

alcoa



Aluminium
for the world

● INVESTOR RELATIONS
PRESENTATION
2016



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INDUSTRY HIGHLIGHTS¹

¹Industry Highlights are based on CRU analysis



Industry Highlights – 2016

Global Physical Demand Still Strong

- 🪐 World consumption at 59.6 million metric tonnes (mt) and up by 5% YoY
- 🪐 Asian demand up by 7% YoY supported by consumption in China (+5% YoY)
- 🪐 MENA demand remains strong (+6% YoY) driven by Saudi Arabia infrastructure spending (+16% YoY)
- 🪐 Europe consumption up by at 3% driven by a solid boom in auto and construction sectors in Germany
- 🪐 Demand in North America up by 2% YoY mainly driven by the auto production



Industry Highlights – 2016

Production Evolution

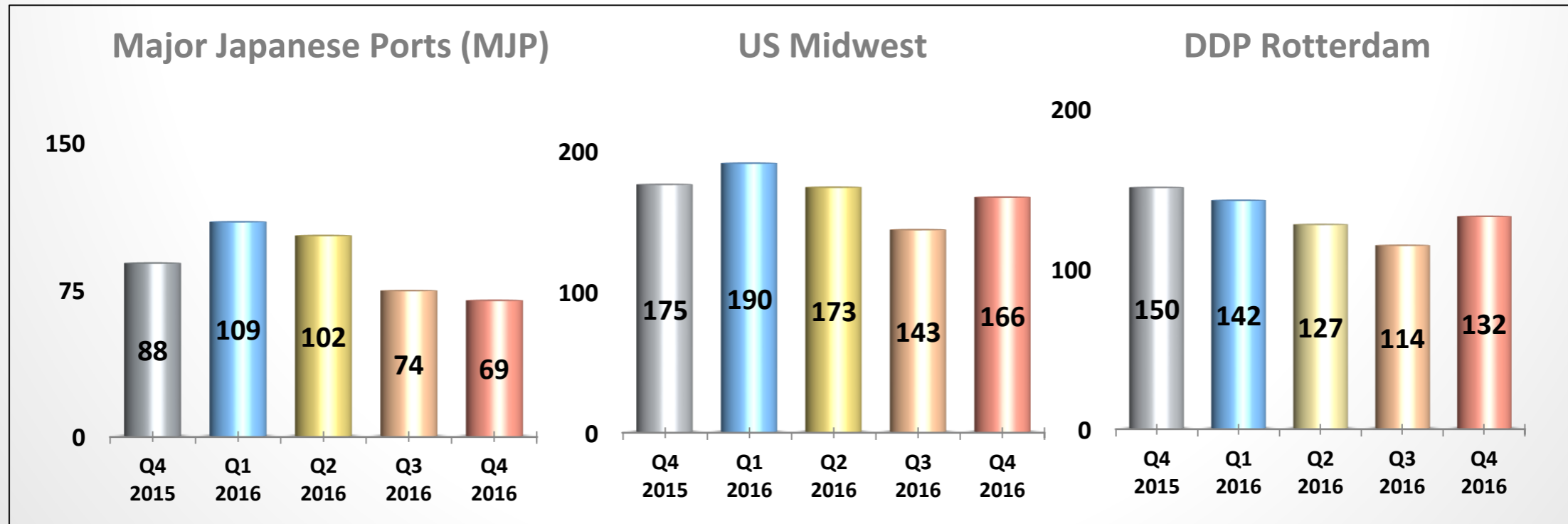
- 🪐 World production up by 3% YoY
- 🪐 Chinese output continue to rise (+31.4 million mt , 4% YoY) on the back of smelters' restarts in many provinces
- 🪐 North America production down by 9% YoY (4 million mt)
- 🪐 World market in deficit with China (-712Kt) and in deficit w/o China (-723kt)



Industry Highlights – 2016

LME & Premiums

- 🪐 LME inventories at 2.2 million mt in December
- 🪐 Q4 2016 cash-average was \$1,710/t with LME ranging between \$1,612/t on October 20 and \$1,777/t on November 11
- 🪐 Physical premiums prices continue to float at lower range (\$/t):



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ALBA HIGHLIGHTS





Alba Highlights – 2016

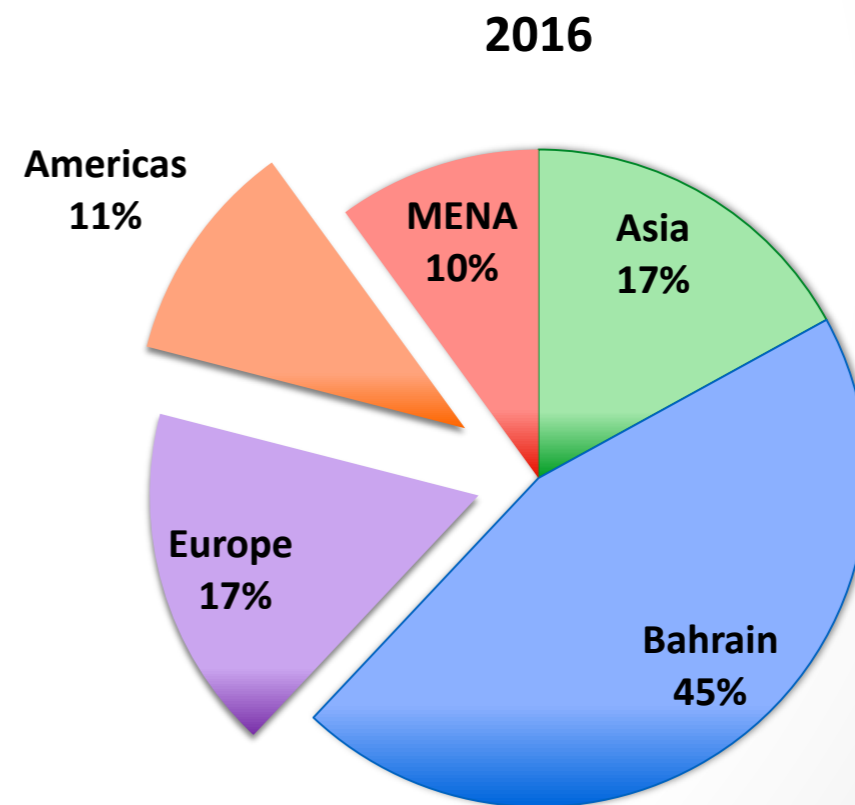
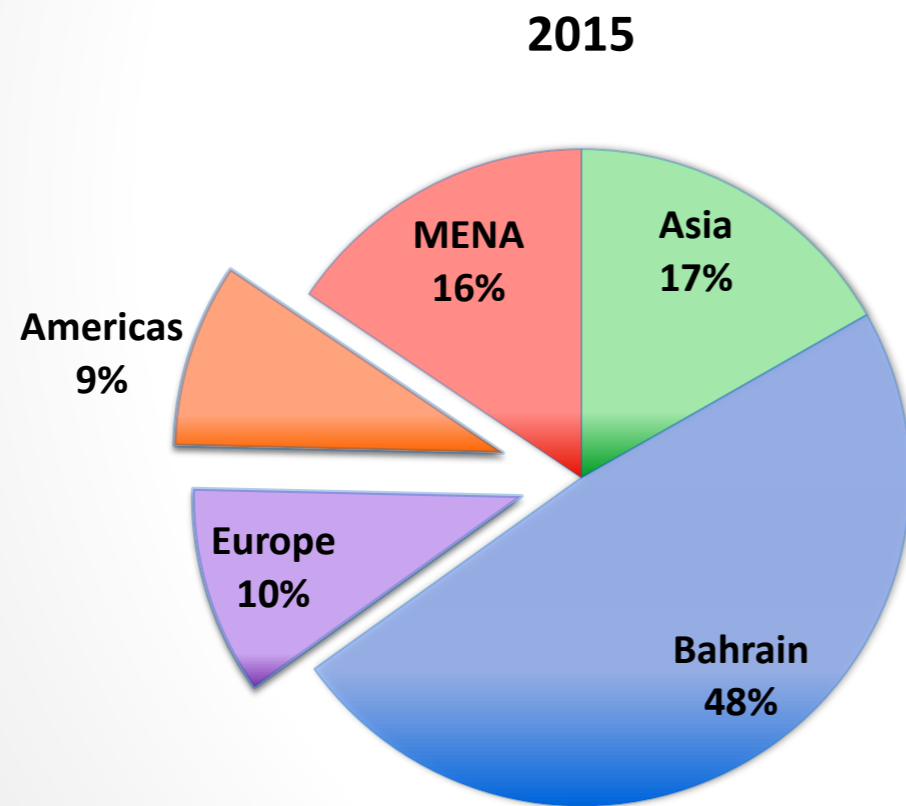
Operational Highlights & Achievements

- 🪐 Continuous improvement in Safety performance
- 🪐 Alba wins Gold at the International Green Apple Awards'
- 🪐 Sales Volume up by 2.3% YoY, to reach 974,014 mt while Production volume stood at 971,420 mt (+1.1% YoY)
- 🪐 Alba managed to close 2016 with its Value-Added (VA) sales averaging 56% of total shipments
- 🪐 Alba successfully upgrades Casthouse 2 to produce Foundry T-Bar
- 🪐 Alba ramps-up creep project for Reduction Lines 4 & 5



Alba Highlights – 2016

Sales Breakdown by Geographic Footprint
Expanding in US and Europe Markets



Alba Highlights – Q4 & FY 2016

Financial Key Performance Indicators

- 🪐 **Adjusted EBITDA up in Q4 on the back of higher LME prices and savings in Titan - Phase II**
- 🪐 Q4: US\$85 million up by 51% YoY
- 🪐 FY: US\$327 million down by 19% YoY
- 🪐 **Adjusted Net Income up in Q4 driven by higher EBITDA levels in Q4**
- 🪐 Q4: US\$ 37 million up by 186 % YoY
- 🪐 FY: US\$129 million down by 12% YoY
- 🪐 **Free-Cash Flow ¹ unfavourable due to lower premium prices**
- 🪐 Q4: US\$ 55 million down by 27% YoY
- 🪐 FY: US\$ 204 million down by 39% YoY

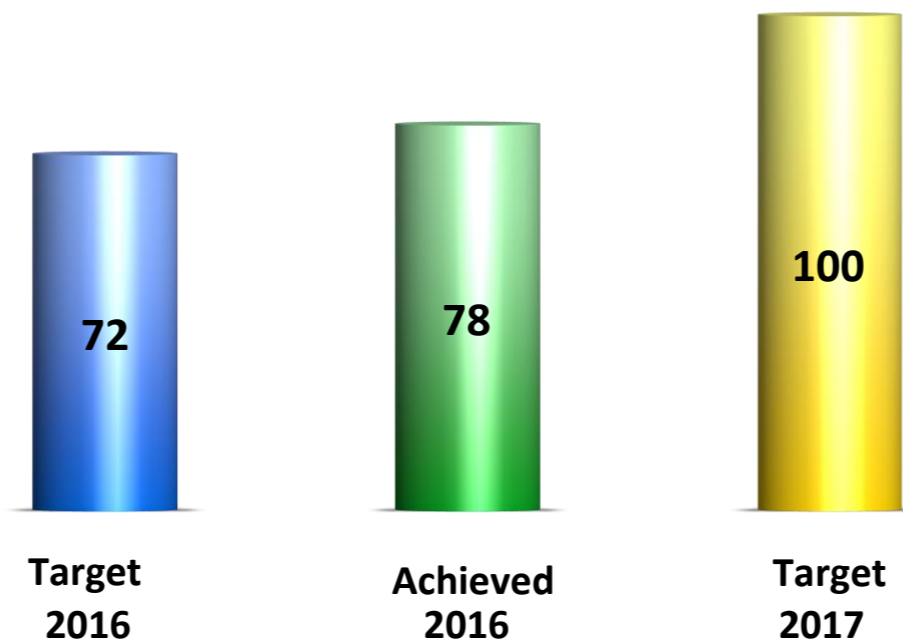




Alba Highlights – 2016

Project Titan II - Improve Cash Cost structure
Full-Year 2016: Project Titan II Achieved Savings of US\$ 78 per tonne

Project Titan - US\$ per MT

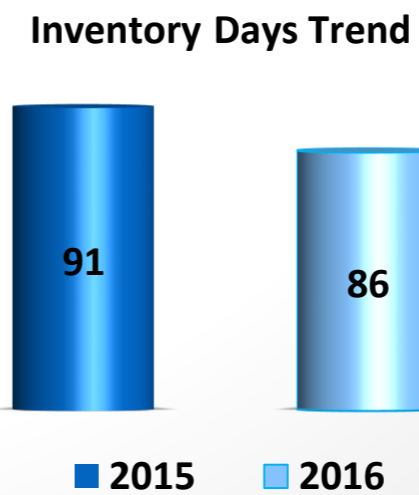
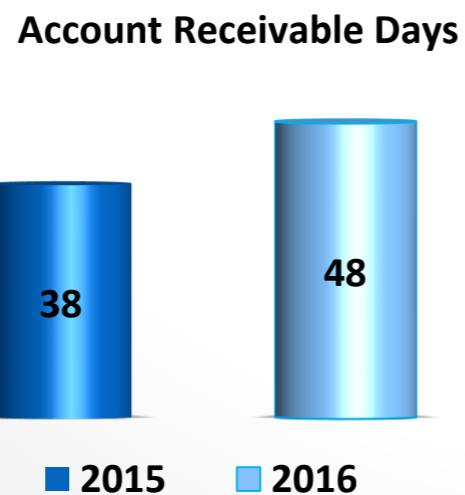
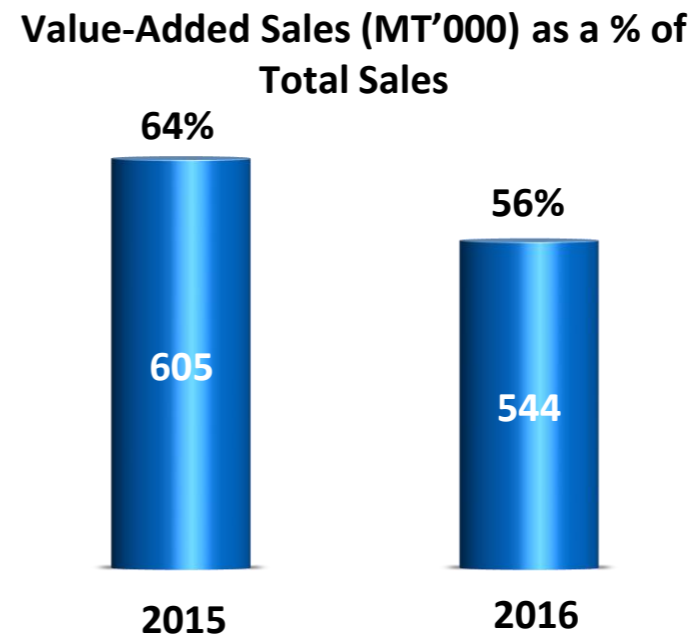
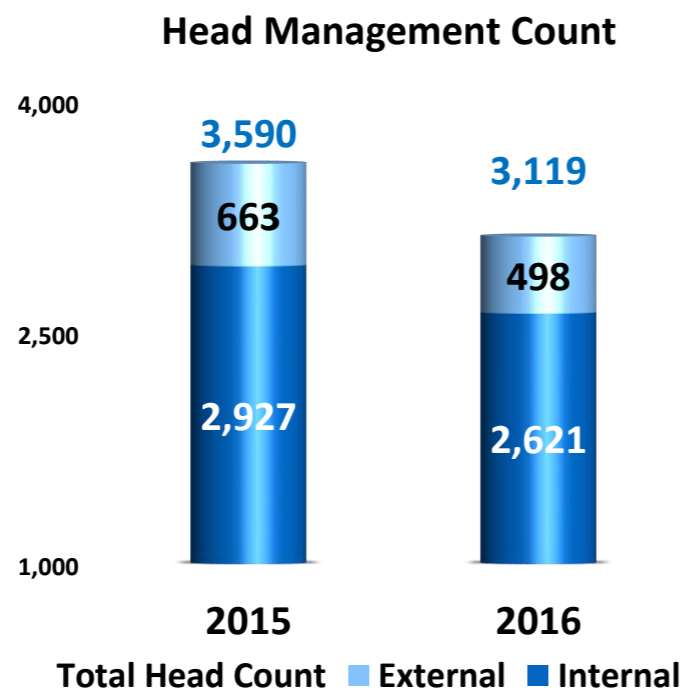


*Savings from Project Titan represent the annual \$cost per mt improvement once all projects are fully implemented



Alba Highlights – 2016

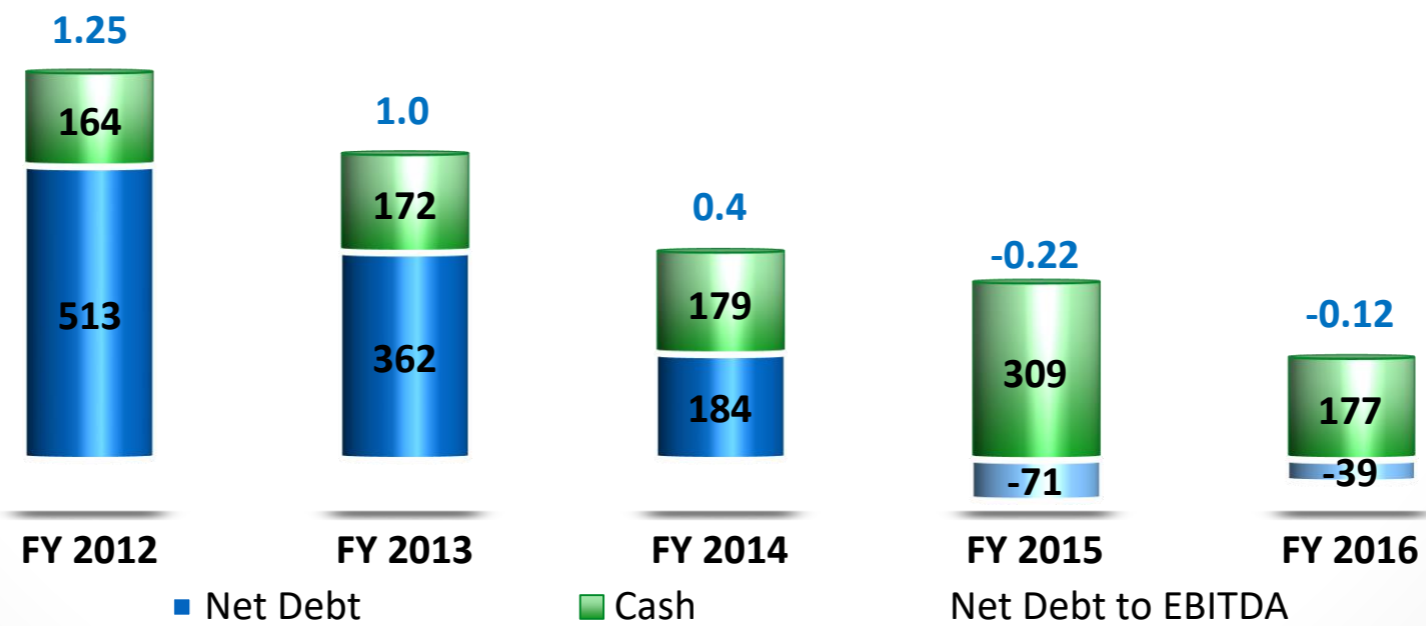
Operational Excellence Continues to Sustain Momentum



Alba Highlights – 2016

Maintain Solid Balance Sheet & Ready to Finance Line 6

Cash, Net Debt & Net Debt to EBITDA



03

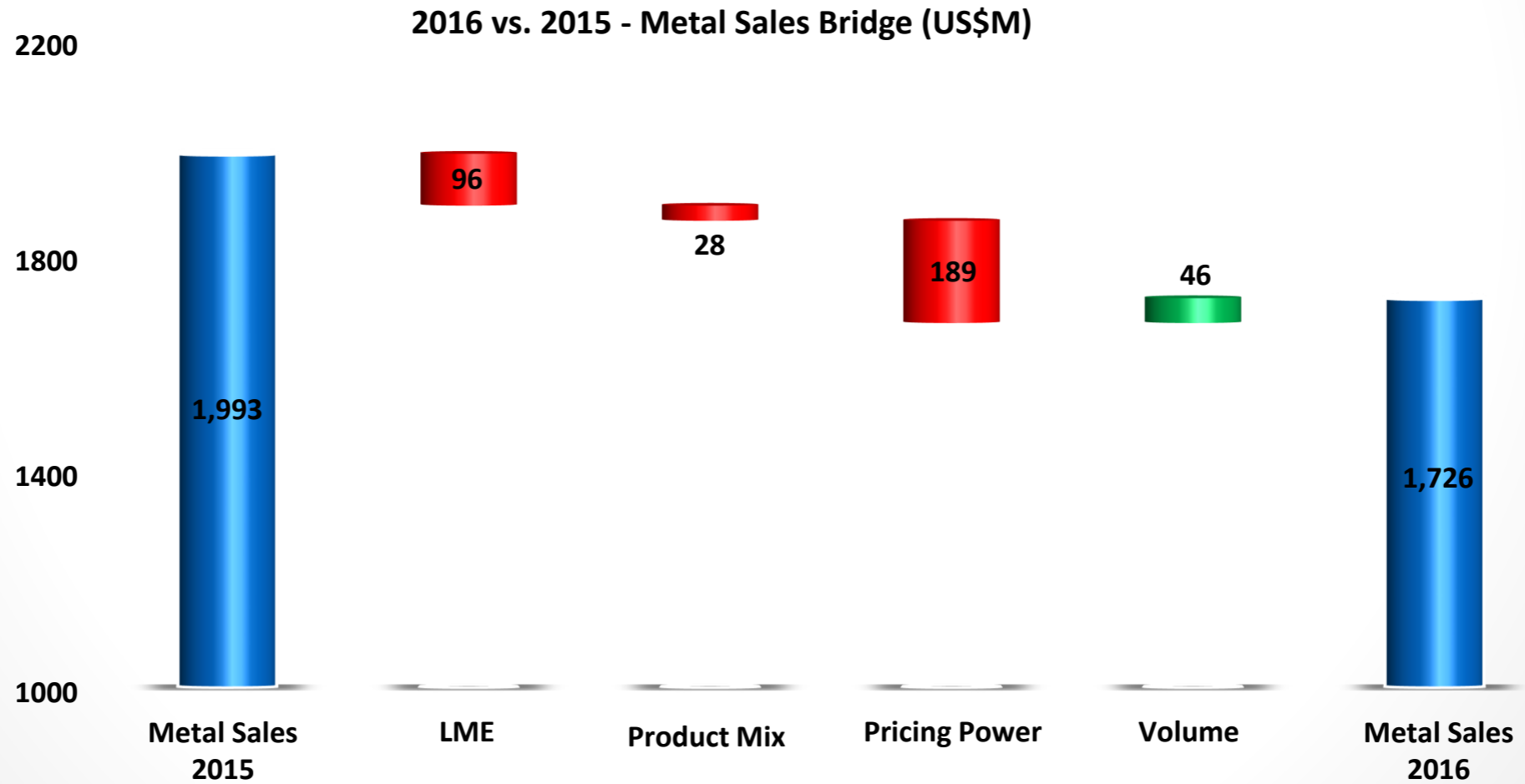
2016 RESULTS



2016 Results

Aluminium Industry: All-in-Prices at Lower Range

Favourable Management Performance Partially Offset by Lower Premiums

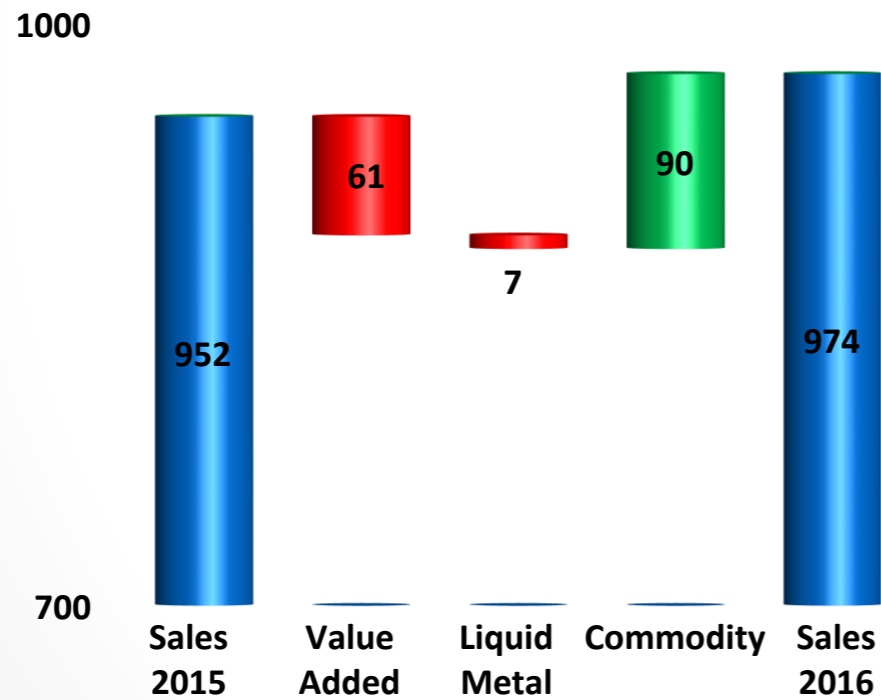


2016 Results

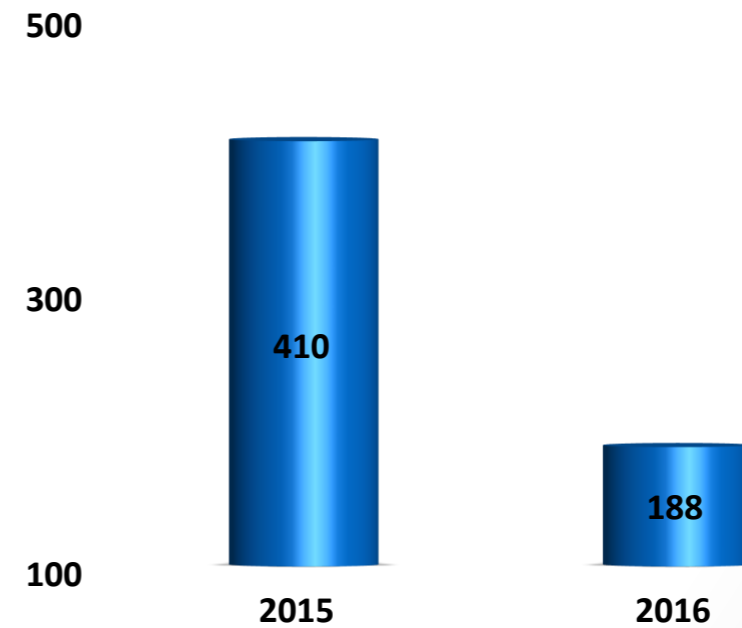
Aluminium Industry: All-in-Prices at Lower Range

Higher Sales Volume and Lower Physical Premiums

2016 vs. 2015 - Sales by Product Line
Bridge (MT'000)



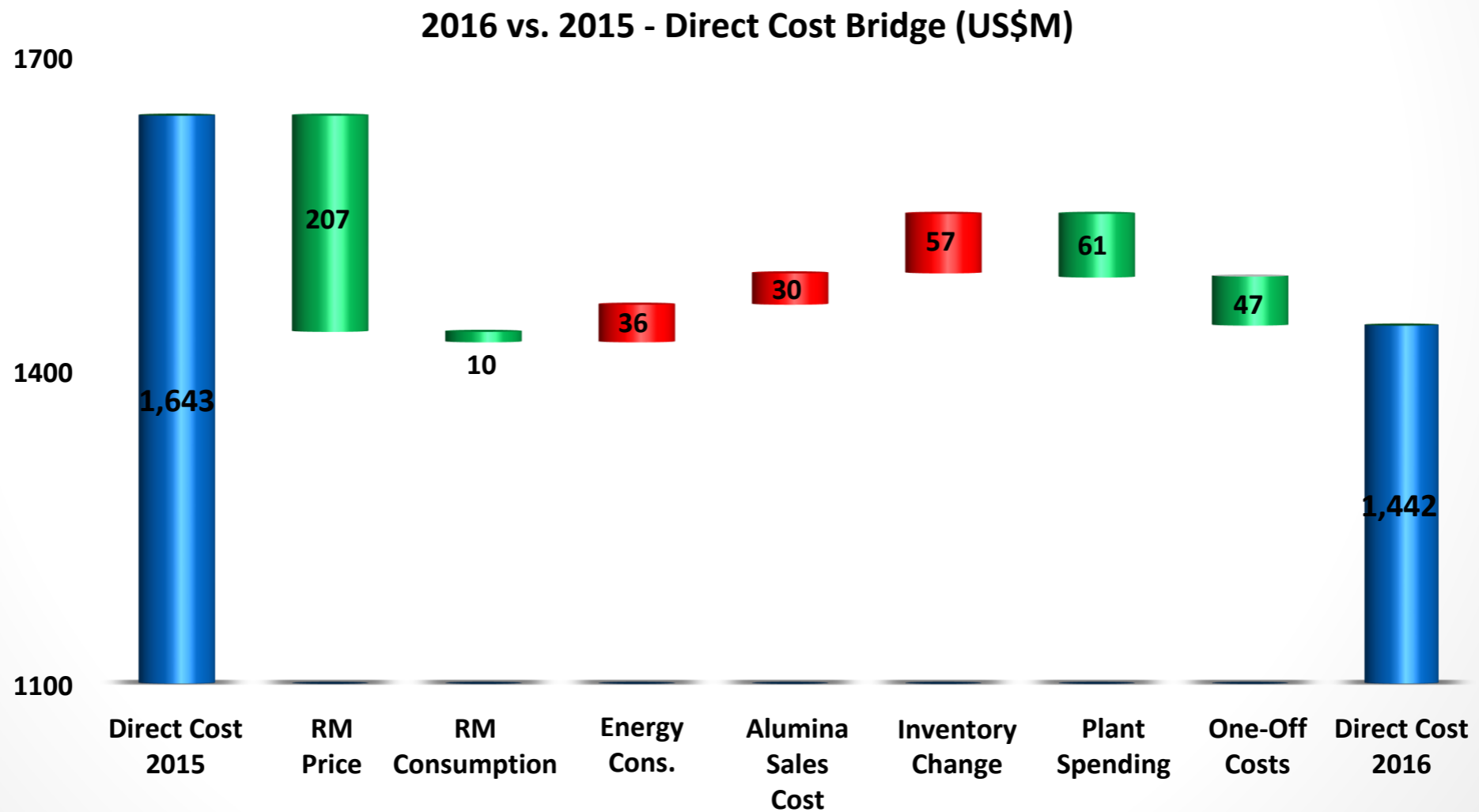
Premium Above LME Trend US\$ Per MT



2016 Results

Aluminium Industry: All-in-Prices at Lower Range

Cost Analysis 2016 vs. 2015

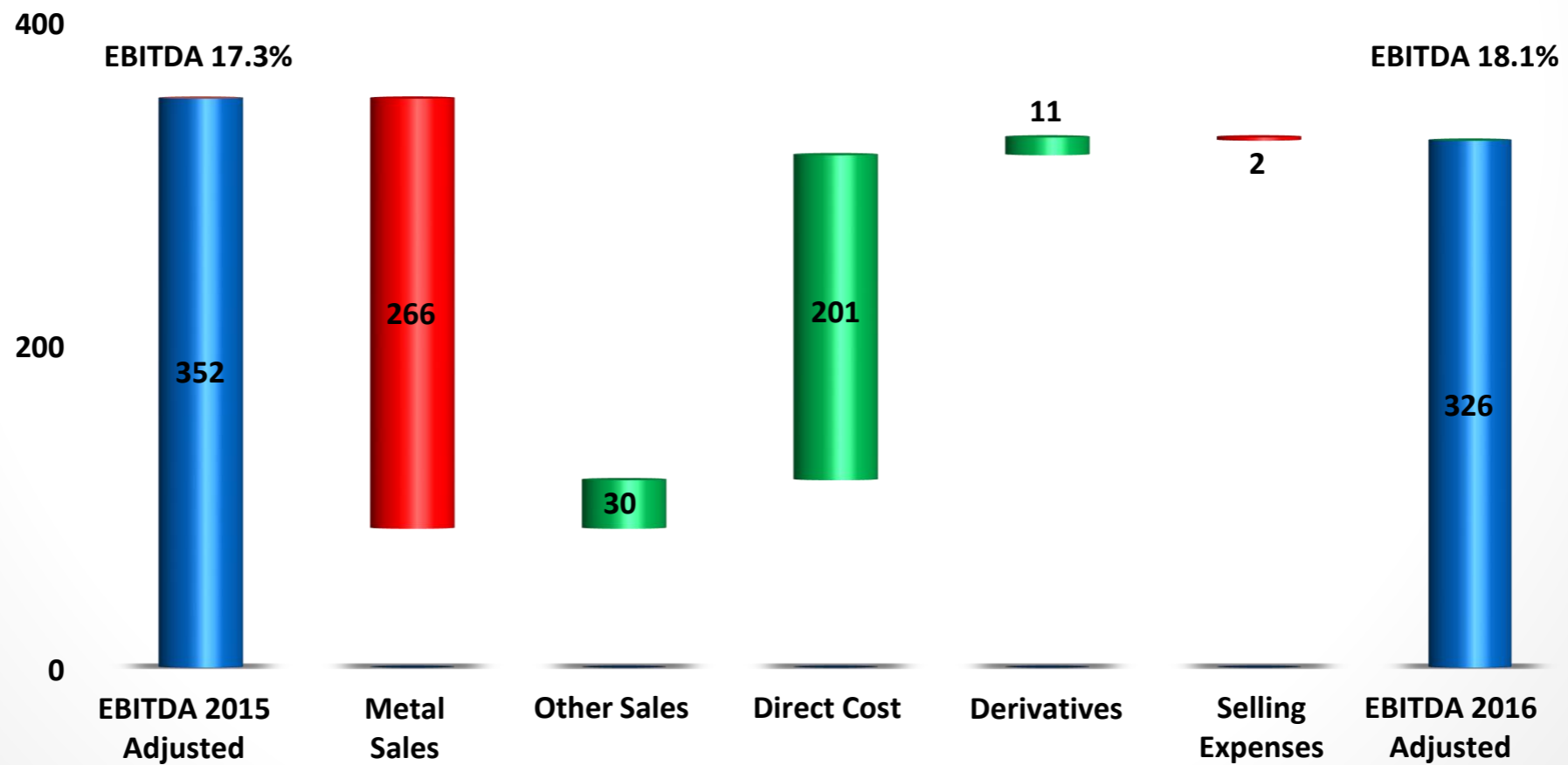


2016 Results

Aluminium Industry: All-in-Prices at Lower Range

Adjusted EBITDA Bridge Gap Analysis - 2016 vs. 2015
Adjusted EBITDA Margin at 18.1%

2016 vs. 2015 - EBITDA Bridge (US\$M)

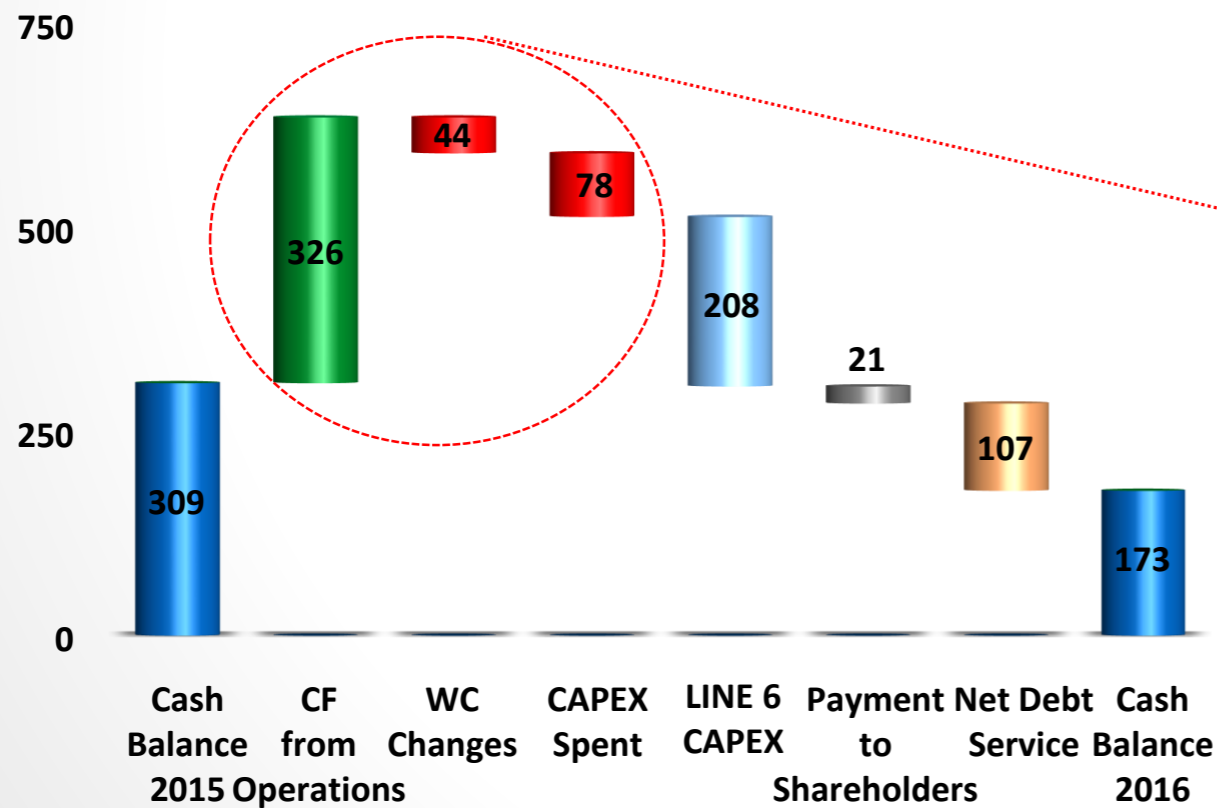


2016 Results

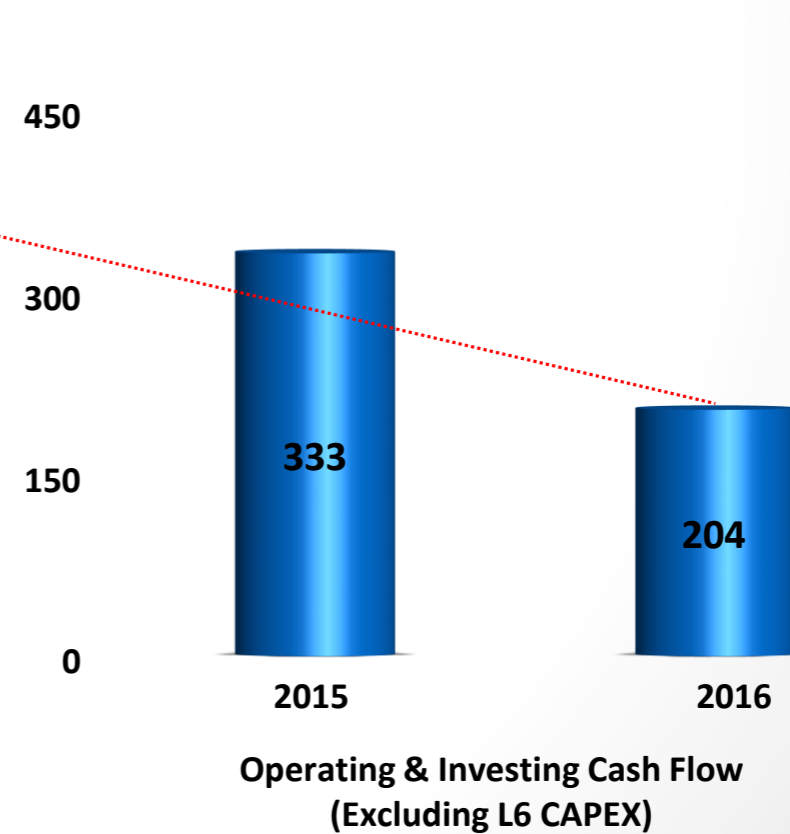
Aluminium Industry: All-in-Prices at Lower Range

Cash Flow Bridge - 2015 to 2016
Maintain Solid Cash Flow Trend

2016 to 2015 Cash Flow Bridge (US\$M)



Free Cash Flow (US\$M)

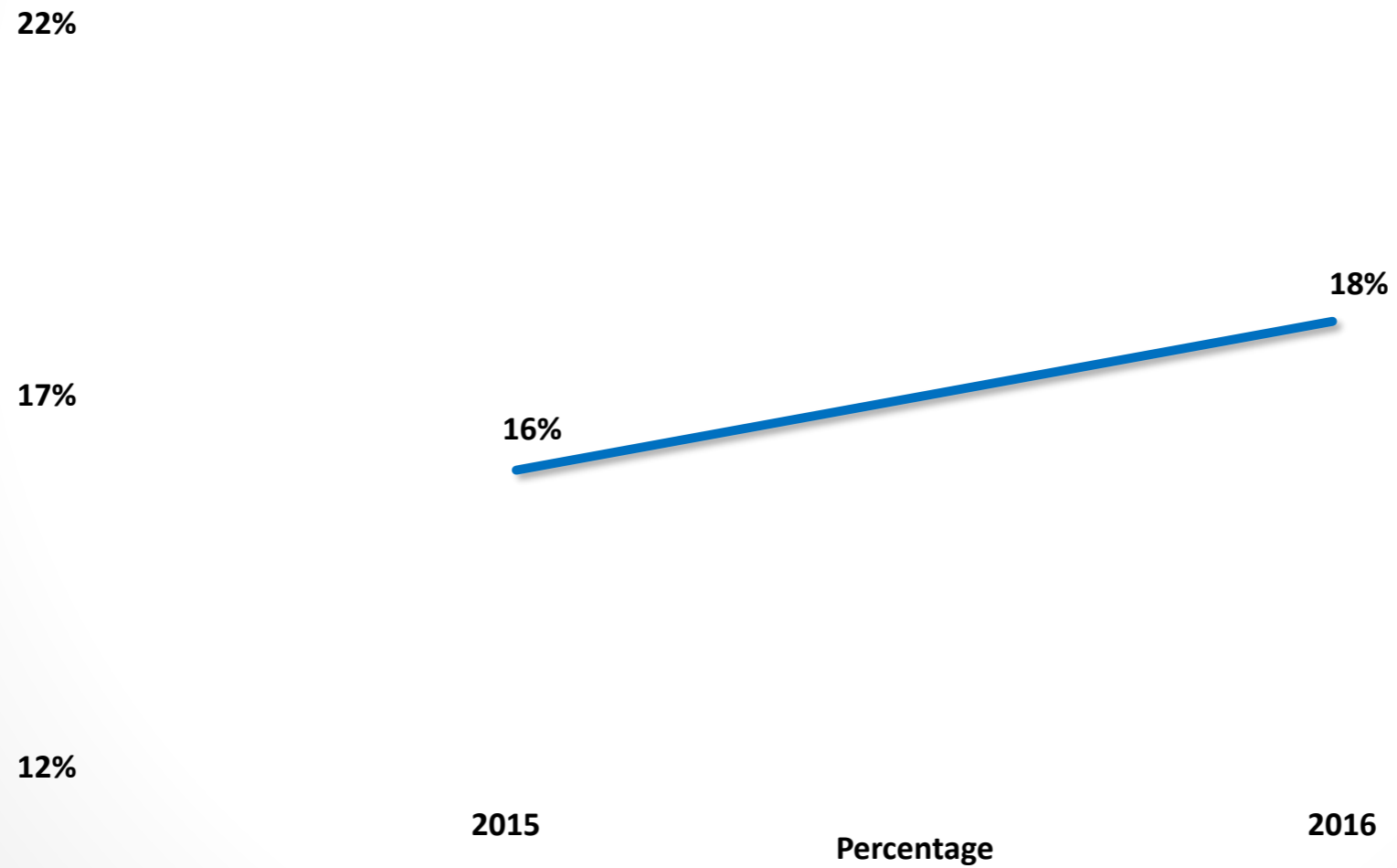


2016 Results

Aluminium Industry: All-in-Prices at Lower Range

Good Working Capital Trend as Percentage of Sales

Working Capital as Percentage of Sales



2016 Results

Aluminium Industry: All-in-Prices at Lower Range

Favourable Management Performance Despite Lower LME Prices

Financial Summary	Q4 2016	Q4 2015	FY 2016	FY 2015
Average Cash LME (US\$/MT)	1,710	1,495	1,604	1,663
Sales (US\$M)	483	469	1,803	2,039
EBITDA (US\$M)	85	9	326	352
EBITDA%	17.6%	2.0%	18.1%	17.3%
EBITDA (Excl. One-Off Costs) (US\$M)	85	56	327	401
EBITDA% (Excl. One-Off Costs)	17.6%	12.0%	18.1%	19.7%
Net Income/ (Loss) (US\$M)	37	-42	129	159



04

INDUSTRY PERSPECTIVES IN 2017



Industry Perspectives in 2017

Global Physical Demand to Remain Healthy

- 🪐 **Key factors to be observed:**
- 🪐 LME volatility will continue on the back of appreciation in US Dollar due to higher interest rates and higher Chinese production
- 🪐 North America demand to grow driven by strong automotive production
- 🪐 MENA output to rise on the back of infrastructure spending
- 🪐 LME price to range between \$1,700/t - \$1,800/t



Industry Perspectives in 2017

Raw Materials Price Trends

- ♁ Alumina expected to be volatile based upon Chinese consumption patterns
- ♁ Green coke prices are expected to rise
- ♁ Liquid Pitch material prices are set to appreciate in Q1 2017 and then remain stable with minor fluctuation for the remainder of the year
- ♁ Aluminium Fluoride (ALF3) prices will remain stable



05

2017 ALBA PRIORITIES





2017 Alba Priorities

Sustainable Improvement & Preparation for Future Growth

- 🪐 Focus on Safety Tomorrowland Initiative
- 🪐 Deliver on Project Titan - Phase II
- 🪐 Leverage Strong Physical Demand Conditions and Sustain and focus on Value-Added Sales
- 🪐 Increase Creep Capacity with Minimal Capital Investment
- 🪐 Line 6 on Schedule
 - Finalize ECA Financing Tranche by Q1 2017



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APPENDIX

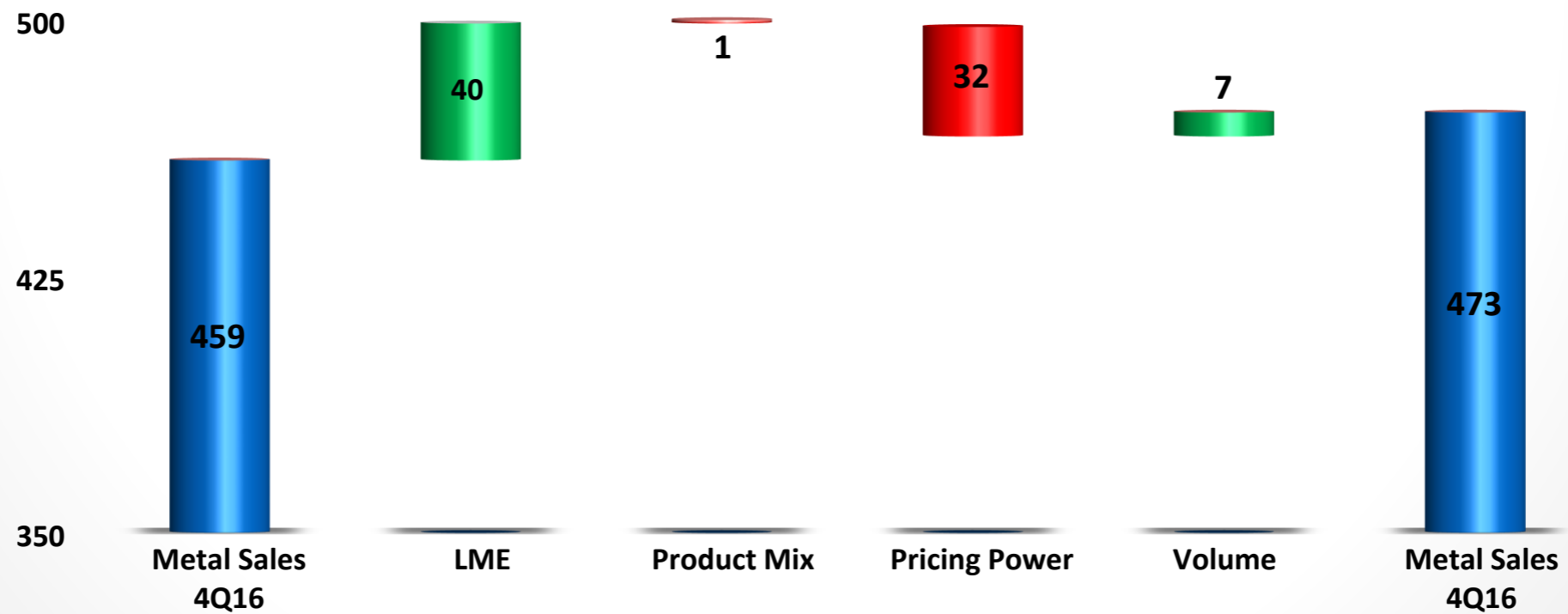


Q4 2016 Results

Aluminium Industry: Rebounding LME prices

Sales Analysis 4Q16 vs. 4Q15
Unfavourable sales revenue due to low LME prices

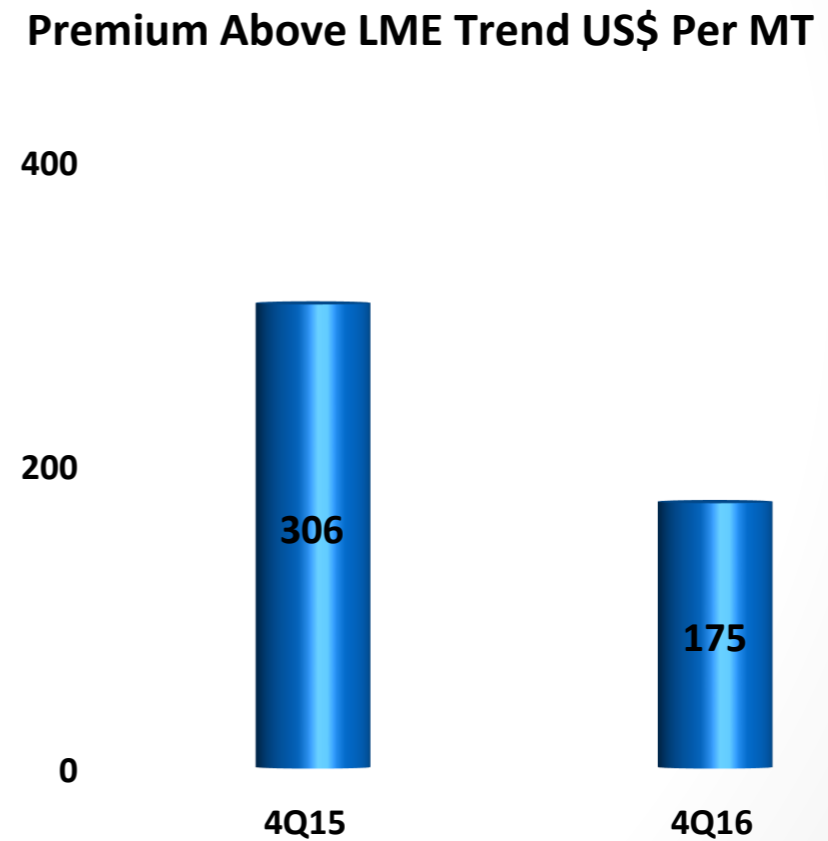
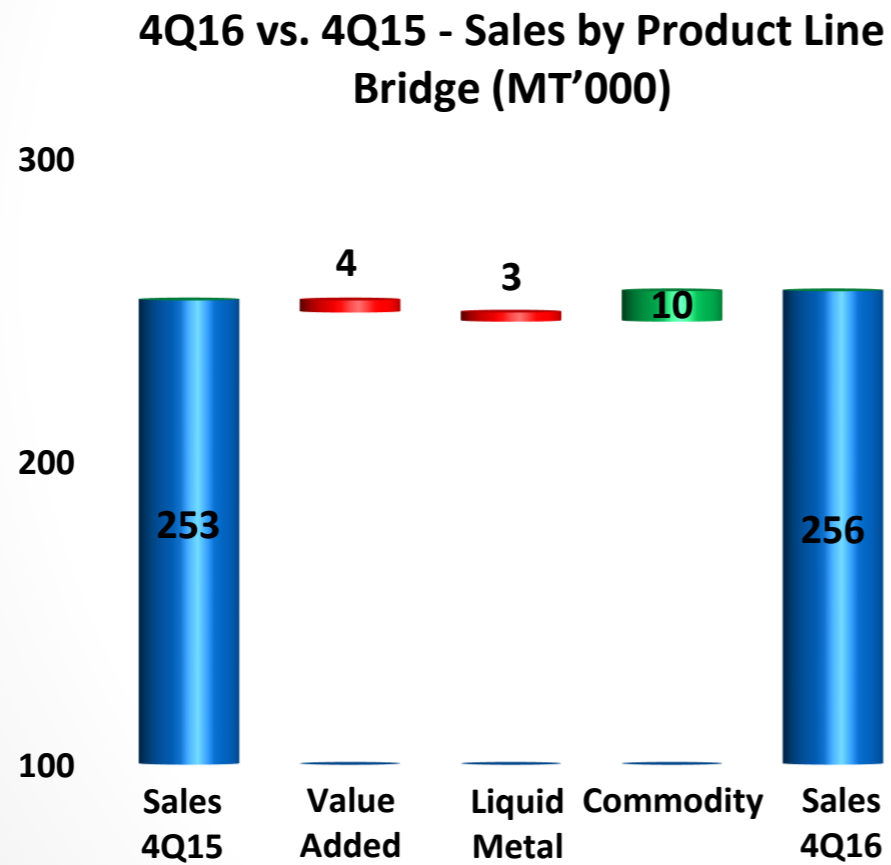
4Q16 vs. 4Q15 - Metal Sales Bridge (US\$M)



Q4 2016 Results

Aluminium Industry: Rebounding LME prices

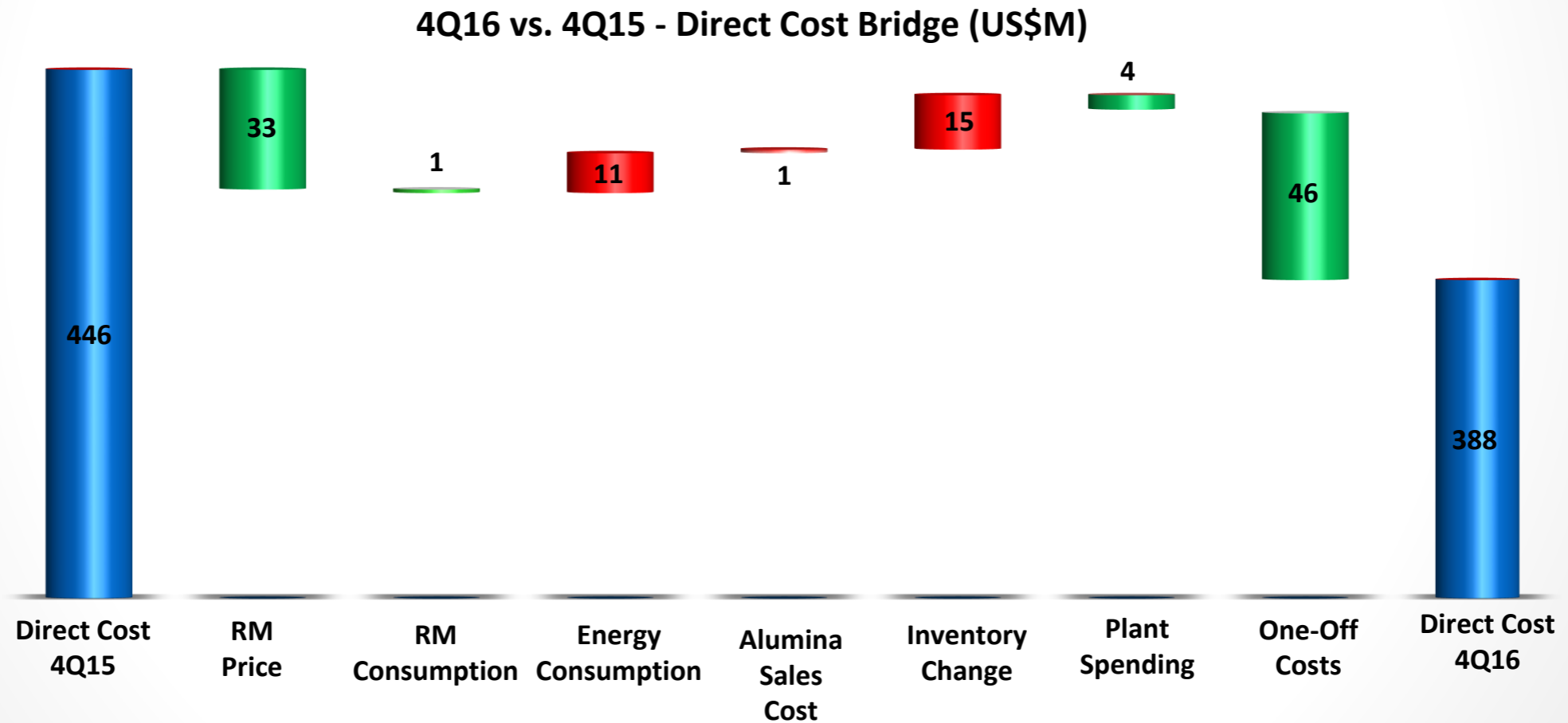
Favourable sales volume



Q4 2016 Results

Aluminium Industry: Rebounding LME prices

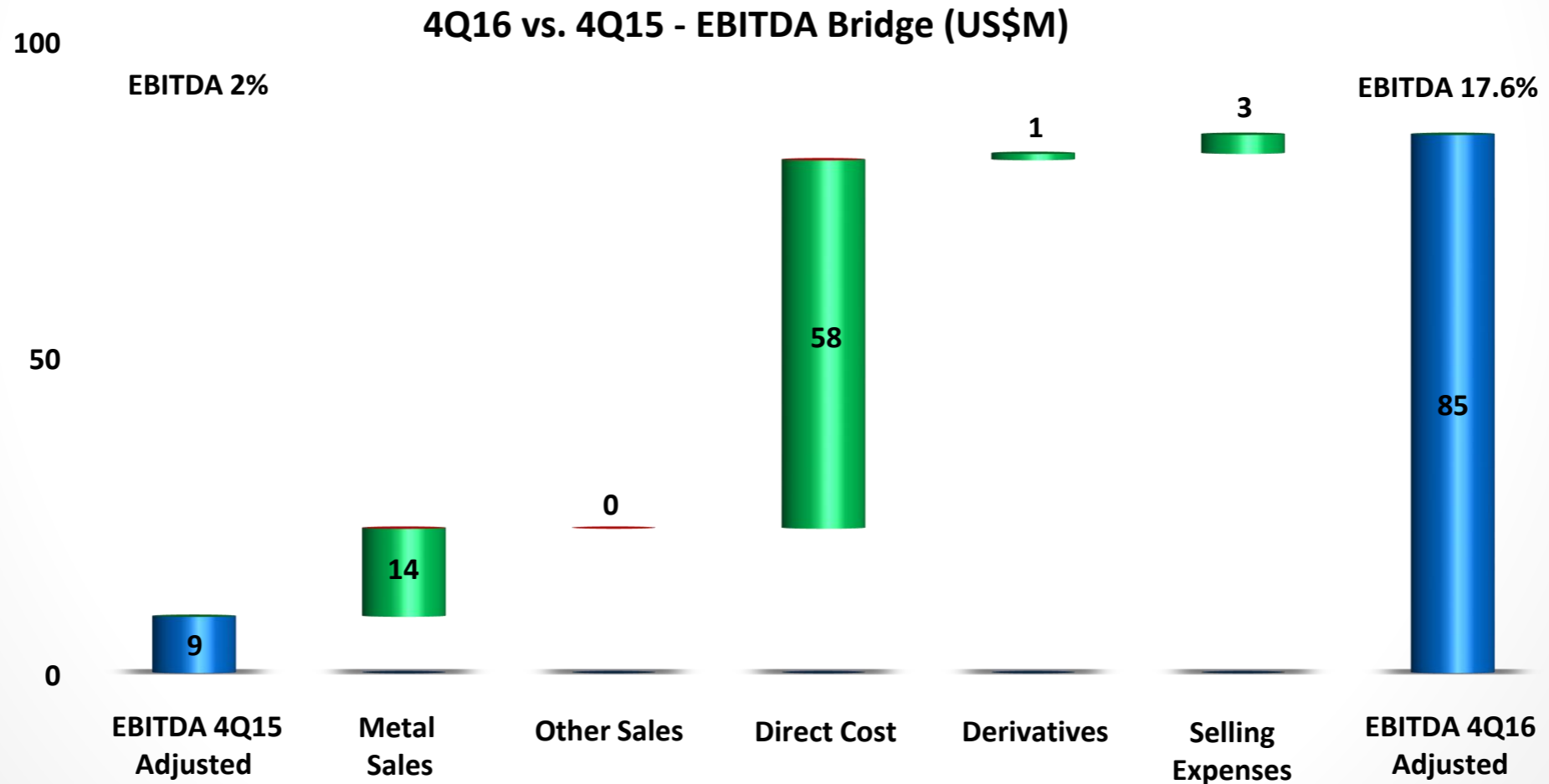
Cost Analysis 4Q16 vs. 4Q15



Q4 2016 Results

Aluminium Industry: Rebounding LME prices

Adjusted EBITDA Bridge
Adjusted EBITDA Margin at 17.6%

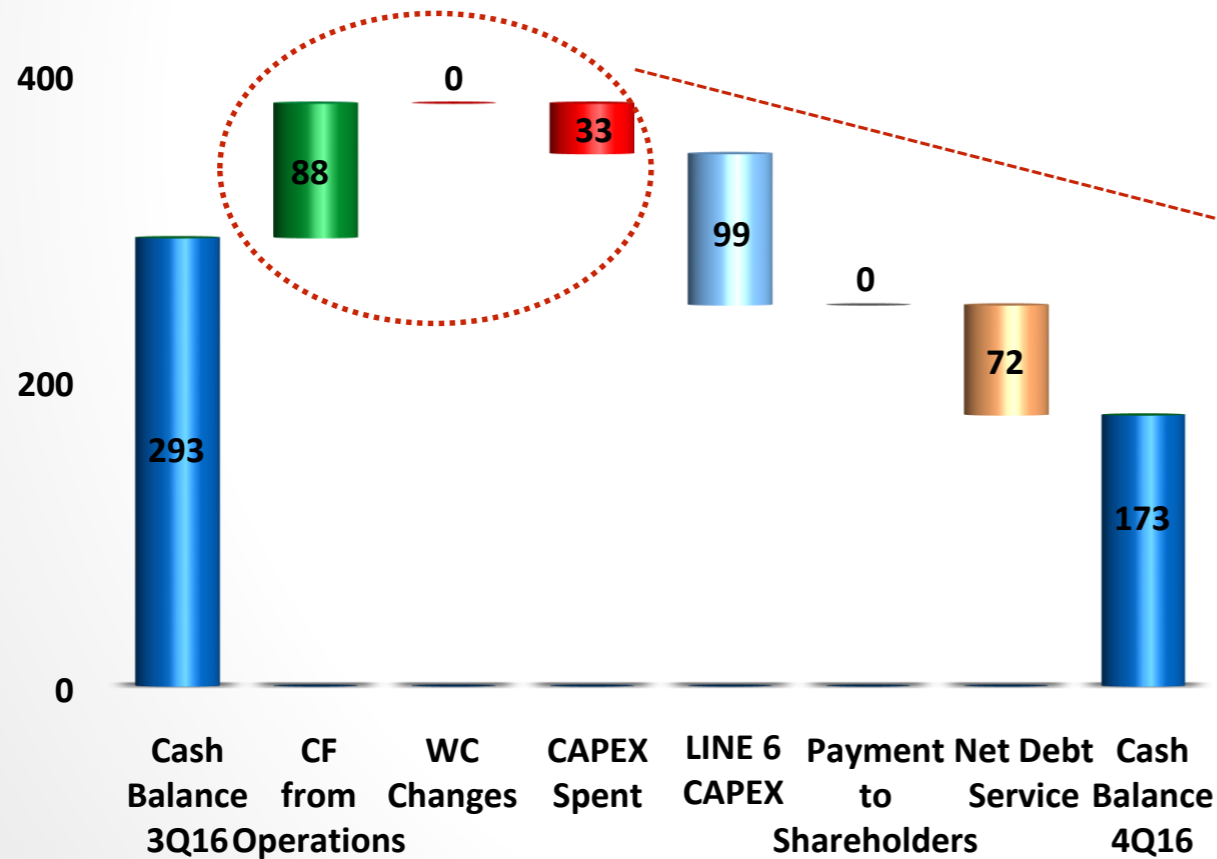


Q4 2016 Results

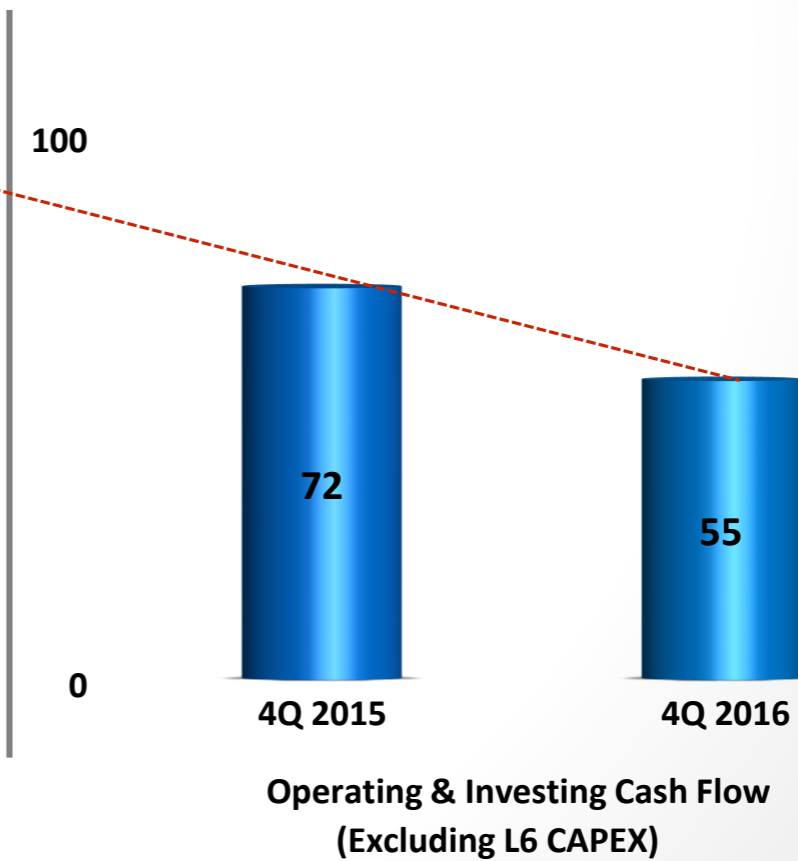
Aluminium Industry: Rebounding LME prices

Cash Flow Bridge – 3Q16 to 4Q16
Maintaining Good Cash Position

3Q16 to 4Q16 Cash Flow Bridge (US\$M)



Free Cash Flow (US\$M)





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