

Alcan, Rio Tinto Integration Could Take Two Years: Evans

CNNMoney.com July 31, 2007: 10:17 AM EST

VANCOUVER -(Dow Jones)- It might be two years before Rio Tinto PLC's (RTP) \$ 38.1 billion friendly takeover of Alcan Inc. (AL) is fully integrated, Alcan Chief Executive and President Dick Evans told Dow Jones Newswires Tuesday.

"Typically, something with this size, you're looking at two years; in this particular case, because there is relatively little overlap of businesses, it could go even a bit quicker than that," he said in a telephone interview.

Evans, who will head up the combined companies' aluminum business out of Montreal once the deal closes, said it will be up to Rio Tinto to figure out a timeframe for reviewing the combined portfolio and, ultimately, the allocation of capital for projects in the pipeline.

"They want to start with this as soon as they're done with this transaction," Evans said. "There are certain major decisions that we (won't) take independently without consulting with Rio. Having said that, they are very much aware of the pipeline of our major projects and they're very supportive of it - that's one reason why they bought us."

Evans comments come after Alcan released second-quarter results - a trading period hit by a strong Canadian dollar. The company said Tuesday it had earned \$ 438 million, or \$1.18 a share, in the second quarter, which is down from \$455 million or \$1.21 a share, during the same period last year. The currency translation effect overshadowed a 8.2% increase in sales to \$6.6 billion from \$ 6.1 billion, thanks in part to higher aluminum prices.

Evans said currency fluctuations do have an adverse effect on earnings, especially a strong Canadian dollar when it comes to country-specific liabilities, such as pension commitments.

However, this quarter could be the last time Alcan reports as an independent company, meaning its earnings will now be incorporated with Rio Tinto, a London- listed company that reports earnings semi-annually and in U.S. dollars.

In terms of integration, it's a given that Rio will sell Alcan's packaging business.

"(The sale) is something we had started even before the Alcoa hostile offer, so we had done a thorough evaluation of the business, what we thought the value was, who were the likely buyers and had some contact with interested parties," Evans said. "We put all of this on hold since the Alcoa hostile offer."

Before Rio swooped in on Alcan, U.S.-based Alcoa Inc. (AA) had tendered a hostile bid for the Canadian aluminum company back in May.

Evans said Alcan is now "dusting off" the packaging-business file and revisiting the sale in conjunction with Rio Tinto.

"We will be determining with them how rapidly we push ahead," he said. "Our objective here is to get it done expeditiously but not at the expense of getting maximum value."

Overall, Evans said Rio Tinto is taking on a large asset, meaning integration will be a complex affair.

"We've compared notes on what we think is the right direction of the aluminum business within Rio Tinto and I would say we're largely aligned on that," he said. "He's buying a very big company in Alcan...and we all want to make the right decisions in terms of what assets we keep and which ones we might divest."

In New York Friday, Alcan is up 66 cents to \$97.46 on 569,000 shares.

Company Web Site: <http://www.alcan.com>

-Brian Truscott, Dow Jones Newswires; 604-669-1595; brian.truscott@dowjones.com