ASX Announcement

19 August 2015

Alumina Limited 2015 Half-Year Result

Attached are the following documents in relation to Alumina Limited's Half-Year Results for the six-months ended 30 June 2015:

- June 2015 Half-Year ASX Report
- AWAC Report

Stephen Foster
Company Secretary

19 August 2015

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ASX HALF-YEAR REPORT

ALUMINA LIMITED

ABN 85 004 820 419

30 June 2015

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 31 December 2014 Annual Report.

Contents **Page**

This half-year report covers the consolidated entity consisting of Alumina Limited and its controlled entities. The financial statements are presented in United States dollars (unless otherwise stated).

Results for Announcement to the Market

		Change	US$ million
Net profit/(loss) from ordinary activities after tax attributable to members of Alumina Limited	Up	357%	122.0
Net profit/(loss) for the year attributable to members of Alumina Limited (Refer Note below)	Up	357%	122.0

Dividends

	Amount per share US cents	Franked amount per share US cents
Final dividend (prior year)	1.6	1.6
Interim dividend	4.5	4.5

The record date to determine entitlements to the dividend is 2 September 2015.

Significant items affecting the net profit/(loss) for the period

The Company's net profit/(loss) was negatively affected by individually significant items. These items are disclosed in the table below to enhance an understanding of the Company's operational performance during the reporting period.

	Half-Year ended 30 June 2015 US$ million	Half-Year ended 30 June 2014 US$ million
Net profit/(loss) for the period, after tax	**122.0**	**(47.4)**
Significant items included in net profit/(loss):		
Legal matters of Associate[1]	–	(2.7)
Point Henry restructuring charges[2]	(0.4)	(78.7)
Suriname restructuring charges and deferred tax assets adjustment[3]	(39.3)	–
Anglesea restructuring charges[4]	(14.7)	–
Other[5]	1.3	7.2
Total Significant items included in net profit/(loss)	(53.1)	(74.2)

1 Alba Civil Settlement and Government Investigations are legal matters that commenced in February 2008 and were concluded in January 2014. The impact of these legal matters was reflected as progress in their resolution was made. Refer to Note 4 for further details.

2 On 18 February 2014 Alcoa of Australia Limited, an AWAC entity, decided to permanently close the Point Henry aluminium smelter which was done in August 2014. Further costs have been recognised in 2015 and will continue to be recognised in future financial years relating to the closure, demolition and remediation activities that are expected to be completed by the end of 2018.

3 On 18 March 2015 Alcoa Inc announced plans for AWAC to curtail 443,000 metric tonnes per year of alumina refining capacity at Suralco in Suriname. Alcoa Inc is currently in discussions with the Suriname government to determine the best long-term solution for Suralco. This significant item includes: $2.0 million of accelerated depreciation, a $3.2 million pension adjustment and a $34.1 million revaluation of certain deferred tax assets.

4 On 12 May 2015 Alcoa of Australia Limited decided to permanently close the Anglesea coal mine and power station which will be completed in August 2015. Further costs will be recognised in future financial years relating to the closure, demolition and remediation activities that are expected to be completed by the end of 2020.

5 Other significant items in 2015 include an adjustment on the sale of Jamalco (1H 2014: gain on the sale of a gold mining interest in Suriname).

This half-yearly report should be read in conjunction with the most recent annual financial report.

Directors' Report

The Directors of Alumina Limited present their report on the consolidated entity consisting of Alumina Limited and the entities it controlled (the Group) at the end of, or during, the half-year ended 30 June 2015.

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DIRECTORS

The following persons were directors of Alumina Limited during the whole of the half-year and up to the date of this report, unless otherwise indicated:

Non-executive
G J Pizzey (Chairman)
E R Stein
C Zeng
W P Day
M P Ferraro

Executive
P C Wasow (Chief Executive Officer)

PRINCIPAL ACTIVITIES

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming the Alcoa World Alumina and Chemical (AWAC) joint venture. AWAC has interests in bauxite mining, alumina refining, and aluminium smelting. There have been no significant changes in the nature of these activities.

REVIEW OF OPERATIONS

The half-year financial results of Alumina Limited include the half-year result of AWAC and associated corporate activities.

The Group's half-year net profit after tax attributable to members of Alumina Limited was US$122.0 million (1H 2014: US$47.4 million loss).

For further information on the operations of the Group during the half-year ended 30 June 2015 and the results of these operations, refer to pages 16-23.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act* is set out on page 4.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, except where otherwise required.

This Report is made in accordance with a resolution of directors.

Peter Wasow
Director

Melbourne
19 August 2015

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Auditor's Independence Declaration

As lead auditor for the review of Alumina Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Alumina Limited and the entities it controlled during the period.

Nadia Carlin

Nadia Carlin
Partner

Melbourne
19 August 2015

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Half-Year ended 30 June 2015 US$ million	Half-Year ended 30 June 2014 US$ million
Revenue from continuing operations	-	-
General and administrative expenses	(5.6)	(6.4)
Change in fair value of derivatives/foreign exchange losses	(0.6)	(0.3)
Finance costs	(3.5)	(6.9)
Share of net profit/(loss) of associates accounted for using the equity method	131.8	(30.7)
Profit/(loss) before income tax	**122.1**	**(44.3)**
Income tax expense from continuing operations	(0.1)	(3.1)
Profit/(loss) for the half-year	**122.0**	**(47.4)**
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Share of reserve movements accounted for using the equity method	(3.7)	4.4
Foreign exchange translation difference	(238.1)	132.8
Items that will not be reclassified to profit or loss		
Re-measurements of retirement benefit obligations accounted for using the equity method	37.5	(6.1)
Other comprehensive (loss)/income for the half-year, net of tax	**(204.3)**	**131.1**
Total comprehensive (loss)/income for the half-year attributable to the owners of Alumina Limited	**(82.3)**	**83.7**

Earnings Per Share (EPS)

	Half-Year ended 30 June 2015 US cents	Half-Year ended 30 June 2014 US cents
Basic EPS	Positive 4.3	Negative 1.7
Diluted EPS	Positive 4.3	Negative 1.7

Consolidated Balance Sheet

	30 June 2015 US$ million	31 December 2014 US$ million
Current Assets		
Cash and cash equivalents	30.0	24.9
Receivables	-	0.2
Other assets	3.3	3.5
Total current assets	**33.3**	**28.6**
Non-current Assets		
Investments in associates	2,370.9	2,514.5
Property, plant and equipment	0.1	0.1
Total non-current assets	**2,371.0**	**2,514.6**
Total assets	**2,404.3**	**2,543.2**
Current Liabilities		
Payables	1.3	1.9
Provisions	0.3	0.2
Current tax liabilities	-	0.8
Other liabilities	0.1	0.2
Total current liabilities	**1.7**	**3.1**
Non-current Liabilities		
Borrowings	95.8	111.5
Derivative financial instruments	9.8	4.1
Provisions	0.5	0.5
Total non-current liabilities	**106.1**	**116.1**
Total liabilities	**107.8**	**119.2**
Net assets	**2,296.5**	**2,424.0**
Equity		
Contributed equity	2,620.0	2,620.0
Treasury shares	(1.9)	(1.2)
Reserves	(1,094.4)	(853.0)
Retained earnings	772.8	658.2
Total equity	**2,296.5**	**2,424.0**

Consolidated Statement of Changes in Equity

	Contributed Equity[1] US$ million	Reserves US$ million	Retained Profits US$ million	Total US$ million
Balance as at 1 January 2014	**2,618.7**	**(628.4)**	**803.1**	**2,793.4**
Loss for the half-year	-	-	(47.4)	(47.4)
Other comprehensive income/(loss) for the half-year	-	137.2	(6.1)	131.1
Transactions with owners in their capacity as owners:				
Movement in share based payments reserve	-	0.4	-	0.4
Balance at 30 June 2014	**2,618.7**	**(490.8)**	**749.6**	**2,877.5**
Balance as at 1 January 2015	**2,618.8**	**(853.0)**	**658.2**	**2,424.0**
Profit for the half-year	-	-	122.0	122.0
Other comprehensive (loss)/income for the half-year	-	(241.8)	37.5	(204.3)
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(44.9)	(44.9)
Movement in treasury shares	(0.7)	-	-	(0.7)
Movement in share based payments reserve	-	0.4	-	0.4
Balance at 30 June 2015	**2,618.1**	**(1,094.4)**	**772.8**	**2,296.5**

[1] Treasury shares have been deducted from contributed equity.

Consolidated Statement of Cash Flows

	Half-Year ended 30 June 2015 US$ million	Half-Year ended 30 June 2014 US$ million
Cash Flows Related to Operating Activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(6.0)	(8.4)
GST refund received	0.3	0.3
Dividends received from associates	26.8	-
Distributions received from associates	0.8	2.6
Finance costs paid	(4.9)	(5.7)
Interest paid under cross currency interest rate swap	(1.7)	(0.9)
Interest received under cross currency interest rate swap	2.7	-
Tax paid	(0.9)	(0.4)
Other	(0.1)	(0.2)
Net cash inflow/(outflow) from operating activities	**17.0**	**(12.7)**
Cash Flows Related to Investing Activities		
Payments to investments in associates	-	(32.0)
Proceeds from return of invested capital	43.4	51.6
Net cash inflow from investing activities	**43.4**	**19.6**
Cash Flows Related to Financing Activities		
Proceeds from borrowings	40.0	30.0
Repayment of borrowings	(50.0)	(55.4)
Dividends paid	(44.9)	-
Net cash outflow from financing activities	**(54.9)**	**(25.4)**
Net increase/(decrease) in cash and cash equivalents	**5.5**	**(18.5)**
Cash and cash equivalents at the beginning of the reporting period	24.9	24.0
Effects of exchange rate changes on cash and cash equivalents	(0.4)	(0.5)
Cash and cash equivalents at the end of the reporting period	**30.0**	**5.0**

1. Basis of Preparation

This consolidated interim financial report for the half-year ended 30 June 2015 has been prepared in accordance with the Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Alumina Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Reconciliation of Cash

	30 June 2015 US$ million	31 Dec 2014 US$ million
Reconciliation of cash at the end of the reporting period (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	19.0	2.4
Money market deposits (with maturity on investment three months or less)	11.0	22.5
Total cash and cash equivalents at the end of the reporting period	**30.0**	**24.9**

3. Consolidated Retained Profits

	Half-Year ended 30 June 2015 US$ million	Half-Year ended 30 June 2014 US$ million
Retained profits at the beginning of the reporting period	**658.2**	**803.1**
Net profit/(loss) attributable to members of Alumina Limited	122.0	(47.4)
Dividends paid	(44.9)	-
Re-measurements of retirement benefit obligations accounted for using the equity method	37.5	(6.1)
Retained profits at the end of the reporting period	**772.8**	**749.6**

4. Income Tax

The Department of Justice and Securities & Exchange Commission settlements in relation to the Alba legal matter were reached in January 2014. To reflect the provisions of the allocation agreement with Alcoa Inc, Alumina Limited recognised $137.1 million (representing the additional 25% of the total Alba settlement payments and costs that were allocated to Alcoa Inc) as other assets as at 31 December 2013 and with the corresponding credit recognised in the Statement of Profit or Loss for the year ending 31 December 2013 as other income.

Based on independent expert advice, Alumina Limited also recognised a net deferred tax liability of $2.7 million and the corresponding income tax expense in relation to the other income amount, as it was the best estimate of the likely tax consequences at the time.

Subsequently these estimates were revised and Alumina Limited recognised a net current tax liability of $0.8 million as at 31 December 2014 and the corresponding tax expense in relation to the above matter. The tax liability was paid in January 2015.

During the half-year ended 30 June 2015 Alumina Limited paid $120,000 in relation to the expected tax liability from the results of the operations of its fully owned subsidiaries Alumina Holdings (USA) Inc and Alumina (USA) Inc.

5. Movement in Treasury Shares

	Half-Year ended 30 June 2015 Shares	Half-Year ended 30 June 2014 Shares	Half-Year ended 30 June 2015 US$	Half-Year ended 30 June 2014 US$
Balance brought forward	**423,695**	**499,314**	**1,035,174**	**1,265,711**
Acquisition of shares by Alumina Employee Share Plan Pty Ltd	600,000	-	827,340	-
Total treasury shares	**1,023,695**	**499,314**	**1,862,514**	**1,265,711**

There were no issues of ordinary shares during the half-years ended 30 June 2015 and 30 June 2014.

6. Earnings Per Share (EPS)

	Half-Year ended 30 June 2015	Half-Year ended 30 June 2014
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculation of basic and diluted EPS (US$ million)	122.0	(47.4)
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,805,427,334	2,805,726,301
Basic EPS (US cents)	Positive 4.3	Negative 1.7
Diluted EPS (US cents)	Positive 4.3	Negative 1.7

7. Net Tangible Asset Backing Per Security
(Previous corresponding period half-year ended 30 June 2014)

	30 June 2015	30 June 2014
Net assets (US$ million)	2,296.5	2,877.5
Less equity accounted intangible assets:		
Goodwill (US$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US$ million)	74.5	75.9
Net tangible assets (US$ million)	2,046.2	2,625.8
Number of issued ordinary shares (including treasury shares)	2,806,225,615	2,806,225,615
Net tangible asset backing per ordinary security (US$)	**0.73**	**0.94**

8. Dividends

Since the half-year end the Directors have determined that a fully franked dividend of US 4.5 cents per share will be payable on 28 September 2015, amounting to US $126.3 million. This amount has not been recognised as a liability at the half-year end. Record date to determine entitlement to the dividend is 2 September 2015.

In April 2015 the directors approved the recommencement of the Company's Dividend Reinvestment Plan. The Dividend Reinvestment Plan will therefore apply to the 2015 interim dividend. DRP shares will be issued to shareholders at a 1.5% discount. The last date for the receipt of an election notice for participation in the dividend reinvestment plan is 3 September 2015.

The franking account balance, which is maintained in Australian dollars, was A$396.5 million as at 30 June 2015 (A$409.1 million as at 31 December 2014).

9. Material Interests in Entities which are Not Controlled Entities

Alumina Limited has an interest in the following entities forming AWAC:

	Ownership Interest Held (%)	
	30 June 2015	30 June 2014
Alcoa of Australia Limited	40	40
Alcoa World Alumina LLC	40	40
Alumina Espanola S.A.	40	40
Alcoa World Alumina Brasil Ltda.	40	40
AWA Saudi Ltda	40	40
Enterprise Partnership	40	40

10. Details of Entities Over Which Control Has Been Lost or Gained

There was no loss or gain of control for the half-years ended 30 June 2015 and 30 June 2014.

11. AWAC Contribution to Net Profit/(Loss) of Alumina Limited and Controlled Entities

	Half-Year ended 30 June 2015 US$ million	Half-Year ended 30 June 2014 US$ million
Revenues	2,880.7	2,798.9
Profit/(loss) from continuing operations	331.4	(74.9)
Profit/(loss) for the year[1]	**331.4**	**(74.9)**
Other comprehensive (loss)/income for the year	(510.5)	327.7
Total comprehensive (loss)/income for the year	**(179.1)**	**252.8**
Group Share of profit/(loss) for the year as a percentage	40%	40%
Group Share of profit/(loss) for the year in dollars	132.5	(30.0)
Mineral rights and bauxite amortisation	(1.1)	(1.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.4	0.4
Share of profit/(loss) from associate accounted for using equity method	**131.8**	**(30.7)**
Dividends and distributions received from AWAC	**27.6**	**2.6**

[1] The profit/(loss) for the six month periods ended 30 June 2015 and 30 June 2014 include significant items that have affected AWAC's net profit/(loss) after tax. For further details refer to the reconciliation on page 23.

12. AWAC Legal Matters

Lockheed Martin Corporation ("Lockheed") filed a complaint (the "Lockheed Action") against Virgin Islands Aluminium Company ("Vialco") and its parent Glencore Xstrata Plc ("Glencore") in the United States District Court, Southern District of New York following Lockheed's settlement of environmental lawsuits previously brought by the Government of the US Virgin Islands against Lockheed and Vialco in connection with the past ownership and operation of the alumina refinery.

Glencore has demanded that St Croix Alumina LLC ("SCA") and Alcoa World Alumina LLC ("AWA"), AWAC entities, indemnify Glencore from any losses incurred as a result of the Lockheed Action under the 19 July 1995 Acquisition Agreement (the "1995 Agreement") between Vialco and AWA pursuant to which SCA purchased the refinery from Vialco. AWA has denied that it owes Glencore any such obligation of indemnity and has filed a declaratory judgement action in Delaware seeking clarification of its rights and obligations under the 1995 Agreement.

Alumina Limited is unable to reasonably predict an outcome or to estimate a range of a reasonably possible loss in relation to these legal proceedings.

13. AWAC Commitments

On 8 April 2015, Alcoa of Australia Limited, an AWAC entity, secured a 12-year gas supply agreement for the initial supply of 120 terajoules per day of natural gas to power its alumina refineries in Western Australia beginning in July 2020. This agreement was conditional on the completion of a third-party acquisition of the related energy assets from the then current owner, which occurred in the second quarter of 2015. The terms of the gas supply agreement require a prepayment of $500 million to be made in two instalments. The first instalment of $300 million was paid at the time of the completion of the third-party acquisition in June 2015. The second instalment of $200 million is due in January 2016.

14. Borrowings

	Half-Year ended 30 June 2015 US$ million	Year ended 31 Dec 2014 US$ million
Bank loans[(a)]	-	10.0
Fixed rate note[(b)]	95.8	101.5
Total borrowings	**95.8**	**111.5**

(a) Bank Loans

In December 2013, Alumina Limited established a US$300 million syndicated bank facility with equal tranches having terms of two and four years and cancelled several bilateral and syndicated bank facilities which were surplus to requirements. The new syndicated facility was fully committed as at 31 December 2013 and became available to draw funds on 24 January 2014 following satisfaction of all conditions precedent. In June 2015 the original two year tranche was repriced and extended until July 2020. The original four year tranche was also repriced at that time. As at 30 June 2015 there were no funds drawn against either tranche so the undrawn available facility amount as at 30 June 2015 was $300 million.

(b) Fixed rate note

On 12 November 2014, Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. The note matures on 19 November 2019. The fixed rate note has been converted to US dollar equivalents at half-year end exchange rates.

15. Segment Information

Alumina Limited's primary assets are its 40 per cent interest in the series of operating entities forming AWAC. Alumina Limited has one reportable segment, namely the investment in the alumina/aluminium business through its equity interest in AWAC.

16. Events Occurring After the Balance Sheet Date

There have been no significant events occurring since 30 June 2015.

Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that Alumina Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Wasow

Director

Melbourne

19 August 2015

Independent auditor's review report to the members of Alumina Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alumina Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the Directors' declaration for the Alumina Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alumina Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alumina Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
19 August 2015

Alumina Limited Highlights

Significant increase in profit

- Profit increased by $169.4 million.
- Excluding significant items, profit increased by $148.3 million.

Balance sheet continues to strengthen

- Maturity profile of borrowings extended with improved pricing.
- Balance sheet gearing reduced to 2.8%.

Increase in free cash flow

- Receipts from AWAC increased by $16.8 million.
- Contributions to AWAC decreased by $32.0 million.

Interim dividend declared and final dividend paid

- The directors declared a fully franked interim dividend of US 4.5 cents per share, payable on 28 September 2015 to shareholders on the register as at 5pm on 2 September 2015.
- In April 2015 the directors approved the recommencement of the Company's Dividend Reinvestment Plan (DRP). The DRP will therefore apply to the 2015 interim dividend. DRP shares will be issued to shareholders at a 1.5% discount.
- The fully franked final dividend for 2014 of 1.6 cents per share was paid on 25 March 2015.

AWAC Highlights (US GAAP)

Increase in EBITDA

- EBITDA increased by $611.0 million.
- Excluding significant items, EBITDA increased by $455.3 million.
- Alumina EBITDA margin increased by $60 per tonne.
- Cash cost of alumina production decreased by $30 per tonne.
- Average realised price of alumina increased by $21 per tonne.
- Proportion of third party smelter grade alumina shipments that were priced on spot or alumina indexed basis increased to 71%.

Increase in cash from operations

- Cash from operations increased by $239.1 million.
- Cash from operations includes the $300 million prepayment for natural gas supply from 2020.

Alumina Limited Key Financials

	1H 15	1H 14
Net profit/(loss) after tax US$m	122.0	(47.4)
Total significant items after tax US$m[1]	(53.1)	(74.2)
Net profit after tax excluding significant items US$m	175.1	26.8
Cash received from AWAC US$m	71.0	54.2
Contributions paid to AWAC US$m[2]	-	(32.0)
EPS (US cps)	4.3	(1.7)
Dividend declared (US cps)	4.5	Nil

	30 June 2015	31 Dec 2014
Net Debt US$m	65.8	86.6
Gearing[3]	2.8%	3.4%

[1] For further details refer to the reconciliation on page 23.

[2] Includes Ma'aden entry fee reimbursement to Alcoa Inc of $5.4 million.

[3] Calculated as (debt - cash) / (debt + equity).

AWAC Key Financials

	1H 15	1H 14
EBITDA US$m[1]	730.2	119.2
Total significant items before tax US$m[1]	(70.7)	(226.4)
EBITDA excluding significant items US$m[1]	800.9	345.6
Alumina EBITDA margin US$/t[2]	104	44
Alumina cash cost of production US$/t	223	253
Alumina average realised price US$/t	321	300
Alumina shipments priced on spot or index basis (%)	71	63
Cash from operations US$m	320.6	81.5

[1] For further details refer to the reconciliation on page 23.

[2] The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

AWAC Business Review (US GAAP)

Mining

In January 2015, Alcoa Inc restructured its businesses which included the creation of mining as a separate unit, although it still falls under the alumina reporting segment. This new business unit is predominantly represented by the AWAC mining operations and interests.

AWAC owns, or partly owns bauxite mines operating in five countries that meet the production needs of the AWAC refineries.

AWAC's own mines produced 20.8 million bone dry tonnes (BDT) of bauxite, an increase of 0.3 million tonnes mostly related to the positive production creep at Juruti (Brazil).

During the first-half 2015, AWAC consumed 18.5 million BDT of bauxite from its own sources and 3.7 million BDT from entities in which equity interests are held (1H 2014: 18.2 BDT and 4.0 BDT respectively).

AWAC also sold 0.9 million BDT of bauxite from its own mines and mines in which it has equity interests to third parties (1H 2014: 0.6 million BDT). AWAC is also undertaking a review as to the feasibility of shipping Western Australian bauxite to third parties, and has sent six bauxite samples to potential customers for testing during 1H 2015.

Average mine costs per tonne were lower than 2014 levels, primarily due to the strengthening of the US dollar against the Australia dollar and the Brazilian Real.

Refining

Production of alumina was 7.6 million tonnes in 1H 2015, compared to 7.9 million tonnes in 1H 2014. Production was lower due to the sale of the Jamalco refinery in 2H 2014 and the curtailment of production at the Suralco refinery in the latter part of 1H 2015, which was partly offset by higher production at the Point Comfort, San Ciprian and Sao Luis refineries. Production at the Western Australian refineries was almost unchanged at 4.6 million tonnes.

Alumina shipments were comparable to 1H 2014 at 7.8 million tonnes, despite the sale of the Jamalco refinery during 2014.

Approximately 71% of third party smelter grade alumina shipments were priced on spot or alumina indexed basis for 1H 2015 compared to 63% for 1H 2014. For 2015, shipments on a spot or alumina indexed basis are expected to be 75% of the total.

Revenue per tonne from smelter grade alumina sales priced by reference to indices and spot continued to be higher than the legacy LME-linked contracts.

The average three-month LME aluminium price, determined on a two-month lag basis, increased by 4.8% in 1H 2015 compared to 1H 2014, and the average alumina price index FOB Australia (one month lag) increased by 5.8%.

The net result was that 1H 2015 average realised alumina prices increased by 7.0% to $321 per tonne compared to $300 per tonne in 1H 2014.

AWAC's average 1H 2015 cash cost per tonne of alumina produced (which includes the mining business unit at cost) decreased by 11.9% to $223 per tonne compared to $253 per tonne in 1H 2014. Approximately two dollars per tonne of the decrease is as a result of the sale of the higher cost Jamalco mine and refinery. The balance of the decrease was predominantly due to the stronger US dollar and lower energy costs driven by lower energy prices which were offset by the loss of the Australian carbon tax credits in 2014, improved productivity and the conversion of the San Ciprian refinery to natural gas from fuel oil. Improvements in energy were partly offset by increased usage, which was mostly due to the process of the San Ciprian energy conversion.

There were also cost benefits from productivity initiatives in raw materials, maintenance and transport that more than offset their higher prices and usage. Lower caustic prices more than offset increased usage in the Atlantic refineries due to bauxite quality.

The EBITDA margin (which includes the mining business unit at cost) was $104 per tonne of alumina produced in 1H 2015, an increase of $60 per tonne compared to 1H 2014. Increased margins were a result of the lower production costs and the higher average realised alumina price.

AWAC Production and Shipments

	1H 15	1H 14
Bauxite third party shipments	901kt	582kt
Bauxite production	20.8mt	20.5mt
Alumina shipments	7.8mt	7.8mt
Alumina production	7.6mt	7.9mt
Aluminium shipments	81kt	174kt
Aluminium production	81kt	175kt

AWAC Profit and Loss (US GAAP)

	1H 15 US$m	1H 14 US$m
Sales revenue	1,977.3	1,795.4
Related party revenue	903.4	1,003.5
Total Revenue	**2,880.7**	**2,798.9**
COGS and operating expenses	(2,047.0)	(2,396.5)
Selling, Admin, R&D	(42.9)	(54.7)
Net interest	(0.6)	(2.9)
Depreciation and Amortisation	(160.5)	(211.1)
Restructuring & Other	(60.6)	(228.5)
Total Expenses	**(2,311.6)**	**(2,893.7)**
Profit/(loss) before tax	**569.1**	**(94.8)**
Income tax (charge)/credit[1]	(240.7)	36.1
Net profit/(loss) after tax[2]	**328.4**	**(58.7)**

[1] Includes $85 million deferred tax asset adjustment in 1H 2015 in relation to the Suralco refinery curtailment.

[2] The profit/(loss) for the six month periods ended 30 June 2015 and 30 June 2014 include significant items that have affected AWAC's net profit/(loss) after tax. For further details refer to the reconciliation on page 23.

Smelting

Production of approximately 81,000 tonnes was lower than 1H 2014 due to the closure of the Point Henry smelter on 1 August 2014. The Portland smelter is the remaining smelting operation in the AWAC portfolio.

Portland contributed $31.1 million in EBITDA, a margin of $384 per tonne of aluminium produced.

Portland's 1H 2015 average cash cost of aluminium per tonne produced decreased by 2.3% to $1,689 per tonne compared to 1H 2014, mainly due to the weaker Australian dollar against the US dollar. The average realised price increased by 9.3% to $2,179 per tonne.

Portfolio Restructuring and Repositioning

During 1H 2015, there were a number of events that are related to the restructuring and repositioning of AWAC's portfolio in order to improve the quality of returns.

In January, Alcoa Inc restructured its businesses which included the creation of mining as a separate unit, although it still falls under the alumina reporting segment. This new business unit is predominantly represented by the AWAC mining operations and interests.

The creation of the mining business unit recognises the growing commercial value of bauxite, the extensive resource available to AWAC and the mining capabilities and infrastructure capacity of AWAC.

The San Ciprian refinery in Spain completed its conversion of energy source from oil to natural gas in February. As a result of the conversion, San Ciprian's production costs should be $20 per tonne lower, compared to historic levels.

In March, Alcoa Inc initiated a 12-month review of 2.8 million tonnes in refining capacity that includes AWAC refineries for possible curtailment (partial or full), permanent closure or divestiture. As a part of this review, in March, AWAC curtailed 0.443 million tonnes per year of capacity at the Suralco (Suriname) refinery. The curtailment was completed by the end of April. Alcoa Inc is in discussions with the Suriname government to determine the best long-term solution for Suralco due to limited bauxite reserves and the absence of a long term energy alternative.

In April, Alcoa of Australia Limited, an AWAC entity, secured a 12-year gas supply agreement to power its alumina refineries in Western Australia, beginning in July 2020. This gas supply agreement secures the low cost position of AWAC's Australian alumina refining business. This agreement brings to almost 75% the amount of gas now secured by Alcoa of Australia Limited to replace existing gas supply agreements which expire at the end of the decade.

In May, Alcoa of Australia Limited decided to permanently close the Anglesea coal mine and power station, which is expected to be completed during August. Demolition and remediation activities related to Anglesea power station will begin in second half of 2015 and are expected to be completed by the end of 2020.

Total restructuring charges associated with the closure of the Anglesea coal mine and power station were $37.4 million, after tax in 1H 2015 ($36.7 million on an IFRS basis). Further charges of $15.4 million are expected in 2H 2015 and $3.6 million thereafter ($5.9 million and $3.6 million respectively on an IFRS basis). The related after tax cash payments are expected to be approximately $20 million in 2015, with a further $40 million expected thereafter.

During December 2014, the Ma'aden refinery began operating using bauxite from its own mine. The refinery is expected to produce 1.0 million tonnes (AWAC's share is 251,000 tonnes) of alumina in 2015 and should be one of the lowest cash production cost per tonne refineries in AWAC's portfolio. The 1H 2015 results included $20.1 million of equity losses related to start and ramp up activities compared to $14.7 million in 1H 2014.

AWAC Balance Sheet (US GAAP)

The value of assets and liabilities denominated in foreign currencies has declined, mainly due to the effect of the stronger US dollar particularly against the Australia dollar and the Brazilian Real.

The decline in property, plant and equipment was further affected by the closure of the Anglesea coal mine and power station.

During 1H 2015, Alcoa of Australia Limited secured a 12-year gas supply agreement, beginning in July 2020, which required a prepayment of $500 million to be made in two instalments. The first instalment of $300 million was paid in June 2015 and is reflected in other assets on the AWAC consolidated balance sheet. The second instalment is due in January 2016.

The movement in other assets also includes the decline in value of derivative contracts of approximately $50 million and $85 million revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carry forward of tax losses.

The reduction in other liabilities also reflects the $74 million Alba settlement paid in January 2015. In accordance with the allocation agreement with Alcoa Inc, AWAC funded $2.9 million of this payment. The balance was funded by Alcoa Inc as part of its assumption of the additional 25% equity share of the Alba settlement payments and costs. Future instalment payments totalling $222 million will be fully funded by Alcoa Inc under the same arrangement.

AWAC's borrowings as at 30 June 2015, including capital lease obligations, were $25.9 million, compared to $73.4 million as at 31 December 2014. The majority of the decline relates to Alumina Espanola SA's repayment of debt through improved operating performance of the San Ciprian refinery. The majority of AWAC's short term borrowings is represented by the balance of Alumina Espanola SA's debt.

AWAC Cash Flow (US GAAP)

Cash from operations includes the payment of the first instalment of $300 million for the 12-year gas supply agreement and payment for the Alba settlement of $74 million (1H 2014: $88 million).

Adjusting for all of the above and movements in working capital, there would have been an increase in cash from operations in line with the improvement in EBITDA, excluding the significant items.

During 2015, total sustaining capital expenditure is expected to be $220 million, of which $62.1 million was in the 1H 2015, mainly for the refineries. Significant projects for 2015 include residue filtration for the Kwinana and Point Comfort refineries. The mining business unit is expected to expend approximately $40 million in 2015, largely for haul roads in Western Australia, increasing capacity of tailing ponds for Juruti, equipment replacement and preparation for a crusher move at Willowdale, Western Australia.

Growth capital expenditure for 2015 is expected to be $20 million, of which $3.0 million was in 1H 2015. This expenditure largely relates to creep production for the Western Australian refineries.

AWAC Balance Sheet (US GAAP)

	30 June 2015	31 Dec 2014
	US$m	US$m
Cash, cash equivalents	290.8	238.2
Receivables	449.3	524.6
Related party note receivable	105.5	88.9
Inventories	529.1	550.7
Property, plant & equipment	4,240.5	4,772.3
Other assets	2,239.5	2,229.0
Total Assets	**7,854.7**	**8,403.7**
Short term borrowings	22.4	66.6
Payables	701.2	733.5
Taxes payable and deferred	298.7	292.3
Capital lease obligations & long term debt	3.5	6.8
Other liabilities	1,343.9	1,485.5
Total Liabilities	**2,369.7**	**2,584.7**
Equity	**5,485.0**	**5,819.0**

AWAC Cash Disbursements

	1H 15	1H 14
	US$m	US$m
Dividends	66.9	-
Distributions	2.1	6.6
Capital returns	112.1	130.1

AWAC Cash Flow (US GAAP)

	1H 15	1H 14
	US$m	US$m
Cash from operations	**320.6**	**81.5**
Capital contribution arising from the allocation agreement[1]	71.2	-
Capital contributions from partners	-	65.6
Net movement in borrowings	(39.3)	29.6
Capital expenditure	(65.1)	(88.9)
Other financing and Investing activities[2]	(30.2)	(37.5)
Effects of exchange rate changes on cash and cash equivalents	(23.5)	7.3
Cash flow before distributions	**233.7**	**57.6**
Distributions paid to partners	(181.1)	(136.7)
Net Change in cash and cash equivalents	**52.6**	**(79.1)**

1 Contributions by Alcoa Inc in accordance with the allocation agreement whereby Alcoa Inc assumes an additional 25% equity share relating to the Alba settlement payments and costs.
2 Made up of changes to capital lease obligations, related party notes receivable and other.

Alumina Limited Reported Profit/(Loss)

Alumina Limited recorded a net profit after tax of $122.0 million compared to a net loss of $47.4 million in 1H 2014.

The net profit was negatively affected by the equity share of AWAC's significant items totalling $53.1 million in 1H 2015 (1H 2014: $74.2 million). Significant items were largely the result of restructuring activities to improve the portfolio mix of AWAC. These activities were the curtailment of the Suralco refinery and closure of the Anglesea coal mine and power station. For further details refer to the reconciliation on page 23.

Excluding significant items, net profit would have been $175.1 million (1H 2014: $26.8 million profit). This improvement is in line with the better operating performance of AWAC.

Most of Alumina Limited's general and administrative costs are incurred in Australian dollars. The decrease in costs reflects both the weaker Australian dollar against the US dollar and lower expenses.

Finance costs include interest expense, commitment fees paid, net payments under cross currency interest rate contracts, amortised upfront fees and bank charges. Finance costs decreased to $3.5 million in 1H 2014 from $6.9 million in 1H 2014 mainly due to lower average borrowings and a lower average interest rate following the refinancing of the Brazilian National Development Bank (BNDES) loan with the A$125 million fixed rate note.

Alumina Limited Reported Profit/(Loss)

	1H 15 US$m	1H 14 US$m
Share of AWAC profit/(loss)	131.8	(30.7)
General and admin costs	(5.6)	(6.4)
Finance costs	(3.5)	(6.9)
Other & tax	(0.7)	(3.4)
Net profit/(loss) after tax[1]	122.0	(47.4)

[1] The profit/(loss) for the six month periods ended 30 June 2015 and 30 June 2014 include significant items that have affected Alumina Limited's net profit/(loss) after tax. For further details refer to the reconciliation on page 23.

Alumina Limited Balance Sheet

Alumina Limited's net debt as at 30 June 2015 declined to $65.8 million. Gearing also decreased to 2.8%.

The decline in investments in associates was mainly due to AWAC's restructuring charges and the loss on foreign currency balance sheet revaluations that more than offset the improved operating performance of AWAC.

On 12 November 2014, Alumina Limited issued an A$125 million 5.5% fixed rate note which matures on 19 November 2019. The proceeds from the note were swapped into US dollars and used to repay the higher cost BNDES loan. As a result of this issuance, Alumina Limited also extended the maturity profile of its borrowings.

In addition to the fixed rate note, Alumina Limited had $300 million of committed bank facilities. These bank facilities were extended and re-priced in June 2015. As at 30 June 2015, these facilities expire as follows:

- $150.0 million in December 2017 (no amounts drawn under these facilities as at 30 June 2015).
- $150.0 million in July 2020 (no amounts drawn under these facilities as at 30 June 2015).

Following the completion of the restructuring of Alumina Limited's banking arrangements and the issuance of the note, the Company achieved significant improvement in its debt terms, such as borrowing margins, maturity and less financial undertakings.

Alumina Limited Balance Sheet

	30 June 2015 US$m	31 Dec 2014 US$m
Cash and equivalents	30.0	24.9
Investments	2,370.9	2,514.5
Other	3.4	3.8
Total Assets	**2,404.3**	**2,543.2**
Payables	1.3	1.9
Interest bearing liabilities – non-current	95.8	111.5
Other	10.7	5.8
Total Liabilities	**107.8**	**119.2**
Net Assets	**2,296.5**	**2,424.0**

Alumina Limited Cash Flow

Alumina Limited's free cash flow principally comprise the net capital, dividends and income distributions received from the AWAC entities offset by the Company's general, administrative and finance costs.

The $2.7 million reduction in finance costs paid is largely due to lower net debt balances and lower interest rates following the refinancing of the BNDES loan with the A$125 million fixed rate note.

Alumina Limited's total receipts from AWAC during 1H 2015 were $71.0 million, compared to $54.2 million in 1H 2014. Dividends received in 1H 2015 included an additional $5.2 million arising from the sale of the Jamalco bauxite mine and alumina refinery, which was sold during 2H 2014, with the balance of $21.6 million being received from Alcoa of Australia Limited. Capital returns amounted to $43.4 million during 1H 2015, of which $33.7 million was received from AWA Brazil and $9.7 million from the Enterprise Partnership.

Alumina Limited's cash contributions to AWAC during 1H 2015 were approximately $10,000, compared to $26.6 million during 1H 2014. The decline mainly reflects the completion of the construction of the Ma'aden joint venture mine and refinery, which became fully operational in December 2014, and the improved operations of the San Ciprian refinery in Spain, which includes the effect of the conversion of its energy source from oil to natural gas.

As a result, free cash flow was $53.5 million higher in 1H 2015 compared to 1H 2014.

Alumina Limited Cash Flow

	1H 15 US$m	1H 14 US$m
Dividends received	26.8	-
Distributions received	0.8	2.6
Net finance costs paid	(3.9)	(6.6)
Payments to suppliers and employees	(6.0)	(8.4)[1]
GST refund, interest received & other	(0.7)	(0.3)
Cash from operations	**17.0**	**(12.7)**
Net receipts - investments in associates	43.4	19.6
Free cash flow[2]	**60.4**	**6.9**

[1] Includes CEO retirement payments.

[2] Free cash flow calculated as cash from operations less net investments in associates.

Guidance and Sensitivities

The following guidance is provided to assist the understanding of the sensitivity of AWAC results to key external factors. The guidance cannot be expected to be predictive of exact results; rather it provides direction and approximate quantum of the impact on profit before tax of movements around a given base figure. Actual results will vary from those computed using the guidance. Guidance is not linear, hence significant movement away from the base rates used may result in different sensitivities. Sensitivity of each element of the guidance has been considered in isolation and no correlation with movements in other elements within the guidance has been made.

Item	**2015 Guidance**
Production – alumina	Approximately 15.3mt
Production – aluminium	Approximately 164,000t
Australian $ Sensitivity: +1¢ in USD/AUD	Approximately -$27.0 million profit before tax Approximately -$1.45/t alumina EBITDA
Brazilian $ Sensitivity: +1¢ in BRL/USD	Approximately +$1.5 million profit before tax Approximately +$0.05/t alumina EBITDA
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot	Approximately 75% for the year
AWAC sustaining capital expenditure	Approximately $220 million
AWAC growth capital expenditure	Approximately $20 million

Reconciliations

AWAC's significant items (US GAAP)

The AWAC's net profit/(loss) was negatively affected by individually significant items. These items are disclosed in the table to enhance an understanding of AWAC's operational performance during the year.

Significant Items	1H 15 US$m	1H 14 US$m
Point Henry restructuring charges	(2.9)	(254.3)
Suriname restructuring charges	(17.7)	-
Anglesea restructuring charges	(53.4)	-
Sale of Jamalco adjustment	3.3	-
Gain on sale of gold mining interest in Suriname	-	27.9
Total significant items (pre-tax)	(70.7)	(226.4)
Total significant items (after-tax)[1]	(134.5)	(160.1)

[1] For the half-year ended 30 June 2015 after tax significant items include an $85.2 million income tax charge for a revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carry forward of tax losses.

AWAC's EBITDA and EBITDA excluding significant items (US GAAP)

AWAC's EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

	1H 15 US$m	1H 14 US$m
Net profit/(loss) after tax	328.4	(58.7)
Add back/(subtract): Income tax charge/(credit)	240.7	(36.1)
Add back: Depreciation and Amortisation	160.5	211.1
Add back: Net interest	0.6	2.9
EBITDA	730.2	119.2
Add back: significant items	70.7	226.4
EBITDA excluding significant items	800.9	345.6

Alumina Limited's significant items (IFRS)

Alumina Limited's share of net profit/(loss) of associates was negatively affected by its equity share of individually significant items incurred by AWAC. These items are disclosed in the table to enhance an understanding of Company's operational performance during the year.

Significant Items (post-tax)	1H 15 US$m	1H 14 US$m
Point Henry restructuring charges	(0.4)	(78.7)
Suriname restructuring charges and deferred tax assets adjustment	(39.3)	-
Anglesea restructuring charges	(14.7)	-
Sale of Jamalco adjustment	1.3	-
Legal matters of associate	-	(2.7)
Gain on sale of gold mining interest in Suriname	-	7.2
Total significant items	(53.1)	(74.2)

Market Outlook

Demand for aluminium continued to grow during the first half of 2015. However, China produced a surplus of 950,000 tonnes of primary aluminium in the first half of 2015. This surplus exceeded the deficit of primary aluminium outside China. Aluminium demand growth in China was 6% in the first half and outside China was around 1.5% (year-on-year).

Overproduction of primary aluminium in China and some changes to the export tax system led to some primary metal disguised as semi-finished products leaving China. The export of semi-finished products and "fakes", together with increased metal availability from warehouses (partially driven by changes in LME warehousing rules) has led to lower regional premiums and the lowest all-in primary aluminium price (LME plus regional premium) since 2009.

However, aluminium production costs in US dollars have also fallen by around $100 per tonne over the last 12 months. This has been driven by lower energy costs, reduced carbon costs (for anode production), lower labour and other costs due to currency depreciation against the US dollar. Also, there are more and larger Chinese smelters with captive power plants and more efficient smelting technology. According to Harbor, approximately 13 million tonnes of smelter operating capacity in China is currently cash negative, while only around 3 million tonnes of operating capacity outside China (in Australia, New Zealand and Europe) is now losing money after considering casting and the regional premium.

As a result of the low aluminium prices, Chinese smelters cut back 869,000 tonnes of operating capacity in the first half of 2015. Nearly an additional 300,000 tonnes have been curtailed since. It is expected that a further 1.5 million tonnes of aluminium production cutbacks are expected by year end, as a result of lower prices, leading to a tightening of supply and making way for new capacity. The net growth in smelting production in China over 2015 is expected to be greater than 11%.

Alumina production is forecast by Harbor to grow to 114 million tonnes in 2015, an increase of 9% compared with 2014 and alumina demand is forecast to grow to 113 million tonnes, an increase of 7.5% over 2014. There has been strong alumina demand with smelting ramp-ups in Shandong, Xinjiang and Inner Mongolia provinces, which is expected to continue. Alumina demand in 2015 is expected to increase through smelting growth in India, Canada and the Middle East and some re-starts in Europe. Alumina demand is expected to increase further in 2016 (at around 9%), subject to forecast ramp-ups and potential curtailments or closures and there should be sufficient production to meet demand.

The average Platts Australian FOB alumina price for the first half of 2015 increased by $17 per tonne from the first half average in 2014 to $339 per tonne. Since then the price has fallen to around $292 per tonne, due to an increase in spot supply of alumina, a fall in Chinese domestic alumina prices and low aluminium prices. There remain downside risks for alumina demand and prices as smelting profitability remains challenged, which may lead to further smelting curtailments. Over the first half of 2015, the Platts Australian alumina price averaged approximately 18.5% of the LME aluminium price and the alumina spot price today remains above 18% of the LME price. Chinese alumina imports to the end of May 2015 totalled around 1.6 million tonnes. This is down 34% from the same period in 2014.

The global average cash cost of producing smelter-grade alumina has fallen over the past 12 months by around 13% to $242 per tonne (as at July 2015), as estimated by Harbor. This was mainly due to lower energy, caustic soda, bauxite and freight costs. Additionally, alumina refineries in Russia, Brazil, Europe and Australia have seen their production costs decline in terms of US dollars as their currencies have depreciated significantly against the US dollar.

China is expected to import around 45 million tonnes of bauxite in 2015. This is forecast by CM Group to grow to a potential 104 million tonnes by 2025. This forecast is based on the expected on-going new and expanded capacity using imported bauxite and the forecast conversion of refineries in Henan and Shanxi provinces to imported bauxite, as the consumption of domestic bauxite peaks in 2019, then declines as the quality in these key provinces begins to fall.

China imported 22.7 million tonnes of bauxite in the first six months of 2015. A key supplier to China has been Malaysia, which has exported at least 2 million tonnes per month since March 2015 at prices lower than the previous average price. Malaysian and other sources have filled the shortfall created when Indonesia imposed a bauxite ban in January 2014. Over 2014, following the Indonesian export ban, the imported bauxite price (landed in China), for a variety of different qualities and sources, ranged from approximately $48 per tonne to $90 per tonne. When estimated on a value-in-use basis, the imported bauxite price into China is currently approximately $54 per tonne, compared with an average of $68 per tonne over 2014.

There are question marks over how long and at what cost and volume bauxite can continue to be mined and exported from Malaysia. Australia continues to be a significant supplier of bauxite to China, as does India. Some new shipments have commenced to China from Guinea. Increasing volumes of bauxite are likely to be required by China. Constraints on current sources and the cost and location of new developments are likely to have an upward pressure on world bauxite prices, particularly as Chinese stockpiles deplete. Due to larger than expected import volumes into China, CM Group estimates that bauxite stockpiled in China were approximately 24 million tonnes at the end of the first half. However, the stockpiles are expected to be depleted at a faster rate, given re-starts of curtailed alumina capacity in Shandong and capacity expansions expected.

As the world's largest bauxite miner, AWAC is well-positioned to be able to take advantage of expected rise in demand and prices for bauxite, whether or not AWAC sells significant quantities of bauxite to the third party market. The cost of bauxite should increase due to new mines being required at a greater distance from China. This is expected to increase pressure on the alumina cost of the world's marginal producers, while AWAC's largely integrated and proximate bauxite sources should be more stable in terms of cost. AWAC has started to test whether there is a viable market for AWAC bauxite. The ongoing delinking of alumina pricing from aluminium prices should mean that the favourable bauxite dynamics will flow through to higher world alumina prices.

With respect to alumina capacity expansion, Alumina Limited continues to see a supply shortfall risk not meeting alumina demand in the medium term, unless there is a sufficient and sustained alumina price improvement. There are a number of refining projects outside China that have stalled or are facing serious timing, regulatory approval and political risks, funding or bauxite supply hurdles. The alumina price is currently at a price at which a reasonable return would not be made on a standard investment in greenfields capacity, given timing and construction costs. Without a significant improvement in the alumina price, this may lead to alumina supply deficits outside China in the medium term.

Forward Looking Statements

Neither Alumina Limited nor any other person warrants or guarantees the future performance of Alumina Limited or any return on any investment made in Alumina Limited securities. This document may contain certain forward-looking statements, including forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. The words "anticipate", "aim", "believe", "expect", "project", "estimate", "forecast", "intend", "likely", "should", "could", "will", "may", "target", "plan" and other similar expressions (including indications of "objectives") are intended to identify forward-looking statements. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Alumina Limited's future developments and the market outlook, are also forward-looking statements.

Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2014. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina Limited disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

Note regarding non-IFRS financial information

This document contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year and to assess the operating performance of the business. Where non-IFRS measures are used, definition of the measure, calculation method and/or reconciliation to IFRS financial information is provided as appropriate

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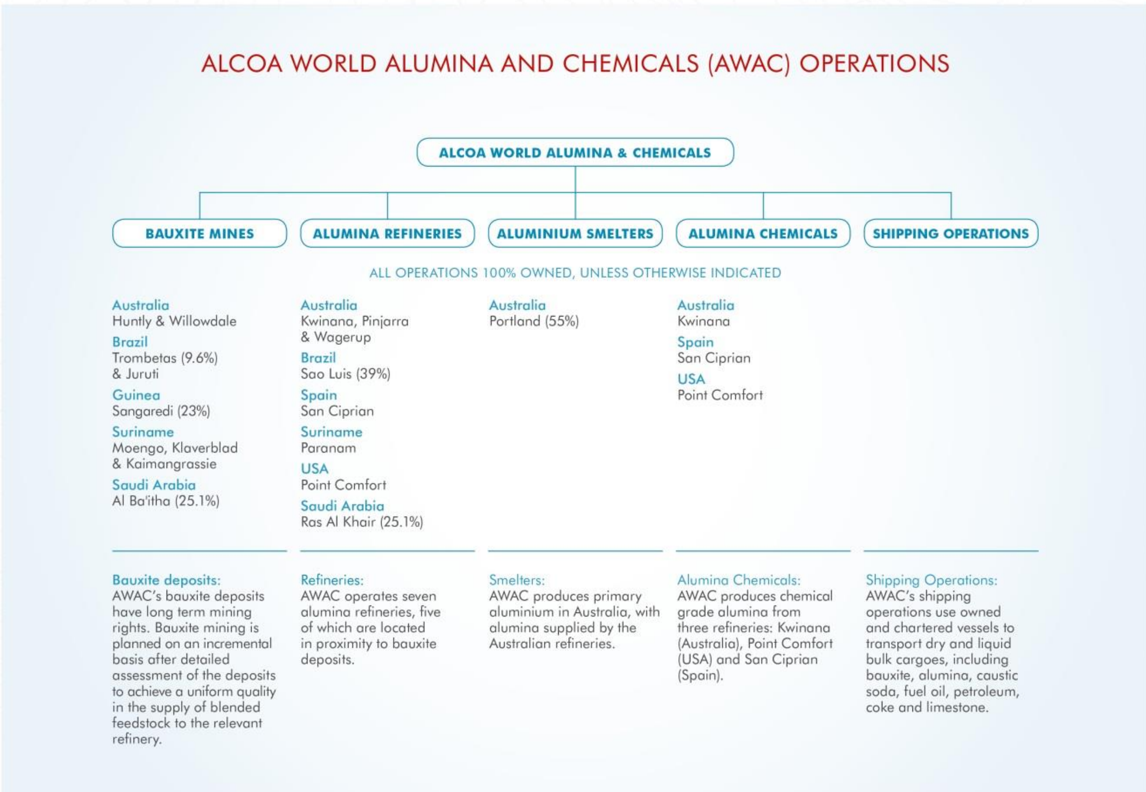
Diagram of Alcoa World Alumina and Chemicals (AWAC) Operations



ALCOA WORLD ALUMINA AND CHEMICALS (AWAC) OPERATIONS

ALCOA WORLD ALUMINA & CHEMICALS

BAUXITE MINES | ALUMINA REFINERIES | ALUMINIUM SMELTERS | ALUMINA CHEMICALS | SHIPPING OPERATIONS

ALL OPERATIONS 100% OWNED, UNLESS OTHERWISE INDICATED

BAUXITE MINES	ALUMINA REFINERIES	ALUMINIUM SMELTERS	ALUMINA CHEMICALS	SHIPPING OPERATIONS
Australia Huntly & Willowdale **Brazil** Trombetas (9.6%) & Juruti **Guinea** Sangaredi (23%) **Suriname** Moengo, Klaverblad & Kaimangrassie **Saudi Arabia** Al Ba'itha (25.1%)	**Australia** Kwinana, Pinjarra & Wagerup **Brazil** Sao Luis (39%) **Spain** San Ciprian **Suriname** Paranam **USA** Point Comfort **Saudi Arabia** Ras Al Khair (25.1%)	**Australia** Portland (55%)	**Australia** Kwinana **Spain** San Ciprian **USA** Point Comfort	

Bauxite deposits:
AWAC's bauxite deposits have long term mining rights. Bauxite mining is planned on an incremental basis after detailed assessment of the deposits to achieve a uniform quality in the supply of blended feedstock to the relevant refinery.

Refineries:
AWAC operates seven alumina refineries, five of which are located in proximity to bauxite deposits.

Smelters:
AWAC produces primary aluminium in Australia, with alumina supplied by the Australian refineries.

Alumina Chemicals:
AWAC produces chemical grade alumina from three refineries: Kwinana (Australia), Point Comfort (USA) and San Ciprian (Spain).

Shipping Operations:
AWAC's shipping operations use owned and chartered vessels to transport dry and liquid bulk cargoes, including bauxite, alumina, caustic soda, fuel oil, petroleum, coke and limestone.

Alcoa World Alumina and Chemicals (AWAC) Profit & Loss

US$ Millions (US GAAP) 100%	1st Half 2015	1st Half 2014
Sales	1,977.3	1,795.4
Sales to Related Parties	903.4	1,003.5
Total Revenue	**2,880.7**	**2,798.9**
Cost of Goods Sold and Operating Expenses	(2,047.0)	(2,396.5)
Selling, Administration, and R&D Expenses	(42.9)	(54.7)
Provision for Depreciation, Depletion and Amortisation	(160.5)	(211.1)
Restructuring and Other Expenses	(61.2)	(231.4)
Total Expenses	**(2,311.6)**	**(2,893.7)**
Profit/(Loss) before Taxes	**569.1**	**(94.8)**
(Provision)/Benefit for Taxes on Income	(240.7)	36.1
Net Profit/(Loss) after Taxes	**328.4**	**(58.7)**
Members' Equity		
Opening Balance at Start of Period	**5,819.0**	**6,861.7**
Net Profit/(Loss)	328.4	(58.7)
Capital Contribution	71.2	65.6
Dividends Paid and Return of Capital to Partners	(181.1)	(136.7)
Common Stock Issued for Compensation Plans	2.8	2.9
Other Comprehensive Income	(555.3)	374.5
Closing Balance at End of Period	**5,485.0**	**7,109.3**

Alcoa World Alumina and Chemicals (AWAC) Balance Sheet

US$ Millions (US GAAP) 100%	30 June 2015	31 December 2014
Cash and Cash Equivalents	290.8	238.2
Receivables	449.3	524.6
Related Party Notes Receivable	105.5	88.9
Inventories	529.1	550.7
Prepaid Expenses and Other Current Assets	181.3	208.3
Total Current Assets	**1,556.0**	**1,610.7**
Property, Plant & Equipment	4,240.5	4,772.3
Investments	559.4	586.7
Other Assets and Deferred Charges	1,498.8	1,434.0
Total Non-Current Assets	**6,298.7**	**6,793.0**
Total Assets	**7,854.7**	**8,403.7**
Short Term Borrowings	22.4	66.6
Payables	701.2	733.5
Taxes Payable	175.7	141.0
Accrued Compensation and Retirement Costs	217.5	241.8
Other Current Liabilities	271.7	267.5
Total Current Liabilities	**1,388.5**	**1,450.4**
Capital Lease Obligations and Long Term Debt	3.5	6.8
Deferred Taxes	123.0	151.3
Other Long Term Liabilities	854.7	976.2
Total Non-Current Liabilities	**981.2**	**1,134.3**
Total Liabilities	**2,369.7**	**2,584.7**
Equity	5,485.0	5,819.0
Total Liabilities & Equity	**7,854.7**	**8,403.7**

Alcoa World Alumina and Chemicals (AWAC) Statement of Cash Flows

US$ Millions (US GAAP) 100%	**1st Half 2015**	**1st Half 2014**
Operating Activities		
Net Profit/(Loss)	328.4	(58.7)
Adjustments to Reconcile Net Income to Cash from Operations		
Depreciation, Amortisation and Impairment	160.5	211.1
Other Items*	(168.3)	(70.9)
Cash from Operating Activities	**320.6**	**81.5**
Financing Activities		
Dividends Paid & Return of Capital to Partners	(181.1)	(136.7)
Change in Debt	(39.3)	29.6
Changes to Capital Lease Obligations	(4.4)	(0.8)
Capital Contribution	71.2	65.6
Cash Used for Financing Activities	**(153.6)**	**(42.3)**
Investing Activities		
Capital Expenditure	(65.1)	(88.9)
Net Changes in Related Party Note Receivable	(22.5)	12.4
Other	(3.3)	(49.1)
Cash Used for Investing Activities	**(90.9)**	**(125.6)**
Effect of Exchange Rate Changes on Cash	(23.5)	7.3
Cash Generated/(Used)	**52.6**	**(79.1)**
Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Period	238.2	189.5
Cash and Cash Equivalents at End of Period	290.8	110.4
Net Change in Cash and Cash Equivalents	**52.6**	**(79.1)**

* *Other Items consists of net movement in working capital and other non-current assets and liabilities*

Reconciliation of AWAC's Profit to Alumina Limited Share of AWAC's Profit

	1st Half 2015	1st Half 2014
AWAC Profit/(Loss) before tax (US GAAP)	569.1	(94.8)
Adjust for IFRS		
- Embedded derivatives	1.3	12.7
- Restructuring charges	2.2	(27.4)
- Other	1.1	0.7
AWAC Profit/(Loss) before Tax (IFRS)	**573.7**	**(108.8)**
AWAC Tax (US GAAP)	(240.7)	36.1
- Adjust for IFRS	(1.6)	(2.2)
AWAC Tax (IFRS)	**(242.3)**	**33.9**
AWAC Profit/(Loss) before Tax (IFRS)	573.7	(108.8)
AWAC Tax (IFRS)	(242.3)	33.9
AWAC Profit/(Loss) after Tax (IFRS)	**331.4**	**(74.9)**
Alumina Limited Share of AWC Profit/(Loss) after Tax	**132.5**	**(30.0)**
Amortisation of mineral rights and bauxite assets (net of tax)	(0.7)	(0.7)
Share of Net Profit/(Loss) of associates accounted for using the equity method	**131.8**	**(30.7)**