

Aluminium  
for the world

Q1 2014 IR PRESENTATION

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

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# INDUSTRY HIGHLIGHTS

# INDUSTRY HIGHLIGHTS

Q1 2014

## Aluminium Demand Still Healthy (Reference Period: January – March)

- World consumption up by 5.6% YoY
- Asian demand up by 8% YoY driven by China (+10% YoY) thanks to a strong move towards light weight vehicles
- MENA consumption up by 5% YoY on the back of major infrastructure spending in Saudi Arabia
- North America – healthy demand (+2% YoY) with the new investments in extrusion industry and automotive sector
- Europe consumption up by 2% YoY driven by vehicle production as well as an increase in automotive body sheets (as a substitute for steel)

# INDUSTRY HIGHLIGHTS

Q1 2014

## Production Evolution

- World production up by 5.5% YoY and is expected to grow in the short-run with the fast ramp-up of Greenfield smelters in China (Shandong province) and India (Hindalco)
- Western producers continue to operate at a loss on the back of lower LME prices & high energy costs
- China output hit a record level at 6.6 million metric tonnes
- World market over-supplied (+723 Kt with China and -297 Kt without)

# INDUSTRY HIGHLIGHTS

Q1 2014

## LME & Premiums

- LME inventories at 5.2 million metric tonnes
- 1Q14 Cash-average was \$1,708/t with LME ranging between \$1,641 on February 04 and \$1,767 on January 20
- **Physical premiums at elevated levels as physical tightness continues**
  - US Mid West premiums at \$381/t vs. \$256/t in 1Q13
  - DDP Rotterdam at \$273/t vs. \$223/t in 1Q13
  - Major Japanese Ports (MJP) at \$255/t vs. \$243/t in 1Q13



# ALBA HIGHLIGHTS

# Alba Highlights

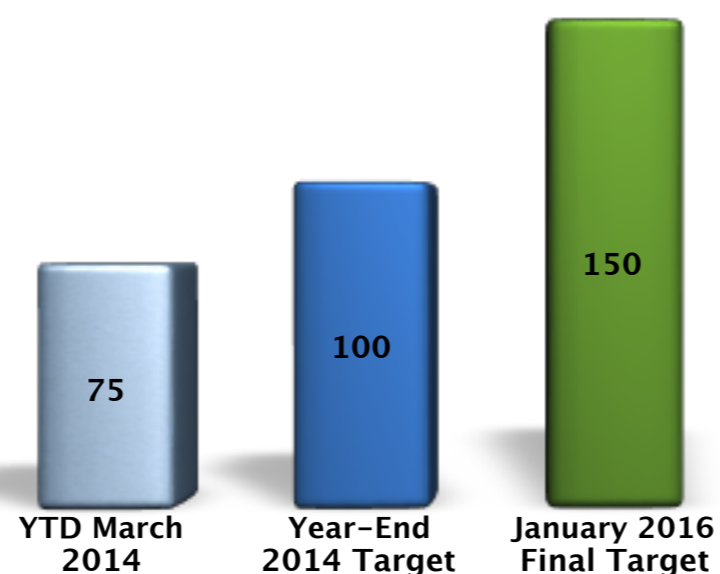
## Q1 2014 – Operational Highlights/Achievements

- Alba was able to increase its sales figures (in metric tonnes) by 3.1% YoY while production figures went up by 2.1% YoY on the back of strong operational performance
- 1Q14 Sales of Value-Added Products represented 66% of total shipments – stable performance vs. 1Q13
- Significant uplift in physical premiums (38% YoY) on the back of sound physical demand

# Alba Highlights

**Project Titan – Improve Cash Cost of \$150/t by January 2016**  
**Q1 2014: Project Titan on Track with Projected Savings of \$75/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

## Q1 2014 – Operational Highlights/Achievements

### Raw Materials

-  2014 supply requirements have been fully secured

### Alba Safety Program

-  2,000,000 hours without Lost Time Injury (LTI) milestone
-  Continuous focus on Zero Accidents Principles plant wide

### Future Growth

-  Bankable Feasibility Study (BFS) for Line 6 expansion project on stream

# Alba Highlights

## Q1 2014 – Financial Key Performance Indicators

- **Adjusted EBITDA driven by lower LME prices**
  - US\$94 million down by 25% YoY
- **Adjusted Net Income driven by lower LME prices**
  - US\$39 million down by 44% YoY
- **Strong Free-Cash Flow thanks to sound working capital management despite low LME prices**
  - US\$80 million up by 13% YoY
- **Dividends**
  - Alba paid US\$82 million in March 2014 as the final dividend for 2013 bringing the total dividend to US\$135 million



# Q1 2014 RESULTS

# Q1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Sales Analysis 1Q14 vs. 1Q13

Lower LME Prices Partially Offset by Higher Premium & Sales Volume

1Q14 vs. 1Q13 - Metal Sales Bridge (US\$M)

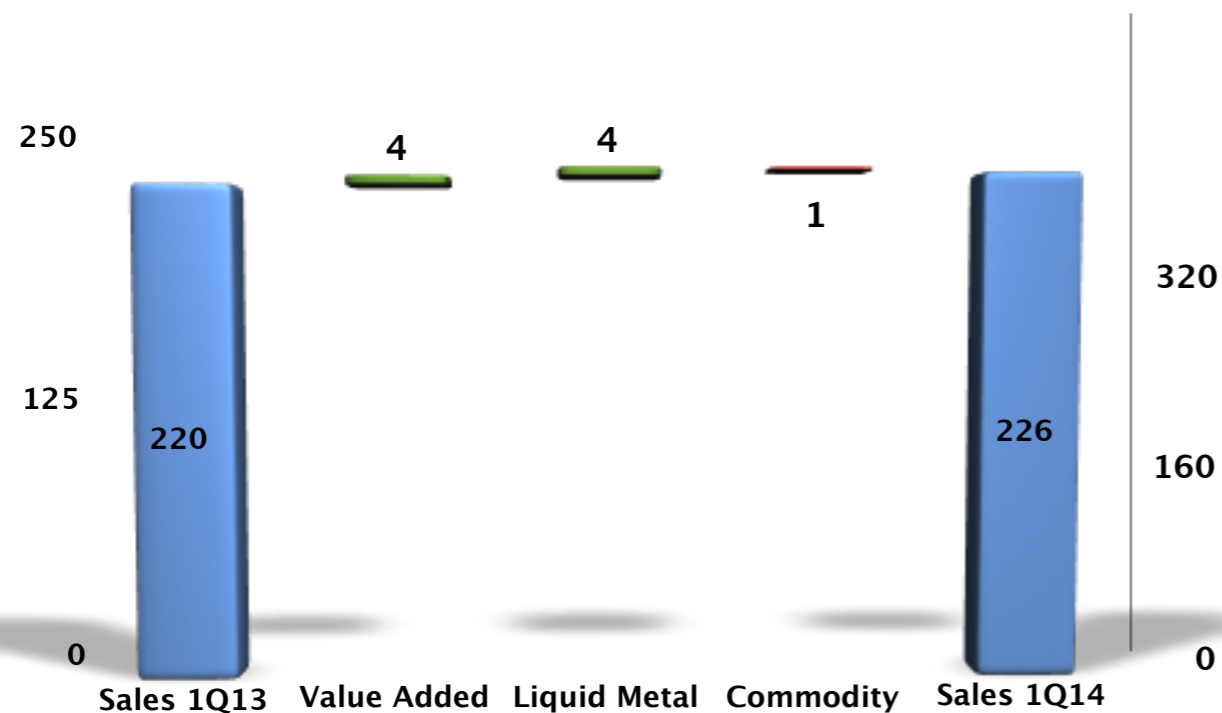


# Q1 2014 Results

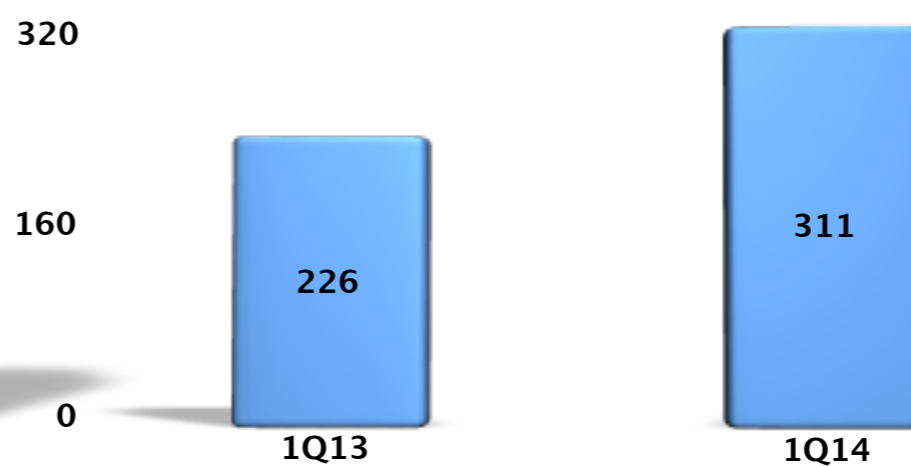
FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

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

1Q14 vs. 1Q13 – Sales by Product line Bridge  
(000's MT)



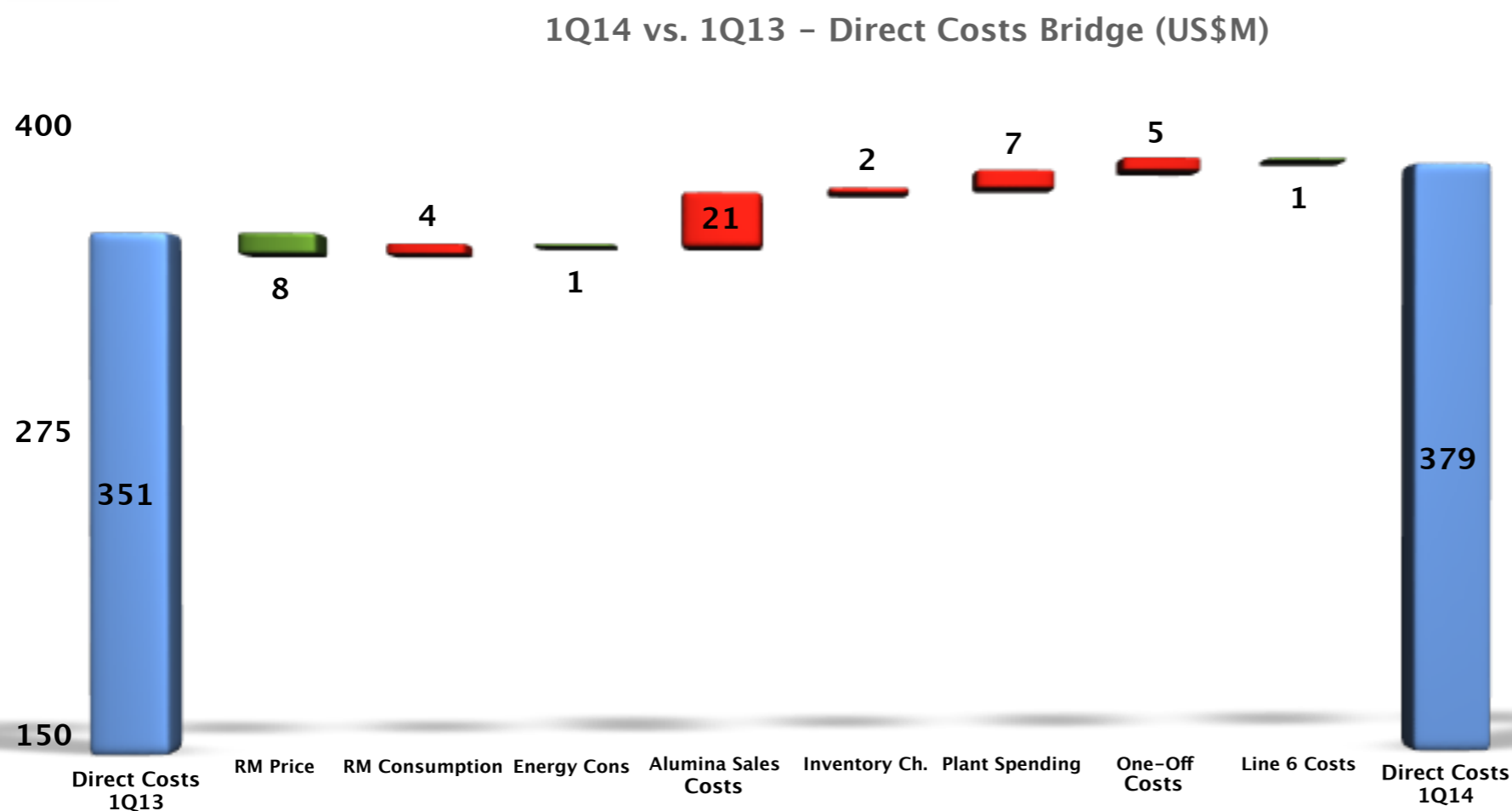
Premium Above LME Trend US\$ Per MT



# Q1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Cost Analysis 1Q14 vs. 1Q13:  
Higher Costs Due to Higher Production & Alumina Sales

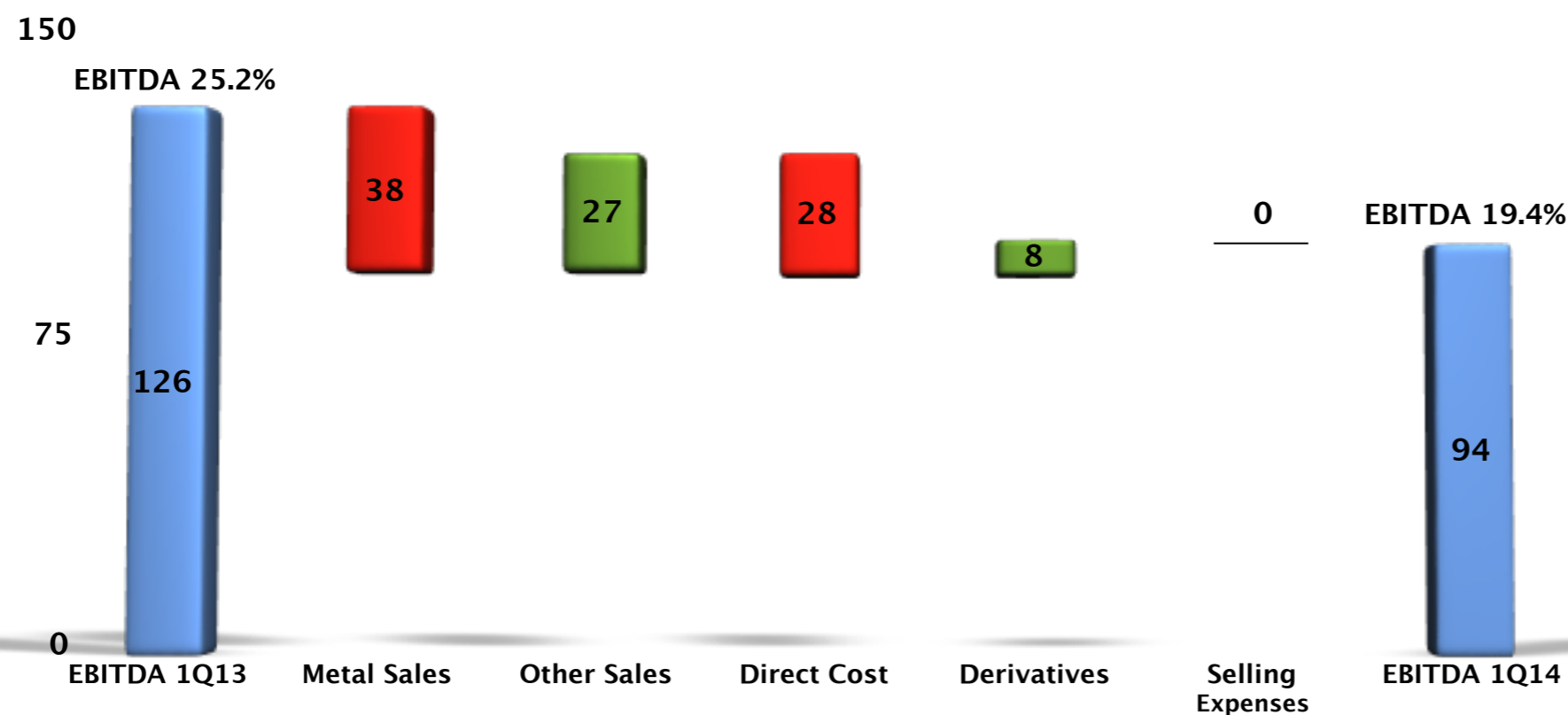


# Q1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Adjusted EBITDA Bridge Gap Analysis 1Q14 vs. 1Q13  
Lower EBITDA Margin due to Lower LME Levels

1Q14 vs. 1Q13 – EBITDA Bridge (US\$M Adjusted)

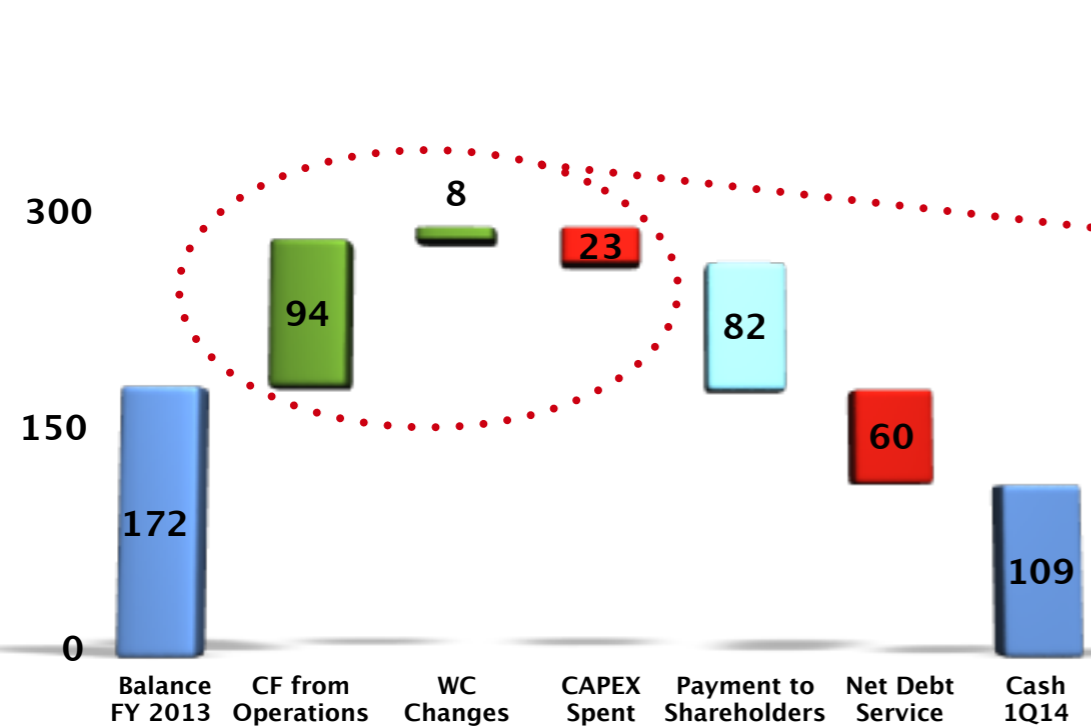


# Q1 2014 Results

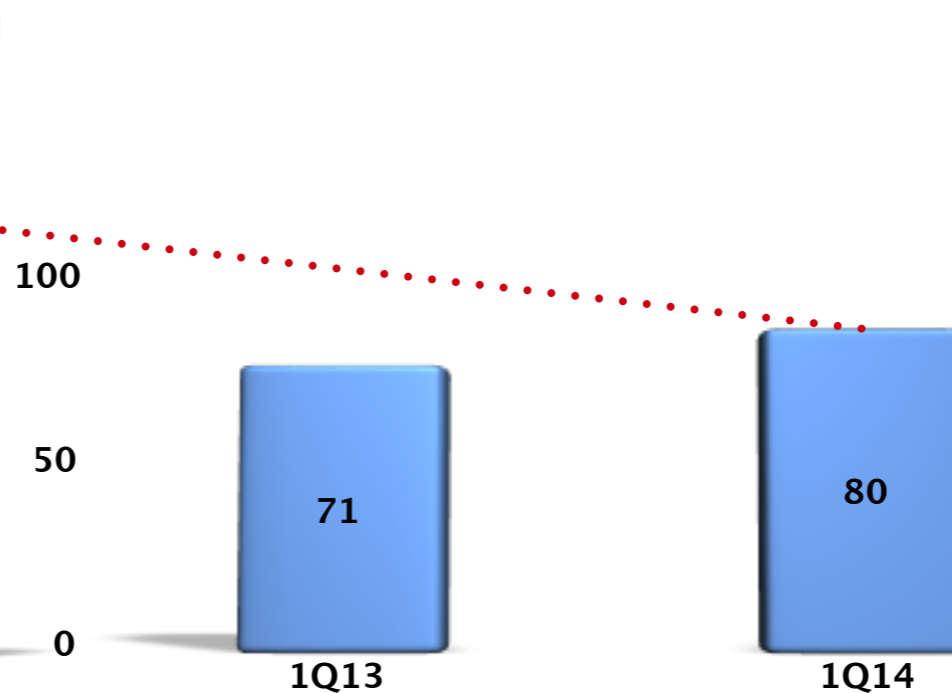
FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Cash Flow Bridge 1Q14 vs. Year-End 2013:  
Healthy Cash Generation Despite Low LME Prices

Q1 2014 Cash Flow Bridge (US\$M)



Free Cash Flow (US\$M)



# Q1 2014 Results

FAVORABLE MANAGEMENT PERFORMANCE DESPITE LOW LME LEVELS

Sound Management Performance Partially Offset by Lower LME Prices

Financial Summary	Q1 2014	Q1 2013
Average Cash LME (US\$/MT)	1,708	2,001
Total Sales (US\$M)	486	498
EBITDA (US\$M)	94	126
EBITDA%	19.4%	25.2%
EBITDA (Excl. One-Off Costs) (US\$M)	95	122
EBITDA% (Excl. One-Off Costs)	19.5%	24.5%
Net Income/ (Loss) (US\$M)	46	108
Gain/ (Loss) Unrealised Derivatives (US\$M)	6	37
Adjusted Net Income/ (Loss) (US\$M)	39	70
Adjusted Net Income%	8.1%	14.1%

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



# INDUSTRY PERSPECTIVES IN 2014

# Industry Perspectives in 2014

Demand to Remain Healthy but with Strong Volatility

## Key factors to be observed:

- Global market expected to move into a deficit (last deficit was in 2006)
- Physical premiums to remain high as physical tightness continues
- MENA to remain bullish as construction and transport are expected to be the main drivers for aluminium consumption
- North America to pick-up considerably driven by the transport sector (automotive body sheets)
- Western Europe to pick-up, led by Germany
- LME price is expected to range between \$1,650/t – \$1,750/t

# Industry Perspectives in 2014

## Raw Materials Price Trends

- Alumina prices expected to slightly soften on the back of lower LME prices
- Green Petroleum Coke prices to remain relatively low with smelters' production curtailments
- Aluminium Fluoride prices (ALF3) to remain stable in 2014
- Liquid Pitch prices expected to remain at the current levels following an initial decline in Q1 2014



# 2014 ALBA PRIORITIES

# 2014 Alba Priorities

## Continuous Improvement & Preparation for Future Growth

- Continued Focus on Safety & Training
- Deliver on Project Titan
- Leverage Physical Premiums
- Future Growth
  - Complete Bankable Feasibility Study (BFS) within the first half of 2014



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