




# alba



Aluminium  
for the world

Q2 2014 IR PRESENTATION



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# INDUSTRY HIGHLIGHTS

Primary Reference for Industry Data is CRU

# INDUSTRY HIGHLIGHTS

Q2 2014

## Aluminium Demand Still Strong (Reference Period: April – June)

- World consumption up by +6.9% YoY
- Asian demand up by 9% YoY driven by a robust growth in China (+10% YoY) with increased infrastructure investments and higher transport
- North American consumption up by 4.5% YoY thanks to a strong boost in automotive build rates and construction sector
- MENA demand remains healthy on the back of major infrastructure spending in Saudi Arabia and Qatar
- Europe consumption up by 2% YoY driven by a German automotive production

# INDUSTRY HIGHLIGHTS

Q2 2014

## Production Evolution (Reference Period: April–June)

- World market production up by 6.4% YoY
- China output hit a record level at 6.7 million tonnes (+13.4% YoY) on the back of production restarts and continued ramp-ups
- Lower LME price and higher energy cost continue to haunt western producers leading to further closures in production
- World market short-supplied (+468 Kt with China & -379 Kt without)

# INDUSTRY HIGHLIGHTS

Q2 2014

## LME & Premiums

- LME inventories at 5.1 million metric tonnes in June
- 2Q14 cash-average was \$1,798/t with LME ranging between \$1,714/t on May 21 and \$1,870/t on June 9
- **Physical premiums on upward march supported by a deficit in the world excluding China**
  - US Mid West premiums at \$412/t vs. \$256/t in 2Q13
  - DDP Rotterdam at \$387/t vs. \$279/t in 2Q13
  - Major Japanese Ports (MJP) at \$366/t vs. \$249/t in 2Q13



# ALBA HIGHLIGHTS



# Alba Highlights

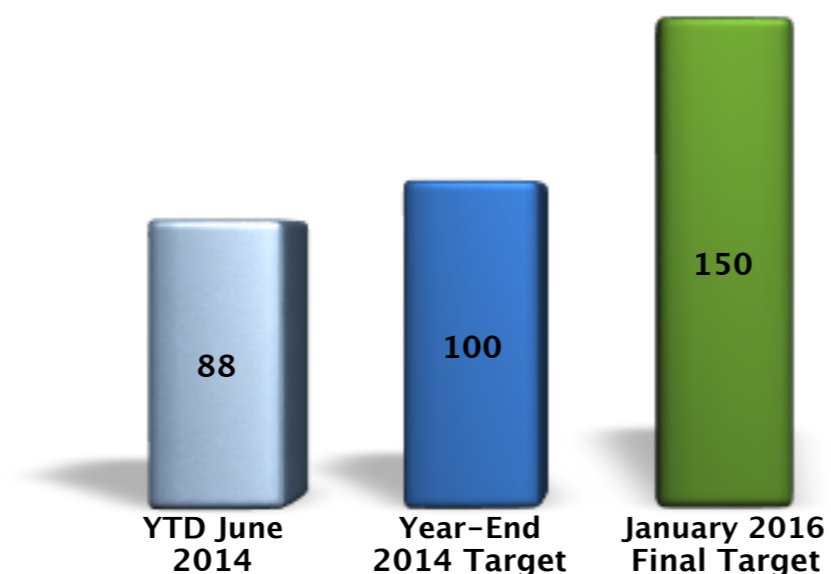
## H1 2014 – Operational Highlights/Achievements

- Alba was able to increase its production figures by 2.5% YoY to reach 464,012 metric tonnes (mt) vs. 452,727 mt in 1H13
- Sales of Value-Added Products at 65% vs. 66% in 1H13
- Significant boost in physical premiums (32% YoY) thanks to a solid physical demand

# Alba Highlights

Project Titan – Improve Cash Cost of \$150/t by January 2016  
YTD June 2014: Project Titan on Track with Projected Savings of \$88/t

Project Titan – US\$ per MT



1. Savings from Project Titan represent the annual \$cost per mt improvement once all projects are fully implemented
2. Actual project implementation dates are on a project by project basis

# Alba Highlights

## Q2 2014 – Operational Highlights/Achievements

- **Continued Focus on Operational Excellence**
- **Continuous Emphasis on Safety**
  - 4,000,000 hours without Lost Time Injury (LTI) milestone
  - Launch of Summer Safety “BLIZZARD” Campaign
- **Future Growth**
  - Bahrain Cabinet approves the natural gas allocation for Line 6 expansion project

# Alba Highlights

## Q2 & H1 2014 – Financial Key Performance Indicators

- **Adjusted EBITDA up due to solid physical premiums & favorable plant performance amid lower LME prices**
  - Q2: US\$97 million up by 8% YoY
  - H1: US\$191 million down by 12% YoY
- **Adjusted Net Income up driven by higher EBITDA levels**
  - Q2: US\$41 million up by 21% YoY
  - H1: US\$80 million down by 23% YoY
- **Strong Free-Cash Flow thanks to sound capital working capital management despite low LME prices**
  - Q2: US\$78 million up by 136% YoY
  - H1: US\$158 million up by 52% YoY
- **Interim Dividend**
  - The Board proposed to distribute interim Cash Dividend of 12 Fils per share which is US\$45 million



# Q2 2014 RESULTS

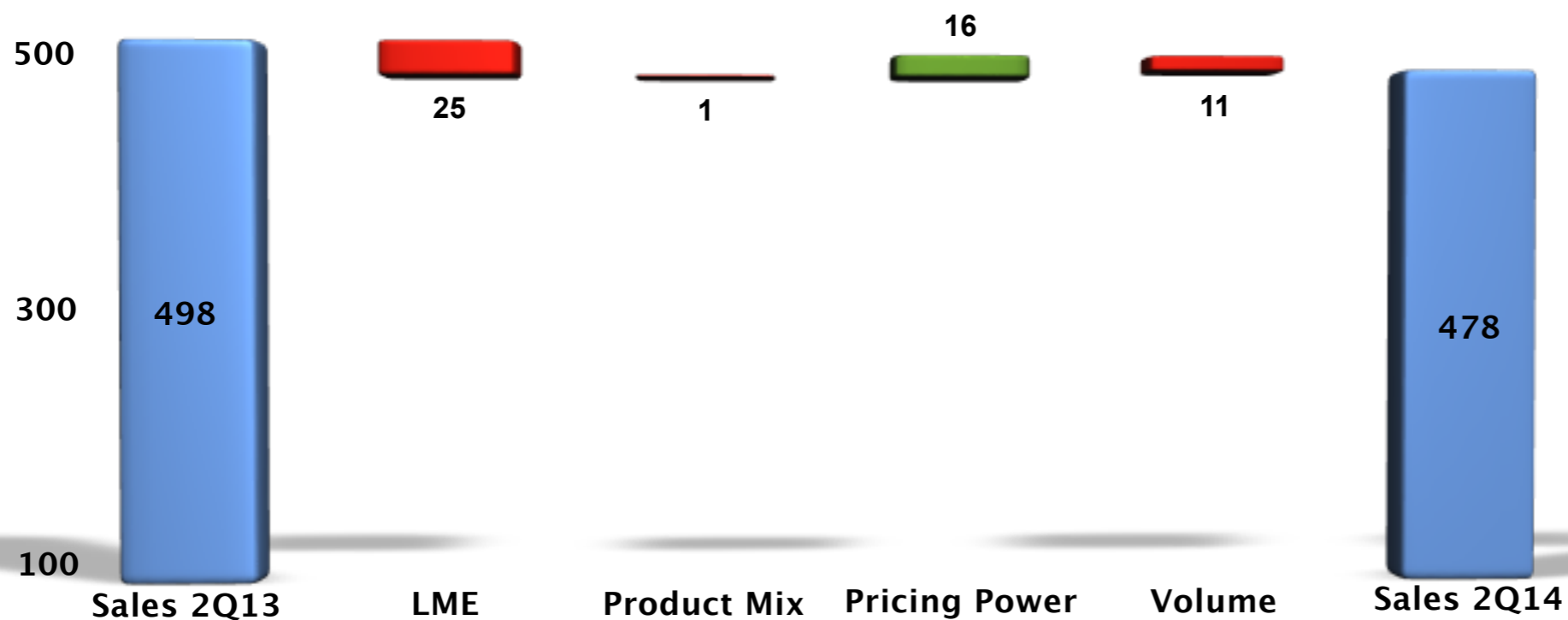


# Q2 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Sales Analysis 2Q14 vs. 2Q13  
Higher Premium Partially Offset by Lower LME Prices

2Q14 vs. 2Q13 - Metal Sales Bridge (US\$M)

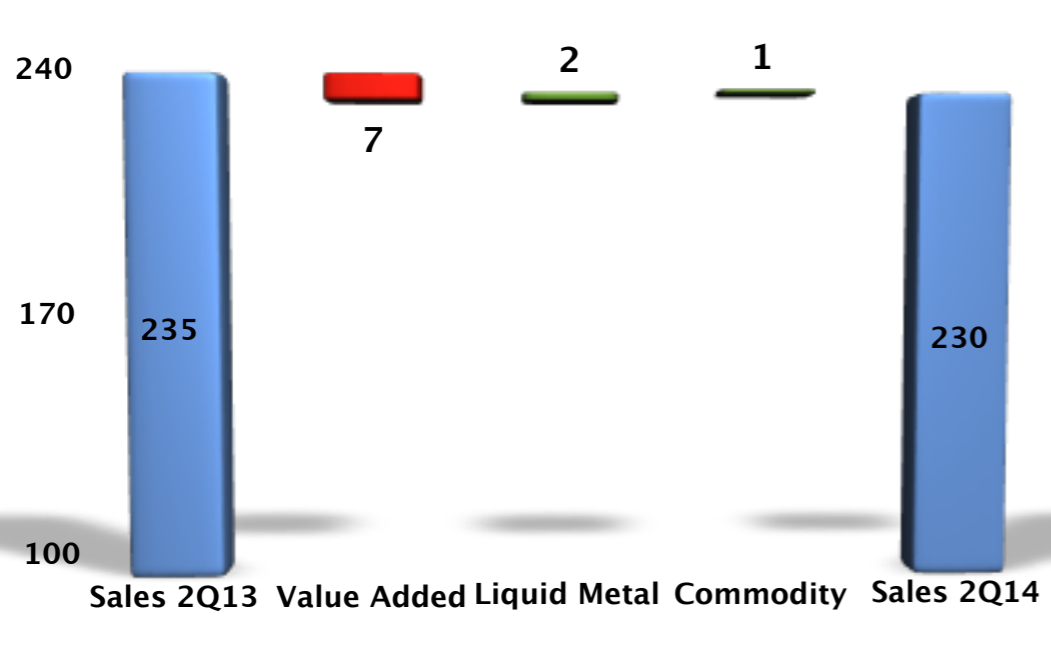


# Q2 2014 Results

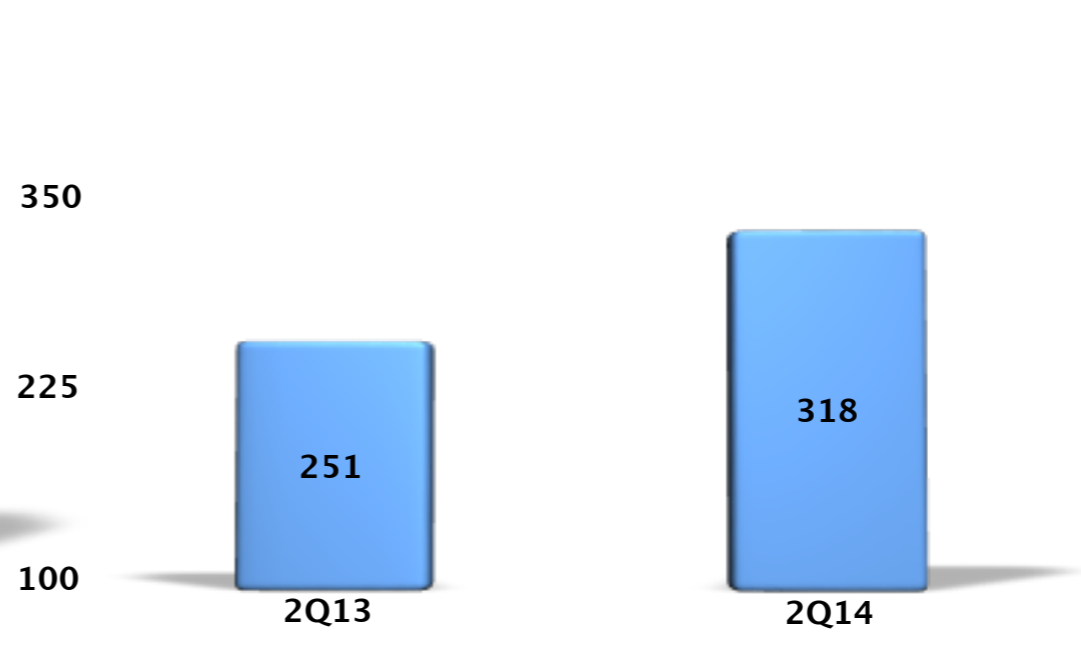
FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Maintain Optimum Product Mix  
Sustain Value-Added Products & Leverage Pricing Power

2Q14 vs. 2Q13 – Sales by Product line Bridge  
(000's MT)



Premium Above LME Trend US\$ Per MT

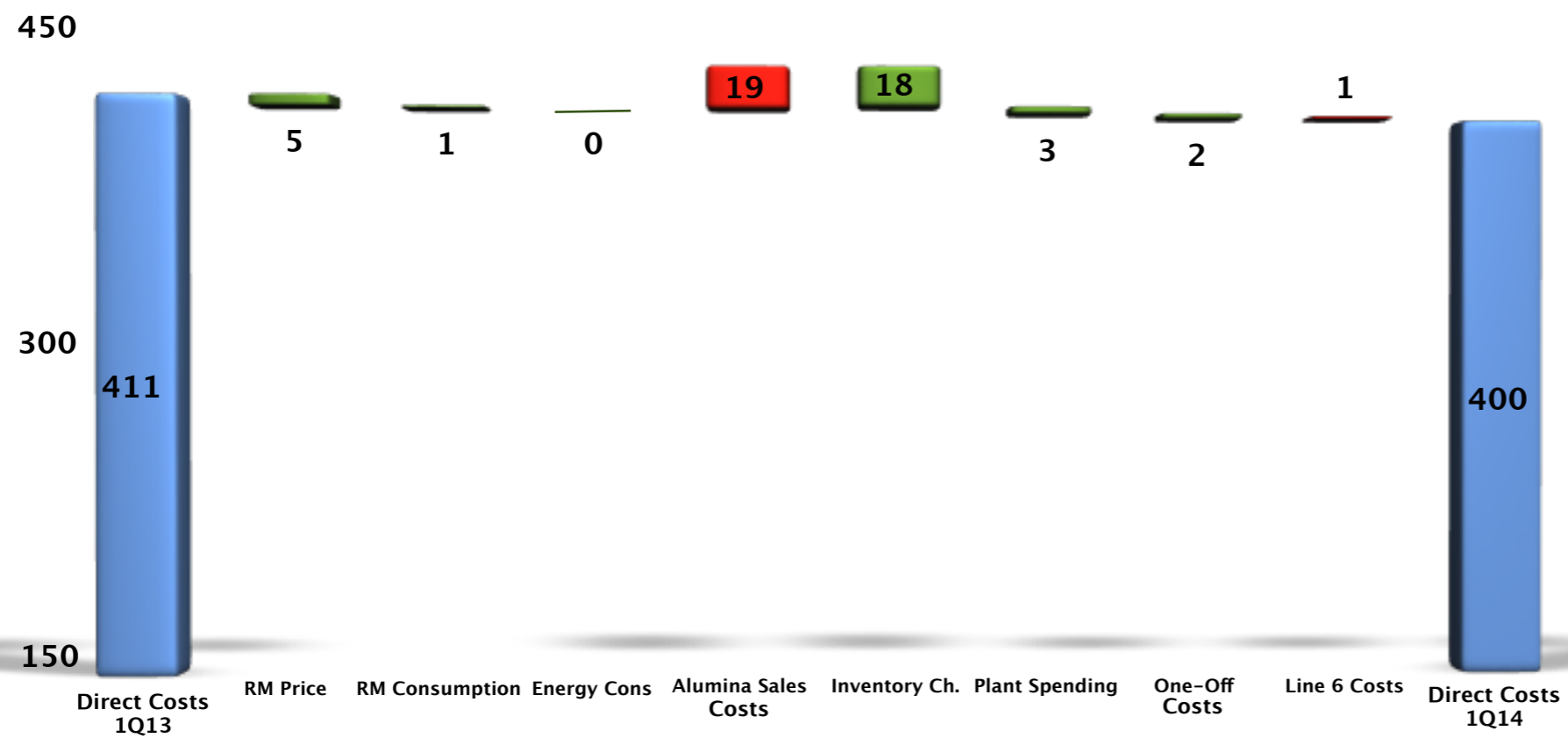


# Q2 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

## Cost Analysis 2Q14 vs. 2Q13

2Q14 vs. 2Q13 - Direct Costs Bridge (US\$M)



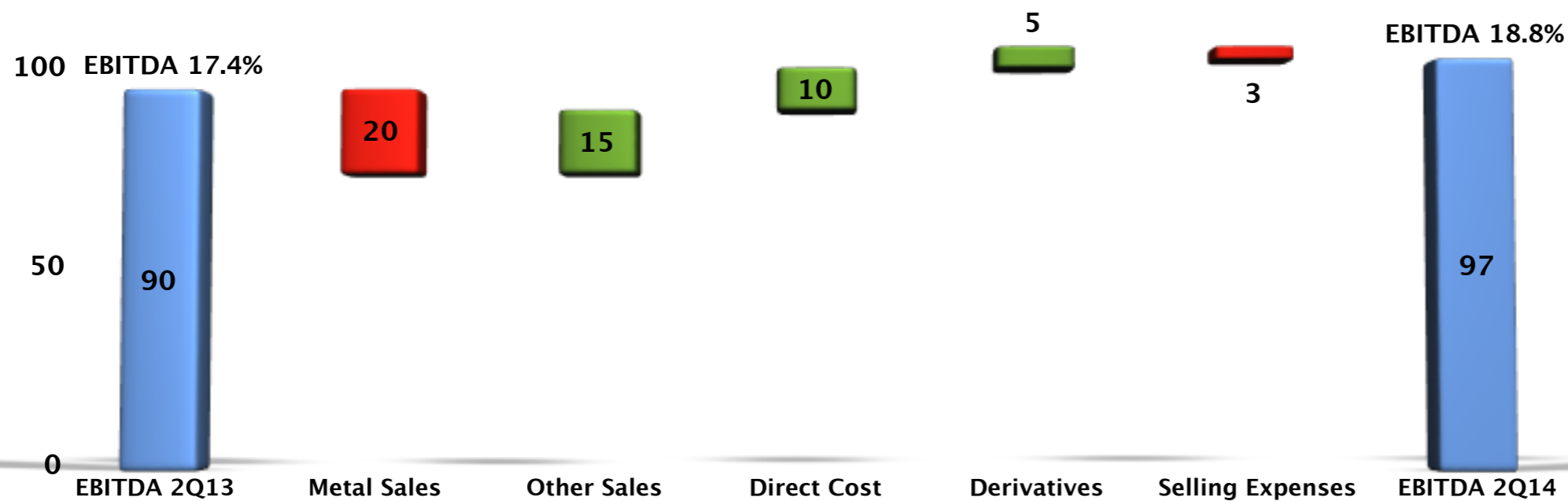


# Q2 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Adjusted EBITDA Bridge Gap Analysis 2Q14 vs. 2Q13:  
Adjusted EBITDA Margin at 18.8%

2Q14 vs. 2Q13 - EBITDA Bridge (US\$M Adjusted)



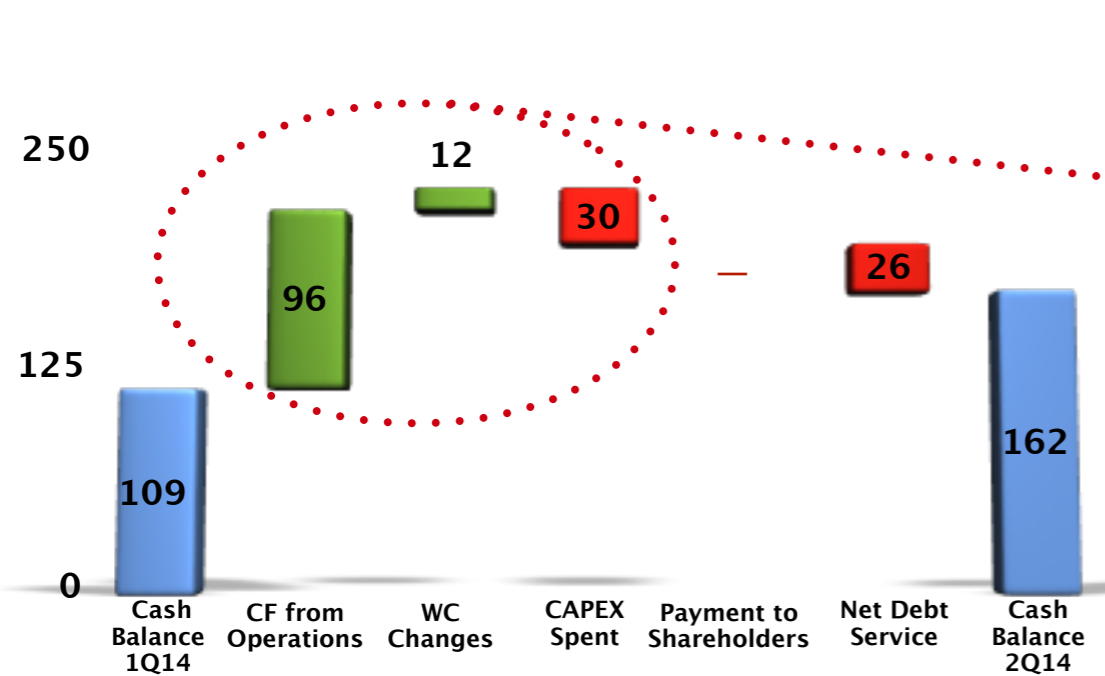
Adjusted EBITDA includes the impact of actual realised Derivatives

# Q2 2014 Results

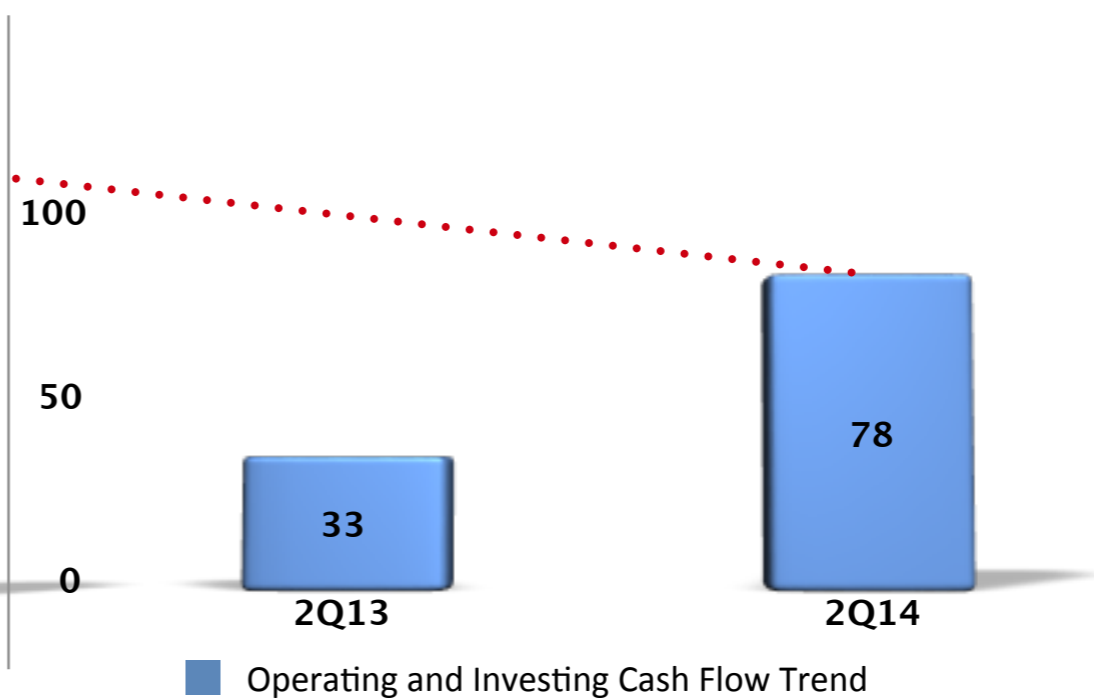
FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Cash Flow Bridge 2Q14 vs. 1Q14:  
Sound Cash Generation Despite Low LME Prices

1Q14 to 2Q14 Cash Flow Bridge (US\$M)

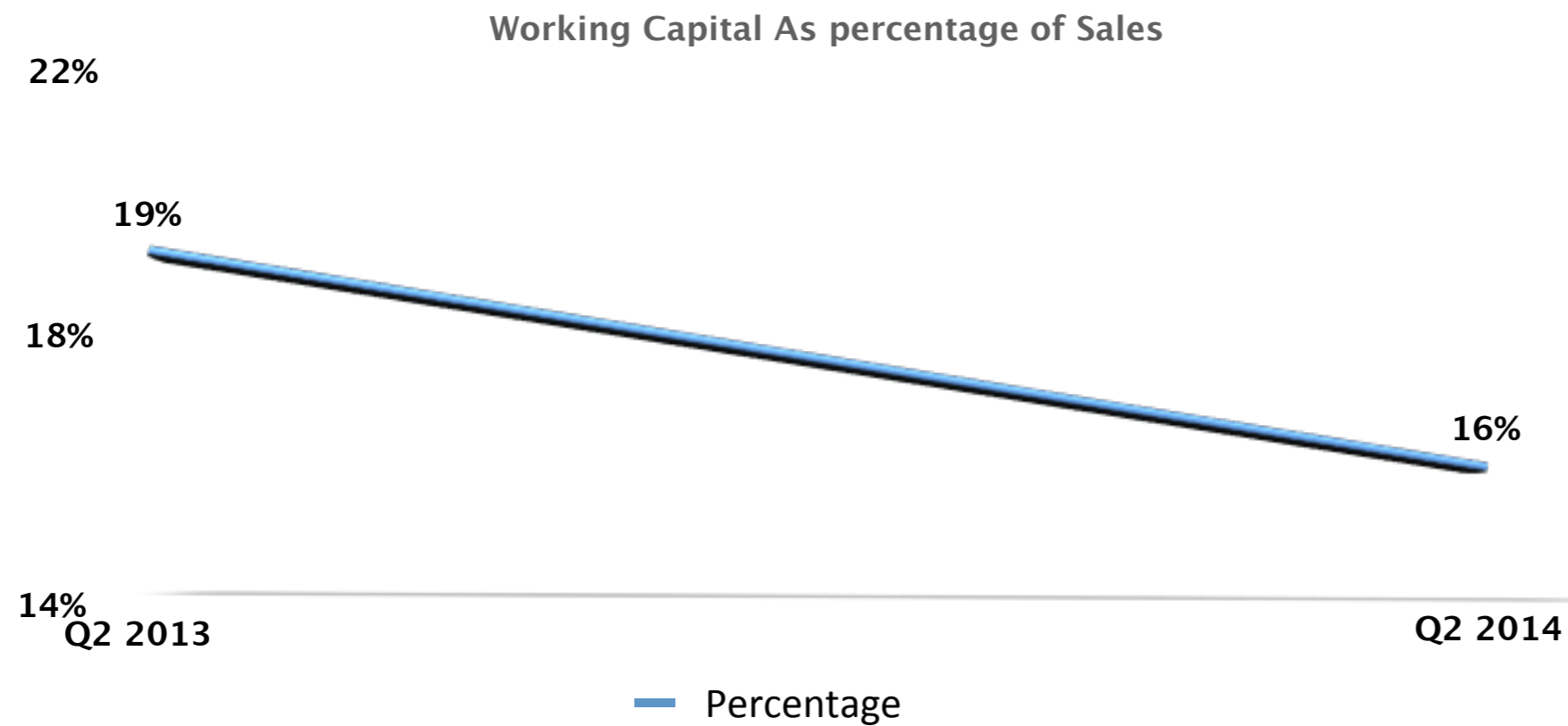


Free Cash Flow (US\$M)



# Q2 2014 Results

Working Capital Trend as Percentage of Sales:  
Pro-active Working Capital Management to Buffer Downturn



# Q2 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Sound Management Performance Partially Offset by Lower LME Prices

Financial Summary	Q2 2014	Q2 2013	H1 2014	H1 2013
Average Cash LME (US\$/MT)	1,798	1,834	1,753	1,918
Total Sales (US\$M)	515	520	1,001	1,018
EBITDA (US\$M)	97	90	191	216
EBITDA%	18.8%	17.4%	19.1%	21.2%
EBITDA (Excl. One-Off Costs) (US\$M)	98	93	193	215
EBITDA% (Excl. One-Off Costs)	19.1%	18.0%	19.3%	21.1%
Net Income/ (Loss) (US\$M)	41	55	86	163
Gain/ (Loss) Unrealised Derivatives (US\$M)	0	21	6	59
Adjusted Net Income/ (Loss) (US\$M)	41	34	80	104
Adjusted Net Income%	7.9%	6.5%	8.0%	10.2%

\* Adjusted Net Income is calculated by taking Net Income less Unrealised Derivatives



# INDUSTRY PERSPECTIVES IN 2014

Primary Reference for Industry Data is CRU

# Industry Perspectives in 2014

## Physical Demand Expected to Remain Healthy

### Key factors to be observed:

- Record physical premiums to be sustained in the short-term on the back of growing market deficit in the world ex. China (+ while market awaits court decision)
- North American demand to remain firm
- MENA infrastructure spending to continue
- Western Europe demand to remain solid on the back of automotive production
- LME price to range between \$1,850/t – \$1,950/t for the remainder of 2014

# Industry Perspectives in 2014

## Raw Materials Price Trends

- Alumina spot index expected to slightly soften in H2 2014
- Green Petroleum Coke prices to remain stable
- Aluminium Fluoride (ALF3) and Liquid Pitch prices to remain at the current levels post a soft decline in Q2 2014



# 2014 ALBA PRIORITIES





# 2014 Alba Priorities

## Sustainable Improvement & Preparation for Future Growth

- **Continued Focus on Safety & Training**
- **Deliver on Project Titan**
- **Leverage Strong Physical Demand Conditions**
  - Sustained focus on Value-Added Sales
- **Increase Creep Capacity with Minimal Capital Investment**
- **Line 6 Expansion**
  - Finalise gas contract structure



# APPENDIX

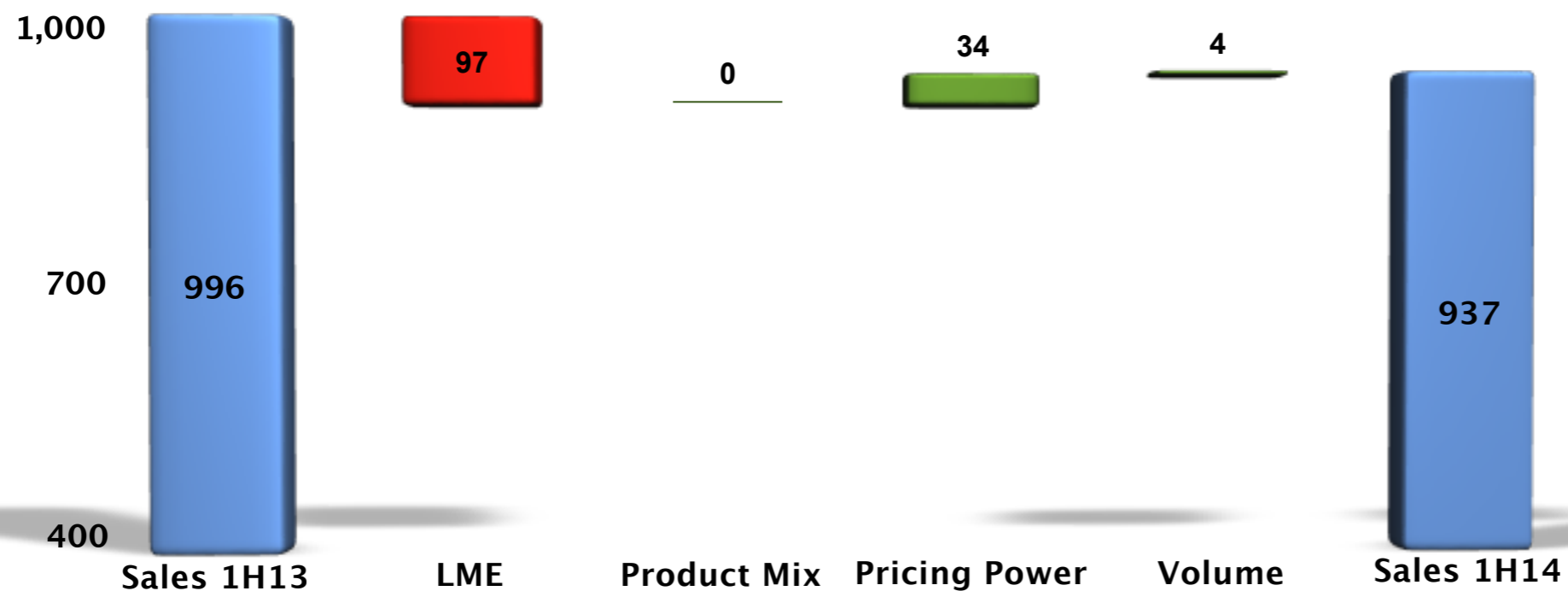


# H1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Sales Analysis 1H14 vs. 1H13  
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1H14 vs. 1H13 - Metal Sales Bridge (US\$M)

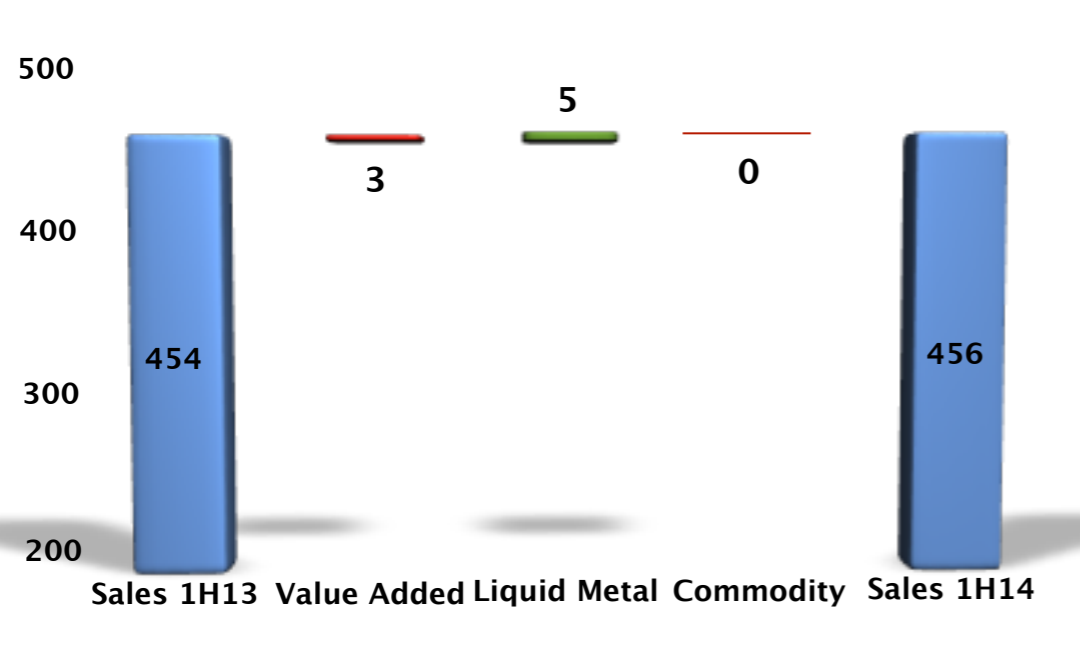


# H1 2014 Results

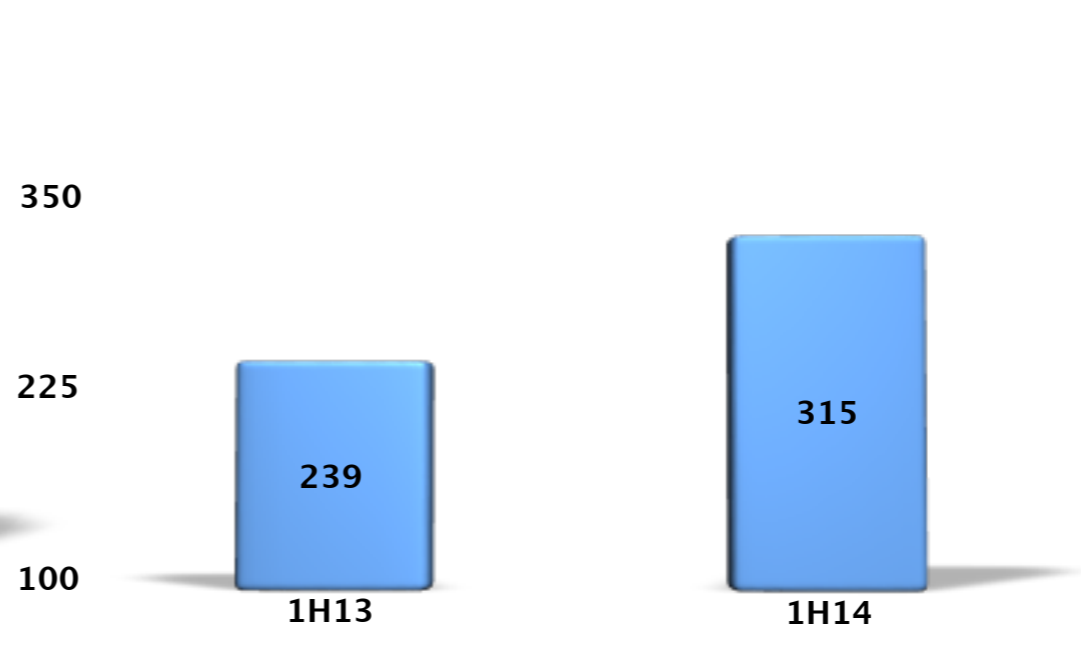
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Sustain Value-Added Products & Leverage Pricing Power

1H14 vs. 1H13 – Sales by Product line Bridge  
(000's MT)



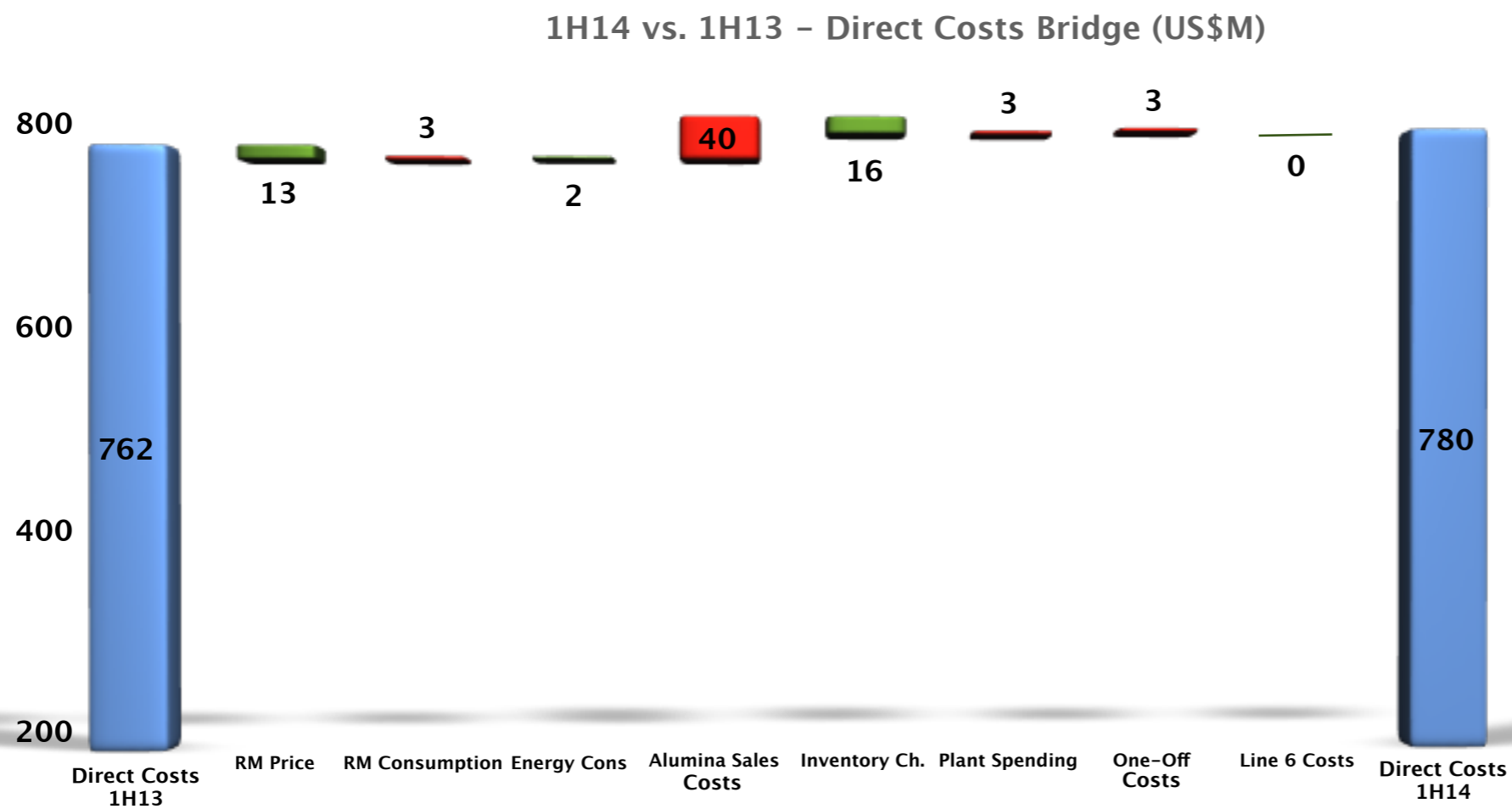
Premium Above LME Trend US\$ Per MT



# H1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

## Cost Analysis 1H14 vs. 1H13



# H1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Adjusted EBITDA Bridge Gap Analysis 1H14 vs. 1H13:  
Adjusted EBITDA Margin at 19.1%

1H14 vs. 1H13 - EBITDA Bridge (US\$M Adjusted)

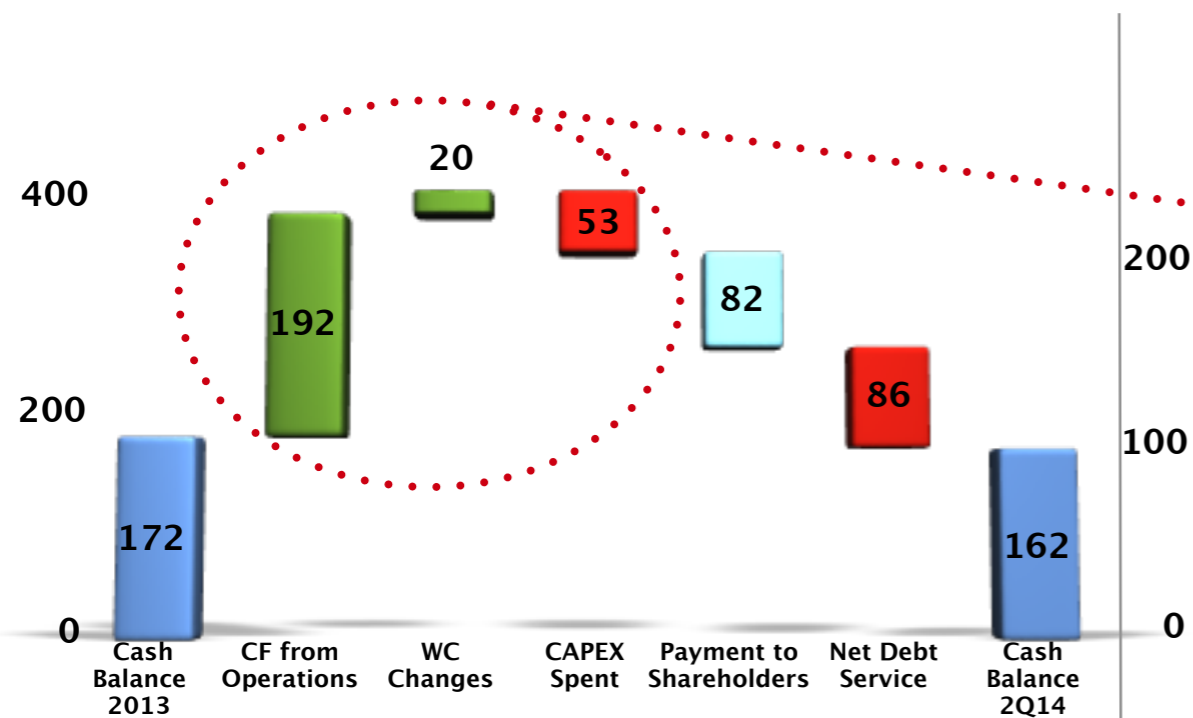


# H1 2014 Results

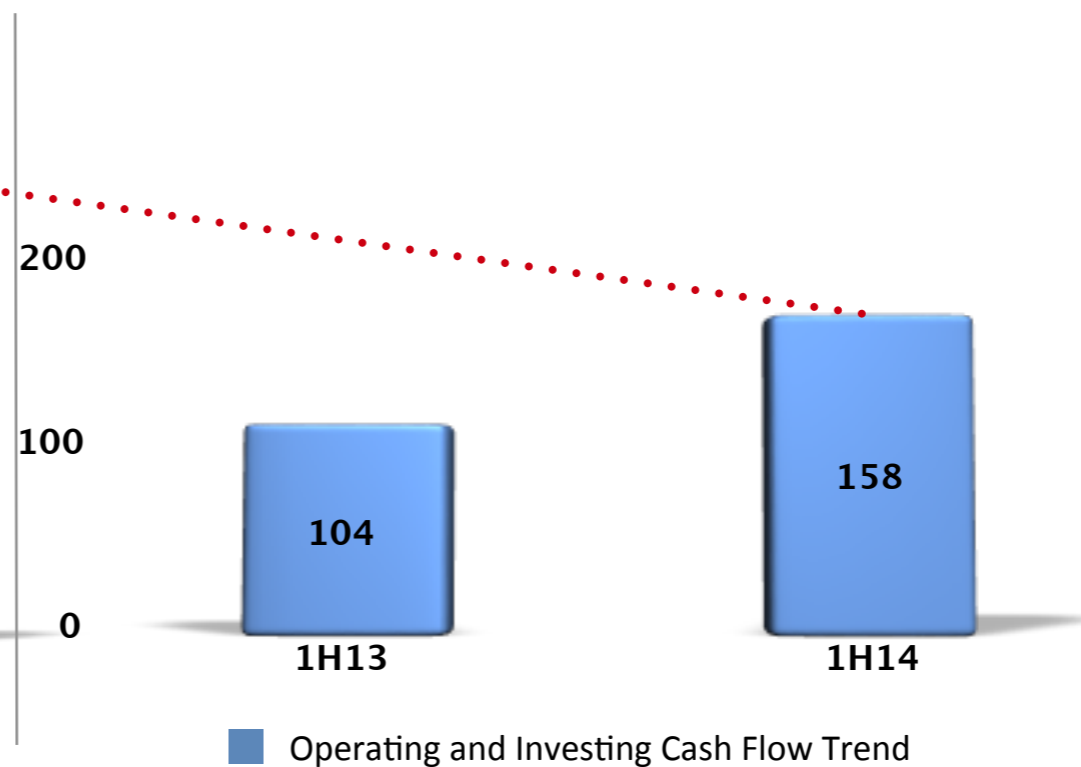
FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Cash Flow Bridge 2Q14 vs. Year-End 2013:  
Sound Cash Generation Despite Low LME Prices

Year-End 2013 to 2Q14 Cash Flow Bridge (US\$M)



Free Cash Flow (US\$M)





**FOR MORE INFORMATION, CONTACT US ON:**  
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