management for enhanced fuel efficiency
Demographics
Globalization
Natural Resources
& Environment
Science and
Technology Advances

4
Market Dynamics
Aerospace
Automotive
Oil and Gas
Aerospace

5
Aluminum Consumption Growth Rates
Source: Alcoa analysis

6

China Production Rising to Meet Demand Growth

Source: IAI and China Nonferrous Industry Association

7

Source: Alcoa analysis
Supply / Demand Projections

8

Days of Consumption

Source: IAI, Reuters and LME

9
1,000
1,200
1,400
1,600
1,800
2,000

2,200
2,400
2,600
2,800
3,000
0
5,000
10,000
15,000
20,000
25,000
30,000

Worldwide Production -

000 MT

2006 Smelter Cash Cost Curve

Source: CRU full operating cost

75

th

Percentile

\$2,044

10
Momentum Continues

11
Momentum Builders
Record 2006 Financial Performance
Disciplined Capital Management

Debt restructuring

2007 peak capital spending year

Shareholder return initiatives

12

Momentum Builders

Continued Improvement in Downstream Performance

Consistent quarter over quarter improvement

Proprietary technology and unique equipment

Continued new product development

Significant investments in productive assets

Unique and proprietary products for growing end markets

13

Momentum Builders

Realization of the Growth Projects

Pinjarra refinery expansion

50% aerospace sheet & plate capacity increase

Iceland smelter

Russia and China rolling assets

Sao Luis refinery expansion

Juruti bauxite mine development

14

Momentum Builders

Continued Portfolio Management

Sale of Alcoa Home Exteriors

Creation of a soft alloy extrusions joint venture

November 2006 downstream restructuring

Exploration of disposition of packaging assets

Strategic review of selected automotive businesses

Offer for Alcan

15

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

16
Alcoa
Alcan
Shared
Refinery
Smelter
Mine

Juruti
Suriname
Brunei
North Iceland
Kitimat
Coega
Quebec
Isal
Ningxia
Jamalco
Sohar I
Sohar II
Sao Luis
Wagerup
Vietnam
Ghana
Gove
Guinea
Global Growth Opportunities
Source: Company filings and press releases
Victoria Ops
Saudi Arabia
Trinidad
Madagascar

17

\$1 billion annual pre-tax synergies

Includes overhead, manufacturing process optimization and procurement

Phased in over 3 years

One-time implementation costs approximately \$1 billion

\$1 Billion of Defined & Achievable Synergies

Direct materials

Indirect materials

\$200

Procurement

Eliminate redundant overhead costs

Complementary technology

\$400

Overhead Productivity

Comments

Value (\$mm)

Type

Leverage expertise from both companies to create more efficient combined company

\$1,000

Total Synergies

Supply chain / logistics efficiencies

Manufacturing overhead optimization

Cross-Deployment of best practices

\$400

Manufacturing Process Optimization

Overhead

Manufacturing

Procurement

40%

40%

20%

18

Dual headquarters in Montreal and New York

Strategic management functions in each city

Significant Canadian Board representation

Alumina and Primary Metals business based in Montreal

Would be the largest aluminum company in the World

\$32.3 billion in total revenue

38,000 employees operating in 29 countries

Headquarters of Global Growth group

decision-making

centered in Quebec

Quebec becomes center of aluminum innovation

Alcan AP50 carbon smelting technology at the Complexe Jonquiere

Alcoa post carbon inert anode

technology pilot deployment in

Quebec

Increased Commitment to Canada

Corporate

Presence

Global

Business

R&D

Center

The Global Primary Products business headquartered in

Montreal will be one of the largest companies in Canada

19

The industry has changed significantly with emerging global players in Russia, China, India and the Middle East who are quickly expanding and adding capacity

We have carefully considered the regulatory approvals

We have a well-developed, detailed roadmap to resolve regulatory approvals through targeted divestitures in the appropriate

industry segments

We continue to be engaged in significant and meaningful discussions with the regulatory agencies

On

June

5

th

,

we

filed

the

notification

and

report

forms

required

under

the

Hart-Scott-Rodino

Antitrust

Improvement

Act

of

1976

We are confident that the transaction will be approved

Regulatory Approvals

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A Winning Strategic Combination

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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 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-use markets for 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 jurisdiction 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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In connection with the offer by Alcoa to purchase all of the issued and outstanding common shares of Alcan (the Offer), Alcoa has filed with the Securities and Exchange Commission (the SEC) a registration statement on Form S-4 (the Registration Statement), which contains a prospectus relating to the Offer (the Prospectus), and a tender offer statement on Schedule TO (the Schedule TO). This communication is not a substitute for the Prospectus, the Registration Statement and the Schedule TO. **ALCAN SHAREHOLDERS AND OTHER INTERESTED PARTIES ARE URGED TO READ THESE DOCUMENTS AND ANY OTHER APPLICABLE DOCUMENTS AND ANY AMENDMENTS OR SUPPLEMENTS TO ANY SUCH DOCUMENTS**

THEY BECOME AVAILABLE, BECAUSE EACH CONTAINS OR WILL CONTAIN IMPORTANT INFORMATION ABOUT ALCOA, ALCAN AND THE OFFER. Materials filed with the SEC are available electronically without charge at the SEC's website, www.sec.gov. Materials filed with the Canadian securities regulatory authorities ("CSRA") are available electronically without charge at www.sedar.com.

Materials filed with the SEC or the CSRA may also be obtained without charge at

Alcoa's website, www.alcoa.com, or by directing a request to Alcoa's investor relations department at (212) 836-2674. In addition, Alcan shareholders may obtain free copies of such materials filed with the SEC or the CSRA by directing a written or oral request

to the Information Agent for the Offer, MacKenzie Partners, Inc., toll-free at (800) 322-2885 (English) or (888) 405-1217 (French).

While the Offer is being made to all holders of Alcan Common Shares, this communication does not constitute an offer or a solicitation in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made in, nor will deposits accepted in, any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Alcoa may, in its sole discretion, take such action as they may deem necessary to extend the Offer in any such jurisdiction.

Where to Find Additional Information

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Return on Capital (ROC) is presented based on Bloomberg Methodology which calculates ROC based on trailing four quarters.

Reconciliation of Return on Capital

1Q'07

4Q'06

3Q'06

2Q'06

1Q'06

4Q'05

3Q'05

2Q'05

1Q'05

Bloomberg

Bloomberg

Bloomberg

Bloomberg

Bloomberg

Bloomberg

Bloomberg

Bloomberg

Bloomberg

(In Millions)

Method

Method

Method

Method

Method

Method

Method

Method

Method

Net income

\$2,302

\$2,248

\$2,113

\$1,865

1,581

\$1,233

\$1,270

\$1,271

\$1,215

Minority interests

\$446

\$436

\$418

\$368

304

\$259

\$230

\$239

\$252

Interest expense (after-tax)

\$281

\$291

\$272

\$268

\$274
\$261
\$263
\$234
\$206
Numerator (sum total)
\$3,029
\$2,975
\$2,803
\$2,501
\$2,159
\$1,753
\$1,763
\$1,744
\$1,673
Average Balances
Short-term borrowings
\$441
\$386
\$349
\$306
\$342
\$279
\$155
\$152
\$185
Short-term debt
\$360
\$451
\$449
\$55
\$53
\$58
\$272
\$273
\$269
Commercial paper
\$972
\$1,192
\$1,678
\$1,501
\$1,652
\$771
\$581
\$553
\$815
Long-term debt
\$5,767
\$4,861
\$4,915

\$5,333
\$5,243
\$5,309
\$5,746
\$5,920
\$6,023
Preferred stock
\$55
\$55
\$55
\$55
\$55
\$55
\$55
\$55
\$55
Minority interests
\$1,669
\$1,583
\$1,416
\$1,340
\$1,280
\$1,391
\$1,332
\$1,253
\$1,263
Common equity
\$14,621
\$13,947
\$14,120
\$13,834
\$13,611
\$13,282
\$13,045
\$12,761
\$12,766
Denominator (sum total)
\$23,885
\$22,475
\$22,982
\$22,424
\$22,236
\$21,144
\$21,185
\$20,967
\$21,376
Return on Capital
12.7%
13.2%
12.2%

11.2%
9.7%
8.3%
8.3%
8.3%
7.8%

27

Return on capital, excluding growth investments is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because it provides greater insight with respect to the underlying operating performance of the company's productive assets. The company has significant growth investments underway in its upstream and downstream businesses, as previously noted, with expected completion dates over the next several years. As these investments generally require a period of time before they are productive, management believes that a return on capital measure excluding these growth investments is more representative of current operating performance.

Reconciliation of Adjusted Return on Capital

1Q'07

4Q'06

3Q'06

2Q'06

1Q'06

4Q'05

3Q'05

2Q'05

1Q'05

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Bloomberg

Bloomberg

Bloomberg

(In Millions)

Method

Method

Method

Method

Method

Method

Method

Method

Method

Numerator (sum total)

\$3,029

\$2,975

\$2,803

\$2,501

\$2,159

\$1,753

\$1,763

\$1,744

\$1,673

Russia, Bohai, and Kunshan

net losses

(\$79)

(\$74)

(\$85)

(\$78)

(\$86)

(\$71)

(\$48)

(\$41)

(\$12)

Adjusted numerator

\$3,108

\$3,049

\$2,888

\$2,579

\$2,245

\$1,824

\$1,811

\$1,785

\$1,685

Average Balances

Denominator (sum total)

\$23,885

\$22,475

\$22,982

\$22,424

\$22,236

\$21,144

\$21,185

\$20,967

\$21,376

Capital projects in progress and

Russia, Bohai, and Kunshan

capital base

\$3,945

\$3,655

\$2,540

\$2,330

\$2,139

\$1,913

\$1,776

\$1,478

\$1,403

Adjusted denominator

\$19,940

\$18,820

\$20,442

\$20,094

\$20,097

\$19,231

\$19,409

\$19,489

\$19,973

Return on capital, excluding

growth investments

15.6%

16.2%

14.1%

12.8%

11.2%

9.5%
9.3%
9.2%
8.4%