

ASX Announcement

19 August 2015

Alumina Limited 2015 Half-Year Result Presentation

Attached is a presentation relating to Alumina Limited's Half-Year Results for the six months ended 30 June 2015.



Stephen Foster
Company Secretary

19 August 2015

Alumina Limited

2015 Half Year Results

Peter Wasow, Chief Executive Officer

Chris Thiris, Chief Financial Officer

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An aerial photograph of an alumina processing facility. A long train of covered hopper cars is on the left, and a series of conveyor belts filled with red alumina ore runs parallel to it. The ground is dry and dusty, with some industrial structures and a yellow staircase visible on the right.

Part 1: Alumina Limited and AWAC 1H 2015

Significant increase in NPAT of \$169m

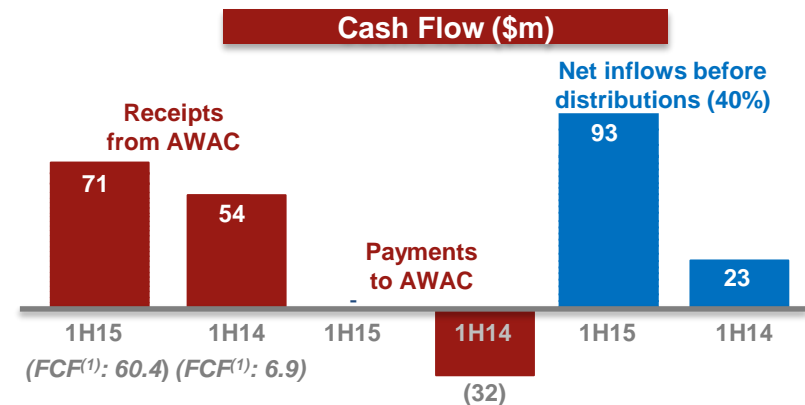
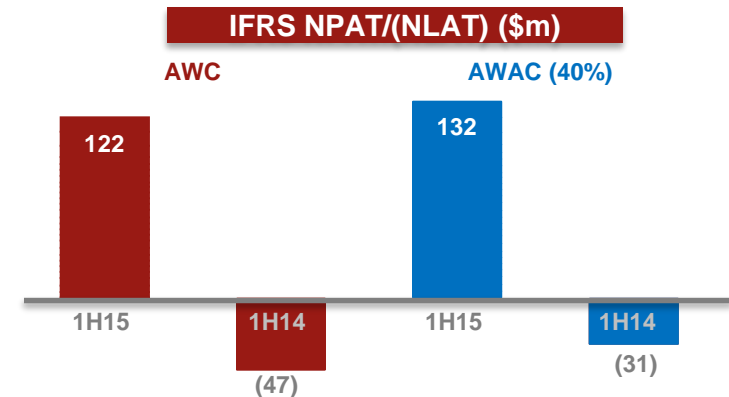
- AWAC's higher realised alumina and aluminium prices
- Reduced AWAC production costs
- Lower corporate and finance costs

Increase in free cash flow of \$54m

- \$17m increase in AWAC receipts
- \$32m decline in contributions to AWAC
- \$5m decline in corporate and finance costs
- Gross receipts represented 31% of AWAC's net inflows before distributions

Interim dividend of 4.5 cents per share

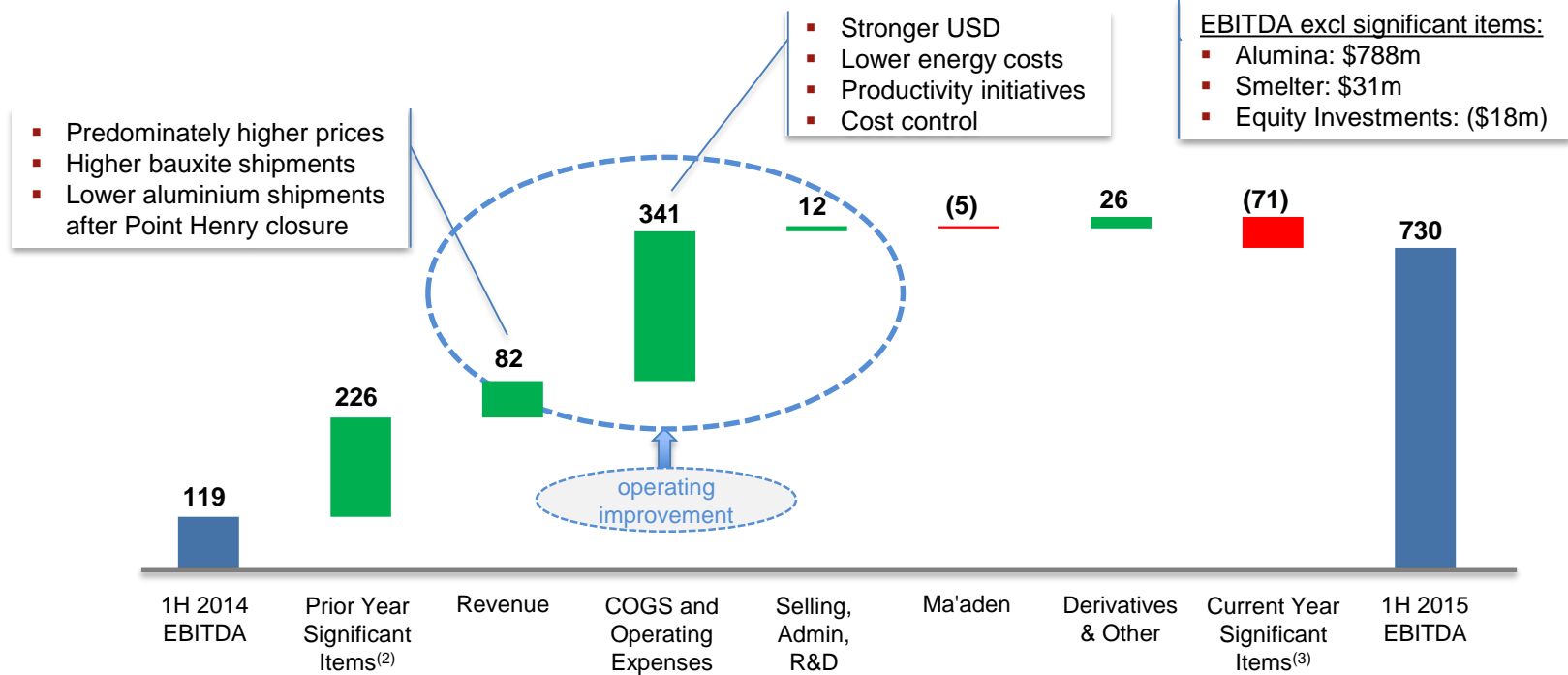
- Payable on 28 September
- DRP discount of 1.5% for shareholders
- DRP is underwritten to 50%



⁽¹⁾ Free cash flow is calculated as cash from operations less net investments in associates

AWAC EBITDA⁽¹⁾ performance bridge

Operating improvement of \$435m



Alumina EBITDA Per Tonne Produced				
1H14	2H14	1Q15	2Q15	1H15
\$44	\$64	\$105	\$103	\$104

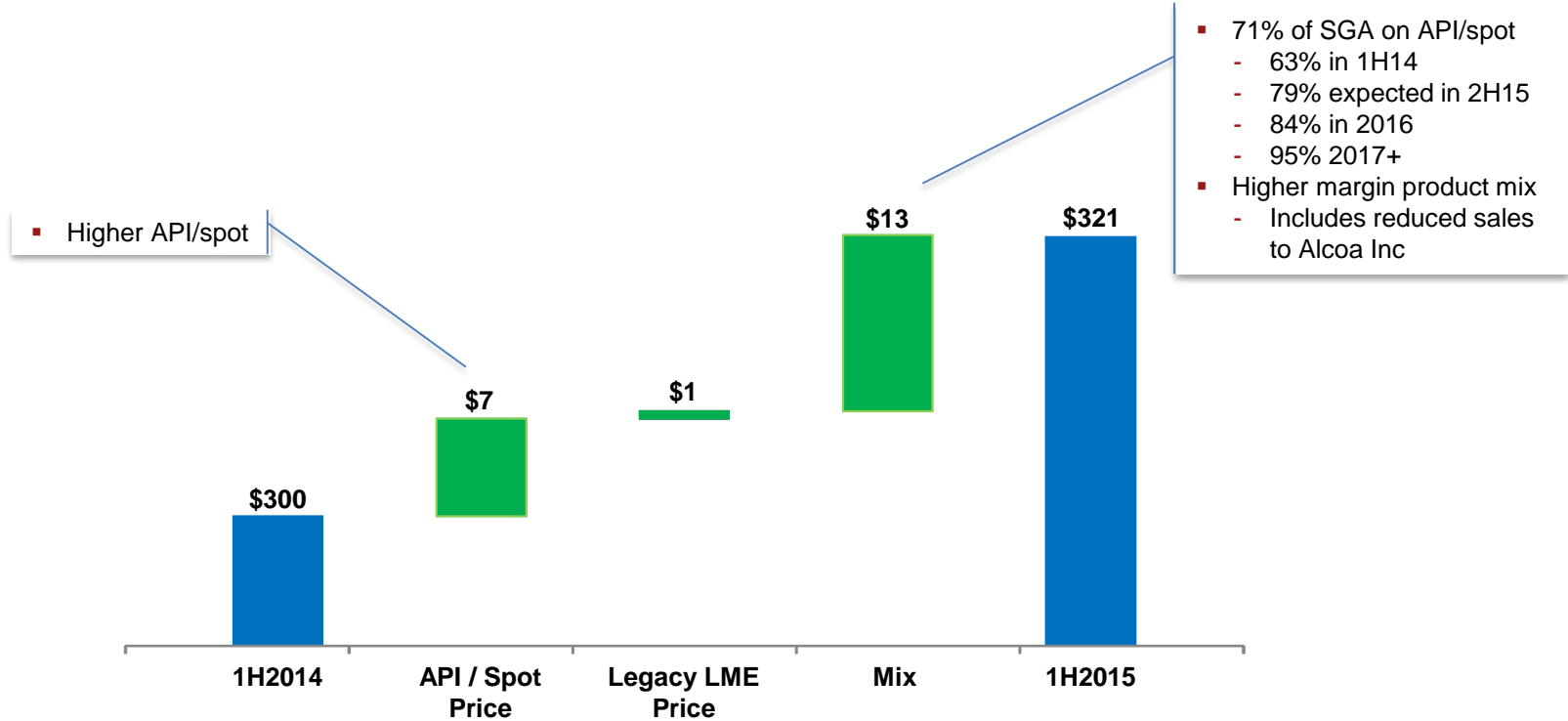
⁽¹⁾ The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced

⁽²⁾ Reversal of: \$254m Point Henry restructuring & (\$28m) sale of gold mining interest in Suriname

⁽³⁾ Comprises: \$3m Point Henry restructuring, \$18m Suriname restructuring, \$53m Anglesea restructuring and (\$3m) sale of Jamalco adjustment

AWAC alumina realised price

Average realised price per tonne increased by \$21/t

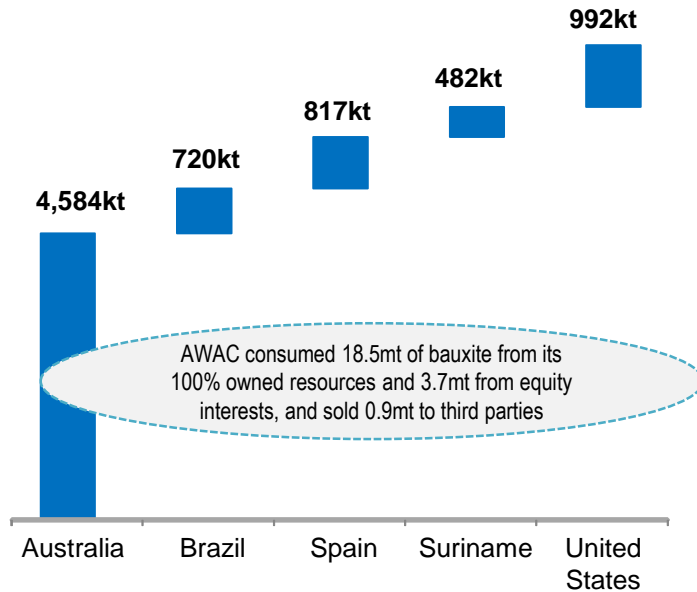


Market Prices (US\$ per tonne)	1H15	1H14
Ave alumina spot, one month lag ⁽¹⁾	344	325
Ave 3-month LME, two month lag ⁽²⁾	1,868	1,782
Spot/LME%	18.4%	18.2%

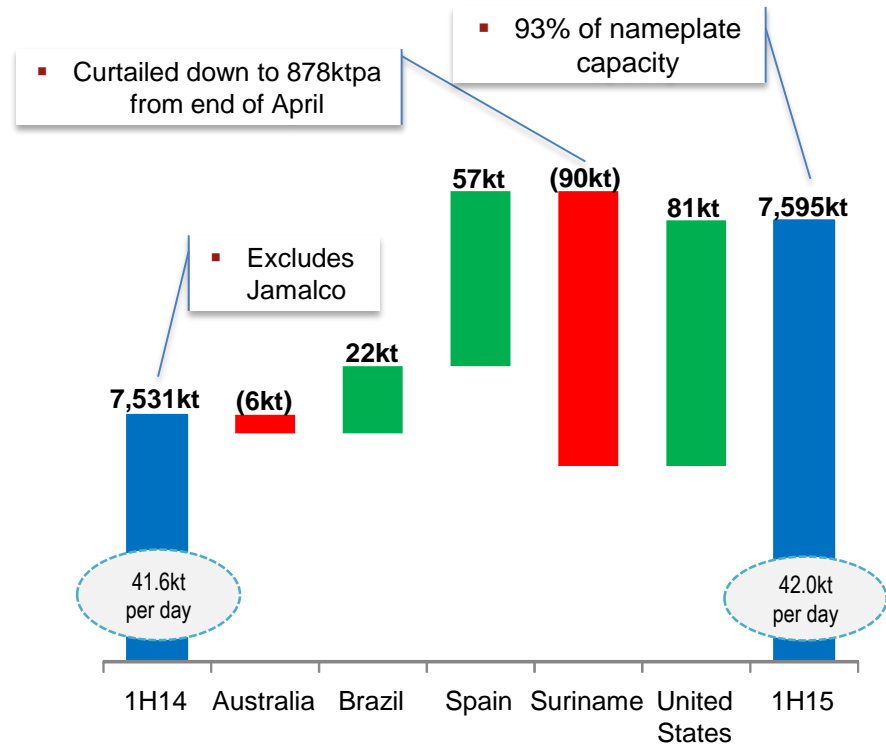
⁽¹⁾ Platts FOB Australia alumina price assessment; lagged one month – consistent with average sales contract pricing

⁽²⁾ Thomson Reuters; lagged two months – consistent with average sales contract pricing

1H15 production was 7.6mt

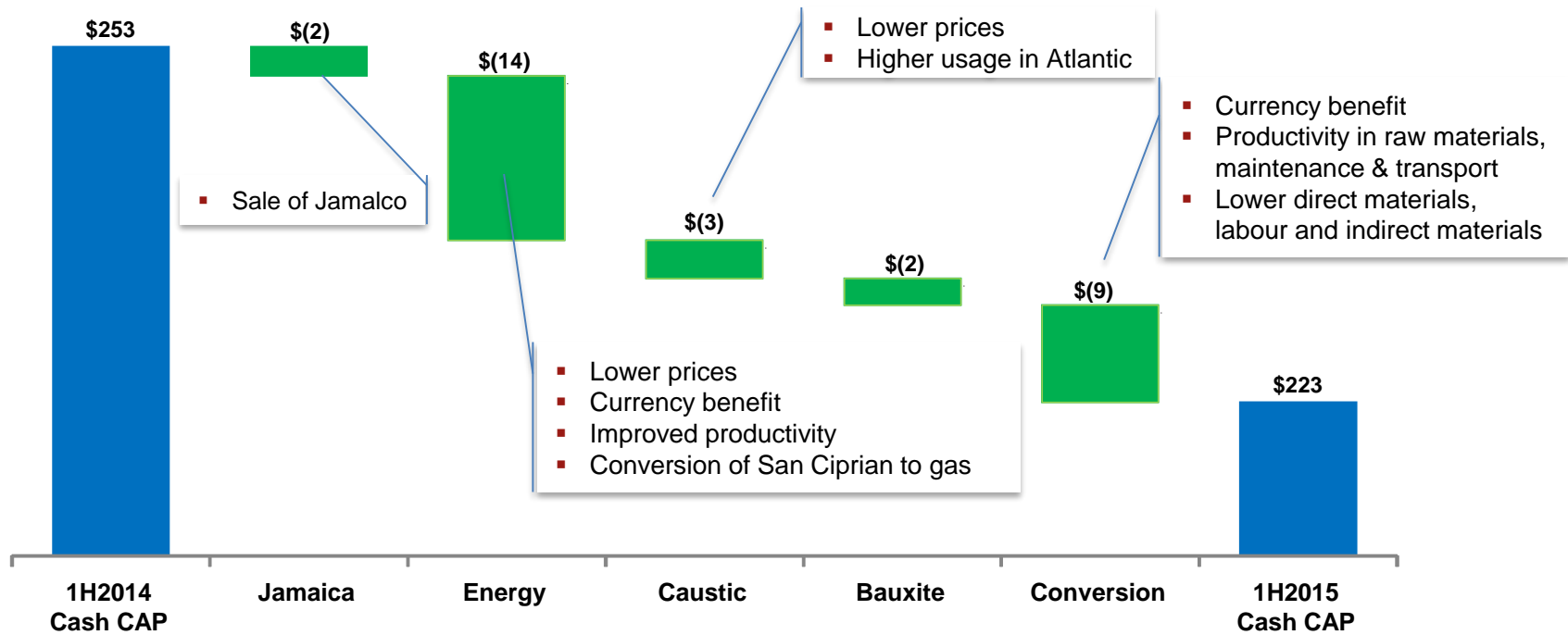


Change by region: increase of 64kt



AWAC cash cost of alumina production

Cost of alumina production Per Tonne⁽¹⁾ reduced by \$30/t



Alumina EBITDA Currency Sensitivities	2015F
AUD impact of +\$0.01 to the USD/AUD	c.(\$1.45/t)
BRL impact of +\$0.01 to the BRL/USD	c.\$0.05/t

⁽¹⁾ Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation. Movements can relate to usage, unit costs or combination of both, timing of maintenance, seasonal factors, levels of production and the number of production days and refinery mix. Includes the mining business unit at cost.

AWAC Cash Flow		
US\$m (US GAAP)	1H15	1H14
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)

Increase in cash from operations of \$239m

- After \$300m prepayment for WA natural gas

No contributions by Alumina Limited

- Only contribution relates to Alcoa's commitment in relation to Alba settlement

AWAC has repaid the majority of its debt

- Short term borrowings declined by \$44m to \$22m
- Decline mainly due to repayments by San Ciprian

Capex declined by \$24m

- \$220m of sustaining capex and \$20m of growth capex expected in 2015
- Decline reflects currency and timing

Distributions increased by \$44m

- Distributions represent 77% of cash flow

(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.

AWAC Cash Flow Related to Gas Prepayment

June 2015:	\$300m prepayment
January 2016:	\$200m prepayment
From 2020:	A portion of gas supplied under the contract will require no further cash payment

- Supply starts during 2020 (signed April 2015)
 - Initial supply of 120 terajoules per day
 - Combined with other recent agreements have replaced nearly 75% of supply maturing from 2020
- Requires prepayment of \$500m in two instalments
- Secures the low cost position of WA refining business
 - Removes significant supply and pricing uncertainty by contracting proven reserves
 - Sourcing from multiple fields and processing plants with mature production profiles
 - Impact of the gas supply agreements on AWAC's alumina production costs will not be material to the actual 2014 costs

AWAC starts with excess cash

Sustaining and growth capex of \$175m

Net restructuring (after-tax) payments

- Point Henry closure: Nil to \$5m (c.\$65m 2016+)
- Anglesea closure: c.\$20m (c.\$40m 2016+)

Sufficient cash balances to meet commitments

- Lower alumina EBITDA margin but better than prior two years'
- Should also cover \$200m second WA gas instalment (due in January 2016)
- And still pay distributions to partners

Potential equity call for the Ma'aden JV of less than \$10m to the partners

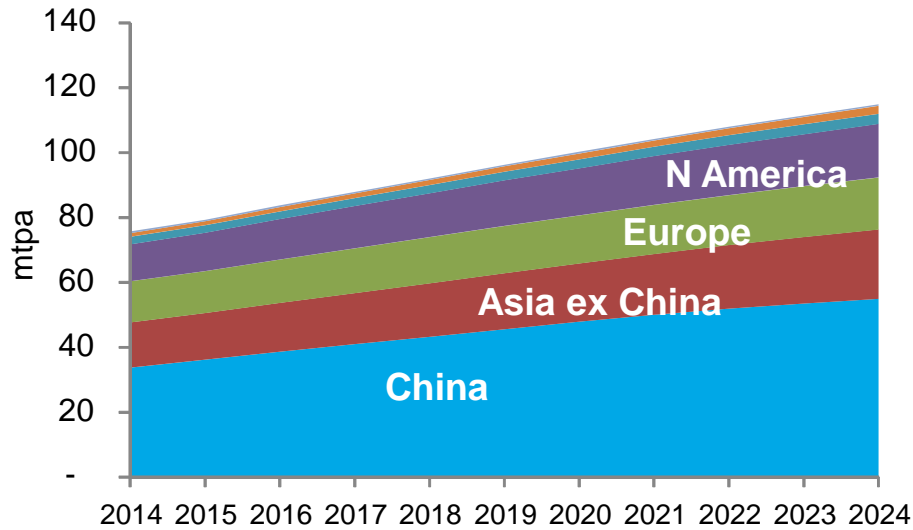


Part 2:
Market Conditions and Outlook

Peter Wasow

Aluminium demand grows strongly

Aluminium demand (includes scrap)



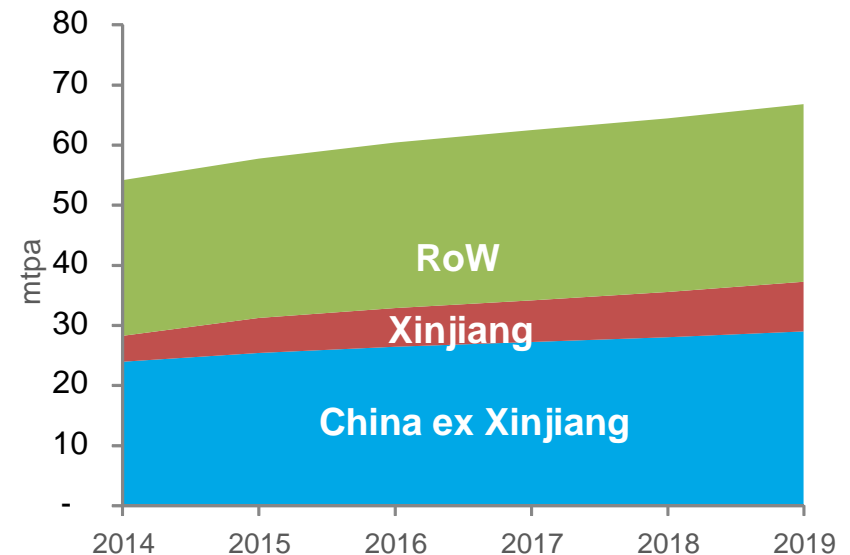
World aluminium demand forecast to rise at 4.3% CAGR 2014-2024. Main drivers of demand growth:

- Electricity transmission in China
- Transport in China and RoW

Smelting capacity additions 1H 2015:

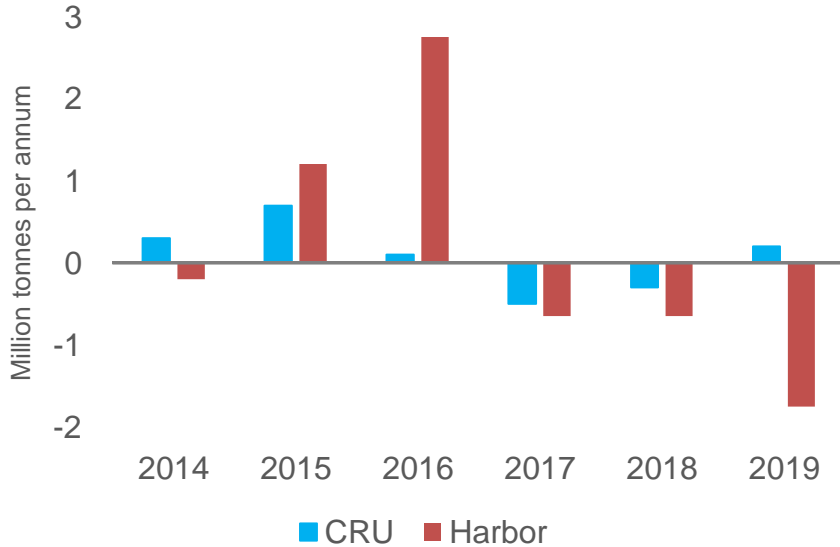
- 1.4m tpa Xinjiang, 1.3m tpa other China
- Chinese primary aluminium and semis exports (including fakes) strong in first half of '15

Primary aluminium production



Alumina capacity surplus tightening

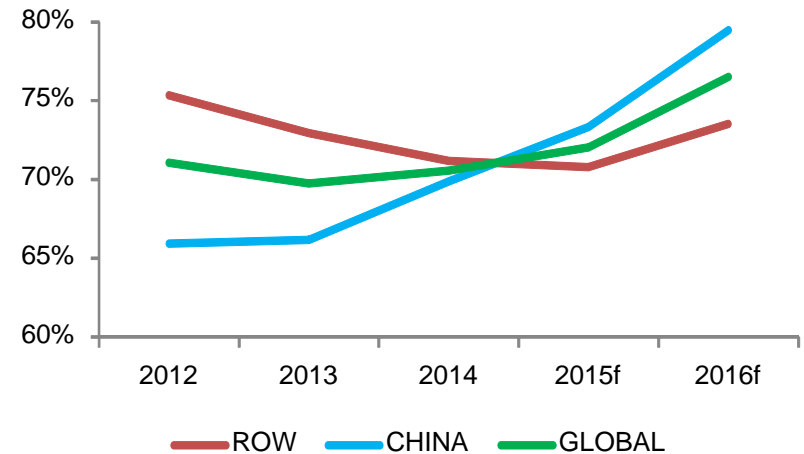
Refining capacity balance



- Global capacity utilisation increased as industry profitability improved
- 5.4m tpa merchant capacity curtailed in Shandong, a reduction of 1.1 mtpa

- Uncertainty in capacity balance arises from level of China additions
- 2016 depends on view of expansions in Indonesia and Shanxi province, where bauxite may become an issue
- CM Group and CRU predicting slower Shanxi adds

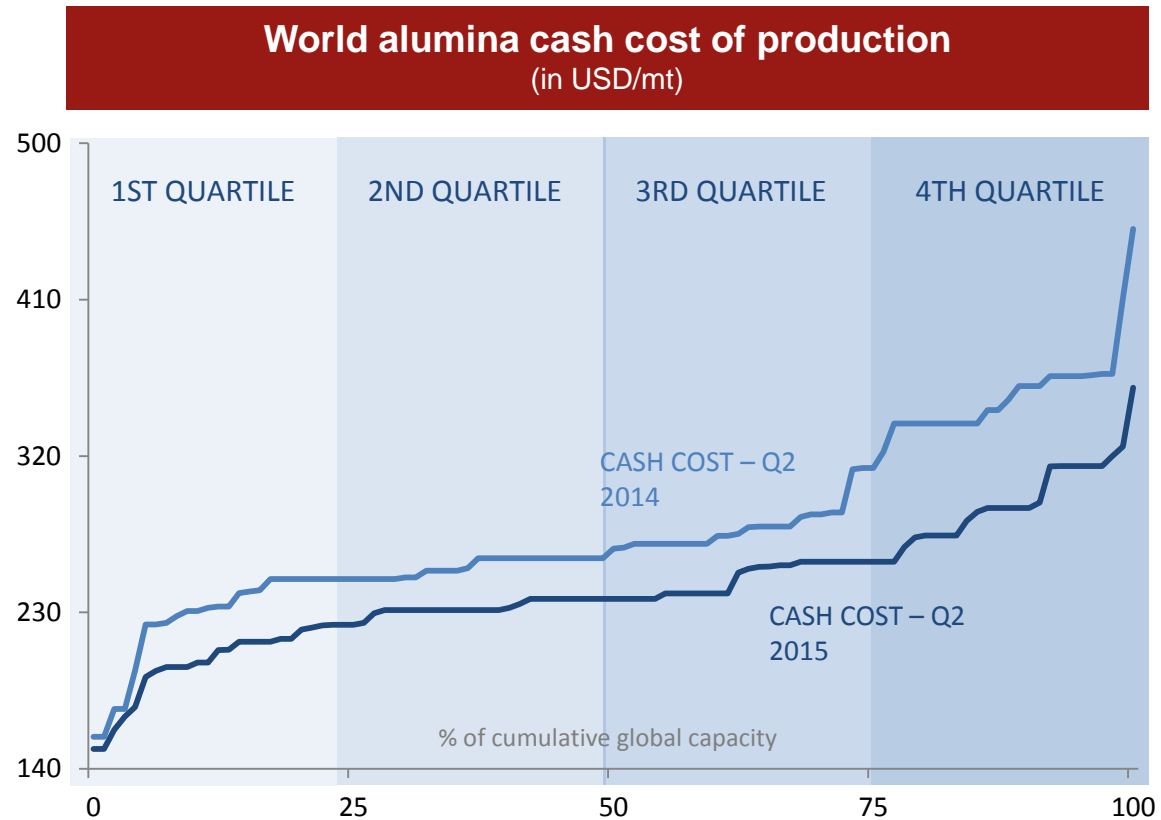
Global capacity utilisation



Alumina cost curve declines 13%

Main drivers:

- USD strength
- Energy prices: coal, oil, gas
- Bauxite exports from Malaysia
- Lower caustic prices



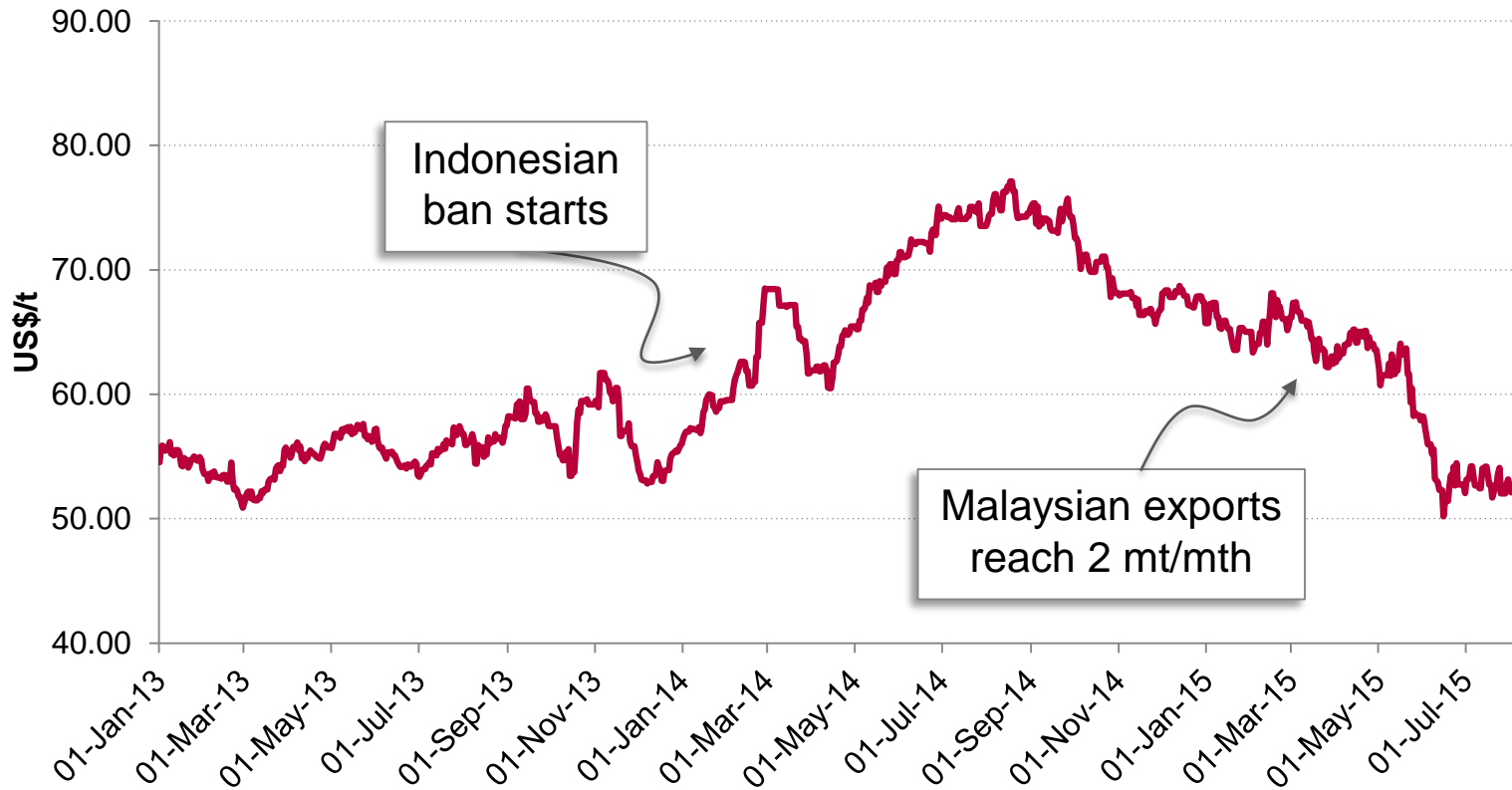
USD/t	Q2 2014	Q2 2015	Fall
Average	279	246	33
At 90 th percentile	383	326	57

Source: HARBOR Aluminum, August 2015

*Cash cost = Raw materials + Energy + Labor + Other operating costs. Total cost = Cash cost + depreciation + sustaining capital expenses + working capital + interest payments

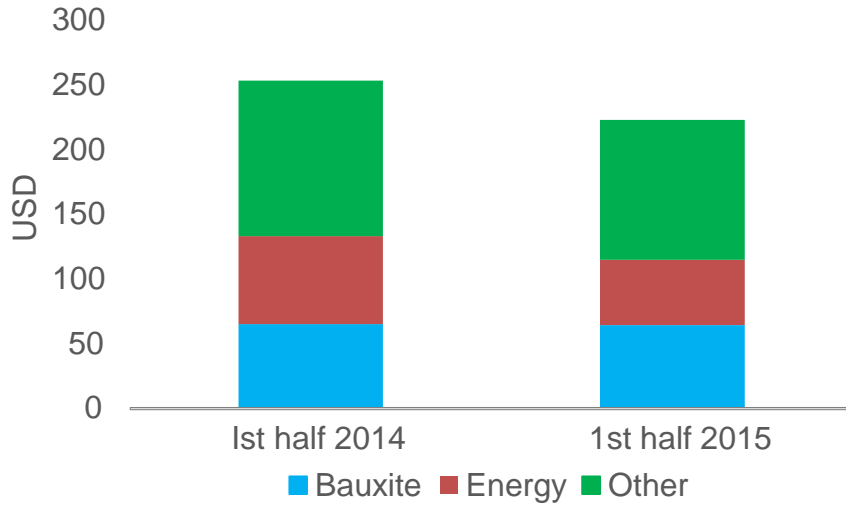
China imported bauxite prices down

CBIX bauxite price
(landed in China)

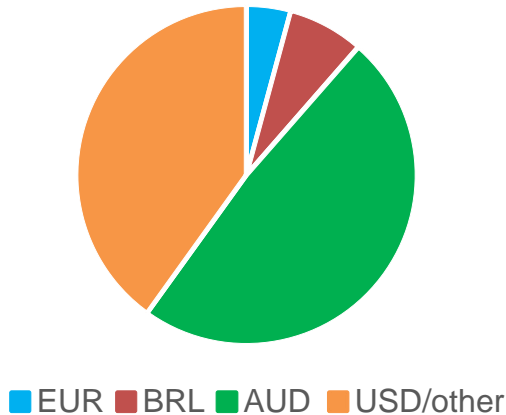


AWAC margin drivers improving

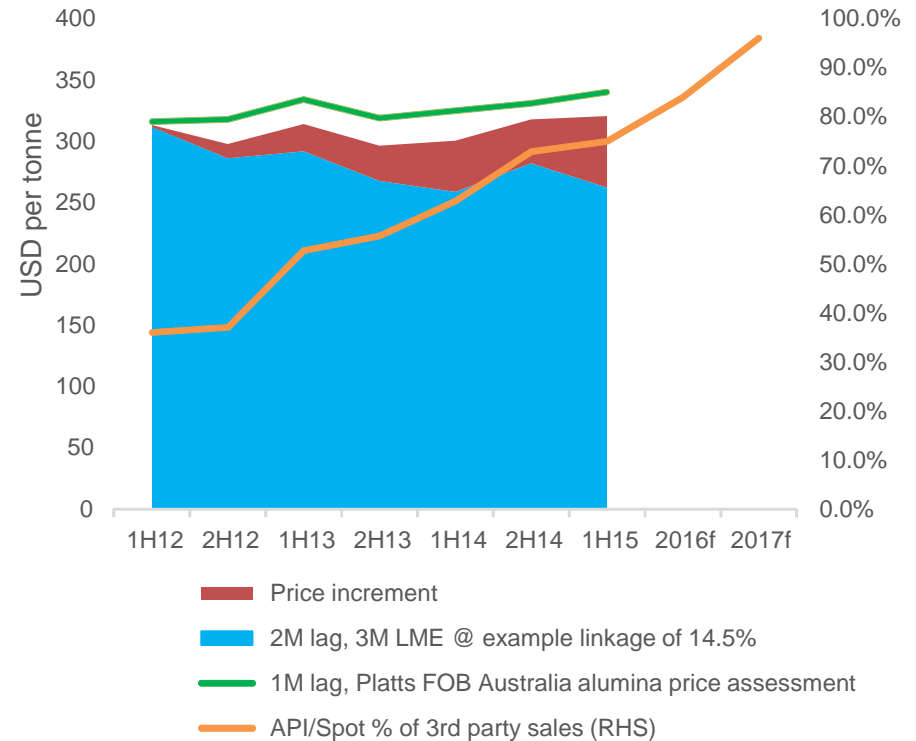
AWAC cash cost per tonne



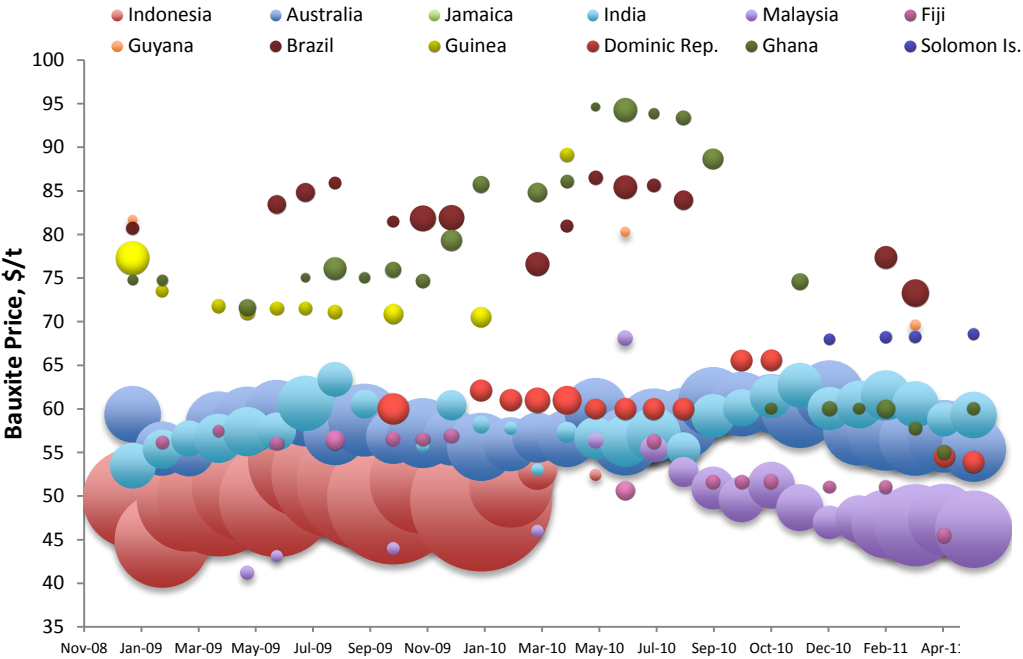
AWAC currency exposure (Total costs)



Shift to API continues to support margins



Bauxite in balance in the short term

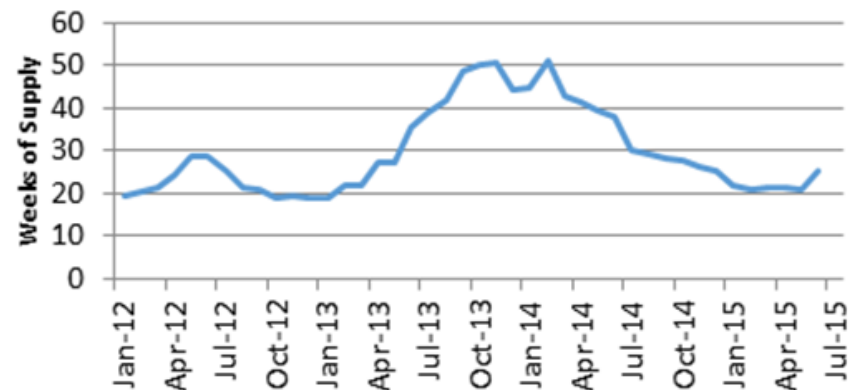


China imports:

- 22.7 million tonnes imported first half 2015
 - Approx. 75% of imports are low temp bauxite
- Indonesian ban holds
- Malaysia could export up to 15-20 million t in 2015, effectively filling the gap

China inventories holding at pre ban working level of 20-25 weeks of supply

Chinese inventories in weeks of supply

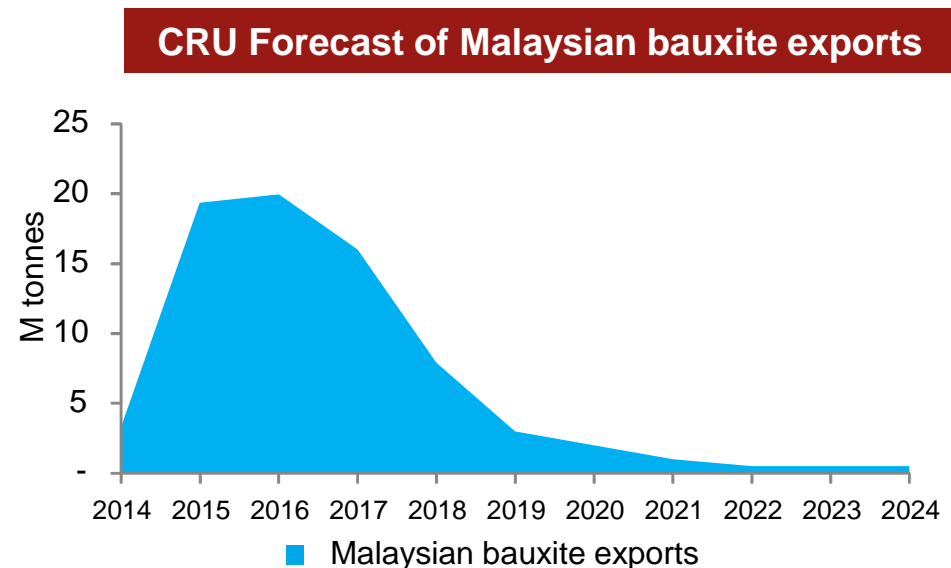


Current status

- State Government seems to support mining but seeks to regulate
- Mines Department clamping down on illegal mining and truck overloading
- Complaints from locals as to road congestion: safety and dust impact
- Community opposition from locals expected to grow
- Impact on politicians uncertain
- Shipping increased to 2.1 million tonnes per month prior to clamp down but with large stockpiles
- Typical cost of mining, loading and (trans)shipping ~ USD26/t
- Typical prices:
 - Run of mine USD28-32/t FOB
 - Washed USD46-47/t but marginal due to very low washing recovery (35-45%)

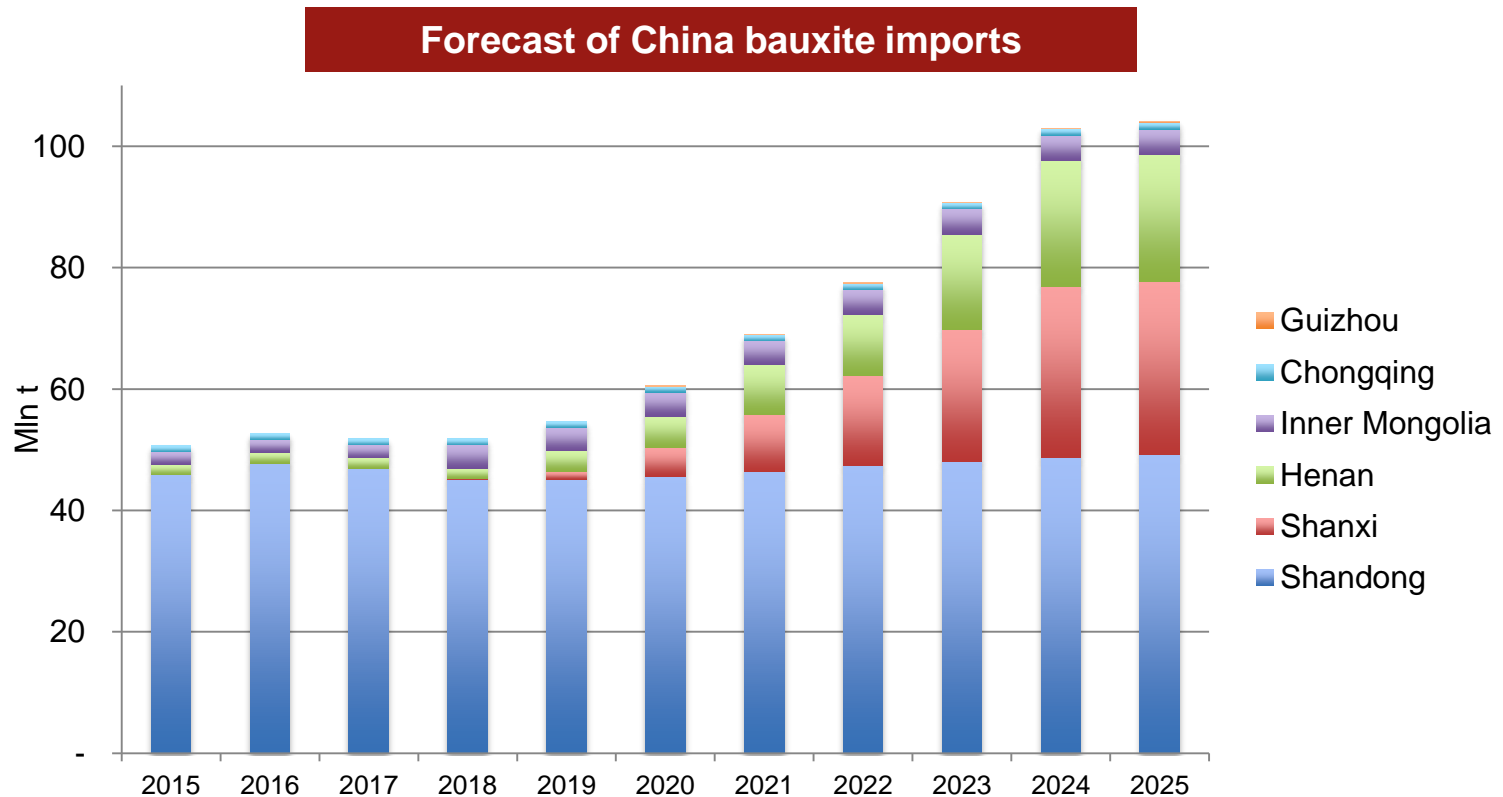
- Main bauxite exporter to China is currently Malaysia:
 - Expected to continue to supply at low cost/margins this year at least
 - Beyond that the following constraints may reduce attractiveness:
 - community and regulatory restrictions
 - upward cost pressures
 - sterilisation of resource through sub-optimal mine planning/washing
 - Resources and reserves limited: long term supply not sustainable

- Some analysts predict a relatively short production life (CRU forecast shown)



Chinese bauxite imports to increase

- Chinese bauxite consumption at historically high level
- Self sufficiency ratio declines: domestic bauxite consumption around 70% mid-2014 – now below 65%



Bauxite short in longer run

Bauxite reserves – selected countries (million tonnes)



Shorter term

- Continued pressure on alumina price due to Atlantic long and low primary aluminium prices, greater demand and high capacity utilisation expected to balance the market towards 2016
- AWAC continued margin support from shift to API and lower costs due to BRL and AUD

Longer term

- Continued supply restrictions on Pacific bauxite forces higher cost merchant refineries to replace supply with more distant/costly bauxite
- Henan and Shanxi looming bauxite quality drop-off from around 2019 forecast to increase costs or conversions to imported bauxite
- Ex-China refining capacity growth appears at risk of not being ready to meet demand in coming years

Alumina Limited

2015 Half Year Results

Peter Wasow, Chief Executive Officer

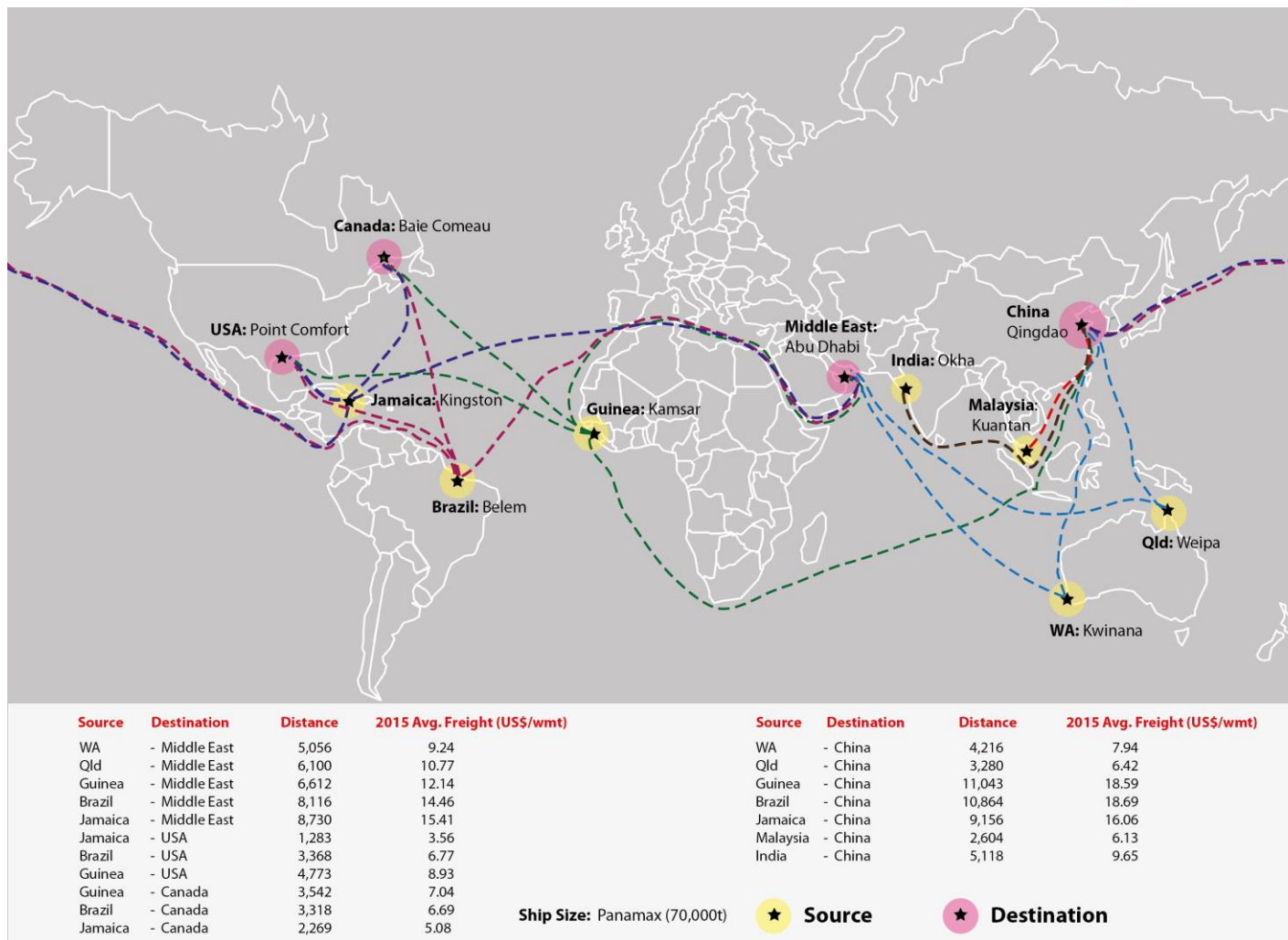
Chris Thiris, Chief Financial Officer

Appendices

Alumina output expansions 2015-2018 (million tonnes)

REGION	COUNTRY	COMPANY	LOCATION	2015	2016	2017	2018	TYPE	COMMENTS
Middle East	Saudi Arabia	Alcoa-Ma'aden	Ras Al Khair	1,800				Greenfield	First alumina produced in Q4 2014
	UAE	Emirates Global Aluminum	KIZAD, Al Taweelah				2,000	Greenfield	Project feasibility studies were done last year. First phase of 2.0 million tpa to be ready by 2017. Phase II could double capacity to 4.0 million tpa.
Asia exc. China	Indonesia	Hongqiao Well Harvest Winning Alumina	Ketapang, West Kalimantan	1,000		1,000		Greenfield	First 1mt phase scheduled to start by the end of 2015 . Second 1mt phase scheduled for 2017
China	China	Various	Chongqing	600				Brownfield	
		Various	Inner Mongolia	1,200	2,000			Greenfield	
		Various	Shanxi	3,400	1,600		3,200	Greenfield	
		Various	Guizhou	1,600	800		4,000	Greenfield	
		Various	Yunnan		800		0	Brownfield	
			TOTAL WORLD	9,600	5,200	1,000	9,200		
			TOTAL CHINA	6,800	5,200	0	7,200		
			TOTAL ROW	2,800	0	1,000	2,000		

Bauxite freight costs likely to increase



- Freight prices are very low (currently 65% of 2014 levels). Ship charter rates depressed by fleet overcapacity and oil prices at near 10 year lows