

alcoa



Aluminium
for the world

● INVESTOR RELATIONS
PRESENTATION
2017



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

01
Industry
Highlights

02
ALBA
Highlights

03
2017
Results

04
Industry
Perspectives
in 2018

05
2018
ALBA Priorities

01

INDUSTRY HIGHLIGHTS¹

¹Industry Highlights are based on CRU Analysis



Industry Highlights – 2017

Global Physical Demand Remains Strong

- 🪐 World consumption at 63.6 million metric tonnes (mt) and up by 6% YoY
- 🪐 Asian demand up by 7% YoY led by consumption in China (+8% YoY)
- 🪐 MENA demand remains strong (+4 % YoY) driven by major infrastructure spending in Saudi Arabia (+12% YoY)
- 🪐 Europe consumption rose by 3% YoY driven by strong growth in transport (auto body sheet), building and construction sectors
- 🪐 Demand in North America continues with the same momentum (+2% YoY) driven by the automobile production



Industry Highlights – 2017

Global Production Evolution

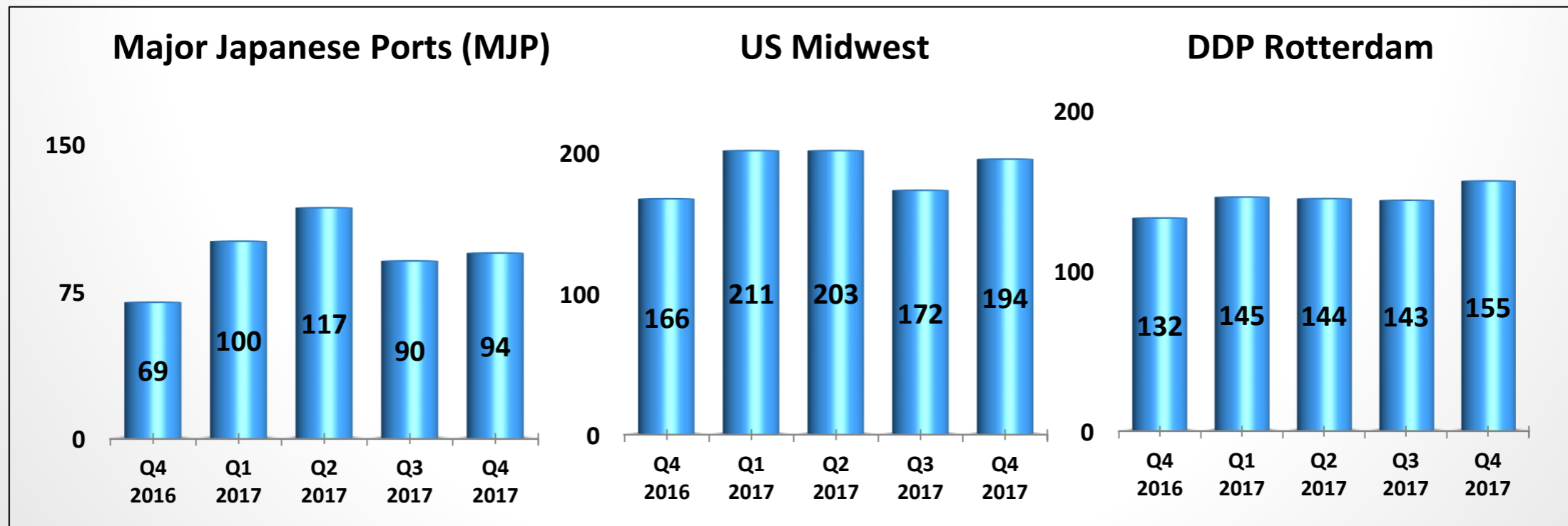
- 🪐 World production up by 8% YoY (63.5 million mt)
- 🪐 Asia Production up by 12% YoY led by Chinese output (+13% YoY) despite winter closures and partially offset by new smelters' restarts
- 🪐 North America & Europe production down by 2% YoY and 1% YoY respectively
- 🪐 World market in deficit with China (-43 Kt) and in deficit w/o China (-1.9 million mt)



Industry Highlights – 2017

LME & Premiums

- 🪐 LME inventories at 1.1 million mt in December (down by 50% YoY)
- 🪐 Q4 2017 cash-average was \$2,101/t with LME ranging between \$1,991/t on December 11 and \$2,246/t on December 28
- 🪐 Physical premiums prices almost flat (\$/t)



02

ALBA HIGHLIGHTS





Alba Highlights – 2017

Operational Highlights & Achievements

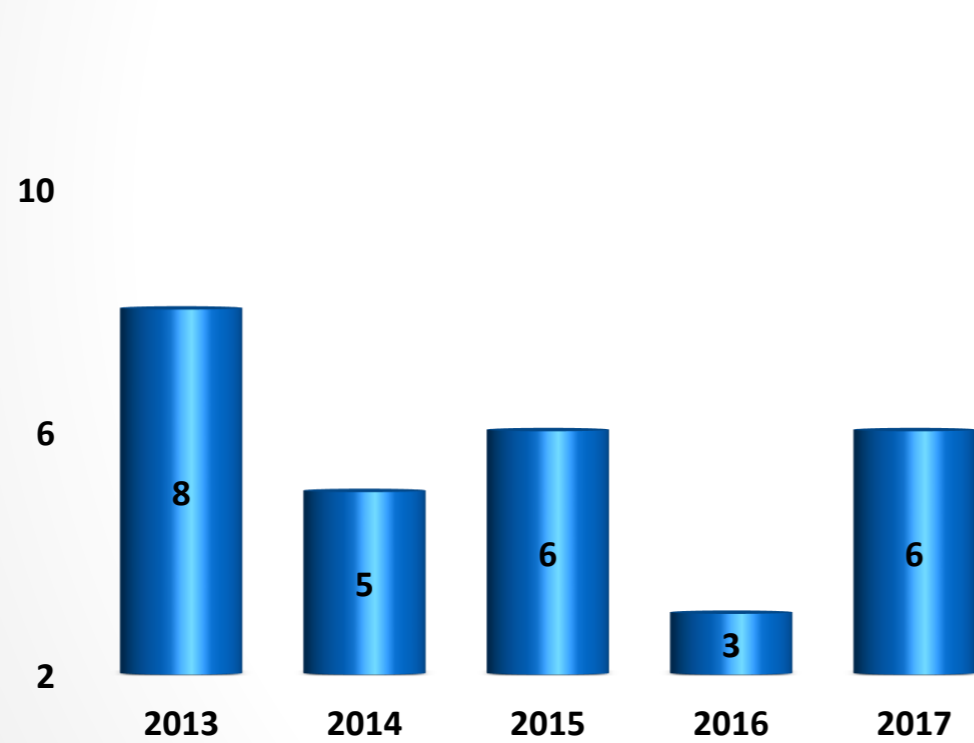
- 🪐 Continuous improvement on Safety performance with the launch of ‘Safety in All Seasons’ Campaign
- 🪐 Sales volume up by 0.4% YoY to reach 978,195 mt while Production topped 981,016 mt (+1% YoY)
- 🪐 2017 Value-Added Sales increased to 57% versus 56% in 2016
- 🪐 Line 6 Expansion Project milestones:
 - Line 6 Smelter [5 million-hours w/o LTIs; overall progress: 40%]
 - Power Expansion [3 million-hours w/o LTIs; overall progress of PS 5 at 47% & PDS at 65%]
- 🪐 Alba signs MoU with GE for 4th GT block in Power Station 5
- 🪐 Alba and Bechtel sign MoU to explore further opportunities



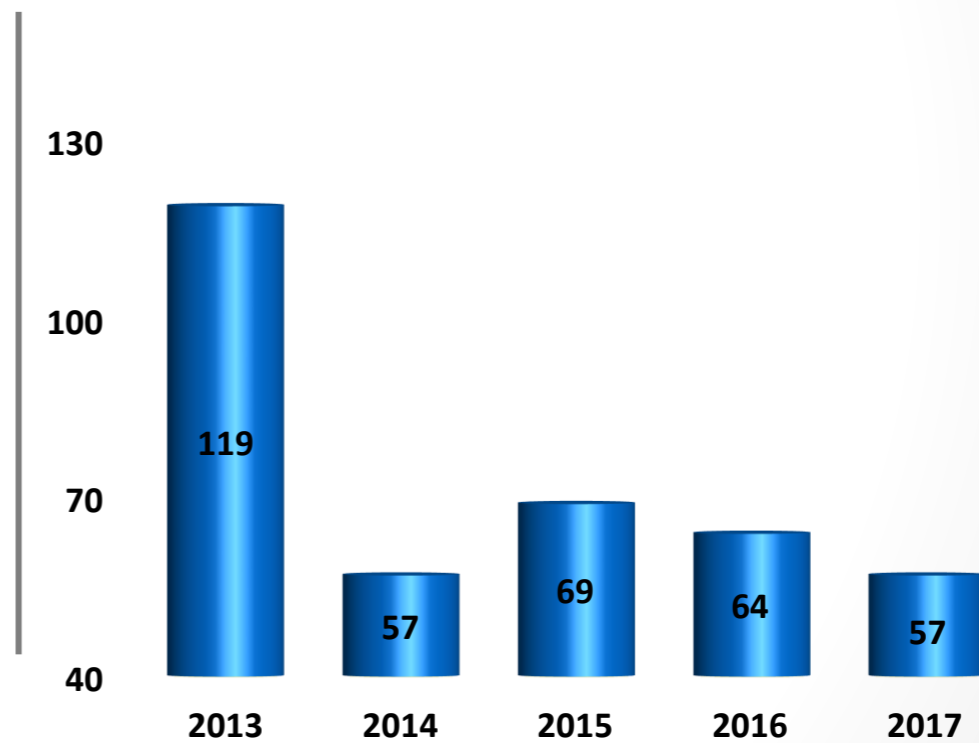
Alba Major Highlights - 2017

Safety in Focus -- Towards Safety Tomorrowland

Lost Time Injury (LTI) Trend



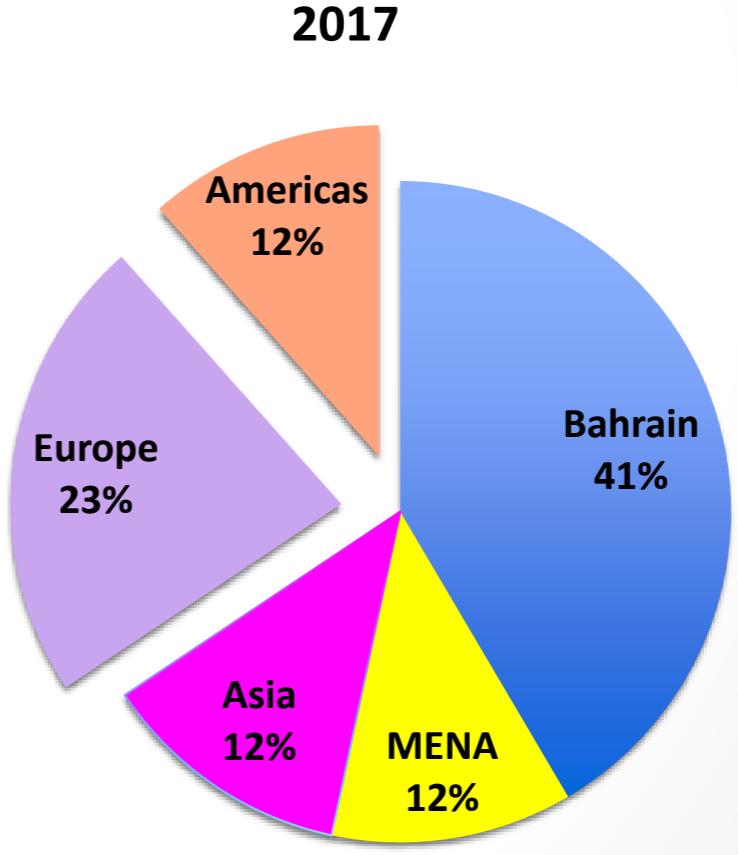
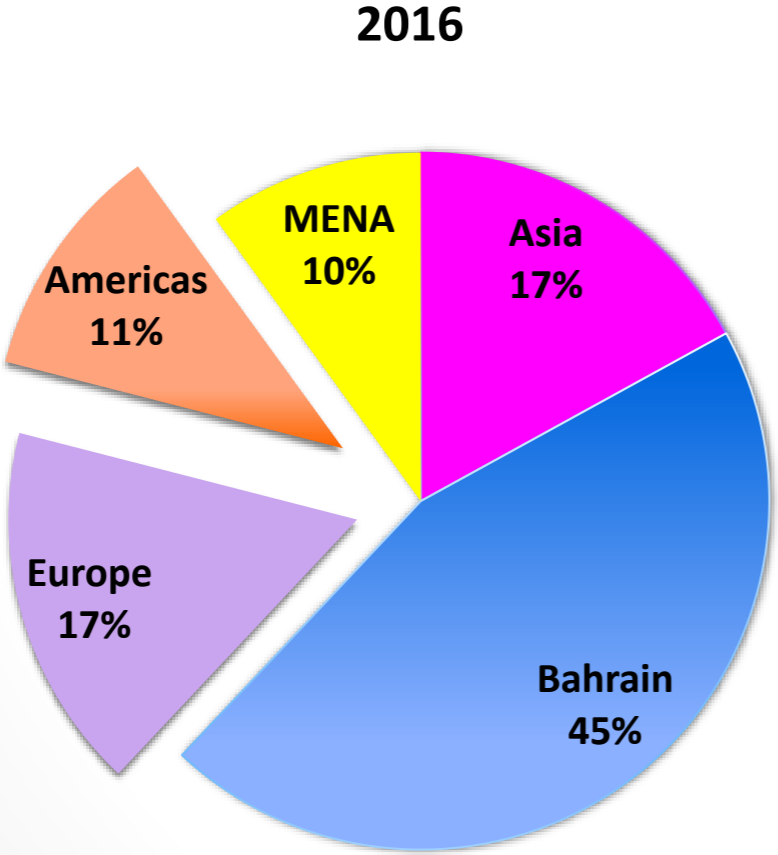
Total Recordable Injuries





Alba Highlights – 2017

Sales Breakdown by Geographic Footprint
Expanding in US and European Markets



Alba Highlights – Q4 & FY 2017

Financial Key Performance Indicators

- 🪐 **Adjusted EBITDA up driven by higher LME prices and savings of Titan - Phase II**
 - 🪐 Q4: US\$ 111 million up by 30% YoY
 - 🪐 FY: US\$ 438 million up by 34% YoY
- 🪐 **Adjusted Net Income up driven by higher EBITDA levels**
 - 🪐 Q4: US\$ 58 million up by 60% YoY
 - 🪐 FY: US\$247 million up by 91% YoY
- 🪐 **Free-Cash Flow ¹ unfavourable due to higher inventory level**
 - 🪐 Q4: US\$ 19 million down by 65% YoY
 - 🪐 FY: US\$ 106 million down by 48% YoY
- 🪐 **Alba Board recommends to distribute dividend of US\$ 97.9 million to be paid in March 2018**

¹ Free-Cash Flow excluding Line 6 CAPEX spending

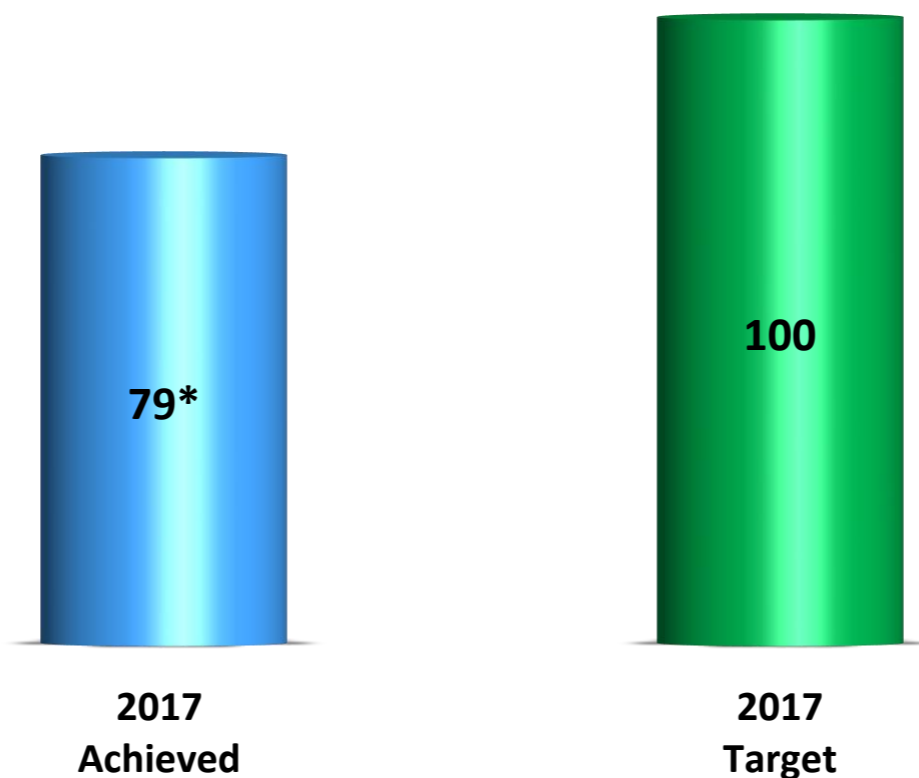




Alba Highlights – 2017

Project Titan – Phase II: Streamline Cash-Cost by US\$ 100/mt
Full-Year 2017: Normalised Savings of US\$ 79*/mt

Project Titan - US\$ per MT

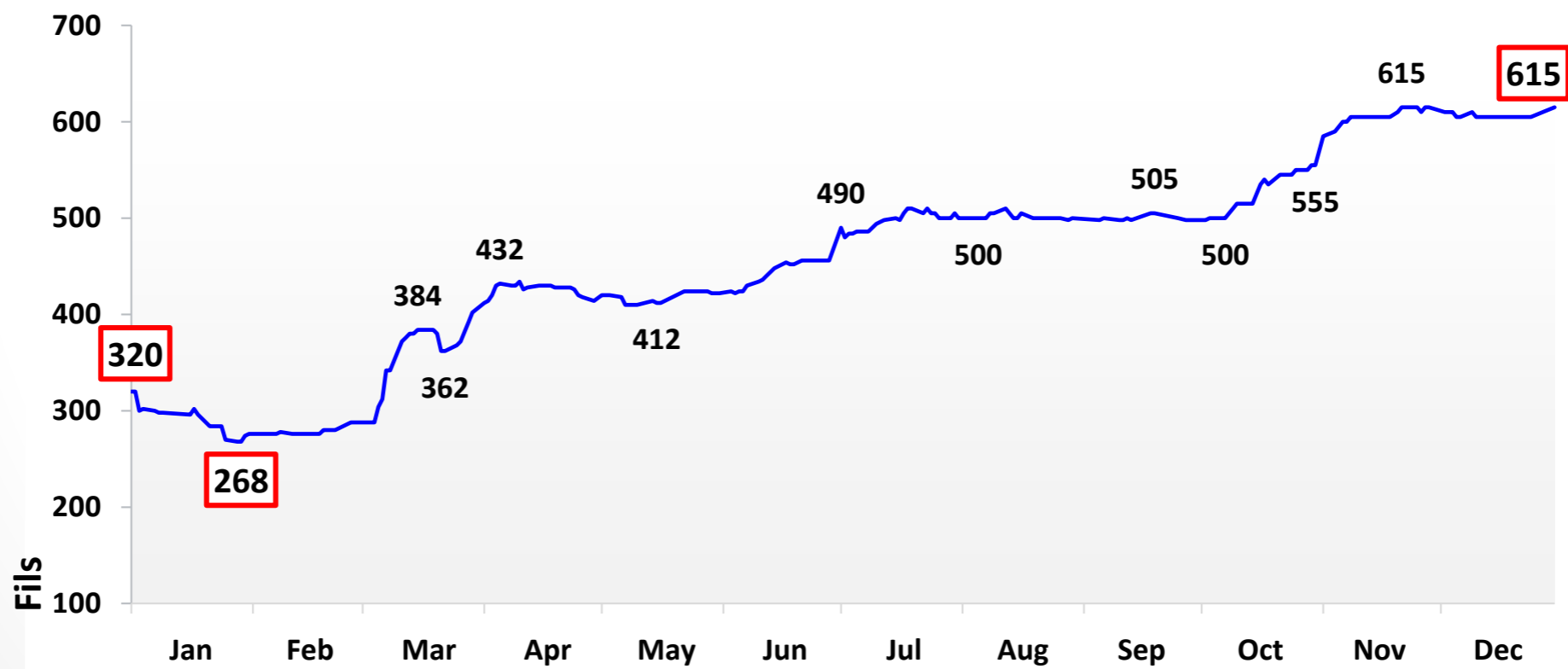


* Taking into account the benefits of insurance claim



Alba Highlights – 2017

Alba Share Price (ALBH) Appreciates by 92% YoY

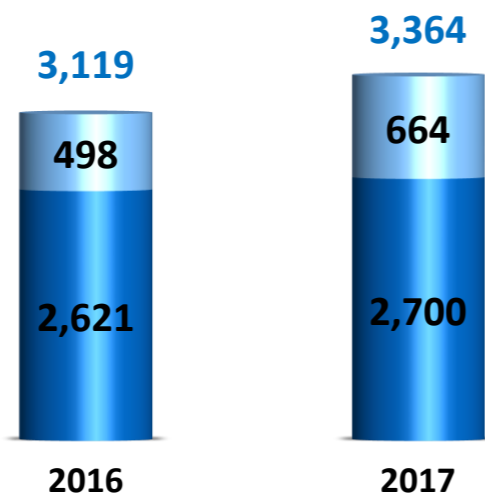




Alba Highlights – 2017

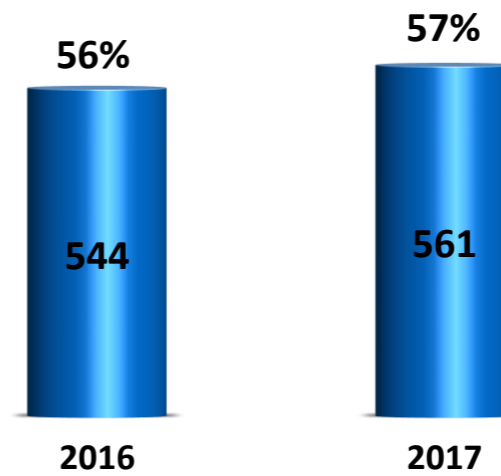
Operational Excellence

Head Management Count

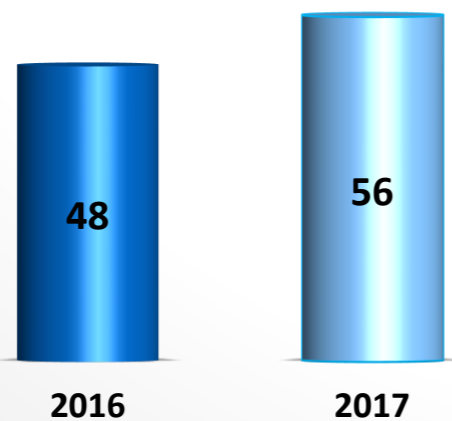


Total Head Count ■ External ■ Internal

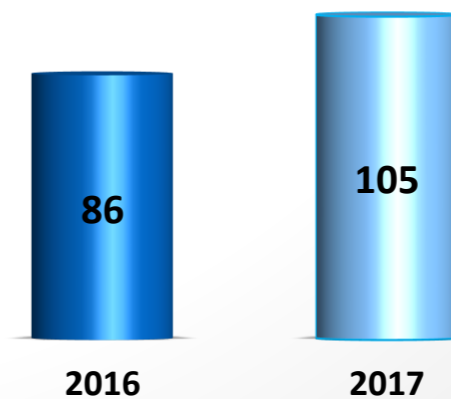
Value-Added Sales (MT'000) as a % of Total Sales



Account Receivable Days



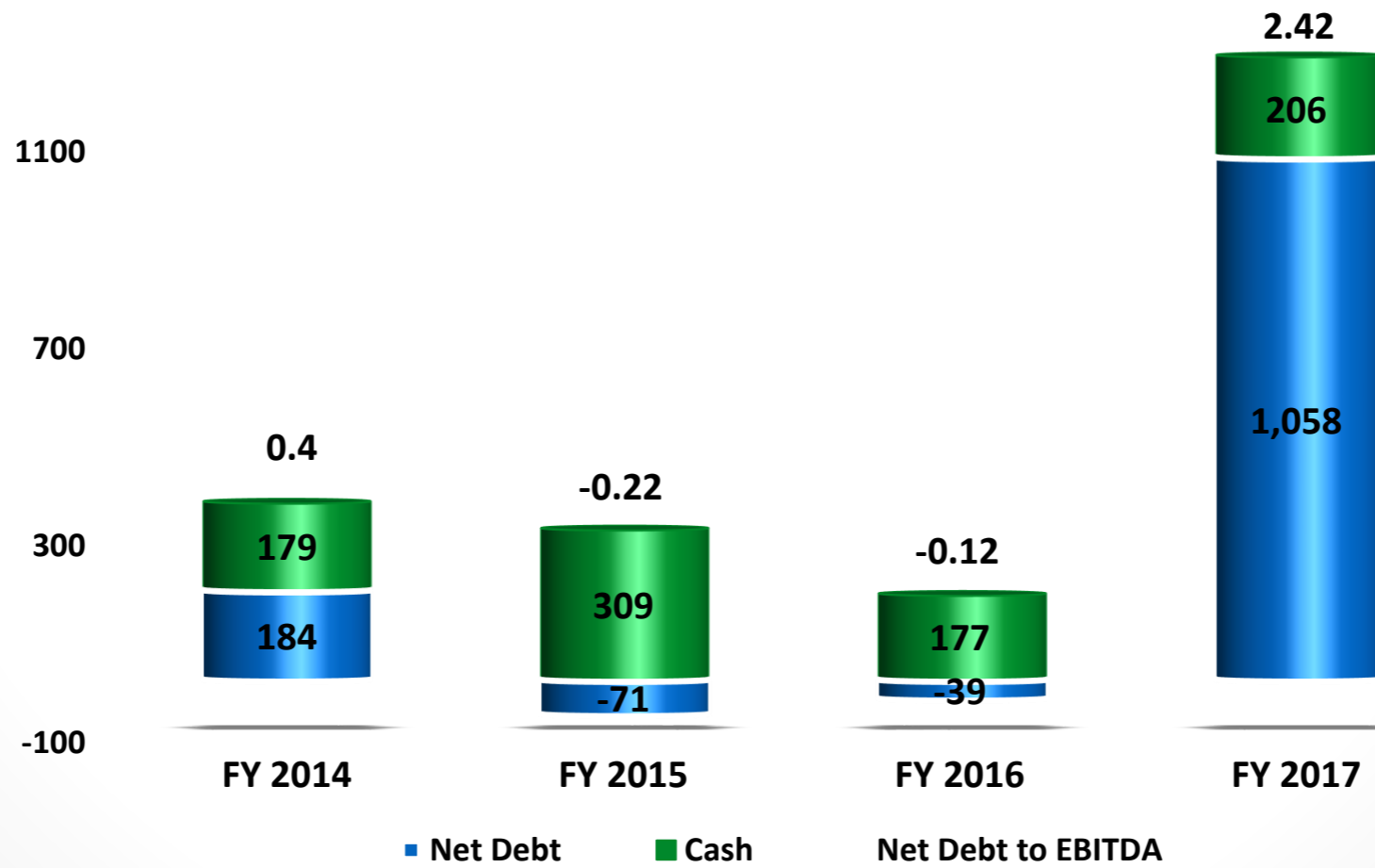
Inventory Days Trend



Alba Highlights – 2017

Net Debt to EBITDA Ratio

Cash, Net Debt & Net Debt to EBITDA



03

2017 RESULTS



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Favourable LME prices and Higher Volume sales

2017 vs. 2016 - Metal Sales Bridge (US\$M)

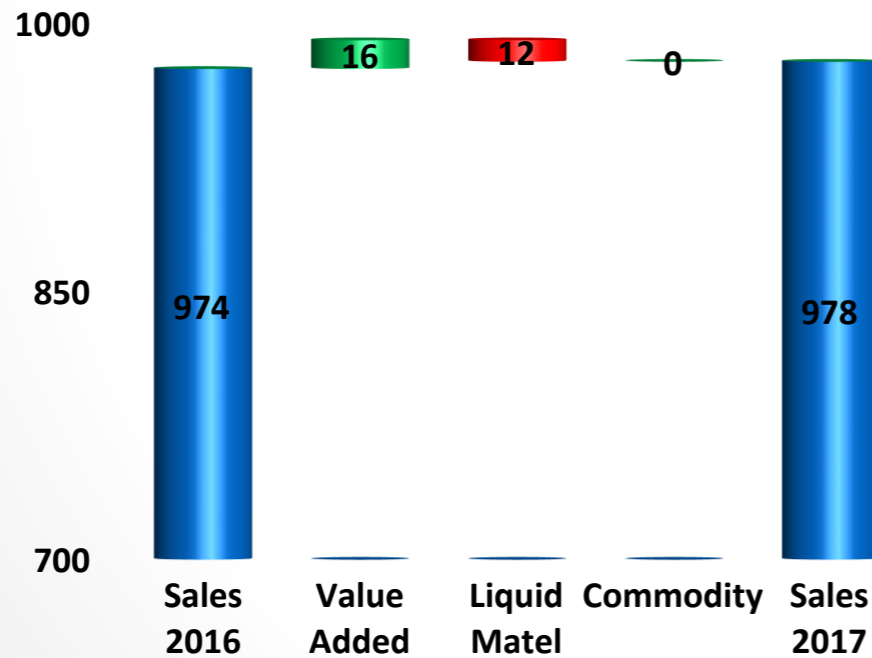


2017 Results

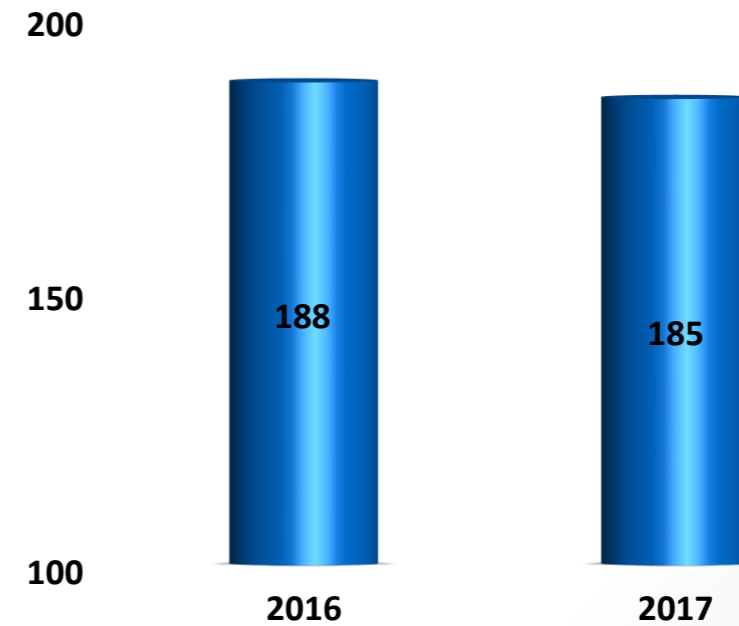
Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Favourable Sales Volume & Sustained Up-Charges

2017 vs. 2016 - Sales by Product Line
Bridge (MT'000)



Premium Above LME Trend US\$ Per MT

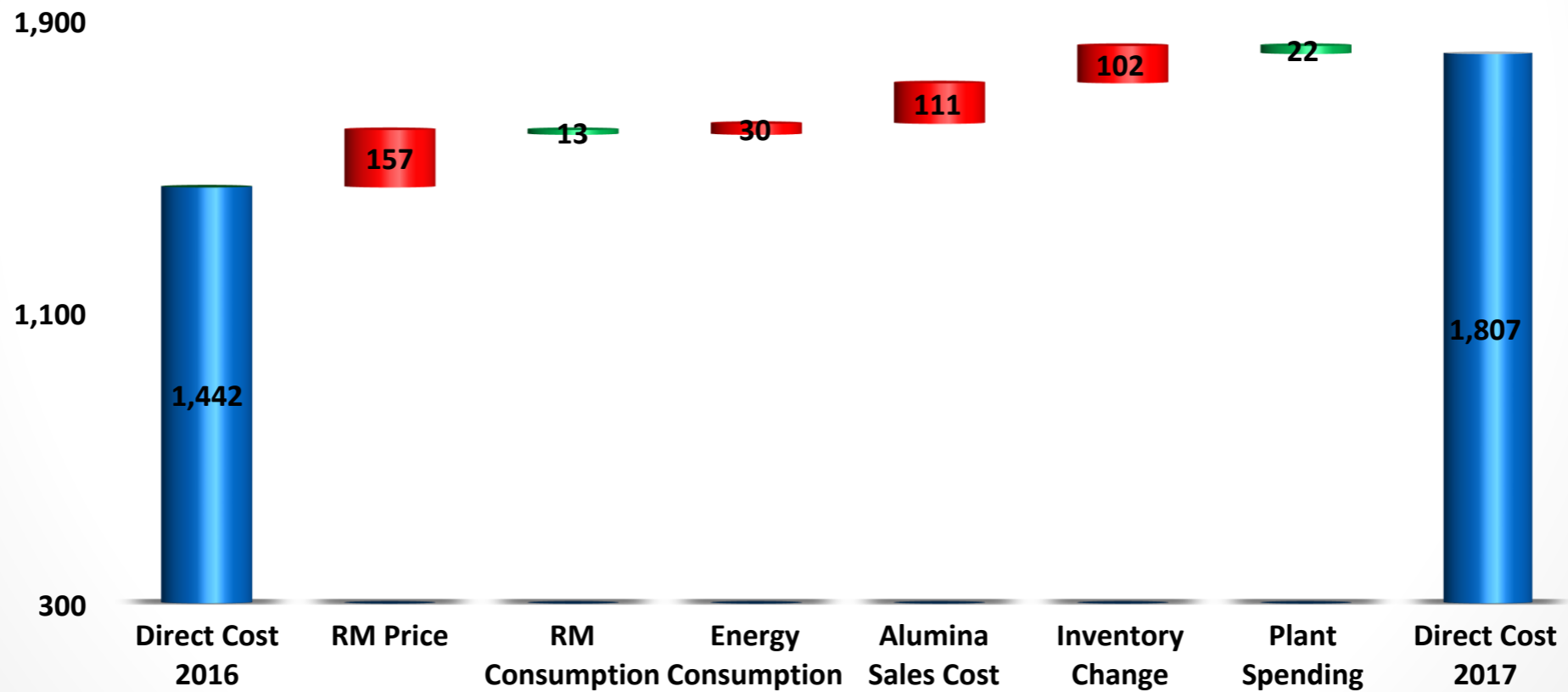


2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Cost Analysis 2017 vs. 2016

2017 vs. 2016 - Direct Cost Bridge (US\$M)

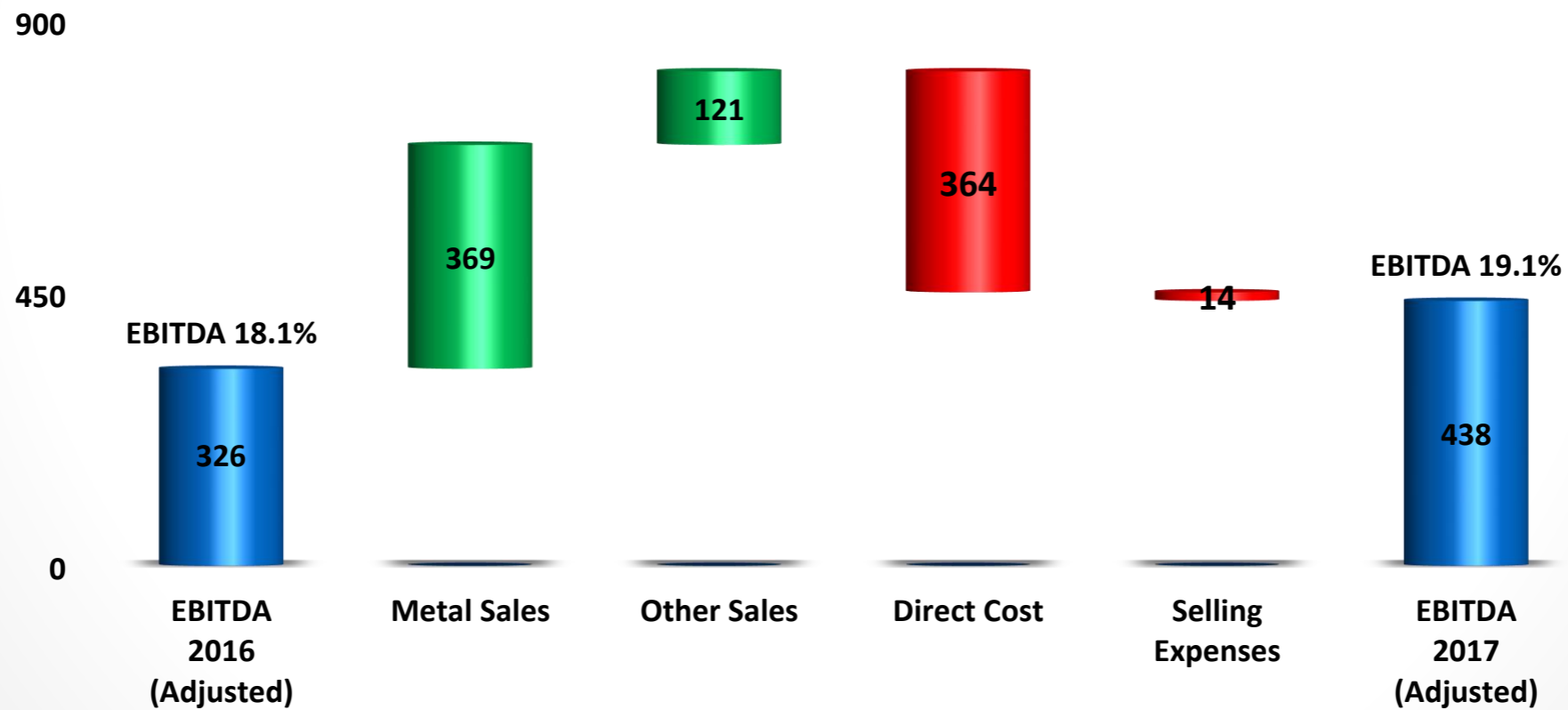


2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Adjusted EBITDA Bridge Gap Analysis: 2017 vs. 2016
Adjusted EBITDA Margin at 19.1%

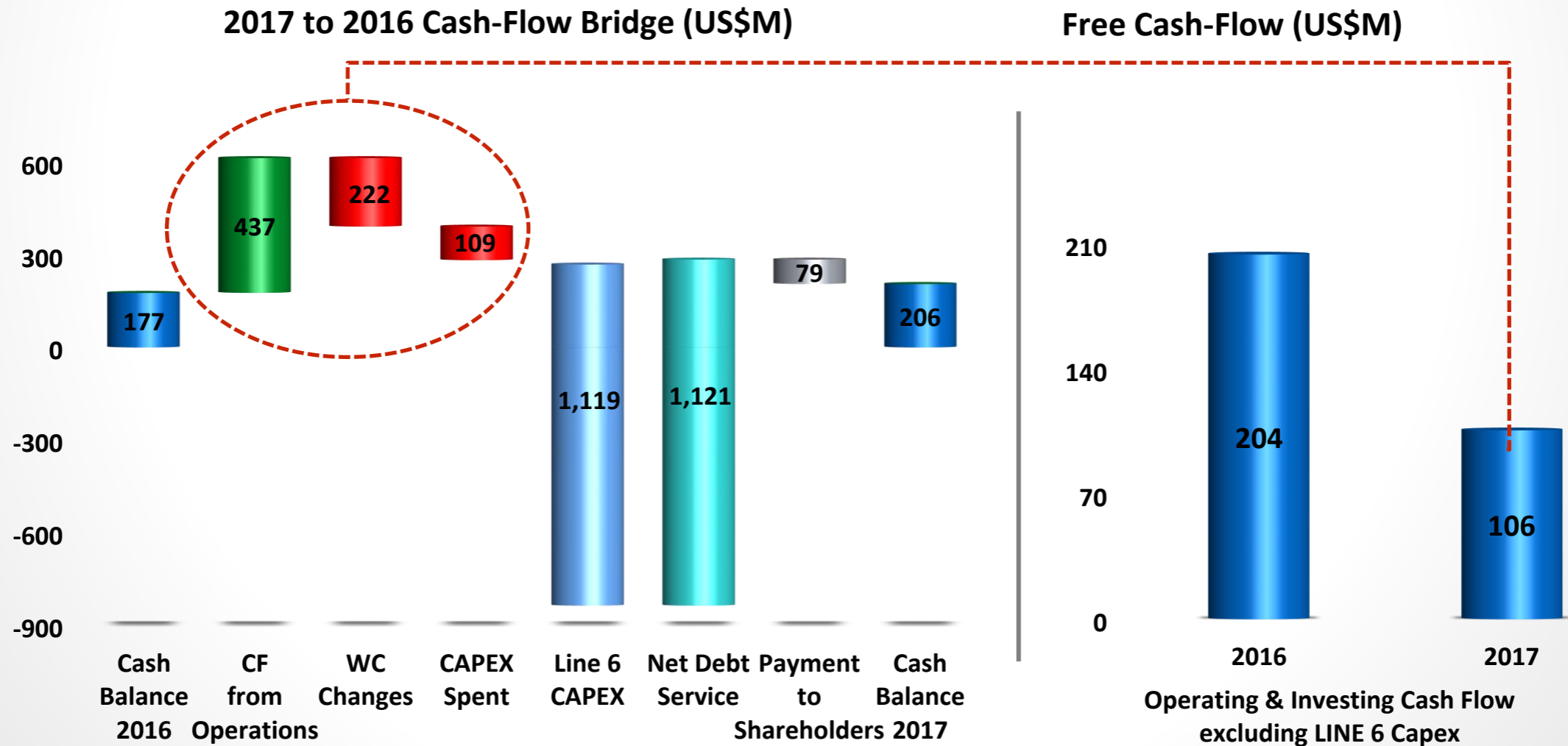
2017 vs. 2016 - EBITDA Bridge (US\$M)



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

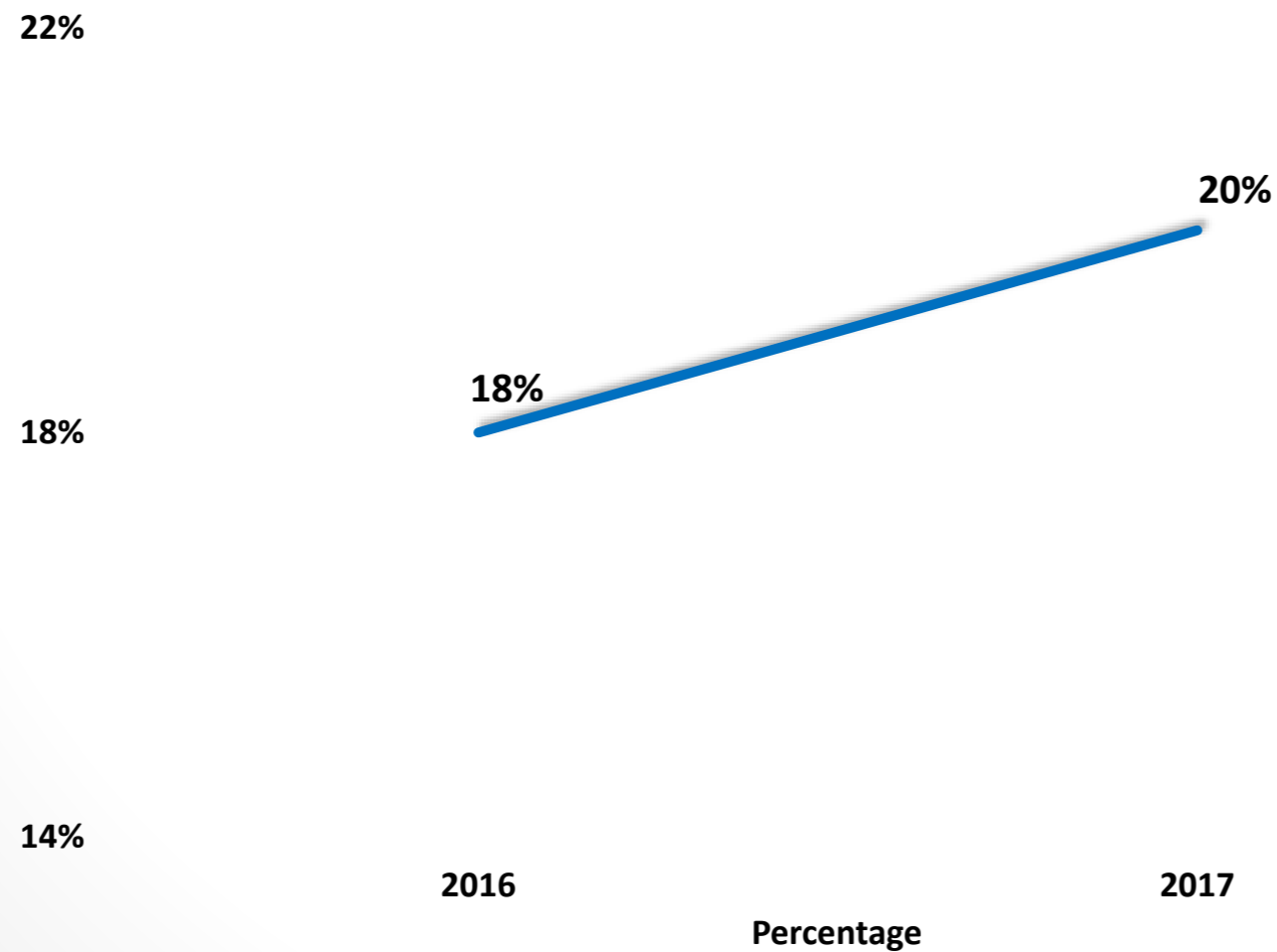
Cash Flow Bridge - 2016 to 2017
Maintain Cash-Flow Trend Despite Spending



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Working Capital Trend as Percentage of Sales



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Strong Management Performance Coupled With Higher LME Prices

Financial Summary	Q4 2017	Q4 2016	FY 2017	FY 2016
Average Cash LME (US\$/MT)	2,101	1,710	1,968	1,604
Sales (US\$M)	684	483	2,293	1,803
EBITDA (US\$M)	110	85	437	326
EBITDA%	16.2%	17.6%	19.1%	18.1%
EBITDA (Excl. One-Off Costs) (US\$M)	111	85	438	327
EBITDA% (Excl. One-Off Costs)	16.2%	17.6%	19.1%	18.1%
Net Income/ (Loss) (US\$M)	62	37	246	129



04

INDUSTRY PERSPECTIVES IN 2018



Industry Perspectives in 2018

Auto Demand - a Force Multiplier behind Aluminium Demand Growth

- 🪐 **Key factors to be observed:**
- 🪐 LME price is set to fluctuate on the back on US Section 232 and Chinese supply reforms & surging inventories in China
- 🪐 North America demand on firm footing led by the construction and auto production
- 🪐 LME price to range between US\$ 2,100/t – US \$2,200/t



Industry Perspectives in 2018

Raw Materials Price Trends

- ♁ Alumina prices expected to slightly soften post price-hike in 2017
- ♁ Green Coke prices are set to increase due to shortages and stricter environmental regulations
- ♁ Liquid Pitch and Aluminium Fluoride prices to remain at higher-range due to environmental regulations in China



05

2018 ALBA PRIORITIES





2018 Alba Priorities

Preparation for Future Growth with the Rise of Line 6

- 🪐 Continuous focus on Safety with new 'Safety Selfie' initiative
- 🪐 Deliver on Project Titan - Phase III (2018: 1,000,000 mt & US\$ 60/t)
- 🪐 Leverage strong physical demand on Value-Added Sales
- 🪐 Line 6 Expansion Project on schedule:
 - Finalize ECA Financing - second tranche by Q1 2018
 - Award the remaining packages



06

APPENDIX

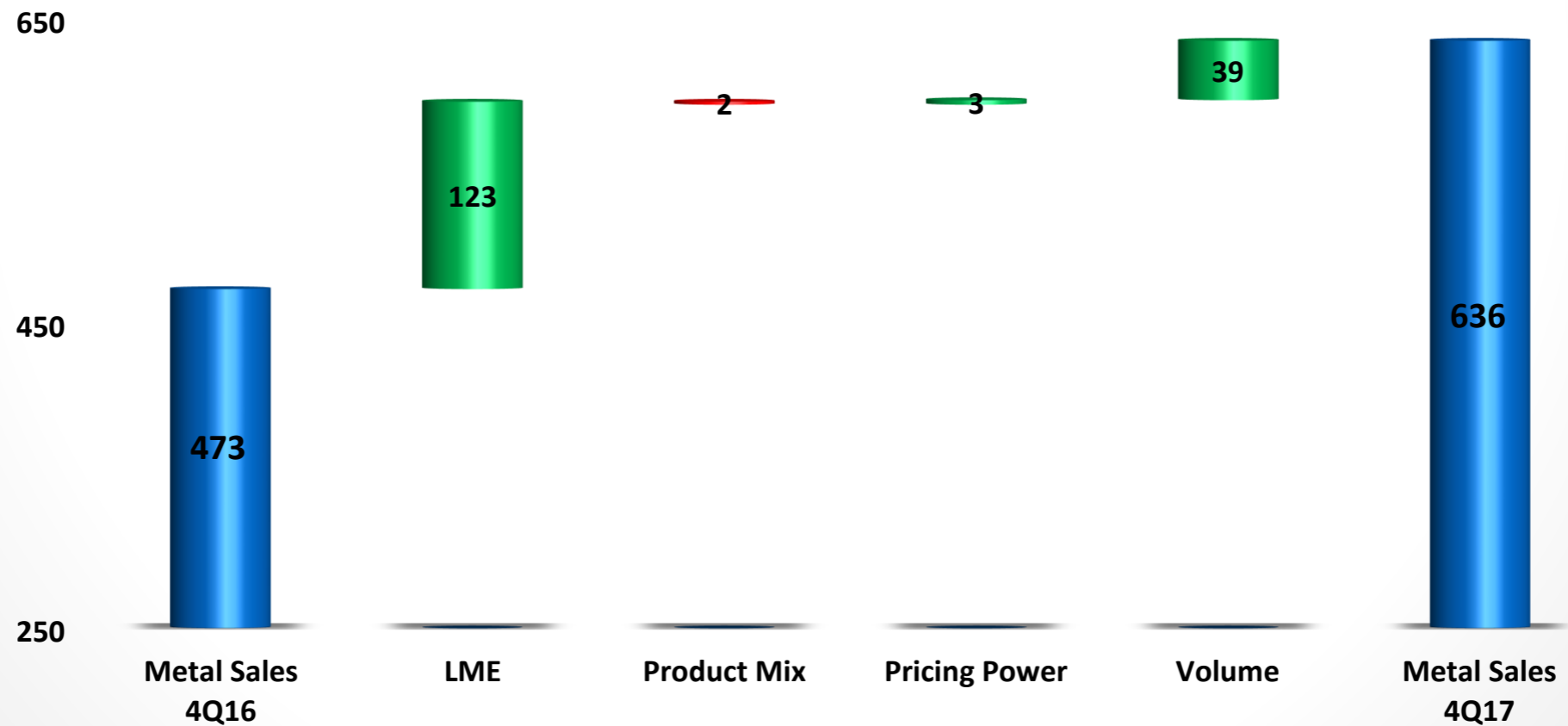


2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Sales Analysis 4Q17 vs. 4Q16
Favourable LME Prices Coupled With Higher Sales Volume

4Q17 vs. 4Q16 - Metal Sales Bridge (US\$M)

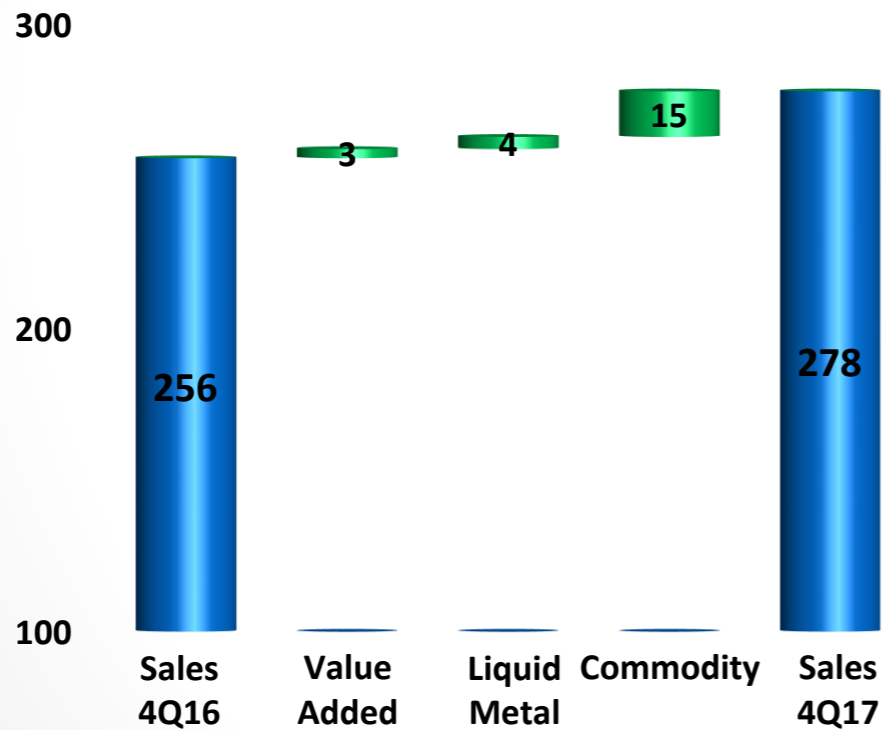


2017 Results

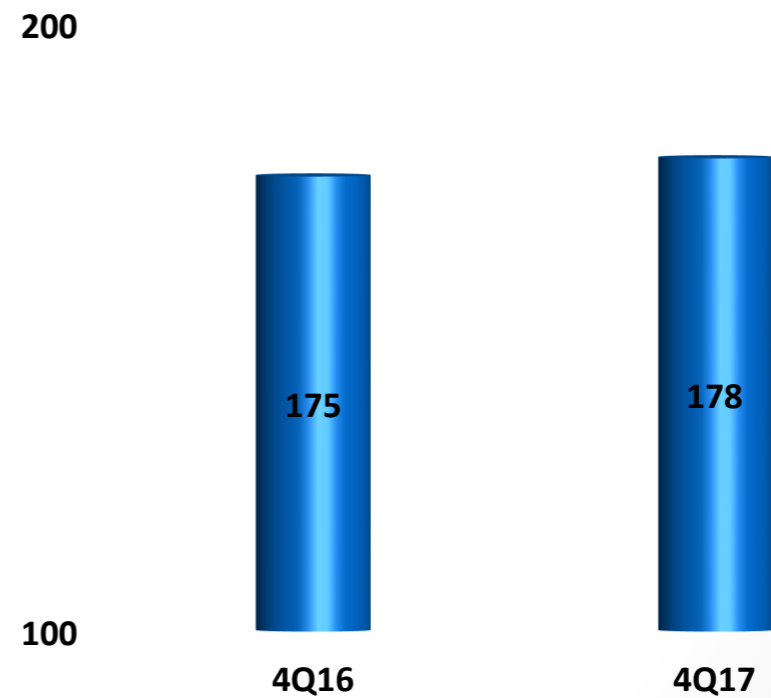
Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Favourable Sales Volume & Sustained Up-Charges

4Q17 vs. 4Q16 - Sales by Product Line
Bridge (MT'000)



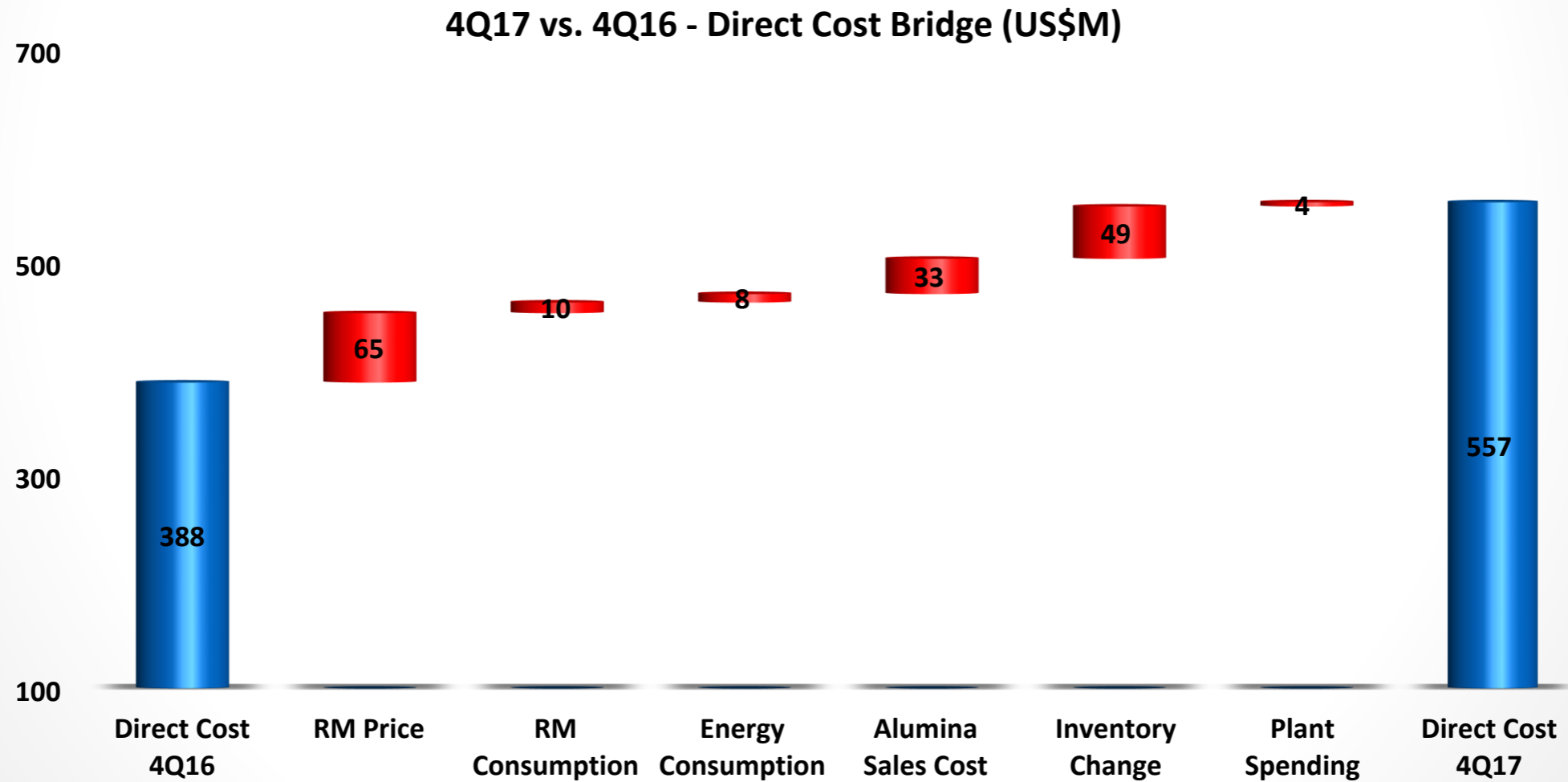
Premium Above LME Trend US\$ Per MT



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

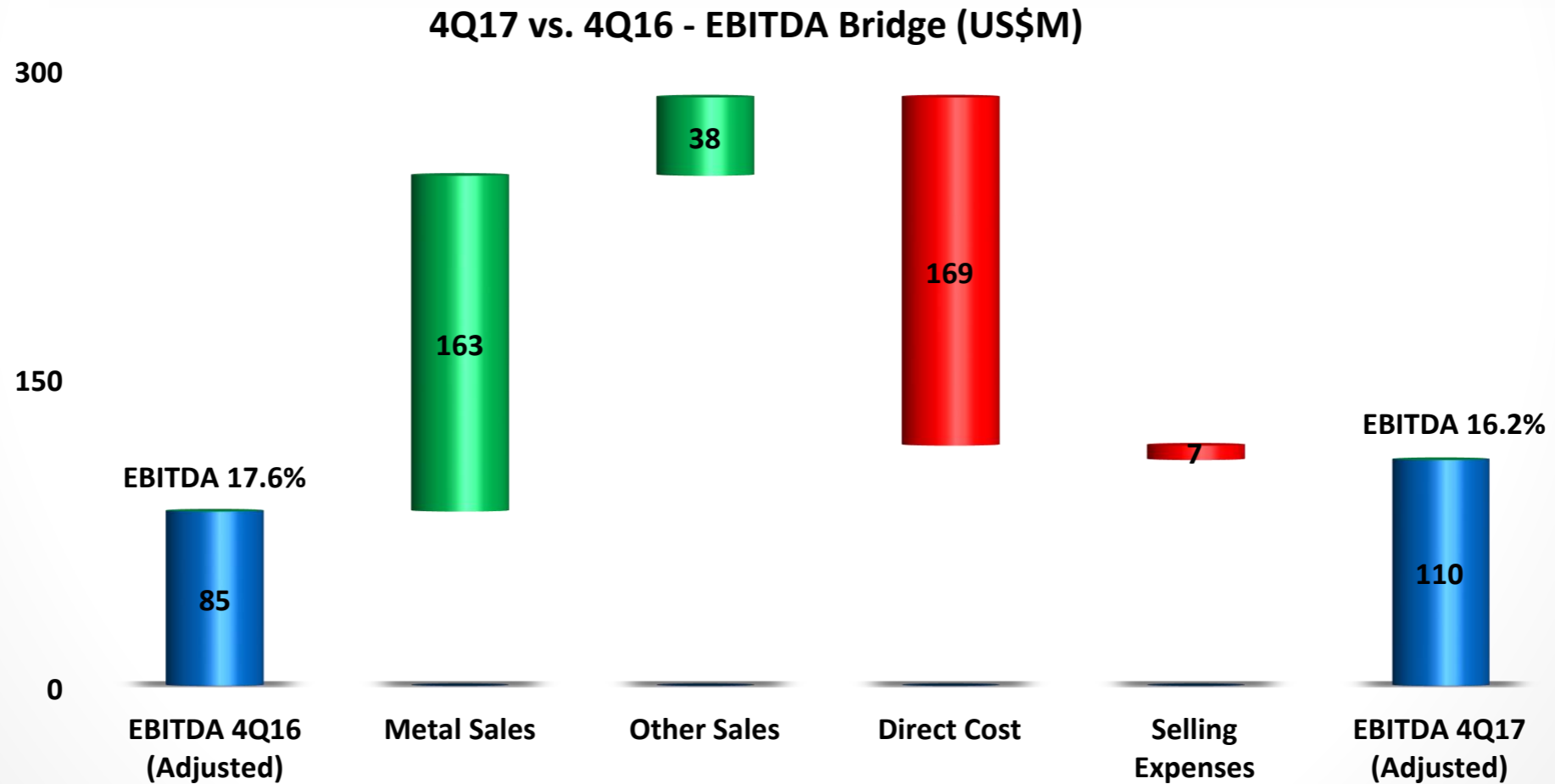
Cost Analysis 4Q17 vs. 4Q16



2017 Results

Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Adjusted EBITDA Bridge
Adjusted EBITDA Margin at 16.2%

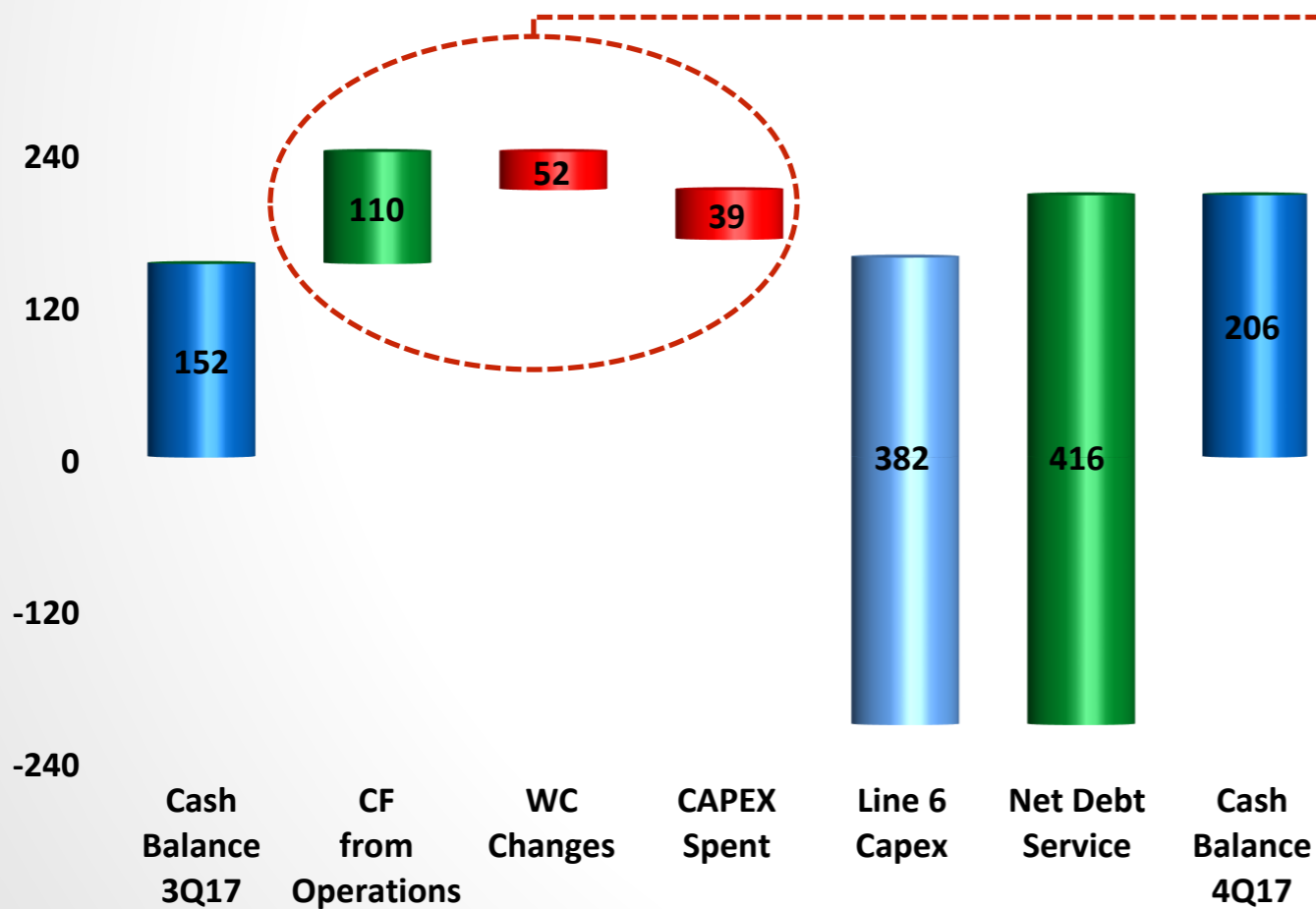


2017 Results

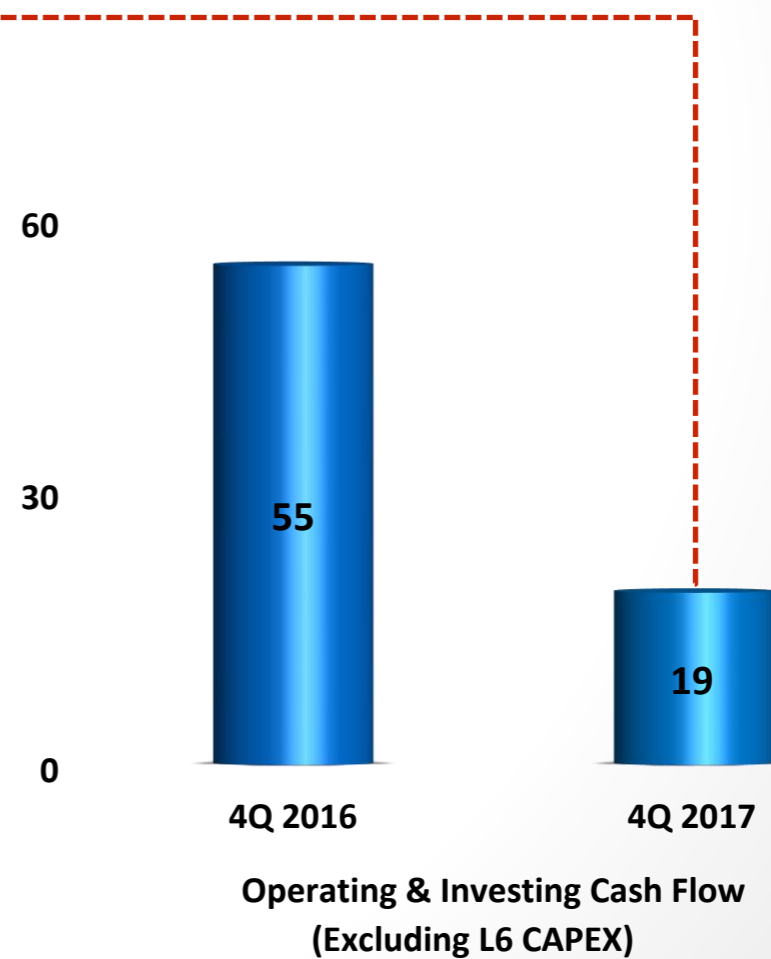
Aluminium Prices Rally-up: Chinese Winter-Closures & Lower Inventories Outside China

Cash Flow Bridge - 3Q16 to 4Q16
Maintain Cash-Flow Trend Despite Spending

3Q17 to 4Q17 Cash-Flow Bridge (US\$M)



Free Cash-Flow (US\$M)





For More Information, Contact Us on:

IR@alba.com.bh

