




alba



Aluminium
for the world

Q2 2012 IR PRESENTATION

albasmelter.com

Disclaimer

This document has been prepared and issued by and is the sole responsibility of Aluminium Bahrain B.S.C. (the “Company”). The document is being supplied to you solely for your information and for use at the Company’s presentation. No information made available to you in connection with the presentation may be passed on, copied, reproduced, in whole or in part, or otherwise disseminated, directly or indirectly, to any other person. This document and its contents are directed only to the intended audience. It is being made on a confidential basis and is furnished to you solely for your information. By accepting this material the recipient confirms that he or she is a relevant person. This document must not be acted on or relied on by persons who are not relevant persons. Any investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. If you are not a relevant person you should not attend the presentation and should immediately return any materials relating to it currently in your possession. Forward-looking statements speak only as at the date of this presentation and Aluminium Bahrain B.S.C. expressly disclaims any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation. No statement in this presentation is intended to be a profit forecast. As a result, you are cautioned not to place any undue reliance on such forward-looking statements. You should not base any behaviour in relation to financial instruments related to the Company’s securities or any other securities and investments on such information until after it is made publicly available by the Company or any of their respective advisers. Some of the information is still in draft form and has not been legally verified. The Company, its advisers and each of their respective members, directors, officers and employees are under no obligation to update or keep current information contained in this presentation, to correct any inaccuracies which may become apparent, or to publicly announce the result of any revision to the statements made herein except where they would be required to do so under applicable law, and any opinions expressed in them are subject to change without notice. No representation or warranty, express or implied, is given by the Company, its undertakings or affiliates or directors, officers or any other person as to the fairness, accuracy or completeness of the information or opinions contained in this presentation and no liability whatsoever for any loss howsoever arising from any use of this presentation or its contents otherwise arising in connection therewith is accepted by any such person in relation to such information.

Contents

1- Industry Highlights

2- Alba Highlights

3- Q2 2012 Results

4- Industry Perspectives in 2012

5- 2012 Alba Priorities



INDUSTRY HIGHLIGHTS

INDUSTRY HIGHLIGHTS

Q2 2012

Aluminium Demand Healthy Despite Downbeat Market Sentiment (Reference Period: April – June)

- World consumption up by +3.2%
- North America – strong demand (+6.1%) driven by automotive and construction sectors
- Asian demand well supported by Japan rebuild (+21.4%) and China government spending (+7.2%)
- MENA demand grew by 3.3% thanks to large infrastructure projects
- Europe demand recovered at +4.8% despite Euro debt concerns

INDUSTRY HIGHLIGHTS

Q2 2012

Production Evolution (Reference Period: January–June)

- World market production up by 2.2% YoY
- China output at 5.3 million metric tonnes (+8.7% YoY) driven by government support on power subsidies
- Western producers continue to suffer from lower LME price & high energy cost thus leading to further capacity cuts

INDUSTRY HIGHLIGHTS

Q2 2012

LME & Premiums

Despite Healthy Demand, LME is driven by Global Economic Uncertainty

- LME inventories at 4.9 million metric tonnes in May (-160 Kt vs. 1Q12 and -62 kt vs. December 2011)
- LME negatively impacted by uncertain European outlook as well as strong Dollar. 2Q12 Cash-average was \$1,977/t with LME ranging between \$2,091 on April 3 and \$1,810 on June 26
- **Physical premiums at record high across the globe:**
 - Reported Asian spot deals reaching \$220/t vs. Major Japanese Ports (MJP) of \$112/t in 1Q12
 - DDP Rotterdam at \$213/t in 2Q12 vs. an average of \$183/t in 1Q12
 - US Mid West premiums at \$188/t in 2Q12 vs. an average of \$195/t in 1Q12









ALBA HIGHLIGHTS

Alba Highlights

Q2 2012- Operational Highlights/Achievements



STAR Operational Improvement Program

-  Additional recurrent savings of US\$7 million recorded in 2Q12 vs. a full-year target of US\$30 million
-  Alba was able to increase production by 1.7% with sales stable through ongoing Operational Excellence initiatives
-  2Q12 Sales of Value-Added Products jumped to 67% vs. 63% in 1Q12
-  Launch of Lean Six Sigma Wave 7 comprising of 8 major projects in June 2012
-  Graduated first wave of Greenbelts
-  Completed Calciner major overhaul in record time


Alba Highlights

Q2 2012 – Operational Highlights/Achievements



Raw Materials

-  Alumina contracts fully booked
-  Green Coke seize opportunistic spots cargoes in 2nd half of 2012

AlbaSafeWay Program

-  Safety Excellence Program in progress with 3 work streams launched in 2Q12

Future Growth

-  Ongoing discussion with Government on gas/power requirements for Line 6 expansion project
-  Appointment of BNP Paribas as a Financial Advisor for Line 6 expansion project

Alba Highlights

Q2 & H1 2012 – Financial Key Performance Indicators
Without LME & Gas Impact, Alba Was Able to Maintain its Intrinsic Value

- **Adjusted EBITDA driven by low LME levels & higher gas cost**
 - Q2: US\$86 million down by 51% YoY
 - H1: US\$201 million down by 43% YoY
- **Adjusted Net Income driven by low LME levels & unrealized derivative gains**
 - Q2: US\$30 million down by 75% YoY
 - H1: US\$90 million down by 63% YoY
- **Free-Cash Flow impacted by lower LME levels partially offset by strong working capital management**
 - Q2: US\$143 million down by 33% YoY
 - H1: US\$191 million down by 37% YoY
- **Interim Dividend**
 - The Board proposed to distribute interim Cash Dividend of 14 Fils per share which is \$52.6 million



Q2 2012 RESULTS

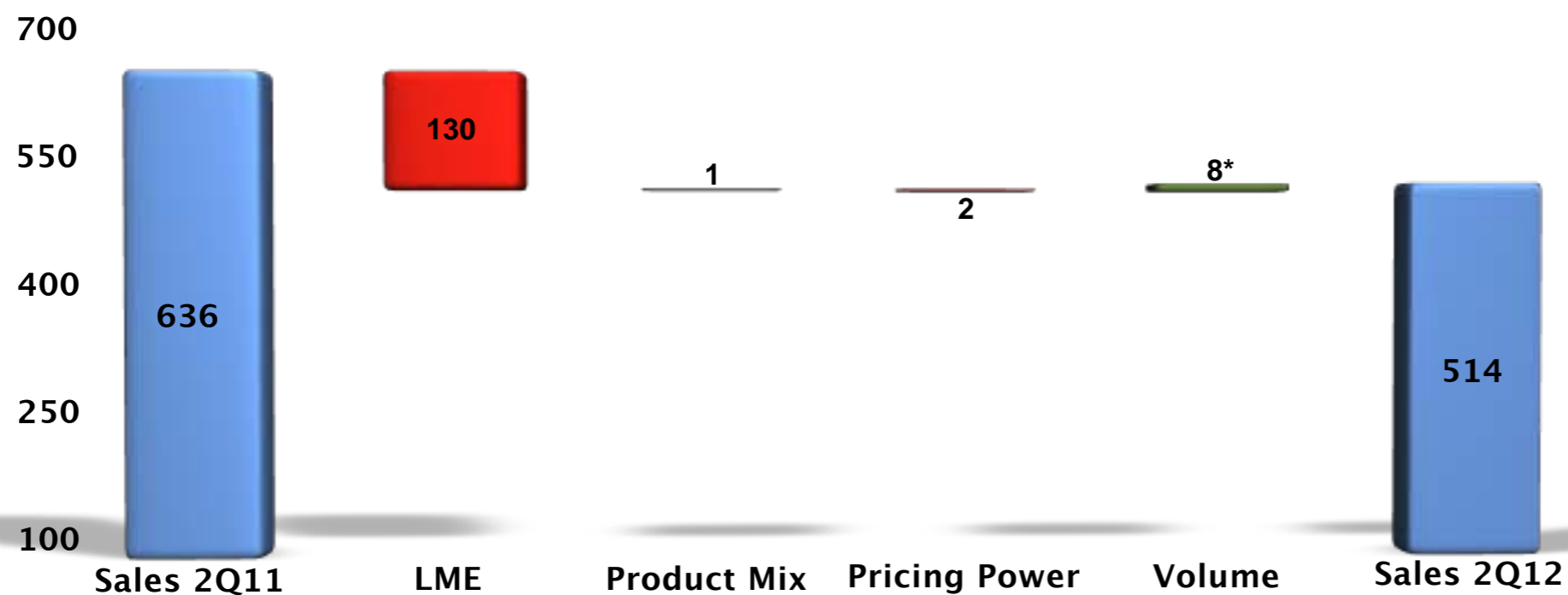


Q2 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Sales Analysis 2Q12 vs. 2Q11 (000's MT)
Significant Lower LME Prices Partially Offset by Higher Sales Volume

2Q12 vs. 2Q11 - Metal Sales Bridge (US\$M)



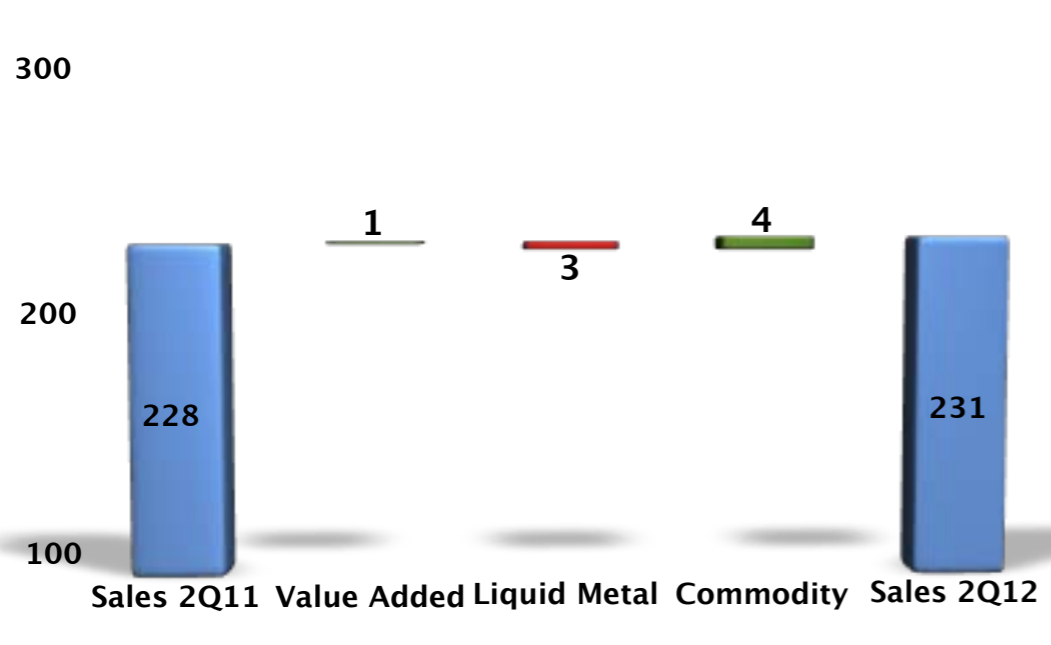
* Higher throughput & sales resulted in a \$4 million direct benefit to the bottom line

Q2 2012 Results

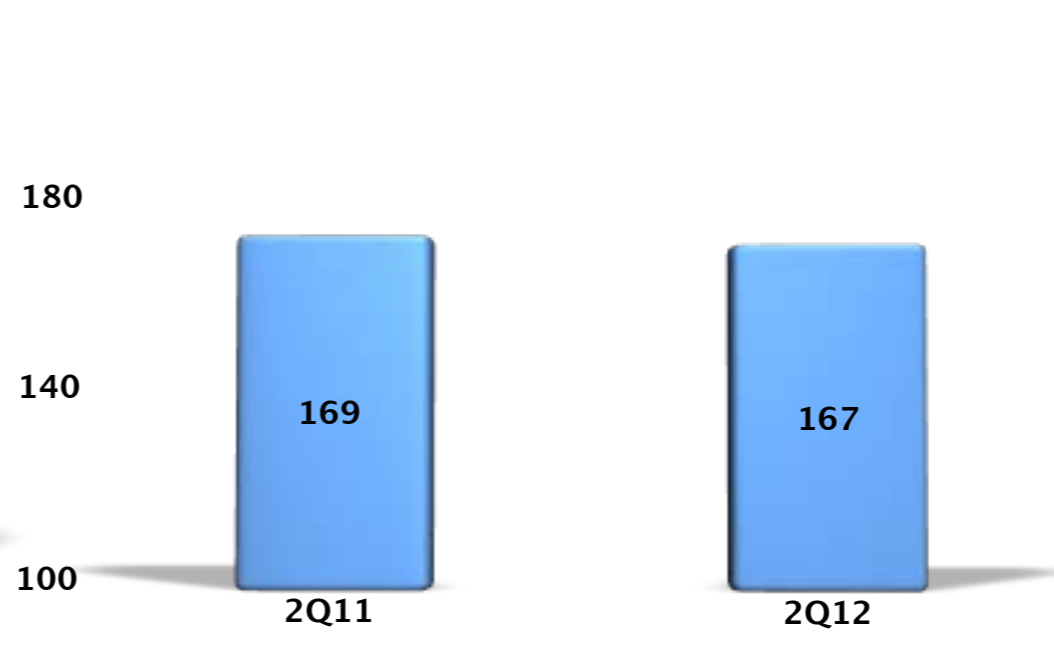
LOW LME & SOFTER MARKET CONDITIONS

**Maintain Optimum Product Mix
Value-Added Sales Back to Record Levels Despite Global Economic Uncertainty**

2Q12 vs. 2Q11 - Sales by Product line Bridge
(000's MT)



Premium Above LME Trend USD (Per MT)

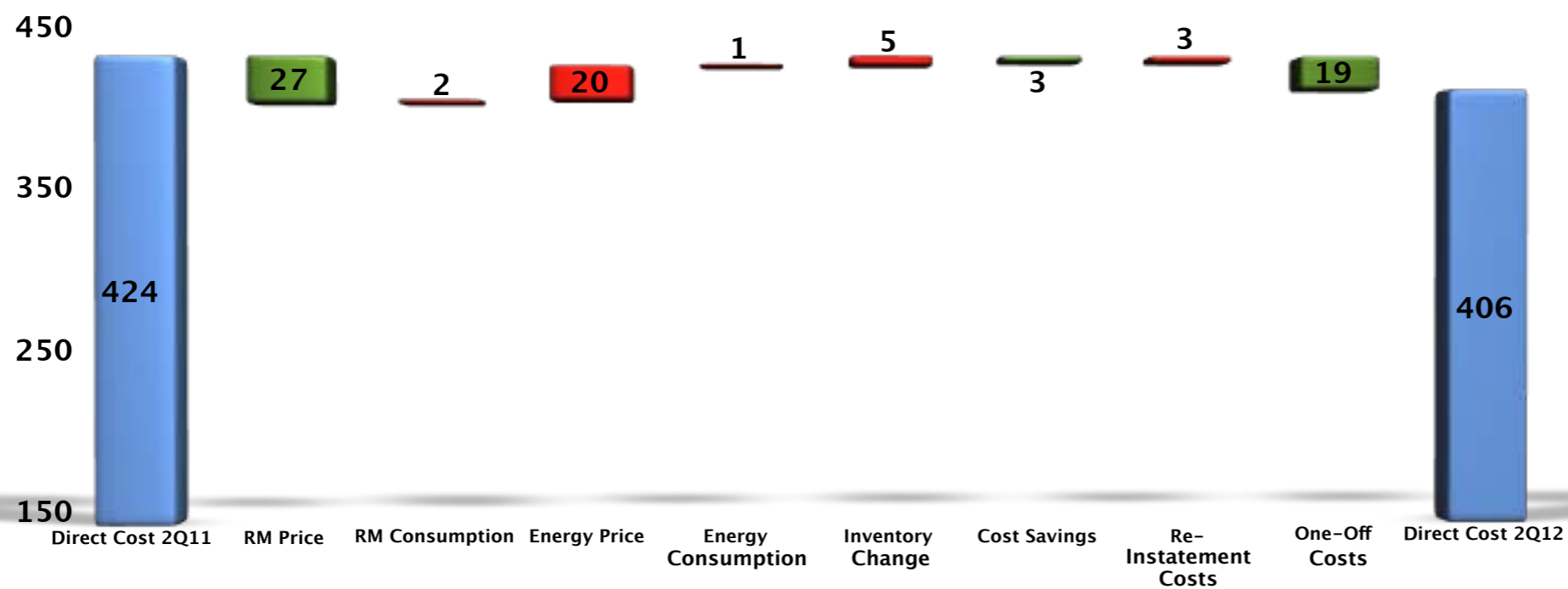


Q2 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Cost Analysis 2Q12 vs. 2Q11:
Higher Energy & Workforce Costs Offset by Drop in Raw Material Prices

2Q12 vs. 2Q11 - Direct Costs Bridge (US\$M)

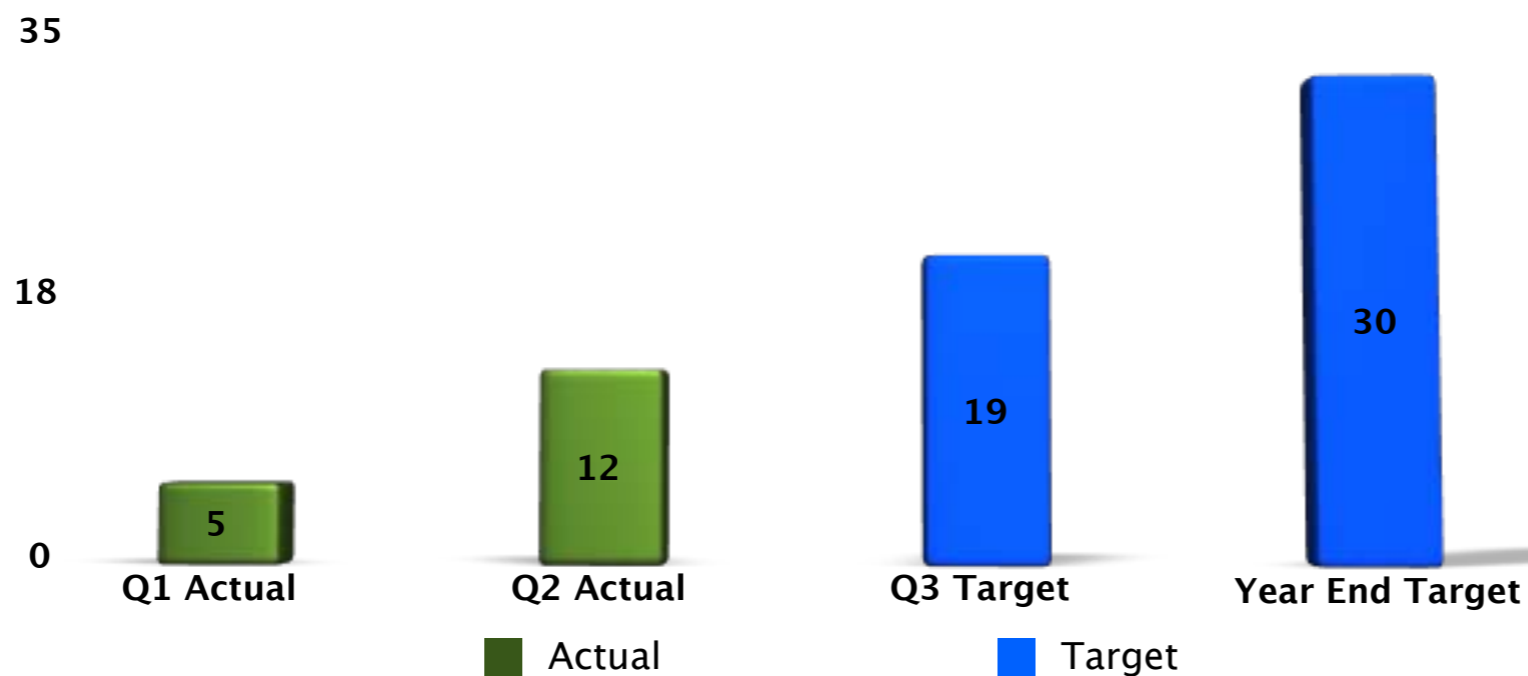


Q2 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

STAR Saving – YTD vs. Target 2012:

YTD vs. Target 2012 – STAR Cumulative Savings (US\$M)



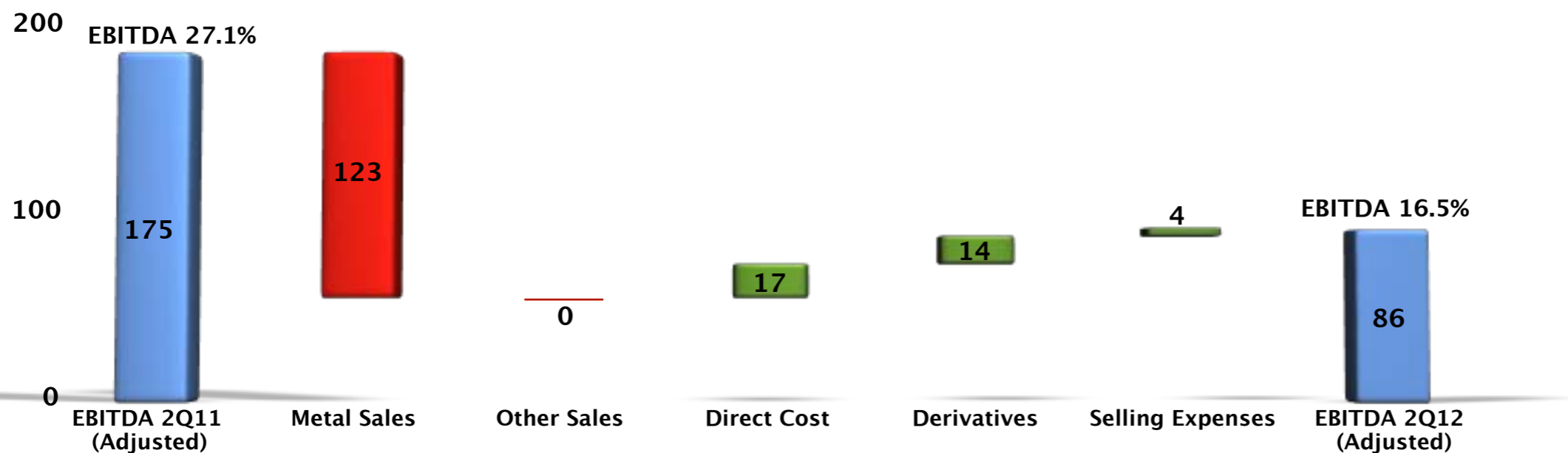
\$7 million – additional savings generated in Q2 from Throughput (\$4 million) and Cost Savings (\$3 million)

Q2 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Adjusted EBITDA Bridge Gap Analysis 2Q12 vs. 2Q11:
Adjusted EBITDA Margin at a 16.5% rate

2Q12 vs. 2Q11 - EBITDA Bridge (US\$M Adjusted)



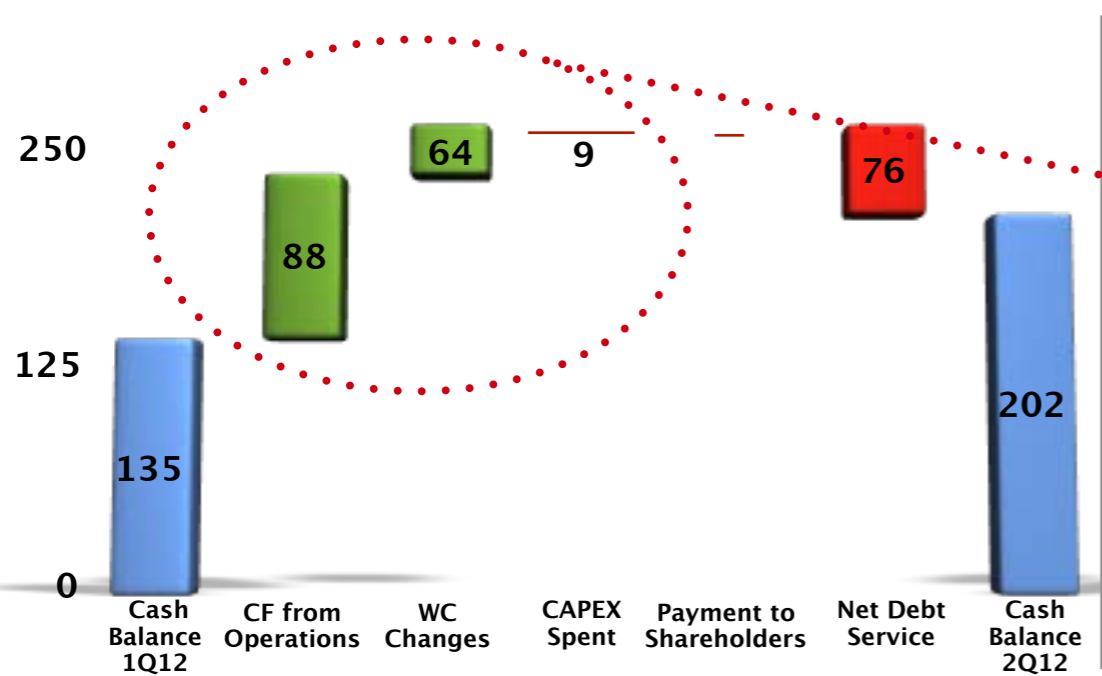
Adjusted EBITDA includes the impact of actual realised Derivatives

Q2 2012 Results

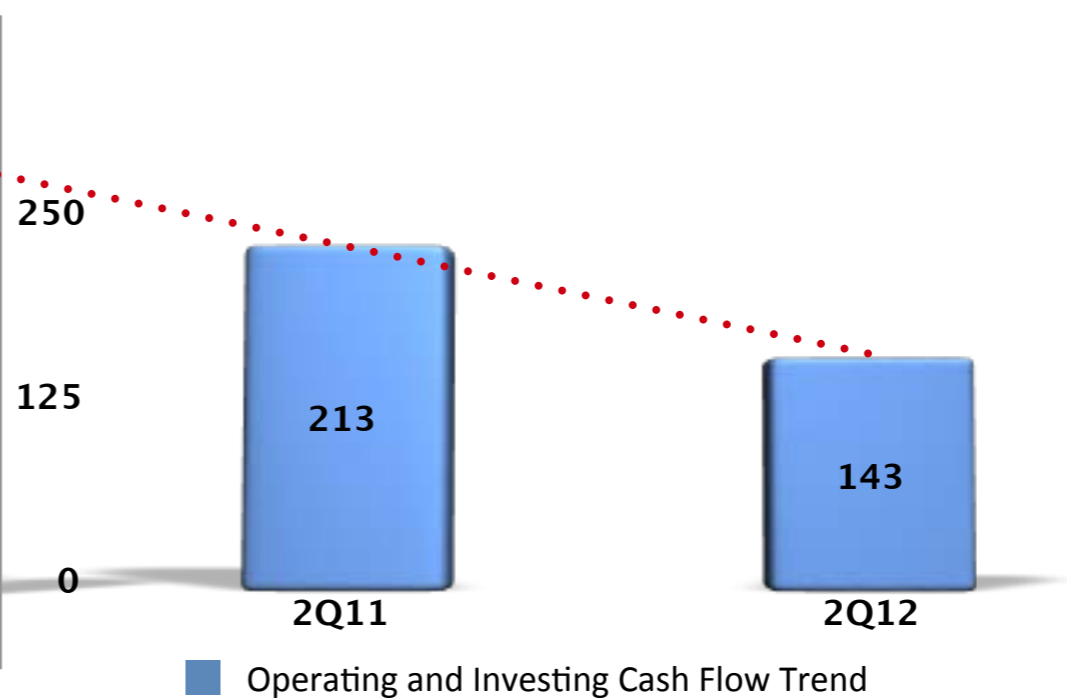
LOW LME & SOFTER MARKET CONDITIONS

Cash Flow Bridge 2Q12 vs. 1Q2012:
Lower LME Prices Partially Offset by Strong Working Capital Management

1Q12 to 2Q12 Cash Flow Bridge (USD M)

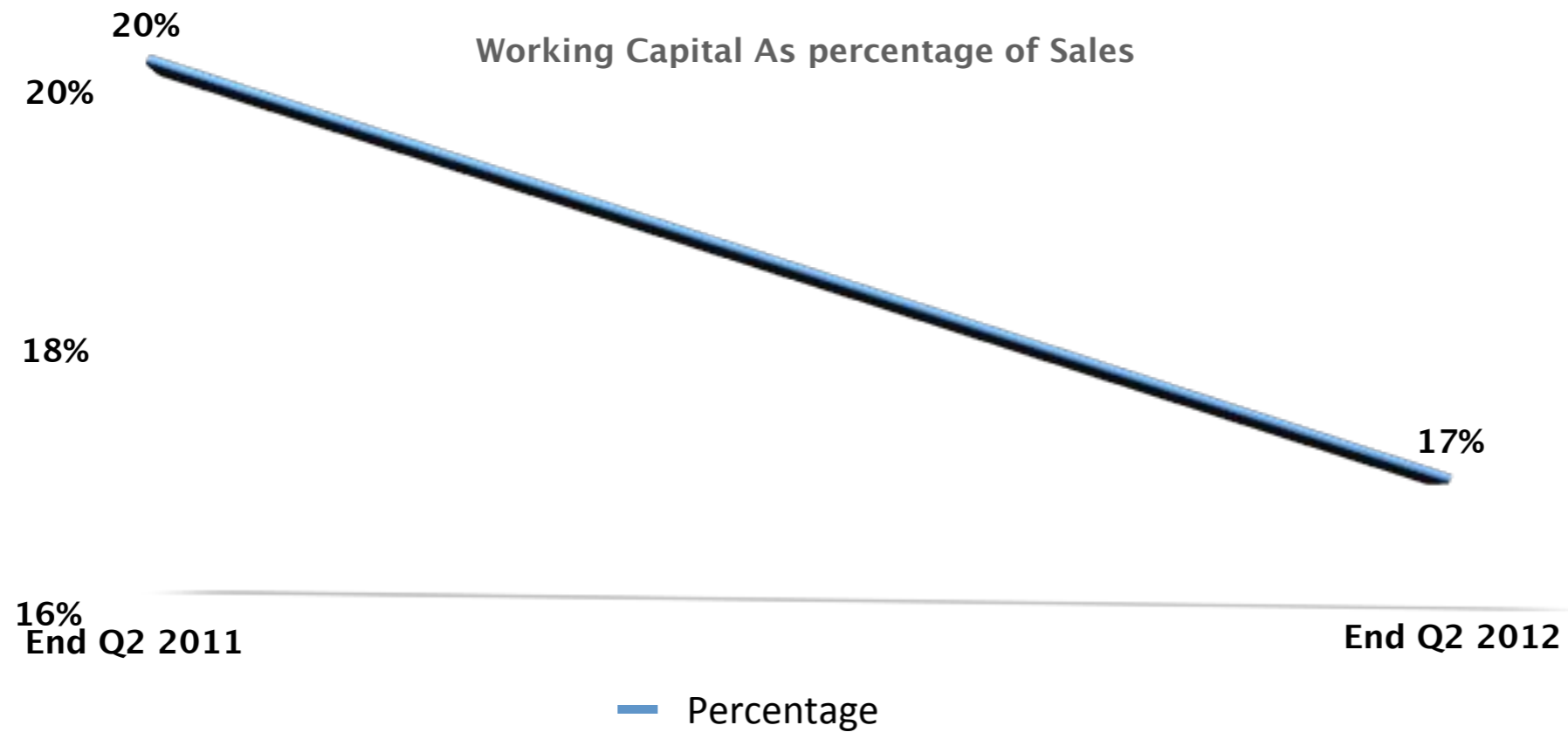


Free Cash Flow (USD M)



Q2 2012 Results

Working Capital Trend as Percentage of Sales:
Efficient Working Capital Management



Q2 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

2Q12 vs. 2Q11; 1H12 vs. 1H11

Without LME & Gas Impact, Alba Was Able to Maintain its Intrinsic Value

Financial Summary	Q2 2012	Q2 2011	H1 2012	H1 2011
Sales	523	645	1,019	1,222
EBITDA	86	175	201	350
EBITDA%	16.5%	27.1%	19.8%	28.6%
EBITDA (Excl. One Time Cost)	89	197	184	378
EBITDA% (Excl. One Time Cost)	17.0%	30.5%	18.1%	30.9%
Net Income/(Loss)	95	185	151	273
Gain/(Loss) Unrealised Derivatives	65	65	62	33
Adjusted Net Income/(Loss)*	30	120	90	240
Adjusted Net Income%	5.7%	18.6%	8.8%	19.7%
Average Cash LME (US\$/MT)	1,977	2,603	2,077	2,552



INDUSTRY PERSPECTIVES IN 2012



Industry Perspectives in 2012

Demand to Remain Healthy but with Strong Volatility

Key factors to be observed:

- LME volatility will continue with Europe financial uncertainty and US Presidential election in November
- Record physical premiums to be sustained in the short-term
- MENA infrastructure spending to continue
- Asia will remain strong with Japan rebuild
- Chinese production levels are still uncertain despite the government power subsidies
- North American demand to remain bullish
- Production cuts should push LME prices back over \$2,200 tonnes level before year-end

Industry Perspectives in 2012

Raw Materials Price Trends

- Alumina spot market in surplus
- Drop in Green Coke prices as a result of oil decline
- Aluminium Fluoride (ALF3) prices to weaken with aggressive Chinese exports
- Liquid Pitch prices to remain stable but expected to drop with the reduction of coking coal prices



2012 ALBA PRIORITIES

2012 Alba Priorities

Continuous Improvement & Preparation for Future Growth

AlbaSafeWay Program

- Ongoing implementation for Alba SafeWay work streams

2012 STAR Program:

- To achieve additional cash savings of US\$30 million in 2012
- Launch second wave of Greenbelts
- Sustained focus on Value-Added Sales
- Further increase Line 5 production through Anode upgrades

Future Growth

- Finalise a long-term contract to secure availability and price of gas beyond 2012 for Line 6 expansion project
- Launch of bankable feasibility studies for Line 6 expansion project before year-end



APPENDIX

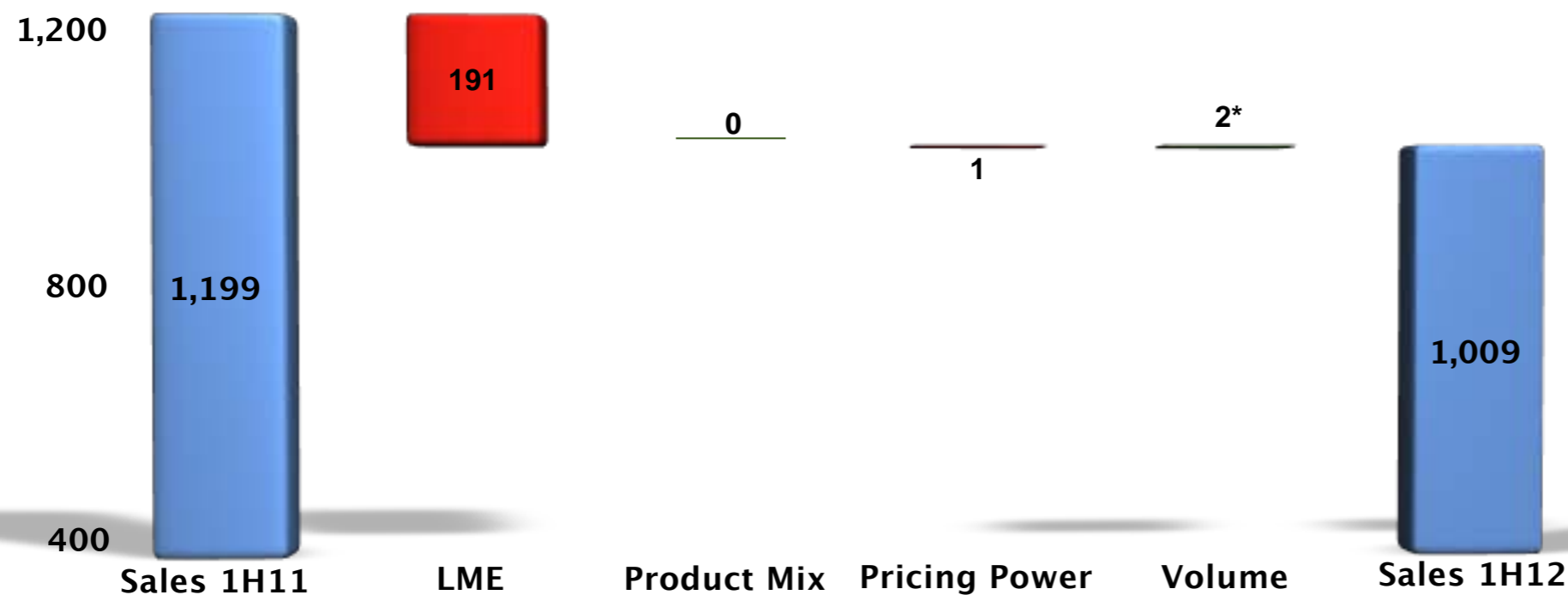


H1 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Sales Analysis 1H12 vs. 1H11 (000's MT)
Significant Lower LME Prices Partially Offset by Higher Sales Volume

1H12 vs. 1H11 - Metal Sales Bridge (US\$M)



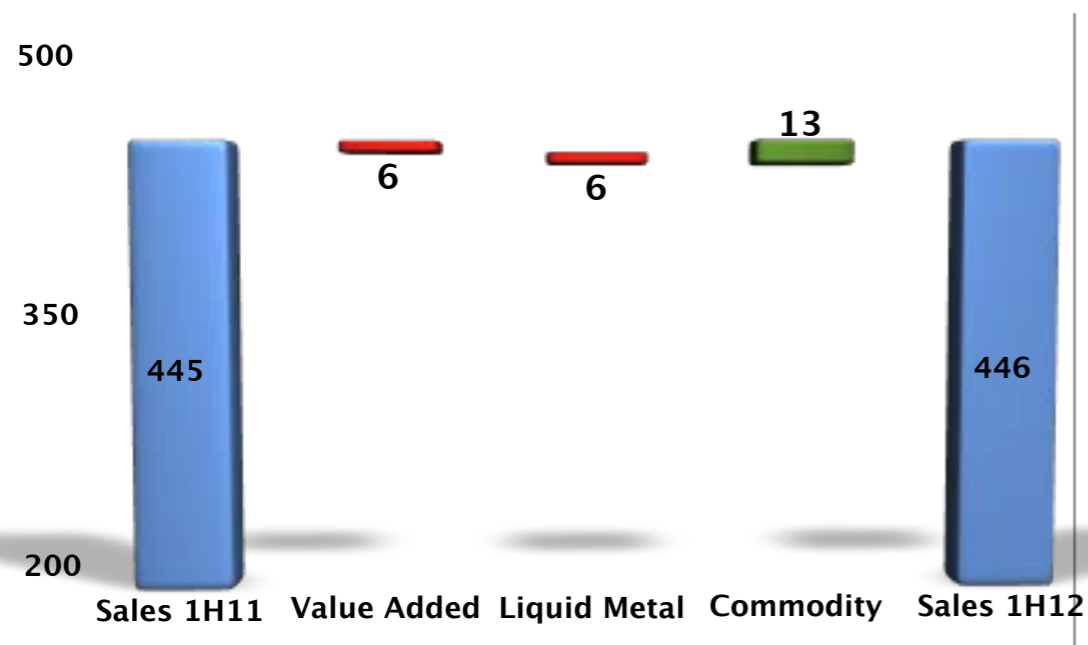
* Higher throughput and sales resulted in a \$9 million direct benefit to the bottom line

H1 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Continuous Shift to Optimum Product Mix
Stable Value-Added Sales Despite Global Economic Uncertainty

1H12 vs. 1H11 – Sales by Product line Bridge
(000's MT)



Premium Above LME Trend USD (Per MT)

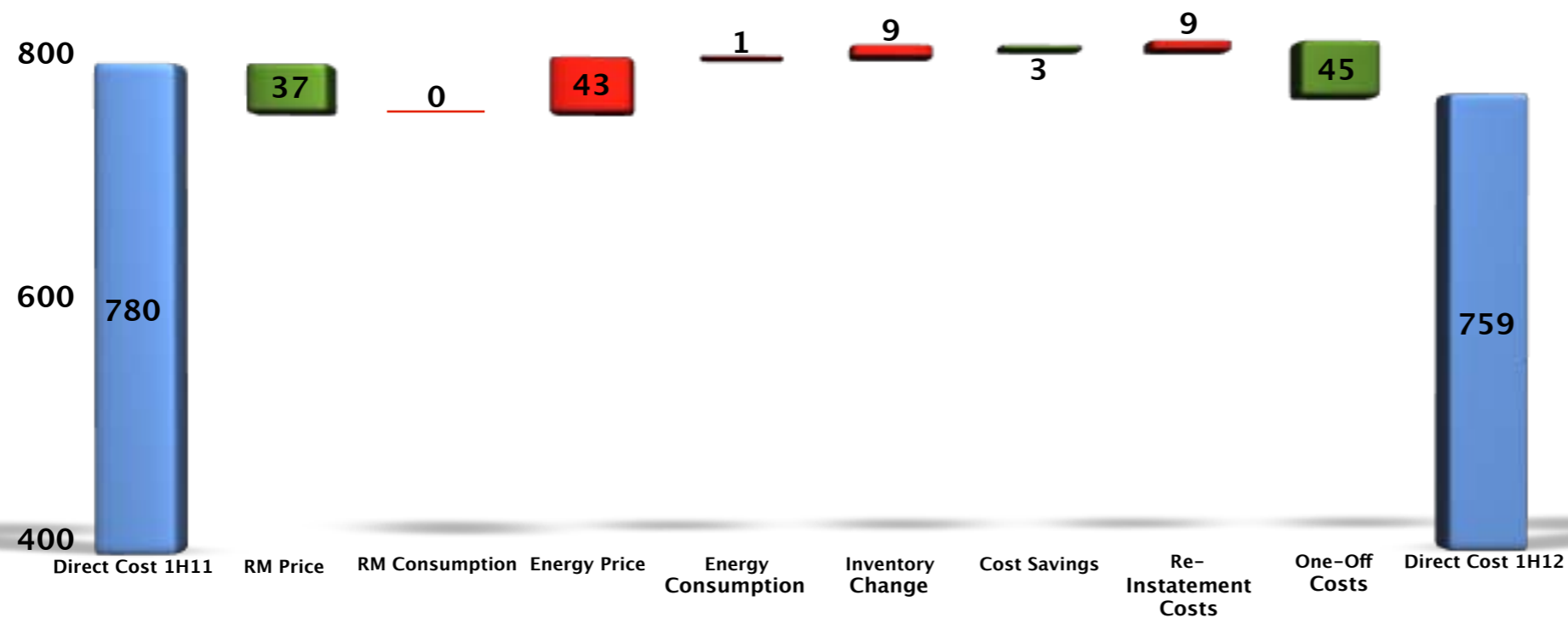


H1 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Cost Analysis 1H12 vs. 1H11:
Higher Energy & Workforce Costs Offset by Drop in Raw Material Prices

1H12 vs. 1H11 - Direct Costs Bridge (US\$M)

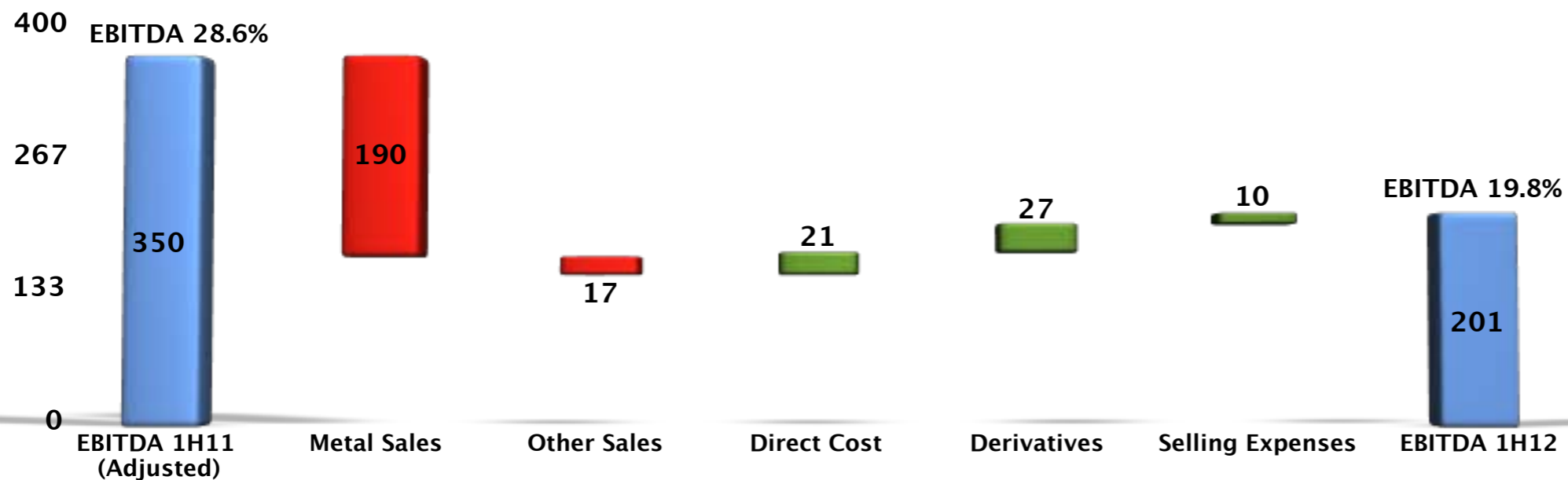


H1 2012 Results

LOW LME & SOFTER MARKET CONDITIONS

Adjusted EBITDA Bridge Gap Analysis 1H12 vs. 1H11:
Adjusted EBITDA Margin at a 19.8% rate

1H12 vs. 1H11 - EBITDA Bridge (US\$M Adjusted)

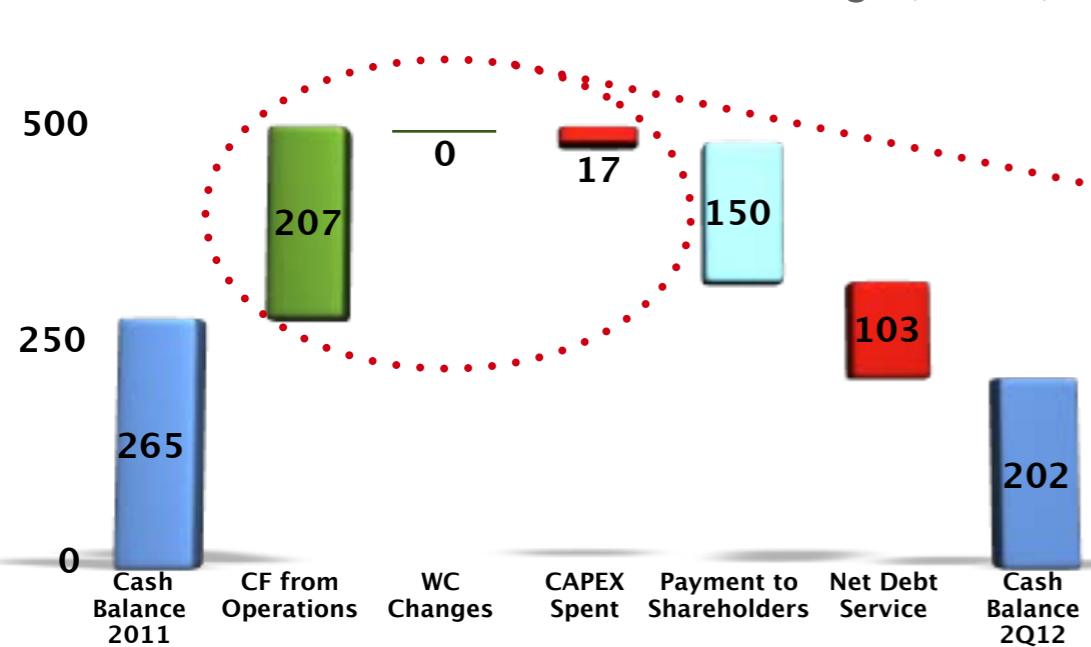


H1 2012 Results

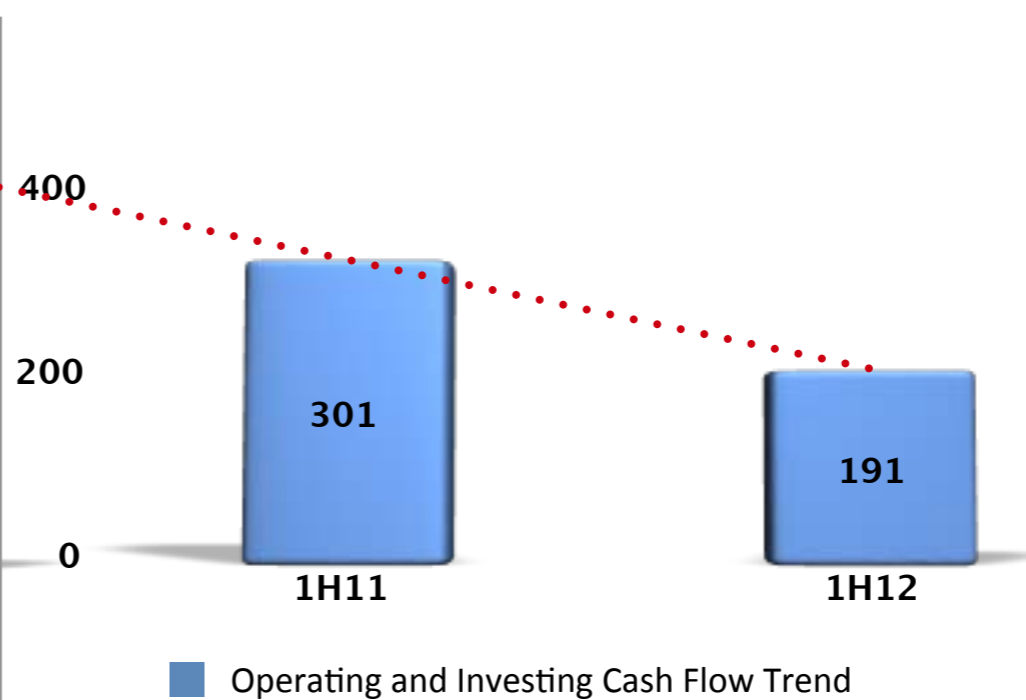
LOW LME & SOFTER MARKET CONDITIONS

Cash Flow Bridge 2Q12 vs. Year-End 2011:
Lower LME Prices Partially Offset by Strong Working Capital Management

Year-End 2011 to 1H12 Cash Flow Bridge (USD M)



Free Cash Flow (USD M)





FOR MORE INFORMATION, CONTACT US ON:
IR@alba.com.bh