




# alba



Aluminium  
for the world

2011 IR PRESENTATION



[albasmelter.com](http://albasmelter.com)

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# INDUSTRY HIGHLIGHTS

# INDUSTRY HIGHLIGHTS

Q4 2011

## Aluminium Demand Still Healthy

- 2011 World consumption grew by 9.6% vs. 2010 and no real slowdown was seen in 4Q11 (3Q11 vs. 3Q10 +9.7%)
- Europe consumption increased by 6% in 2011 despite a 3% decrease in Q4
- 2011 MENA consumption up by 15% vs. 2010 and 7% in Q4
- 2011 Asian demand still bullish driven by China (+13%), India (+9%) and Japan recovery (4Q11 +8% vs. FY11 -4%)
- US – signs of improvement & positive anticipations (+8% in Dec. 2011 vs. Dec. 2010)

# INDUSTRY HIGHLIGHTS

Q4 2011

## Production Evolution

- China output at a record level (19.1 million metric tonnes, +13% YoY) in line with consumption growth but with minor capacity cuts (350 Kt)
- **Western producers' capacity cuts:**
  - Alcoa to shut-down 12% of its global capacity – 531 Kt in Europe and US
  - Hydro & RTA to scale-back operations in Europe
  - Zalco bankrupt with a capacity of 220 Kt
  - 1.7 million metric tonnes of capacity could disappear in Europe in 2012
- World market slightly over-supplied at the end of Q4 (+308 Kt with China and -287 Kt without)

# INDUSTRY HIGHLIGHTS

Q4 2011

## LME & Premiums

- LME inventories at 4.5 million metric tonnes in December (+453 Kt vs. January 2011)
- LME dropped by 13% in 4Q11 vs. 3Q11. 4Q11 Cash-average was \$2,089/t vs. \$2,400/t in 3Q11 with LME ranging between \$2,234 in October 27 and \$1,945 in December 21
- Ingot premiums further softened in Europe (\$182/t for DDP Rotterdam in 4Q11 vs. \$201/t in 3Q11 & \$198/t in 4Q10), but remained healthy in USA as well as in Major Japanese Ports (CIF Spot at \$116/t in 4Q11 vs. \$119/t in 3Q11 AND \$115/t in 4Q10)

## Raw Material Price

- Alumina & Green Petroleum Coke spot market prices softened based upon a drop in consumption & re-balancing in supply







# ALBA HIGHLIGHTS




# Alba Highlights

## 2011 – Operational Highlights/Achievements

### **STAR Operational Improvement Program**

-  Additional recurrent savings of US\$73 million recorded in 2011 ahead of target by \$3 million
-  Alba was able to increase production by 3.6% and sales by 4.5% in 2011
-  2011 Sales of Value-Added products reached 63% of total shipments vs. 62% in 2010 with a decrease in 4Q11 averaging 52% due to slow-down of the European market
-  4 major Six Sigma projects launched during 4Q11

### **Human Resources Management**

-  One-time social cost of US\$16 million recorded in Q4 impacting EBITDA by 3%


# Alba Highlights

## 2011 - Operational Highlights/Achievements

### AlbaSafeWay Program

-  Safety Excellence Program in progress with 6 work streams identified – 3 were already launched in 4Q11.

### Future Growth

-  Completed feasibility studies on optimum energy & technology solutions for Line 4, 5 Creep and Line 6 expansion projects

# Alba Highlights

## 2011 & Q4 – Financial Key Performance Indicators

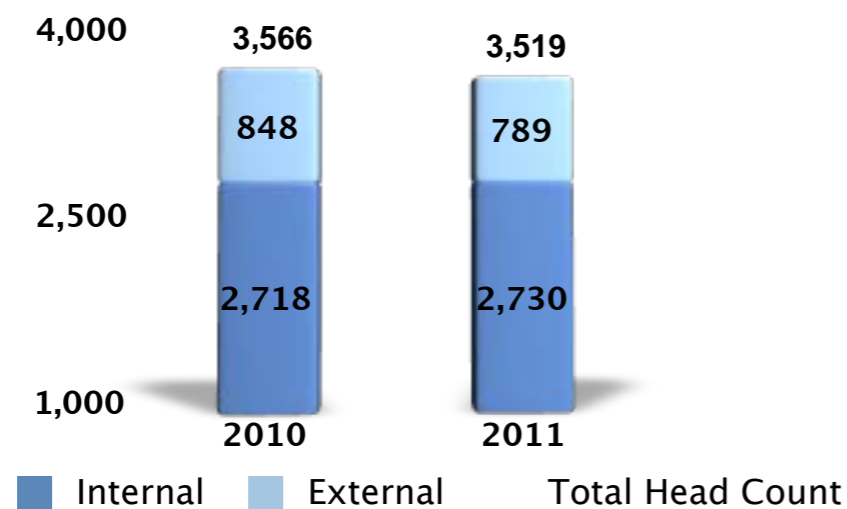
- **2011: EBITDA (excl. One Time costs) driven by higher LME & record production levels despite a lower trend in Q4**
  - 2011: US\$631 million up by 14% YoY
  - Q4: US\$89 million down by 43% YoY
- **2011: Net Income benefited from higher LME levels & unrealized derivative gains**
  - 2011: US\$564 million up by 53% YoY
  - Q4: US\$76 million down by 32% YoY
- **2011: Adjusted Net Income driven by higher LME levels**
  - 2011: US\$354 million up by 6% YoY
  - Q4: US\$16 million down by 84% YoY
- **Healthy Free-Cash Flow thanks to strong EBITDA and outstanding Working Capital Management**
  - 2011: US\$606 million up by 22% YoY
  - Q4: US\$151 million up by 39% YoY
- **Alba Board recommends dividend of US\$252 million**

# ALBA HIGHLIGHTS

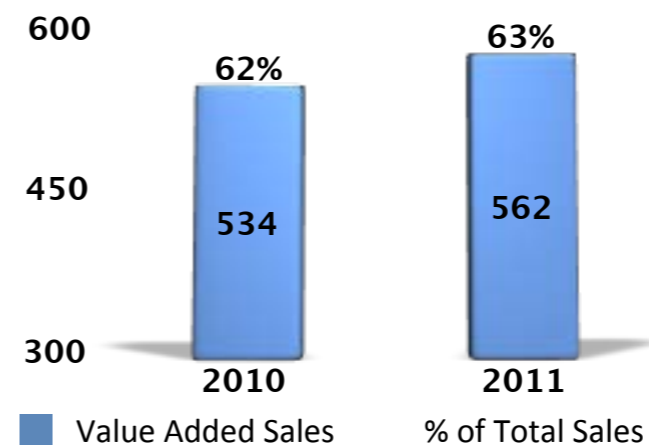
## 2011 - ANOTHER STEP TOWARDS WORLDWIDE LEADERSHIP

**Operational Excellence Continues to Flourish in Alba**  
**“US\$73M of Performance Improvements Achieved in 2011 vs. 2010”**

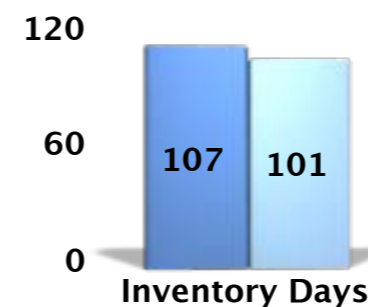
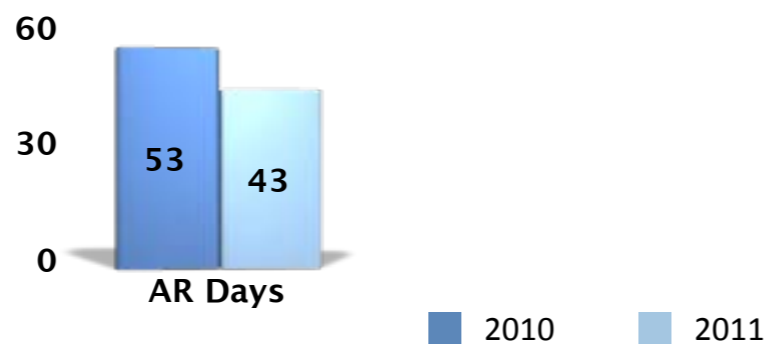
**Organizational Efficiency - Head Count Management**



**Marketing and Sales Excellence - Value Added Sales (MT'000) maintained at par with 2010**



**Working Capital Streamlining - Reducing AR and Inventory Days Trend**





# 2011 RESULTS

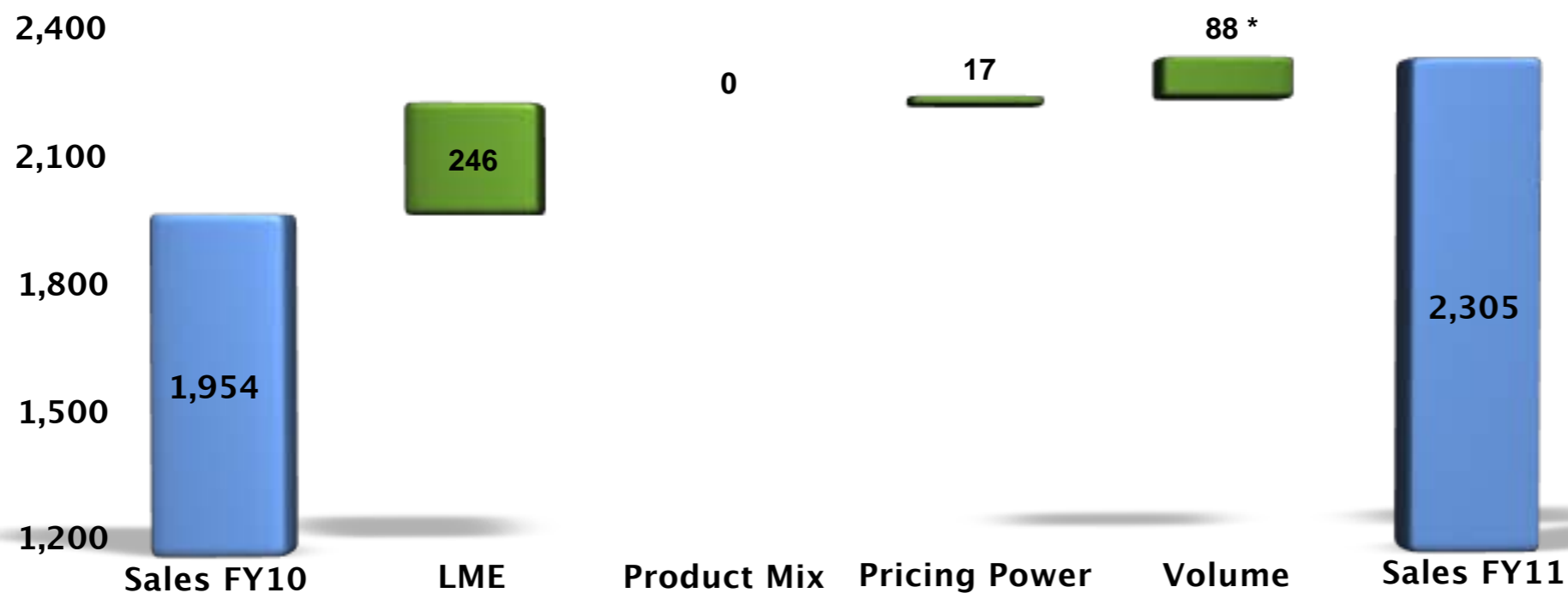


# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Sales Analysis FY11 vs. FY10 (000's MT)  
Relative Increase in LME Levels Coupled with Higher Sales Volume

FY11 vs. FY10 – Metal Sales Bridge (US\$M)



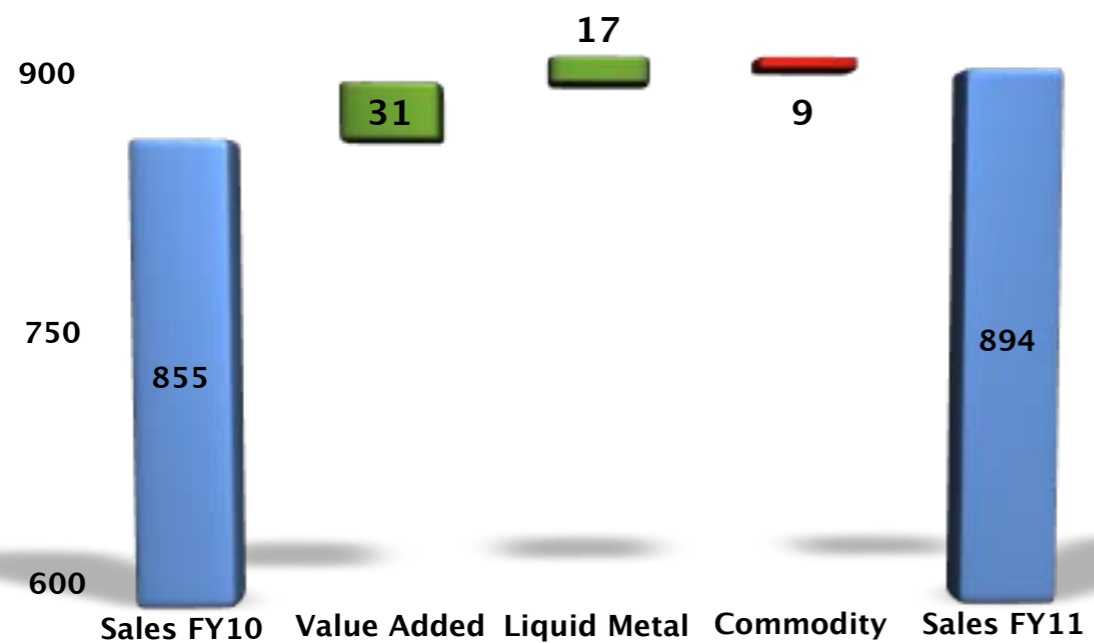
\* Higher throughput and sales resulted in a \$38 million direct benefit to the bottom line

# 2011 Results

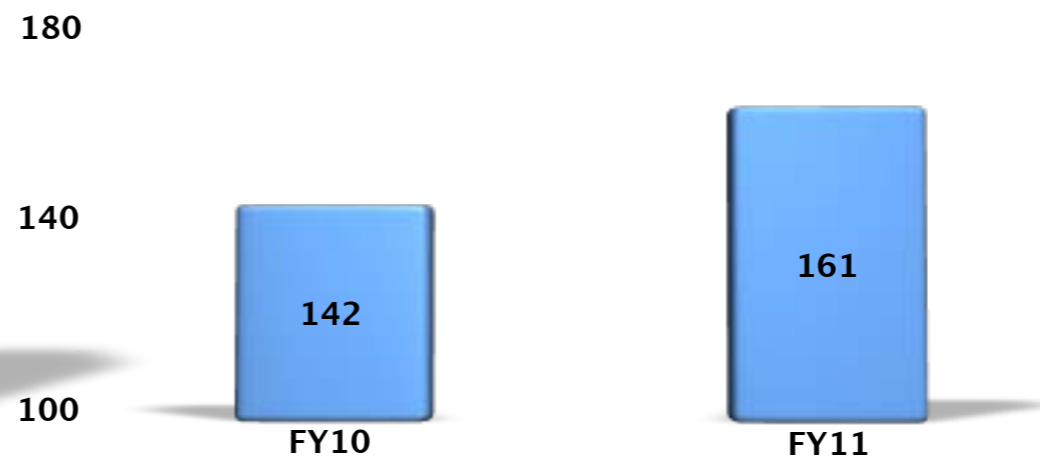
HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Continuous Shift to Optimum Product Mix  
Maximize Value Added Sales and Leverage Pricing Power

FY11 vs. FY10 – Sales by Product line Bridge  
(000's MT)



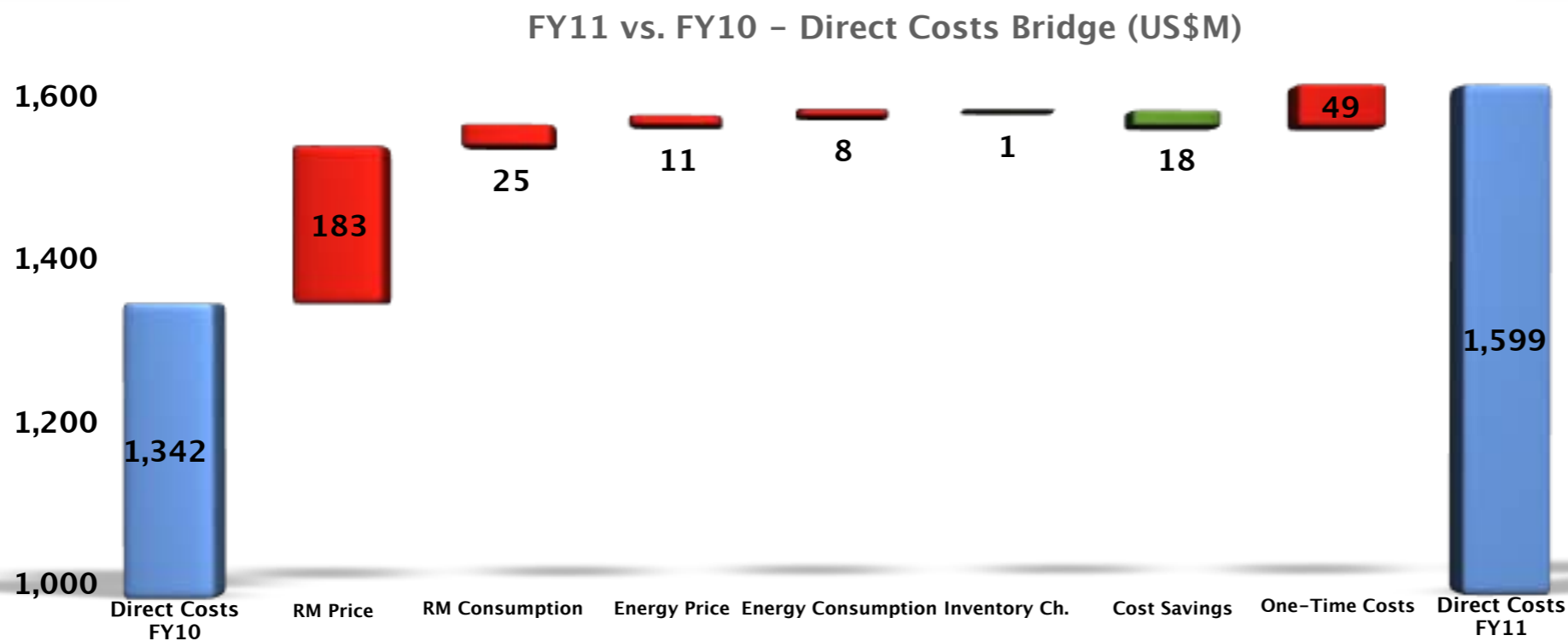
Premium Above LME Trend US\$M (Per MT)



# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Cost Analysis FY11 vs. FY10:  
One-Time Social Costs & Exceptional Expenses due to 2011 Events



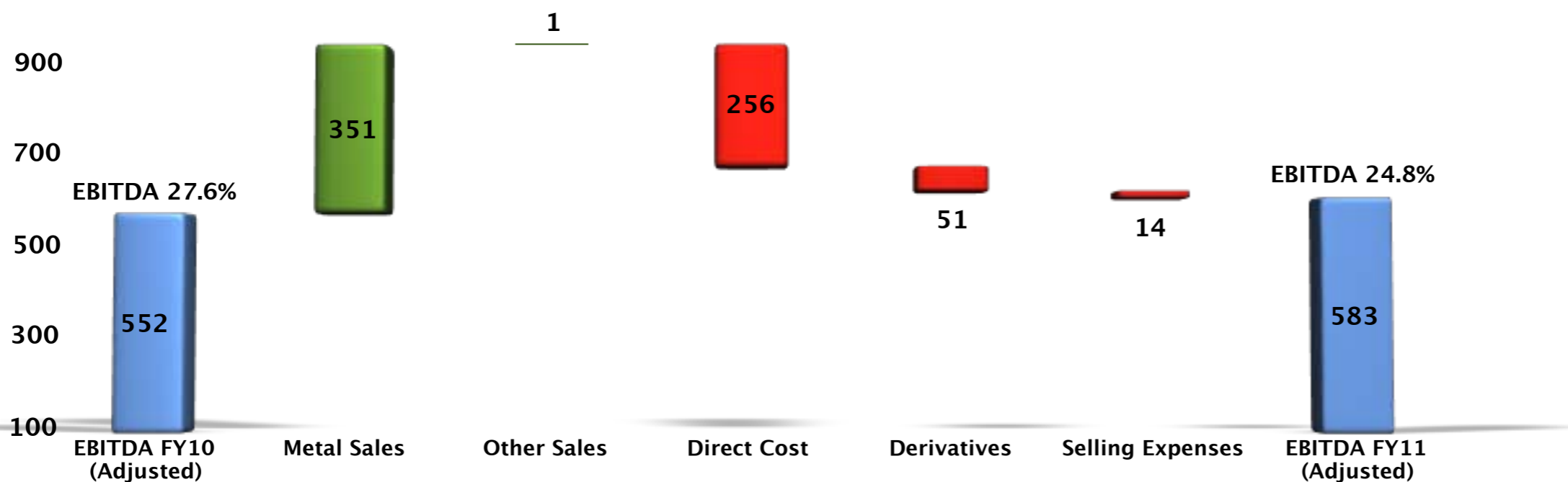


# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

**Adjusted EBITDA Bridge Gap Analysis FY11 vs. FY10:  
Adjusted EBITDA Margin at a 24.8%**

FY11 vs. FY10 - EBITDA Bridge (US\$M Adjusted)

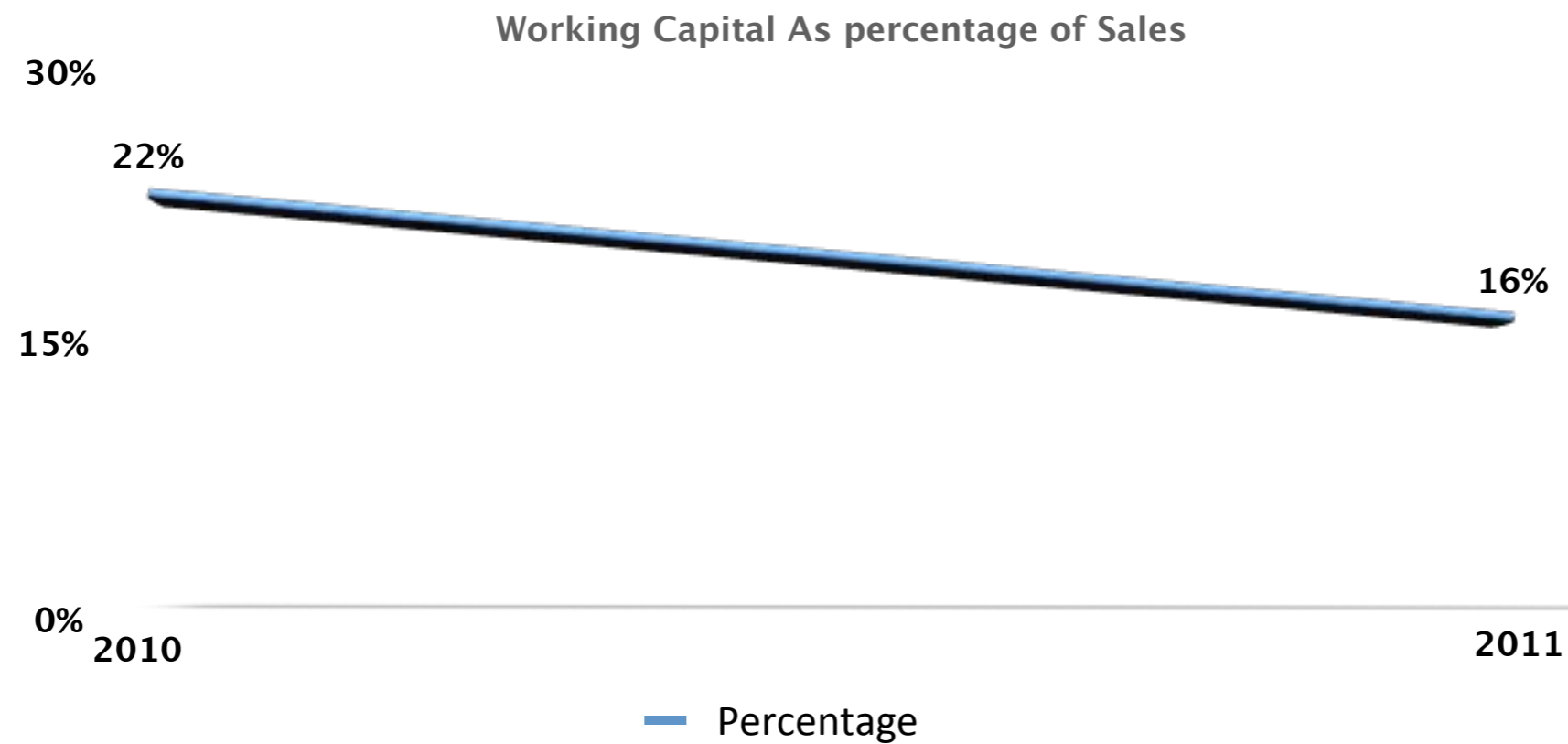


Adjusted EBITDA includes impact of actual realised derivatives payments

# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

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

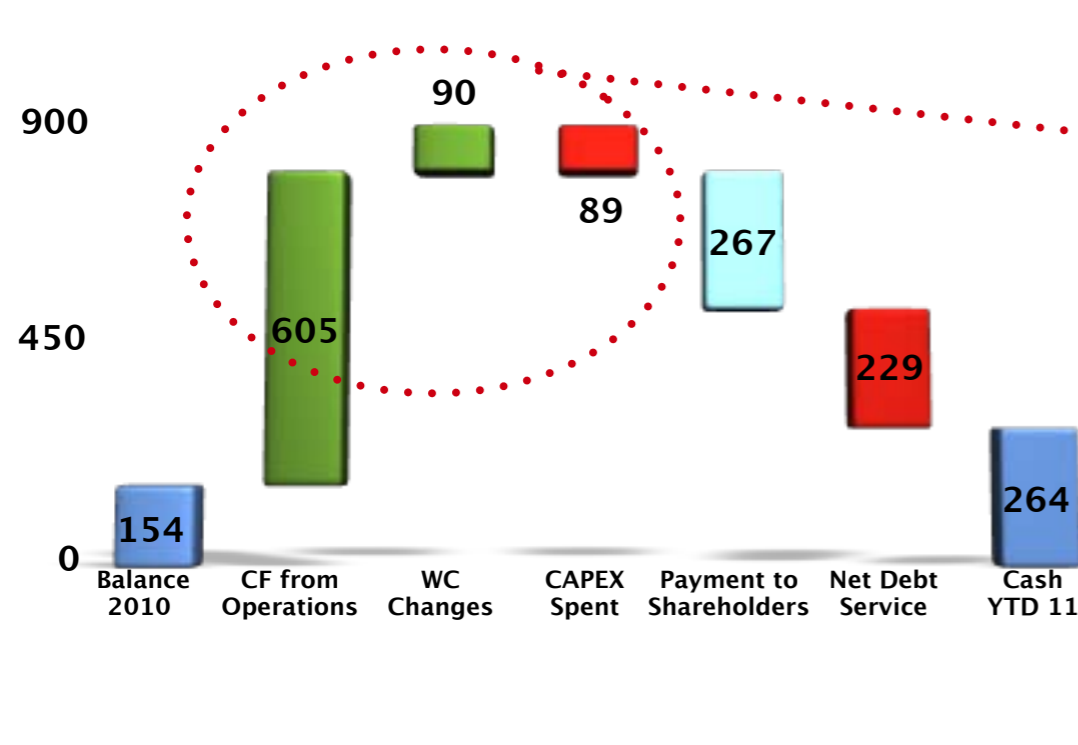


# 2011 Results

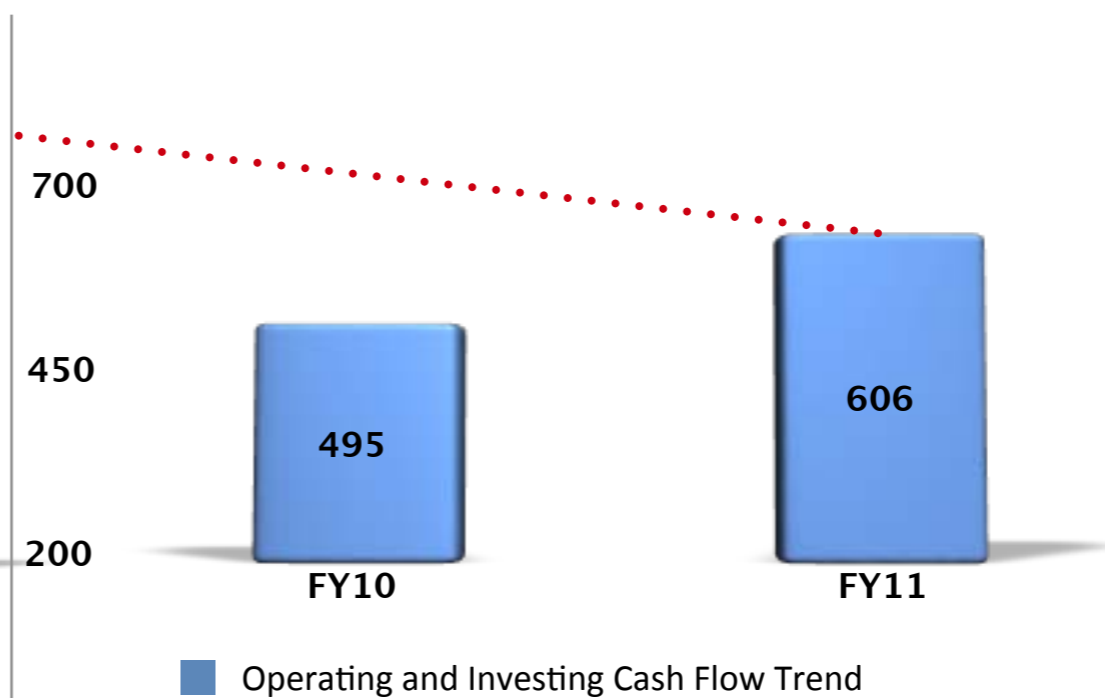
HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Cash Flow Bridge FY11 vs. FY10:  
Healthy Cash Generation to Maximize Shareholder Value Creation

YTD 11 Cash Flow Bridge (US\$M)



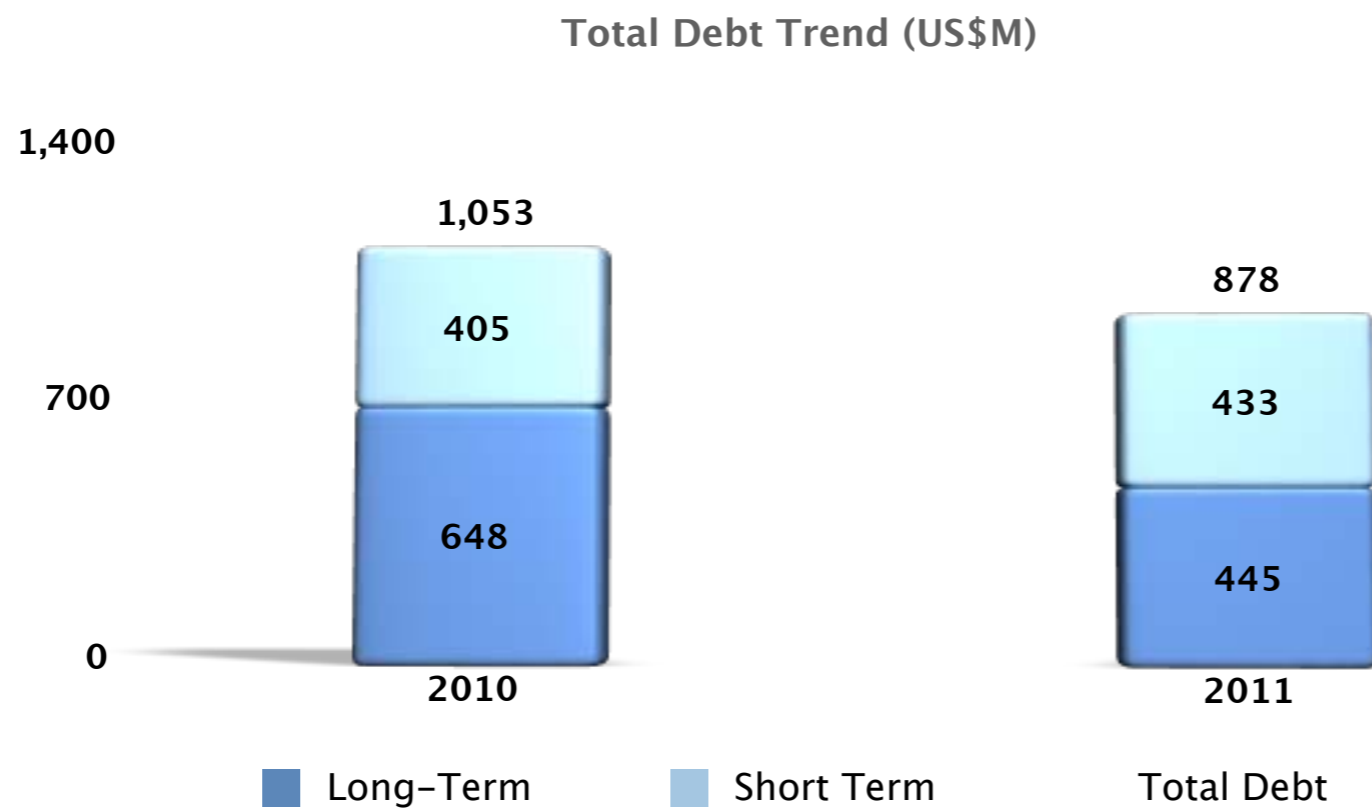
Free Cash Flow (US\$M)



# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

**Total Debt Reduction Trend:  
Stable Debt Profile with Favorable Leverage Position**

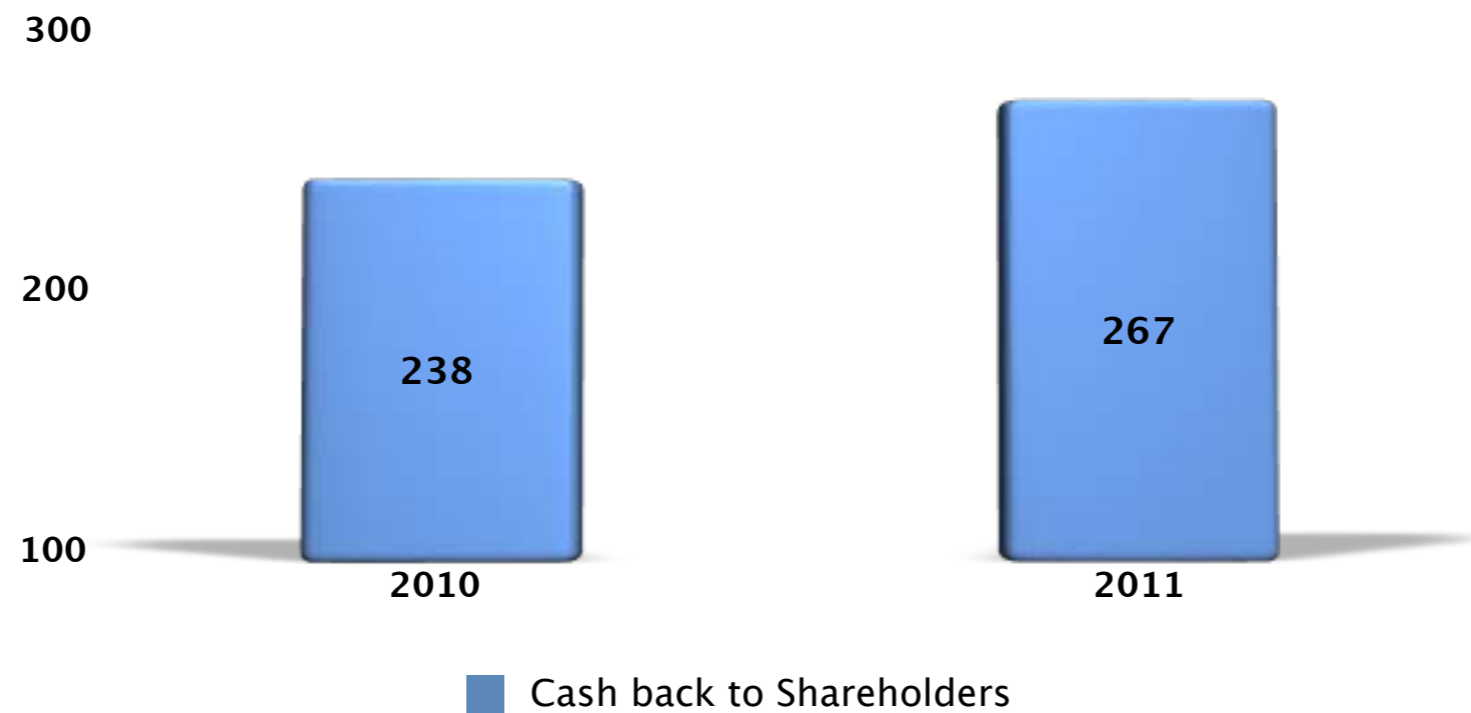


# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Cash Back to Shareholders:  
Delivering Cash Even in Harsh Economic Environment

Cash back to Shareholders Trend (US\$M)



# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

4Q11 vs. 4Q10  
Sound Performance with an Upward Trend in Sales

Financial Summary	Q4 2011	Q4 2010	2011	2010
Sales	545	559	2,349	1,997
EBITDA	73	157	582	552
EBITDA%	13.4%	28.2%	24.8%	27.6%
EBITDA (Excl. One Time Cost)	89	157	631	552
EBITDA% (Excl. One Time Cost)	16.3%	28.2%	26.9%	27.6%
Net Income/(Loss)	76	112	564	368
Gain/(Loss) Unrealised Derivatives	59	9	210	33
Adjusted Net Income/(Loss)*	16	103	354	334
Adjusted Net Income%	3%	18.4%	15.1%	16.7%
Average Cash LME (US\$/MT)	2,089	2,343	2,398	2,173

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

# 2011 Results

HIGHER SUSTAINED LME & CONTINUOUS IMPROVEMENT ON-TRACK

Alba Board Recommends Dividend of US\$252M

- On February 16th Alba Board meeting, the Directors recommended a dividend equating 45% of 2011 Net Profit\* (subject to Bahrain Bourse and Alba Shareholders' approval)
- The Shareholders' approval will be requested at the March 8th 2012 Annual General Meeting
- US\$150 million will be paid in March 2012 and US\$102 million was already paid as an interim dividend in August 2011

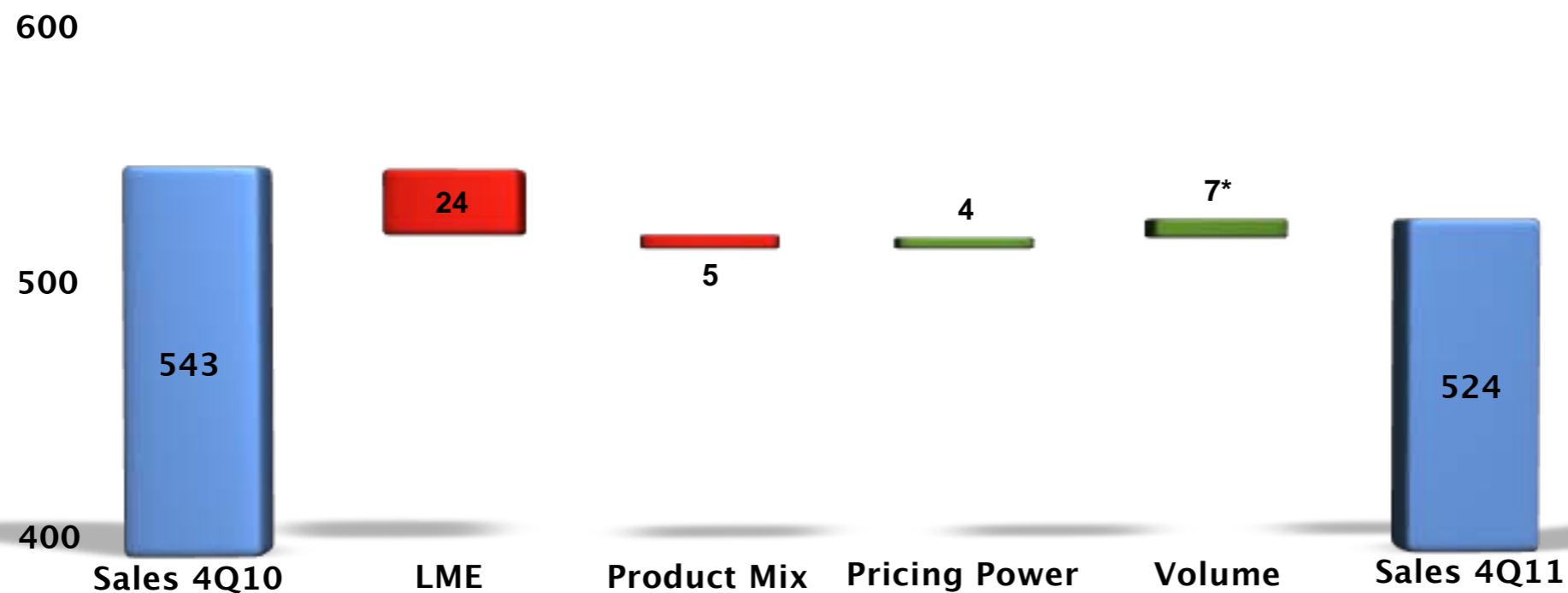
Net Profit represents comprehensive accounting profit including all derivatives (realized and unrealized)

# Q4 2011 Results

## ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

Sales Analysis 4Q11 vs. 4Q10 (000's MT)  
Lower LME Levels Offset by Higher Sales Volume

4Q11 vs. 4Q10 - Metal Sales Bridge (US\$M)



\* Higher throughput & sales resulted in a \$5 million direct benefit to the bottom line

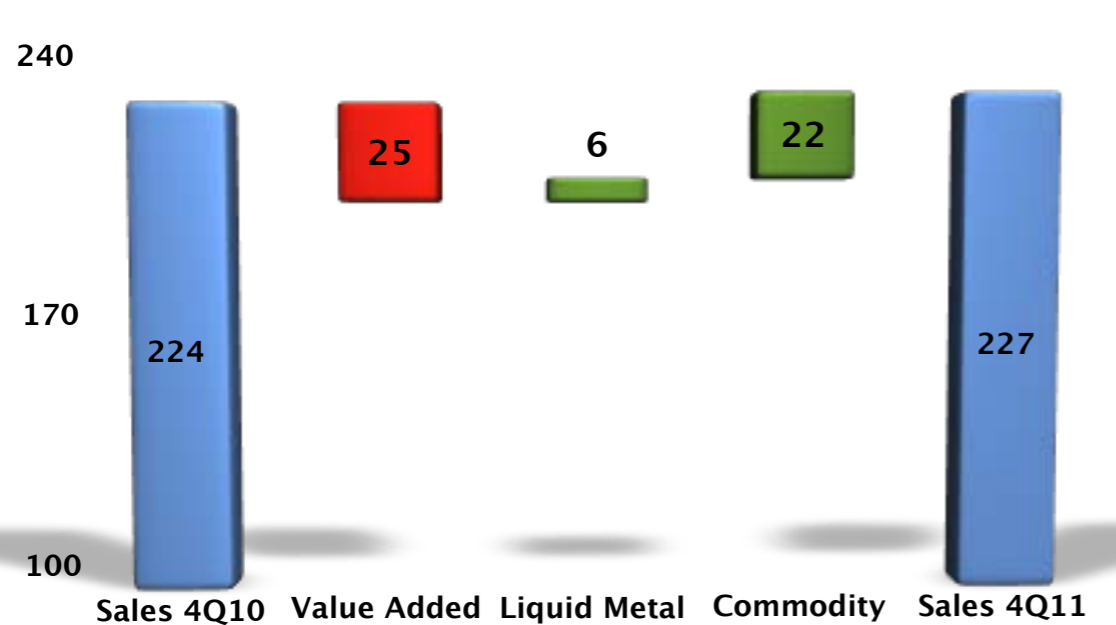


# Q4 2011 Results

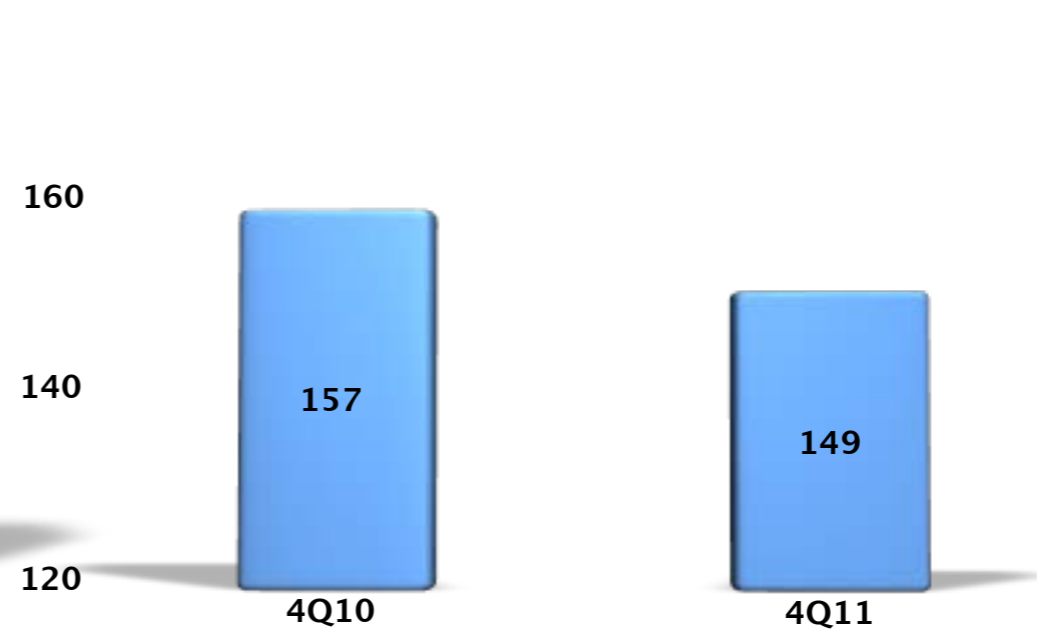
## ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

Unfavorable Product Mix Due to Slow-Down in Europe Market  
Value Added Sales Replaced by Commodity Sales

4Q11 vs. 4Q10 – Sales by Product line Bridge  
(000's MT)



Premium Above LME Trend US\$M (Per MT)

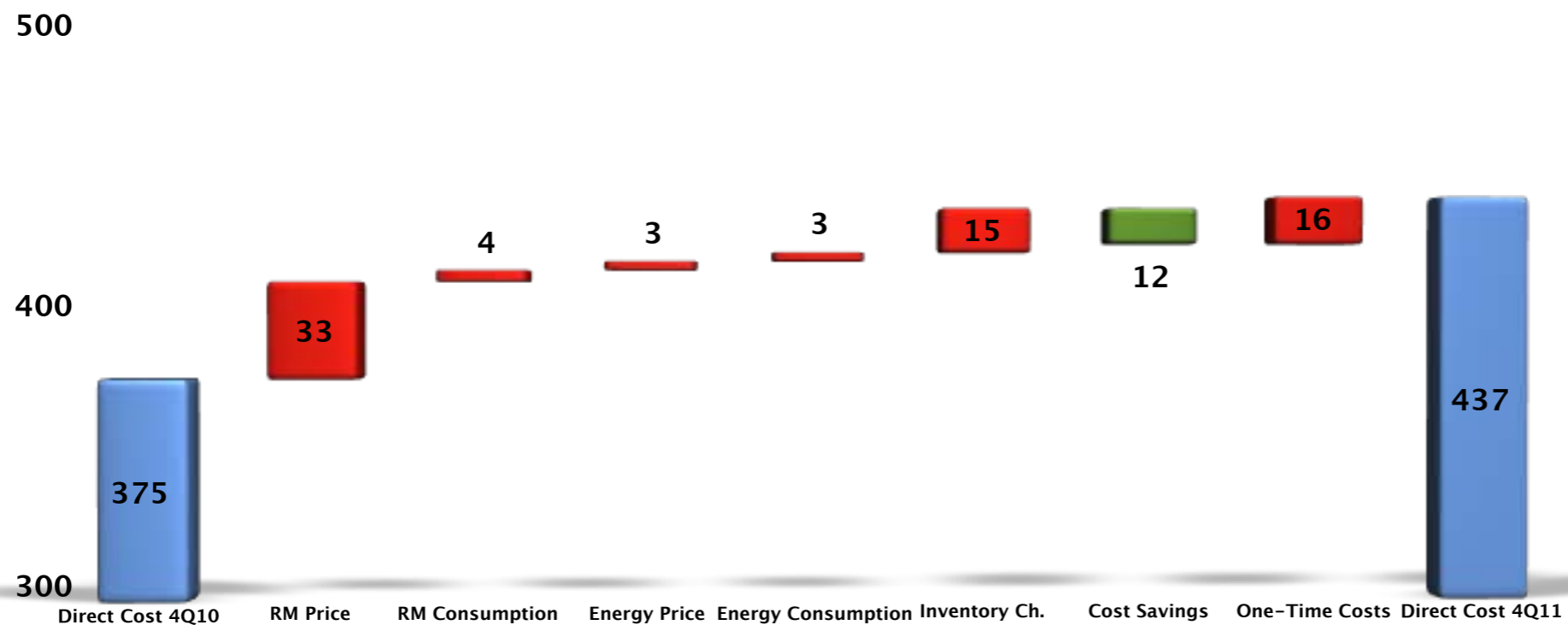


# Q4 2011 Results

ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

**Cost Analysis 4Q11 vs. 4Q10:  
Exceptional One-Time Costs Due to Trickle-Down Effects of 2011**

4Q11 vs. 4Q10 - Direct Costs Bridge (US\$M)

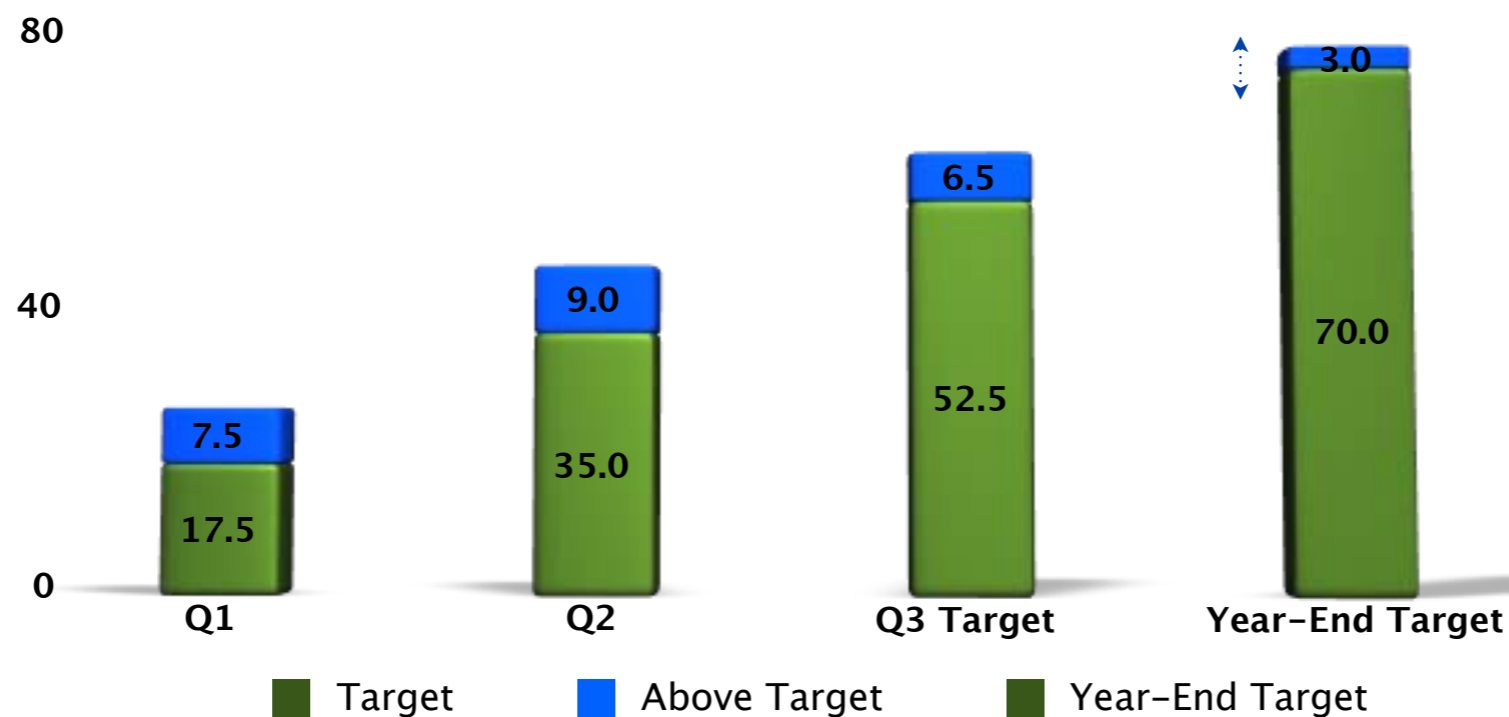


# Q4 2011 Results

ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

STAR Saving – 4Q vs. Target 2011:

4Q vs. Target 2011 – STAR Cumulative Savings (US\$M)



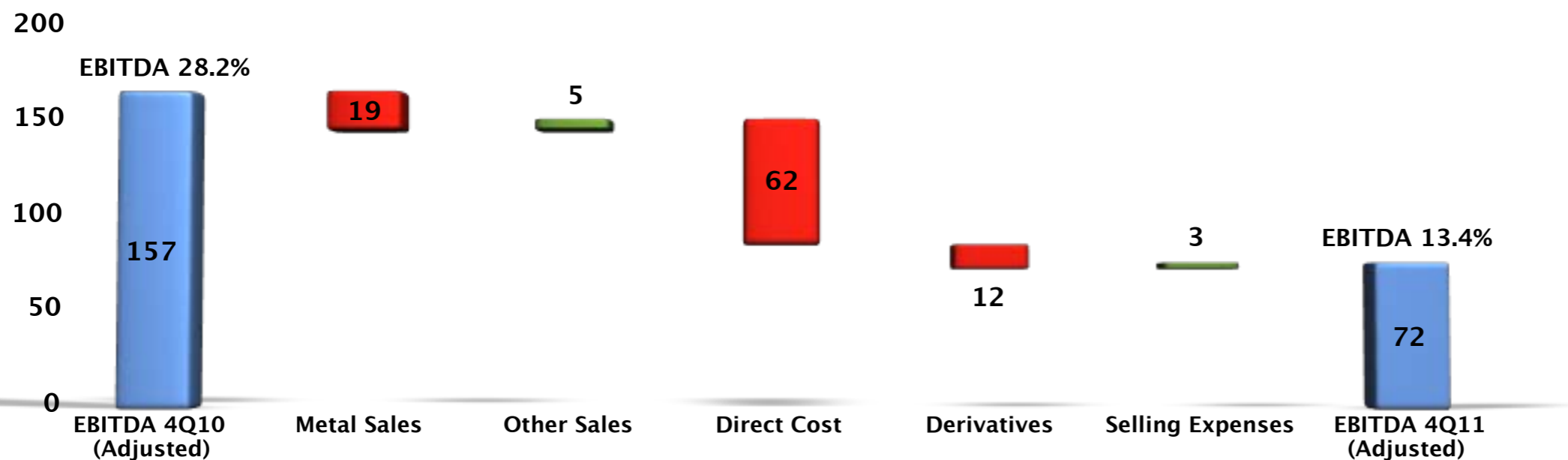
**US\$14 million** – additional savings generated in Q4 (product mix & pricing power of **-US\$2 million**, sales volume & additional metal produced **US\$5 million** and additional cost savings of **US\$12**)

# Q4 2011 Results

ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

Adjusted EBITDA Bridge Gap Analysis 4Q11 vs. 4Q10:  
Adjusted EBITDA Margin at a 13.4%

4Q11 vs. 4Q10 - EBITDA Bridge (US\$M Adjusted)

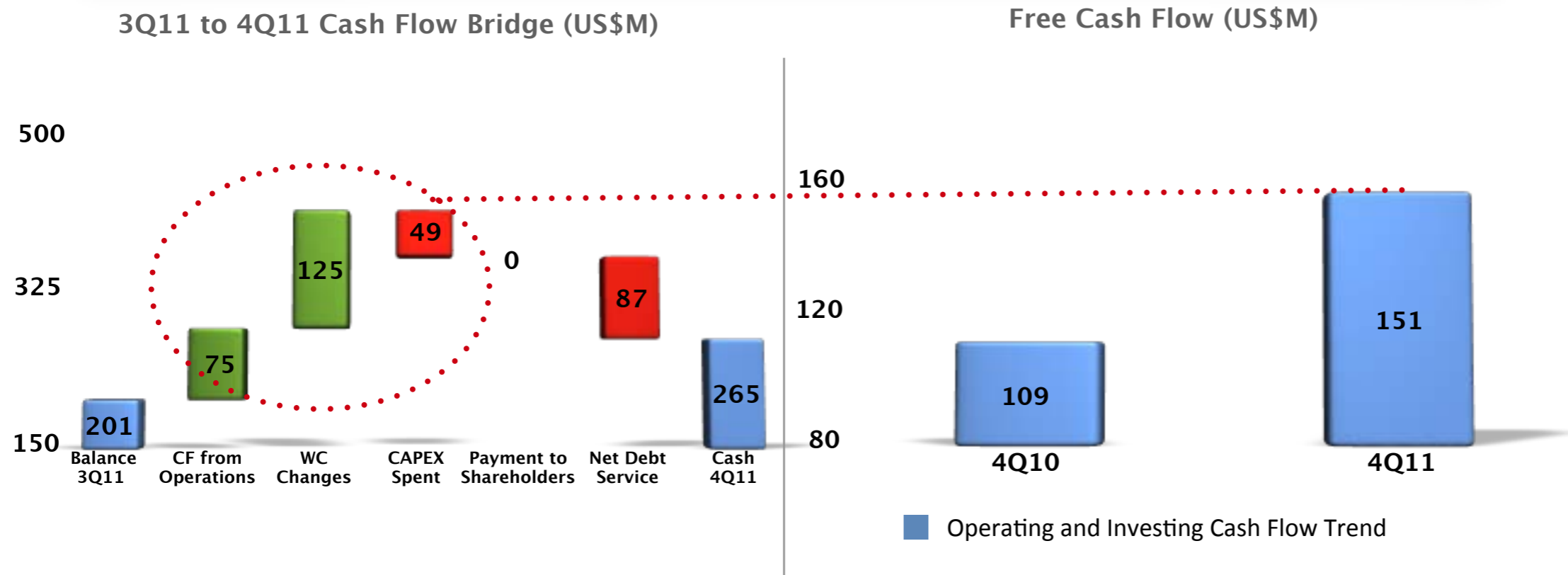


Adjusted EBITDA includes the impact of actual realised Derivatives

# Q4 2011 Results

## ALBA RESILIENCE DESPITE GLOBAL SLOWDOWN

Cash Flow Bridge 3Q11 vs. 4Q11:  
Healthy Cash Flow Thanks to Pro-Active Working Capital Management





# INDUSTRY PERSPECTIVES IN 2012



# Industry Perspectives in 2012

Demand to Remain Healthy but Buying Patterns Might Change

## Key factors to be observed:

- Capacity cuts should support premiums
- MENA to remain strong based upon housing & infrastructure spending
- US demand expected to increase based on positive economic indicators (high GDP levels and lower unemployment)
- LME spot price to remain highly volatile with a strong support at US\$2,200/t and creeping-up towards US\$2,300/t in Q2 sustained by high energy costs

# Industry Perspectives in 2012

## Raw Materials Price Trends

- Alumina price to recover slightly
- Green Petroleum Coke prices expected to drop in the first half of 2012 and then stabilize
- Aluminium Fluoride (ALF3) price will remain stable
- Liquid Pitch prices expected to soften based upon higher overall supply





# 2012 ALBA PRIORITIES



# 2012 Alba Priorities

## Continuous Improvement & Preparation for Future Growth

### AlbaSafeWay Program

- Implementation ongoing with 3 additional work streams to be launched in 1H12

### 2012 STAR Program:

- To achieve additional cash savings of US\$30 million in 2012
- Continuous roll-out of plant wide Six Sigma Program
- Sustained focus on Value-Added Sales

### Future Growth

- Launch bankable feasibility studies for Line 6 expansion project

### Gas Price

- Discussion with local authorities on a long-term contract to secure availability and price of gas beyond 2012

# 2012 Alba Priorities

## Raw Material Competitive Long-Term Sourcing

- Alumina: 90% of our 2012 requirements have been sourced
- Green Petroleum Coke: take advantage of opportunities on the spot market
- Liquid Pitch: focus on opportunities in spot market as well as optimize supply chain costs
- Aluminium Fluoride: diversify supply base to increase competition



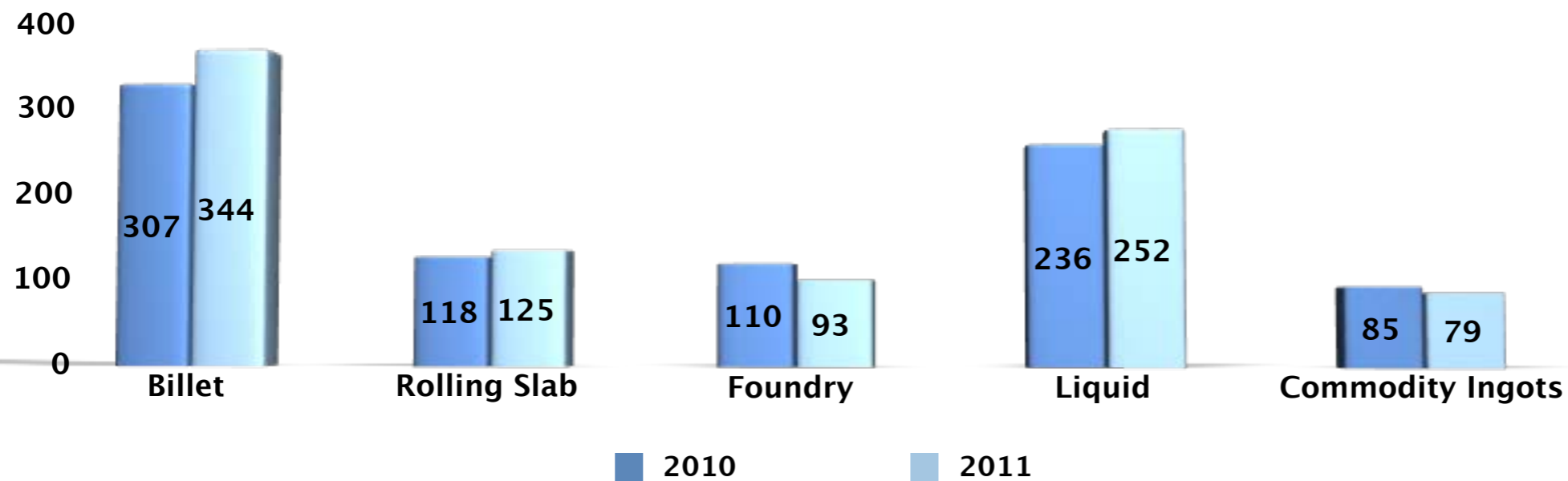
# APPENDIX



# 2011 Results

Value Added Products reach 63% of Total Sales (up from 62% in 2010)

FY11 vs. FY10 - Sales by Product line (MT '000)



Billets, Rolling Slabs and Foundry represent Value Added Products



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