

PECHINEY
Form 425
October 28, 2003

Alcan + Pechiney

Invest With Confidence

October 2003

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2003 ALCAN INC.

Alcan has filed with the Securities and Exchange Commission ("SEC") a registration statement to register the Alcan Common Shares to be issued in the proposed U.S. offer, including related tender/exchange offer materials, and such registration statement has become effective. Investors and Pechiney securityholders are urged to read the registration statement and related tender/exchange offer materials and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain important information. Investors and Pechiney securityholders may obtain a free copy of the registration statement and related tender/exchange offer materials and other relevant documents at the SEC's Internet web site at www.sec.gov, and the transaction-related documents will be mailed to Pechiney securityholders. Additional copies of the transaction-related documents (when available) may be obtained at Alcan's expense by contacting the Information Agent for the offers, D.F. King & Co., Inc, toll-free at 1-800-488-8035 (North America), 0-800-90-2614 (France), 0-800-389-7892 (U.K.) or (44) 20-7920-9700 (collect in Europe).

This communication is for informational purposes only. It shall not constitute an offer to purchase or buy or the solicitation of an offer to sell or exchange any securities of Pechiney, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The solicitation of offers to buy Alcan Common Shares will only be made pursuant to a prospectus and related materials that Alcan sends to Pechiney security holders. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

FORWARD-LOOKING STATEMENTS

Certain statements made in this communication are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Although Alcan's management believes that the expectations reflected in such forward-looking statements are reasonable, readers are cautioned that these forward-looking statements by their nature involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including those listed under "Cautionary Statement Concerning Forward-Looking Statements " and "Risk Factors" in the preliminary prospectus included in the registration statement we intend to file with the SEC. See the previous paragraph for information about how you can obtain a free copy of the registration statement.

IMPORTANT ADDITIONAL INFORMATION

This presentation includes certain information concerning Pechiney and the combined business of Alcan and Pechiney. This information is subject to risks and uncertainties. We have based this information on publicly available information about Pechiney (primarily filings by Pechiney with the SEC and the French *Commission des opérations de bourse*). However, Pechiney has not yet granted Alcan access to Pechiney's books and records or any other non-public information regarding Pechiney and Alcan has no means of compelling such access. In addition, Pechiney's primary financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in France while Alcan's primary financial statements are prepared in accordance with Canadian GAAP. There are differences between Canadian and French GAAP. The unaudited pro forma information included herein is prepared based on the US GAAP information that Pechiney discloses publicly. Alcan has not been in a position to verify the Pechiney information or the pro forma information about the combined entity included in this presentation. Some of the information about Pechiney in this presentation is based on good faith estimates by Alcan or industry sources that may be materially inaccurate. The pro forma information presented is not necessarily indicative of the operating results or financial condition that would have been achieved had Alcan's offer for Pechiney been completed during the periods or at the times presented, nor is this information necessarily indicative of future results or conditions of Alcan after it has acquired Pechiney. The pro forma information does not reflect the impact of synergies that Alcan expects to realize over time or the costs associated with the integration of operations necessary to achieve such synergies nor does it reflect the impact of significant divestitures that Alcan must make as required by antitrust regulators. Some of the risks associated with the information about Pechiney and the combined Alcan and Pechiney will be discussed under "Risk Factors" in the preliminary prospectus included in the registration statement that we have filed with the SEC in connection with the proposed offer.

Certain terms used in this presentation are defined in the appendix.

Alcan + Pechiney

Invest With Confidence

- ◆ **Alcan at a Glance**
- ◆ **Strategic Rationale**
- ◆ **The Combined Company**
- ◆ **Transaction Review**
- **Summary**

Alcan at a Glance

Overview

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Worldwide Leader

Key Facts

Second largest
aluminum company
\$12.3 billion revenues*

Key Attributes

Diversified business
mix
Low cost operations

54,000 employees Attractive growth platforms 42 countries Strong financial performance 6 business segments Robust earnings capacity

* Fiscal year 2002

One Governing Objective – Maximize Value

[Alcan at a Glance](#)

[Global Presence](#)

[Geographic Balance](#)

2002 Alcan Capital Assets
(\$12.9 Billion)

2002 Alcan Revenues
(\$12.3 Billion)

2002 Western World AI Consumption (28.5 Mt)

Alcan at a Glance

Strong Financial Performance

Delivering Despite Weak Economic Conditions

Revenues and Aluminum Volumes

Sales & operating rev. (US\$M)

Total aluminum volume (kt)

Operating Income (1)

Operating income (US\$M)

LME (US\$/t)

(1) Operating income: calculated by subtracting foreign currency balance sheet translation effects and Other Specified Items from Net Income

Alcan at a Glance

Strong Financial Performance

Demonstrated Financial Discipline

Cash Flow (in US\$M)

Free Cash Flow (US\$M)

Cash from Operations (US\$M)

Debt as a Percent of Total Capital

\$10,000

\$8,000

\$6,000

\$4,000

\$2,000

\$0

Borrowings (US\$M)	Debt:Total Capital	Equity (US\$M)
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Alcan at a Glance

Q3 2003 Highlights

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Strong Cash Flow Underscores Business Performance

Earnings

- Operating EPS up 5% over Q2 and stable year-over-year. Cost efficiencies and improved metal prices offset falling US\$ and higher pension and energy costs.
- Net income from continuing operations down \$0.23 per share Y/Y due mainly to foreign currency balance sheet translation effects and Other Specified Items.

Cash Flow

- Record free cash flow of \$266 M, up \$60 M Y/Y
- Cash from operations of \$560 M, up \$140 M Y/Y
- Capex in line with depreciation
- Debt as a percentage of total capital at 31%

Maximizing Value Initiatives Continue

- Pechiney offer initiated and approved
- VAW integration on track
- Uniwood/Fome-Cor purchase announced

* For additional information about Q3 2003, see press release dated October 23, 2003 and Form 8-K of same date.

[Alcan at a Glance](#)

[Financial Targets](#)

[Long Term Objective: Double Value Every Five Years](#)

◆ **Grow operating earnings per share by 15% per year**

• **Minimum of \$400 million free cash flow per year**

• **EVA positive by 2006**

Strategic Rationale

Compelling Strategic Rationale

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Creates Substantial Value for Shareholders

- **Consistent with strategy & value-maximizing objectives**
- **Solidifies Alcan as a world-leading aluminum company**
- **Broad technology leadership -core smelting technology**
- **Enhanced aluminum fabrication portfolio, e.g. aerospace**
- **US\$6 billion packaging leader**
- **Accretive to EPS, free cash flow, ROCE from Year 1**
- **Timing is right**

- **Substantial future options created**

Strategic Rationale

US\$250 Million Annual Pre-Tax Cost Synergies

Synergies are Realistic and Achievable

-

100% percent of synergies by year-end 2005

- Costs
 - Implementation: US\$200 million
 - CAPEX: US\$50 million

Strategic Rationale

Competition Review

Clearance by MTF and DOJ Received

European Commission (MTF)	US Department of Justice (DOJ)
Divestiture of either Alcan's 50% share in the AluNorf(1) mill and the Göttingen and Nachterstedt mills	Divestiture of Pechiney's aluminum rolling mill located in Ravenswood (West Virginia)

The statutory waiting period under the US Hart-Scott Rodino Act expired on September 29.

Pechiney's mills at Neuf-Brisach(1), Rugles and, at purchaser's option, Annecy

Continue licensing of alumina refining technology and aluminum smelter cell technology
Divestiture of anode baking furnace designs
Elimination of the overlap in aluminum aerosol cans and aluminum cartridges

Total commitments amount to approximately 5% of pro-forma sales

(1)

Alcan's Latchford casting operations can also be added to either the AluNorf or Neuf-Brisach packages at the purchaser's option.

Strategic Rationale

Government Review

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Clearance by French Treasury Department Received

- Continuity of operations at industrial sites except those which Pechiney has, as of today, announced would be closed

- Location in France of

- **The global headquarters for packaging and aerospace operations**
- **The global headquarters of new cell technology for primary aluminum**
- **The European headquarters for primary aluminum operations**
- **The global headquarters for engineered products**

Strategic Rationale

Integration Approach

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Lessons Learned from algroup

- ♦ **Maintain current operating focus**
- ♦ **Line leadership of integration process**
- ♦ **Jointly staffed integration teams**
- ♦ **Fill and announce key jobs as soon as possible**
- **Timeline to achieve full synergy run-rate within 2 years**

Demonstrated track record in synergies

The Combined Company

Global Group - Balanced Presence

The Combined Company

Diversified Business Mix

Balanced Portfolio

2002 Revenue **Alcan: US\$12.3 Bn**

Pechiney: US\$11.4 Bn^{(1),(2)}

Pro Forma: US\$23.7 Bn^{(1),(2)}

27%

(1) Including Pechiney trading revenue of US\$4.8 billion

(2) On the basis of average US\$/€ exchange rate during 2002 of .95

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The Combined Company

Increased Core Market Presenc

e

Strengthens Current Position

2002 Revenue By End-Use Market⁽¹⁾⁽²⁾

Alcan

Pechiney

Pro Forma

(1) Excludes Pechiney trading revenues of US\$4.8 billion

(2) On the basis of average US\$/€ exchange rate during 2002 of .95

Source: Pechiney figures are based on estimates derived from publicly available documents

The Combined Company

Leading Position in Aluminum

A Leader in Primary Aluminum and Rolled Products

Primary

– Bauxite and alumina

- 2nd worldwide position in alumina production capacities(1)
- Complementary bauxite mines and alumina refineries
- Technology optimization

–

Aluminum smelting

● Largest share of low-cost smelting capacity in the world

- Advanced high-amperage smelting technology

Rolled and fabricated products

- Large presence in value-added aerospace market
- Improved service of growing demand for automotive applications in North America and Europe
- Application of best manufacturing practices

(1) Source : CRU (Industry and Market Outdoor, January 2003)

The Combined Company

A Packaging Leader

Strength Across Key End-Use Markets

The Combined Company

Technological Excellence

Cutting-Edge Capabilities

Alcan	Pechiney	Together
Alumina refining	Alumina refining	Strong technological base
Smelter - Cell efficiency	Smelter - High amperage cell (AP-30, AP-50)	Sharing best practices & know-how
Automotive	Aerospace	More efficient investments
Rolling	Packaging	
Packaging		
Composites		

The Combined Company

Customer Benefits

Meets Customers' Need for Full-Service Suppliers
Enhanced Scale and Regional Diversity

Aluminum	Packaging
Diversified low-cost primary position	Leading full-service supplier in most segments
Increased R&D and technological capabilities	Global reach
Capacity and reach to address expanding aluminum fabrication needs in any region	Integrated solutions
Aerospace capability	

Transaction Review

Summary of Terms

An Attractive Premium

Consideration	€47.5 per Pechiney share(1) €83.4 per OCEANE
Offer Structure	For each Pechiney share: €24.6 in cash plus Alcan shares equivalent to €22.9, based on the average value pricing formula Maximum number of Alcan shares: 0.8358 Minimum number of Alcan shares: 0.6001
Substitution Option	Option to substitute an equivalent amount of cash for all or part of the stock component
Bonus	Additional €1 in cash if more than 95% of Pechiney capital and voting rights on a fully diluted basis are tendered €0.4 bonus per OCEANE

Minimum Condition

More than 50% shares tendered

⁽¹⁾ If Alcan's average value is between €27.40 and €38.16 as explained under "Pricing".

Transaction Review

Pricing

A Fixed-Price Mechanism, with Potential Upside

Value of the Offer for 1 Pechiney share

(Excluding share for cash substitution option)

Alcan Average Value (€)

Transaction Review

Pricing

Value-Protecting Structure

◆
Offer value fixed at €47.5 even if Alcan stock price in € decreases, down to a value of €27.4, contrary to usual fixed parity mixed offers

- Pechiney shareholders retain upside potential on Alcan stock
- Greater transparency and certainty for Pechiney shareholders:
 - Average value of Alcan stock based on 10 trading days among 30 days
- Determination of the stock component consideration 5 trading days before the end of the offer period

Transaction Review

Remaining Transaction Milestones

Alcan Committed to Successful Process

	Main Steps	Time Period
	Initial Offer filed	July 7
	Pechiney Board recommends revised Offer	September 12
	Revised Offer filed	September 15
	Approval decision ("Avis de recevabilité") by the Conseil des Marchés Financiers (CMF) <small>Receipt of competitive/anti-trust clearances in EU, US and Canada</small>	September 29
	Launch of the Offer in France	October 7
	Launch of the Offer in US	October 27
Subject to CMF decision	Alcan to announce final terms of Offer	November 17
	Closing of the Offer	November 24
	Publication of the Results of the Offer	December 1

Summary

Alcan: Committed to Maximizing Value

Invest With Confidence

- ◆ **Creates industry leader**
- **Provides strong base for further value-creating opportunities**
- **Supports financial targets**
- **Enables potential for re-rating**
- **Leverages track record**

Appendix

Western World Aluminum Balance

Primary Metal

(kt)

	2001	2002	2003^f
Production	16,670	17,230	17,730
FSU/China/E. Europe	2,700	2,750	3,150
SUPPLY	19,370	19,980	20,880
% Change	-1.9%	+3.1%	+4.5%
DEMAND	18,920	19,570	20,490
% Change	-6.2%	+3.4%	+4.7%
INVENTORY CHANGE	+450	+410	+390

Aluminum – Primary

Bauxite & Alumina

2002 Alumina Production

kt

Further 20% of Queensland

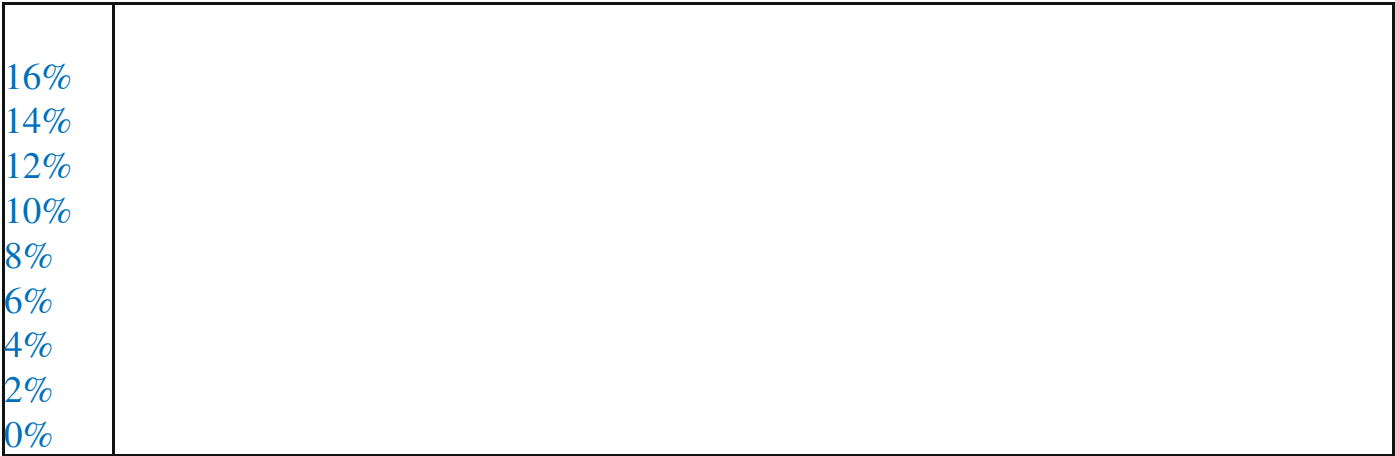
- Integrate complementary bauxite mines and alumina refineries
- Optimize technology of the two companies

Source: CRU (Industry and Market Outlook, January 2003)

Aluminum - Primary

Aluminum Smelting

2002 Production as % of Global



Alcoa Pro forma Alcan RusAI Alcan VAW Billiton Pechiney Chinalco Comalco

- ◆ Largest share of low-cost smelting capacity in the world
 - ◆ 50% in bottom third of global cost curve
- ◆ Advanced high-amperage smelting technology (AP30 & AP-50 cell)
- ◆ Alcan’s wholly owned hydroelectric power

(1) Adjusted to include Alouette for full year
Source: CRU (Industry and Market Outlook, January 2003)

Aluminum – Rolled & Fabricated Products

2002 Pro Forma Revenues by End Market

	<p>World class aluminum rolling and continuous casting technologies</p> <p>Application of best manufacturing practices</p> <p>Improved service of the growing demand</p> <p>for automotive applications in both North America and Europe</p> <p>Synergy potential</p>
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Source: Pechiney figures based on estimates derived from publicly available documents.

Definitions

EVA® is a registered trademark of Stern Stewart & Co. and a key measure of financial performance. The term means the difference between the return on capital and the cost for using the capital over the same period.

Foreign currency balance sheet translation means gains and losses arising from translating balance sheet items mainly in Canada and Australia (principally accounts payable, deferred credits and other liabilities, and deferred income taxes) at period-end exchange rates.

Free Cash Flow is calculated by subtracting dividends and capital expenditures from cash from operating activities.

Operating Income is calculated by subtracting foreign currency balance sheet translation effects and Other Specified Items from net Income.

Other Specified Items include, for example: 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 adjustments related to prior years and the effects of changes in income tax rates; and other items that do not typify normal business activities.

ROCE (return on capital employed) is earnings before interest and tax divided by capital, which is equal to Total Capital.

Total Capital is the sum of short-term borrowings, debt maturing within one year, debt not maturing within one year, minority interest, redeemable non-retractable preference shares and common shareholders' equity.

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