

Rio Tinto, Alcan reach US\$38.1-billion merger deal

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Anglo-Australian mining giant Rio Tinto has tabled an all-cash offer for Montreal-based Alcan Inc. valued at US\$38.1-billion.

The friendly takeover deal will create the world's biggest aluminum producer.

"(It's) pretty much a knockout bid," BNN's Michael Kane said Thursday. "(But) it's always possible that Alcoa or perhaps one of the other mining companies could step in with a counter-offer."

Alcan's board of directors has unanimously recommended that shareholders accept Rio Tinto's all-cash offer of US\$101 per share.

The offer represents a premium of 32 per cent over the current share value of US\$76.03.

The new company will be called Rio Tinto Alcan and will be based in Montreal and headed by Dick Evans -- the current president and CEO of Alcan.

In a statement released Thursday, Evans said the merger will create "a new global leader in the aluminum industry."

"As we move ahead together, we will remain true to our shared values, including commitments to the environment, health, safety and sustainability, and our focus on creating value," Evans said. "I am personally delighted and excited by the opportunity of leading the new larger aluminum group, Rio Tinto Alcan."

The deal comes as Alcan had been trying to fend off a hostile US\$28-billion takeover bid from Alcoa Inc., based out of Pittsburgh.

Rio Tinto employs about 4,300 people in Canada and has 32,000 workers worldwide. The London-based company plans to take the bid before regulatory authorities before July 23. The deal will need the approval of two-thirds of shareholders to be approved.

Alcan has 68,000 employees and operates in 61 countries.