ALUMINA
LIMITED

ASX Announcement

17 November 2015

# Presentation at Morgan Stanley Asia Pacific Summit 2015

Attached is a copy of a presentation prepared by Mr Chris Thiris, Chief Financial Officer, for the Morgan Stanley Asia Pacific Summit, November 2015.

**Stephen Foster**
**Company Secretary**

17 November 2015

**For investor enquiries:**

Chris Thiris
Chief Financial Officer
Phone: +61 3 8699 2607
chris.thiris@aluminalimited.com

Charles Smitheram
Manager – Treasury & Investor Relations
Phone: +61 3 8699 2613
charles.smitheram@aluminalimited.com

**For media enquiries:**

Nerida Mossop
Hinton and Associates
Phone: +61 3 9600 1979
Mobile: +61 437 361 433

ALUMINA LIMITED

# Alumina Limited

## Morgan Stanley Asia Pacific Summit 2015

Chris Thiris, Chief Financial Officer

Charles Smitheram, Manager – Treasury and Investor Relations

# Disclaimer

ALUMINA LIMITED

***Summary Information***
This Presentation contains summary information about the current activities of Alumina Limited (ACN 004 820 419) (**Alumina**) and its subsidiaries as at the date of this Presentation. The information in this Presentation should not be considered to be comprehensive nor to comprise all the information that a reader may require in order to make an investment decision regarding Alumina securities. This Presentation should be read in conjunction with Alumina's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

***No Offer, Recommendation or Advice***
This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian or any other law. It does not constitute an offer, invitation or recommendation to acquire Alumina securities in any jurisdiction and neither this Presentation nor anything contained in it will form the basis of any contract or commitment.

The information contained in this Presentation is not financial product advice, or any other advice, and has been prepared without taking into account any reader's investment objectives, financial circumstances or particular needs.

***Forward-Looking Statements***
Neither Alumina nor any other person warrants or guarantees the future performance of Alumina or any return on any investment made in Alumina securities. This Presentation 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's future developments and the market outlook, are also forward-looking statements.

Any forward-looking statements contained in this Presentation are not guarantees of future performance. Such forward-looking statements involve known and unknown risks (including the key risks referred to below), uncertainties and other factors, many of which are beyond the control of Alumina and its directors, officers, employees and agents, that may cause actual results to differ materially from those expressed or implied in such statements. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina 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.

***Key Risks***
Certain key risks that may affect Alumina, its financial and operating performance and the accuracy of any forward-looking statements contained in this Presentation 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’s Annual Report 2014.

***Past Performance***
Past performance information contained in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

***Financial Data***
All dollar values in this Presentation are in United States dollars (US$) unless otherwise stated.

Certain financial data included in this Presentation is "non-IFRS financial information" under Australian Securities and Investments Commission Regulatory Guide 230: "Disclosing non-IFRS financial information". Alumina believes the non-IFRS financial information provides useful information to users in comparing prior periods and in assessing the financial performance and condition of Alumina. The non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should the information be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information contained in this Presentation. Where non-IFRS financial measures are contained in this Presentation, the definition of the relevant measure, its calculation method and/or a reconciliation to IFRS financial information is provided in this Presentation as appropriate or can be found in Alumina's ASX Half-Year Report (Appendix 4D).

***No Liability***
The information contained in this Presentation has been prepared in good faith and with due care but no representation or warranty, express or implied, is provided as to the currency, accuracy, reliability or completeness of that information.

To the maximum extent permitted by law, Alumina and its directors, officers, employees and agents, and any other person involved in the preparation of this Presentation, exclude and disclaim all liability for any expenses, losses or costs incurred by any person arising out of or in connection with the information contained in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

# Alumina Limited investment proposition

ALUMINA LIMITED

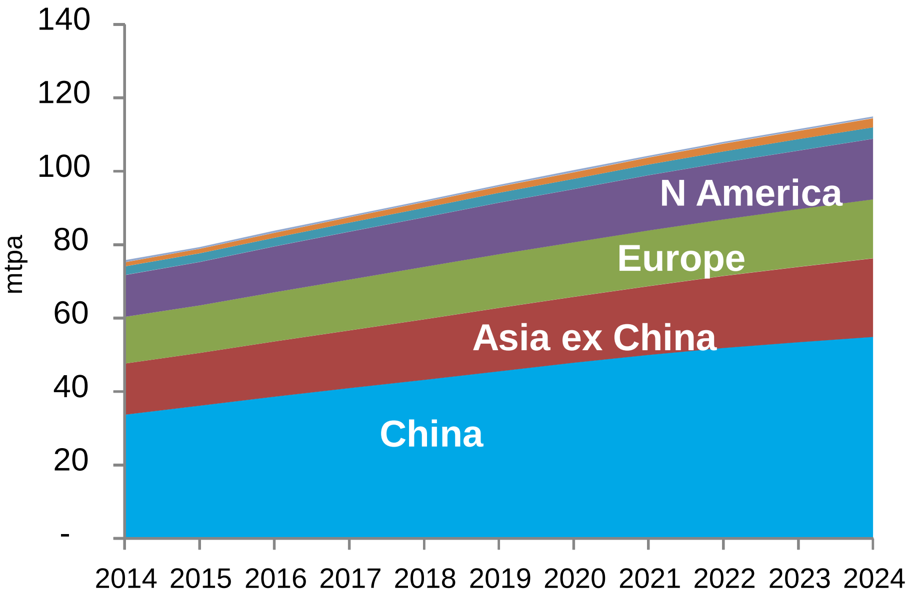
| | |
|---|---|
| **Industry context**<br>▪ Demand pull<br>▪ Cost push<br>▪ Supply risks | ▪ Alumina demand forecast – 4.3% CAGR from 2014 to 2024<br>▪ Refining issues in medium term<br>– China: Cost and availability of imported bauxite<br>Declining domestic bauxite grades<br>– RoW: Long lead times and low financial incentive for construction<br>▪ Competitive advantage for refineries with integrated bauxite supply |
| **AWAC has a leading position** | ▪ Largest alumina producer and at lowest quartile of cost<br>▪ Largest bauxite producer: record production, abundant resource |
| **AWAC's strategy is delivering** | ▪ De-link alumina pricing: 75% in 2015, 84% in 2016<br>▪ Further improving cost position: from 25$^{th}$ to 21$^{st}$ percentile by 2016<br>▪ Closed Point Henry smelter, sold Jamalco, fully curtailing Suriname, further curtailed Point Comfort, started production at low cost Saudi refinery |
| **Alumina Limited provides a unique look-through to this opportunity** | ▪ Unique, largely pure investment in bauxite and alumina<br>▪ Positioned for upside: industry context, asset position and strategy<br>▪ Low debt and low levels of growth investment provide for dividend pass through |


# Industry Dynamics

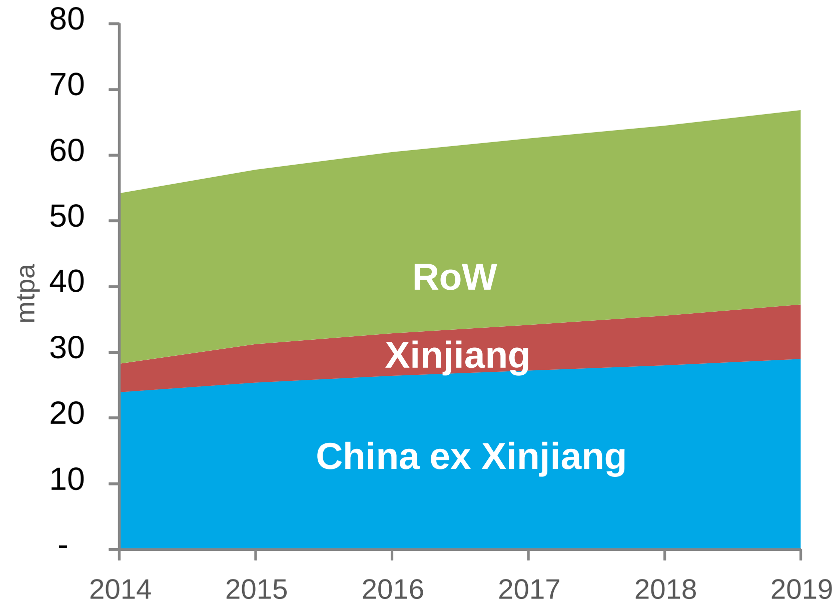
# Aluminium demand growth

ALUMINA LIMITED

**Aluminium demand (includes scrap)**




**Primary aluminium production**



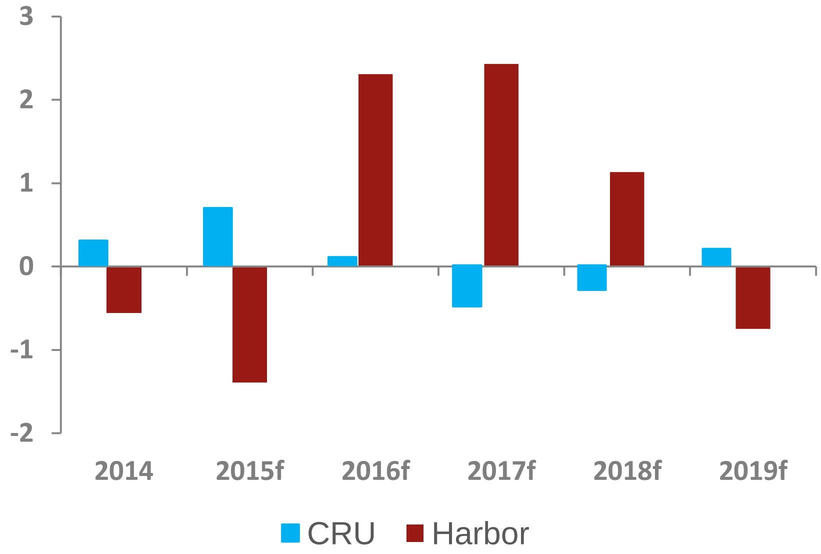

- World aluminium demand forecast to rise at 4.3% CAGR 2014-2024.
- Main drivers of demand growth:
  - Electricity transmission in China
  - Transport in China and RoW

*Sources: CRU, August 2015*

# Alumina refining balance and capacity

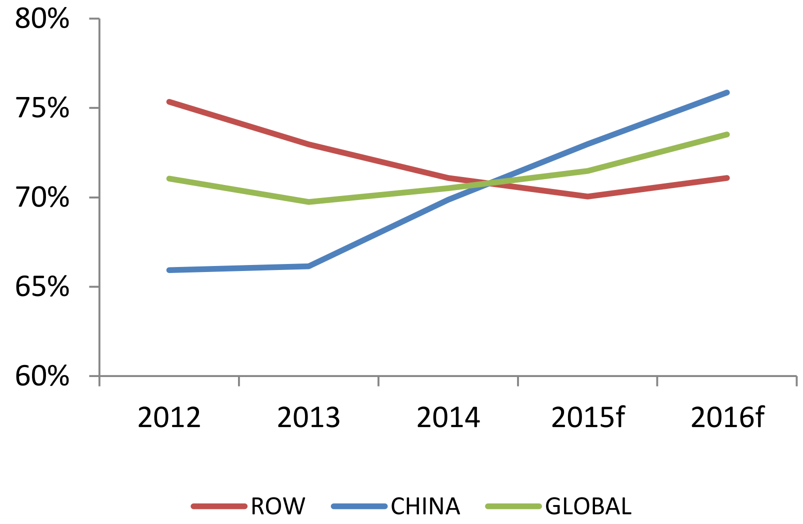
ALUMINA LIMITED

## Refining capacity balance




*Sources: HARBOR Aluminum November 2015 & CRU August 2015*

## Global capacity utilisation




*Source: HARBOR Aluminum, November2015*

- Alumina capacity surplus tightening
- 2016 depends on view of expansions in Indonesia and Shanxi province, where bauxite may become an issue

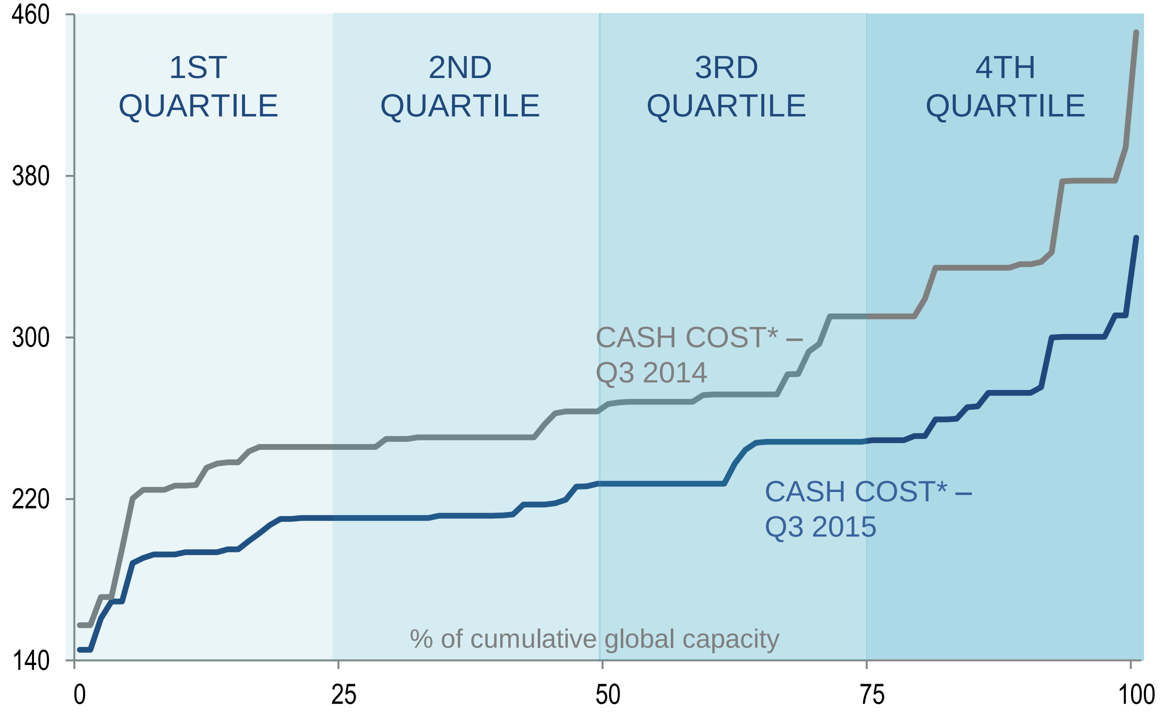
- Global capacity utilisation increased as industry profitability improved

# Alumina cash cost of production

ALUMINA LIMITED

- Alumina cost curve declines
- Main drivers:
  - USD strength
  - Energy prices: coal, oil, gas
  - Bauxite exports from Malaysia
  - Lower caustic prices

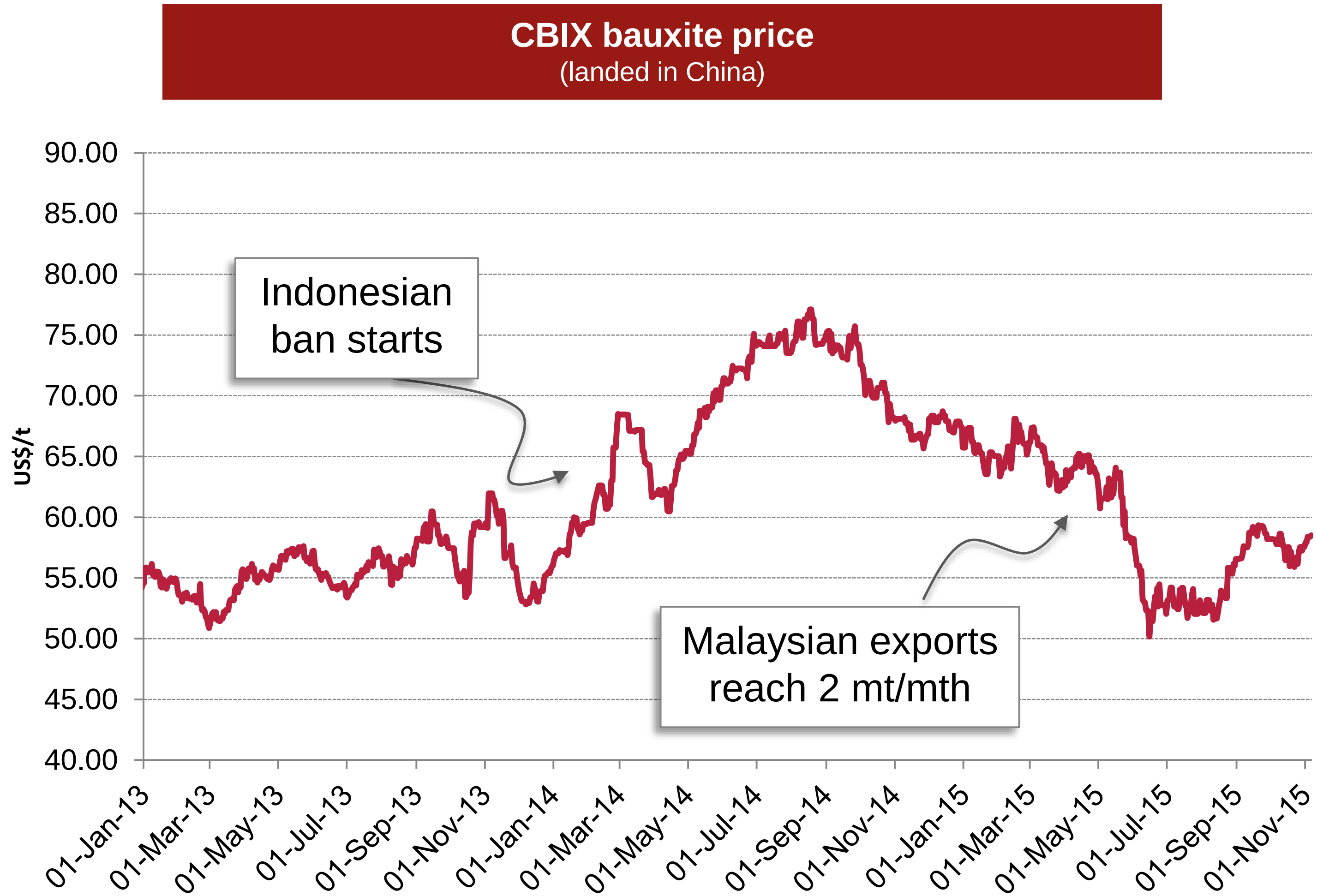
**World alumina cash cost of production**
(in USD/t)




| USD/t | Q3 2014 | Q3 2015 | Decline |
|---|---|---|---|
| Average | 276 | 230 | 46 |
| At 90th percentile | 379 | 305 | 74 |

*Source: HARBOR Aluminum, November 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

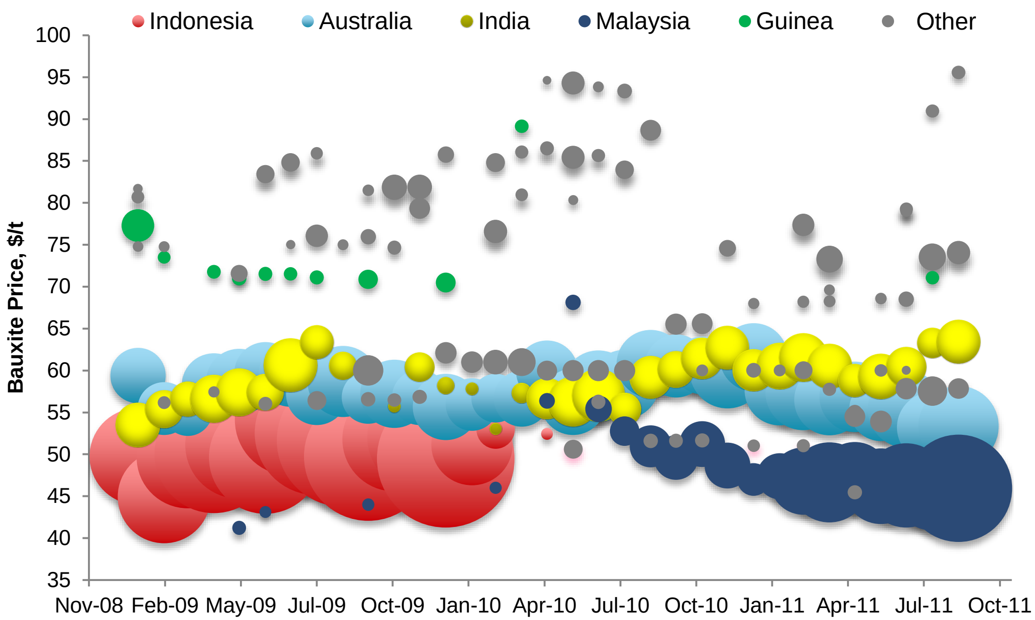



*Source: CM Group, November 2015*

# China bauxite imports and inventory

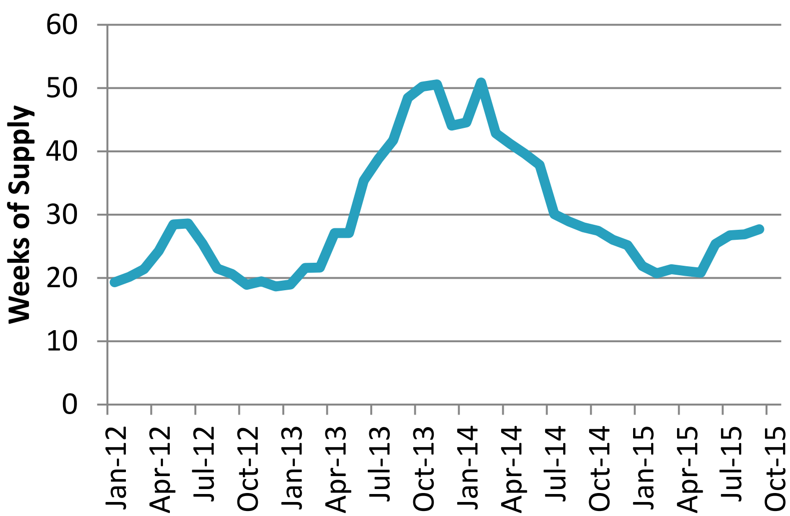
ALUMINA LIMITED

## Chinese bauxite imports [1]




- Indonesian ban holds
- Malaysia effectively filling the gap
  - Expected to continue to supply at low cost/margins
  - The following constraints may reduce attractiveness:
    - community and regulatory restrictions
    - upward cost pressures
    - sterilisation of resource through sub-optimal mine planning
  - Resources and reserves limited: long term supply not sustainable

## Chinese inventories in weeks of supply



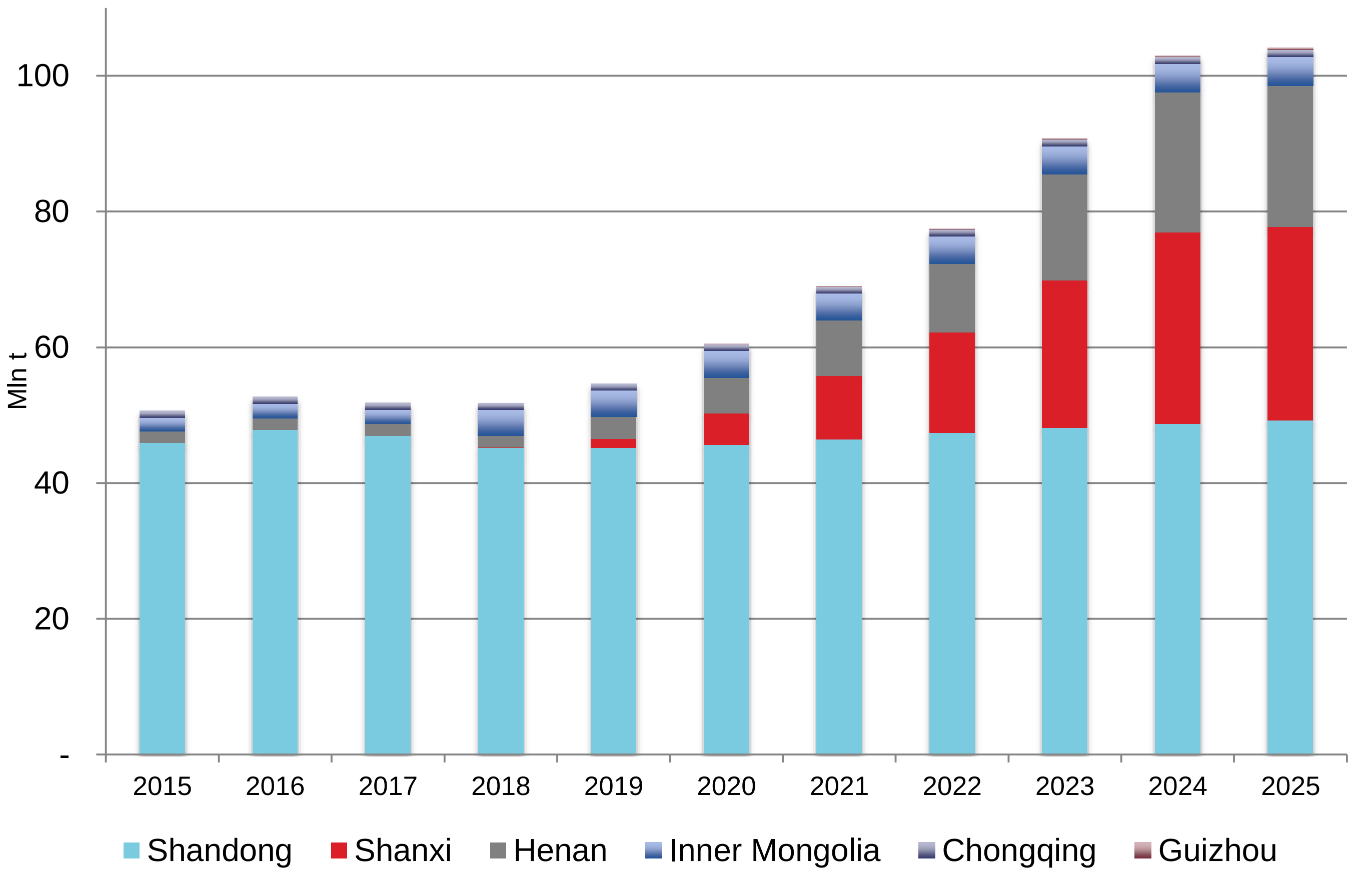

- China inventories around pre-Indonesian ban working level

*Source: CM Group, November 2015*
*[1] Prices CIF Shandong, no adjustment for value-in-use*

# Chinese bauxite imports

ALUMINA LIMITED

**Forecast of China bauxite imports**




- Imports expected to increase
- Imports expected to move inland

*Source: CM Group, August 2015*

# Bauxite Reserves

**Bauxite reserves – selected countries**
(million tonnes)


*Source: HARBOR Aluminum, November 2015*

# Alumina Limited and AWAC

# AWAC portfolio actions

ALUMINA LIMITED

***WA 12-year natural gas agreement***

- 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 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 |

# AWAC portfolio actions (cont'd)

**ALUMINA LIMITED**

***Suralco Curtailment***

- Curtailment of remaining 887,000 metric tonnes per year of alumina refining capacity to be completed by 30 November 2015
- Due to ongoing energy challenges, limited bauxite supply and market conditions
- Afobaka hydro works will continue to operate
- AWAC expects to incur US GAAP restructuring related charges (after tax) of between $108 million and $125 million in the second half of 2015
- Approximately 80% of the above restructuring charges are non-cash

***Point Comfort Curtailment***

- Curtailment of 1.2 million metric tonnes per year of alumina refining capacity to be completed by end of 1Q 2016
- Produced 1.9 million metric tonnes in 2014
- Uncompetitive under prevailing market conditions
- Will continue to produce chemical grade alumina
- AWAC expects to incur a post tax charge of $4 million in 4Q 2015
- No further charges expected in relation to this curtailment

# AWAC portfolio actions (cont'd)

***Ma'aden***

- Began operating using bauxite from its own mine in December 2014
- Expected to produce 1.0 million tonnes (AWAC share 251,000 tonnes) in 2015
- Expected to be one of the lowest cash production cost per tonne refineries in the world

***Alcoa Mining Business Unit***

- Established in January 2015 and is predominantly represented by AWAC mining operations and interests
- Recognises the growing commercial value of bauxite, the extensive resource available and the mining capabilities and infrastructure capacity of AWAC

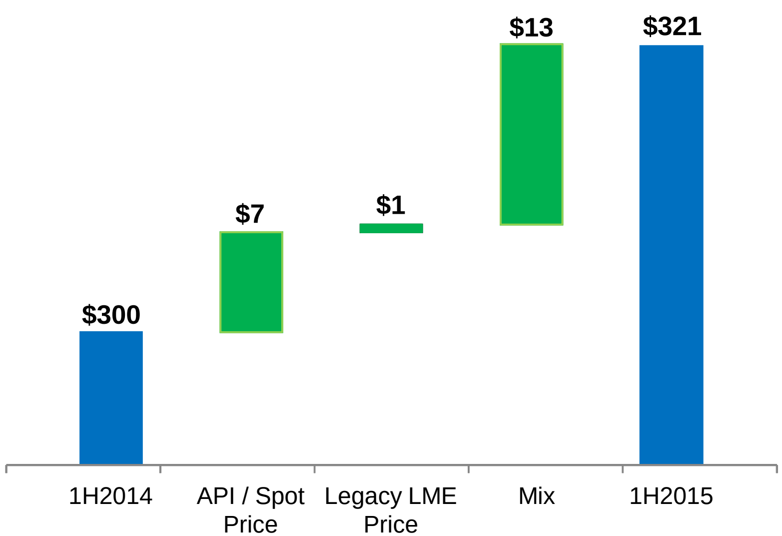
***Anglesea Power Station and Coal Mine***

- Permanently closed at the end of August 2015
- Restructuring charges after tax were $37.4 million in 1H 2015.  Further charges of $15.4 million are expected in 2H 2015 and $3.6 million thereafter
- Related cash payments are expected to be $20 million in 2015 and $40 million thereafter

# AWAC prices and production

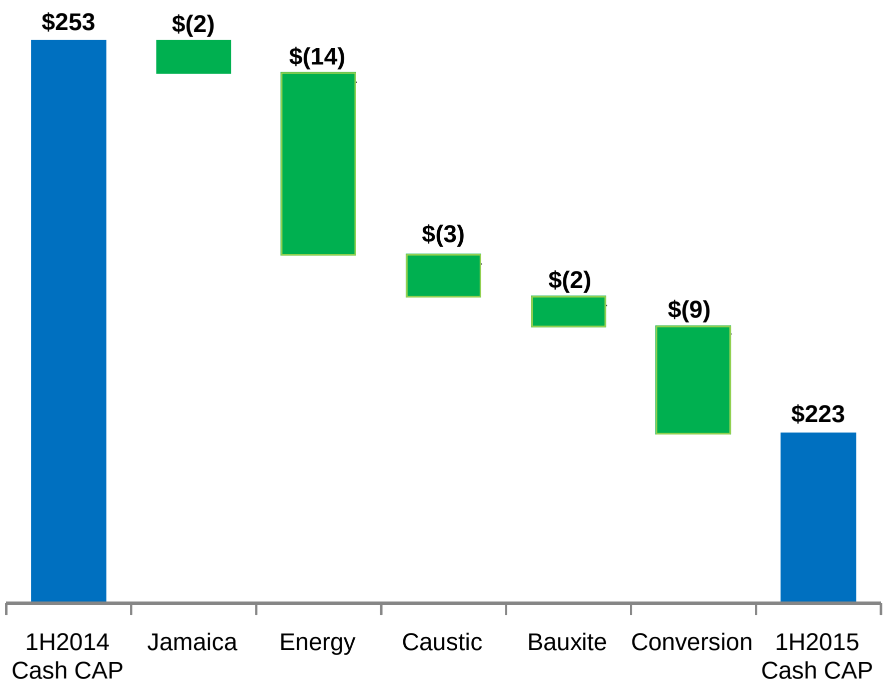
ALUMINA LIMITED

## Average realised price per tonne




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

## Cash cost of alumina production per tonne(3)



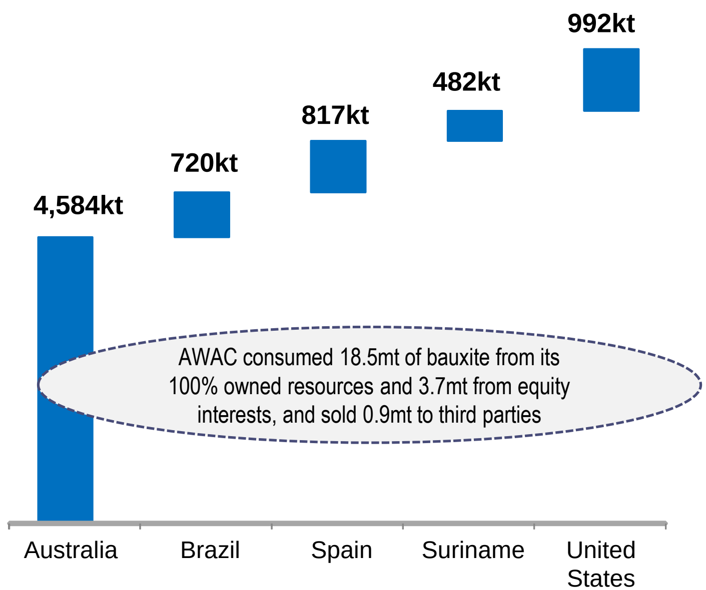

(3) *Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation. Movements can relate to usage, unit costs or combination of both, timing of maintenance, seasonal factors, levels of production and the number of production days and refinery mix. Includes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

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

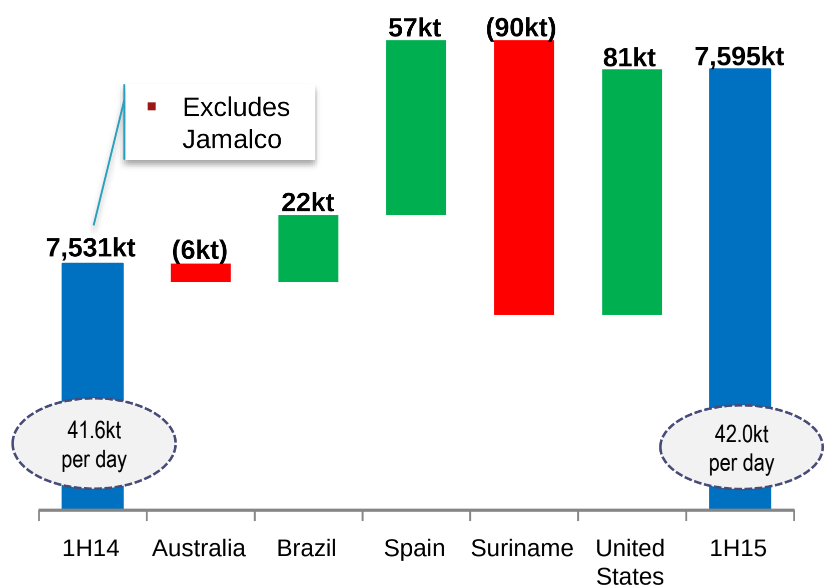
(2) *Thomson Reuters; lagged two months – consistent with average sales contract pricing*

# AWAC alumina production

**1H15 production was 7.6mt**



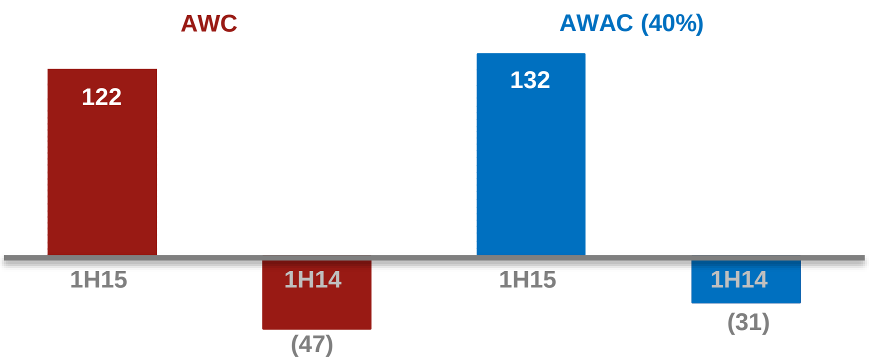

**Change by region: increase of 64kt**



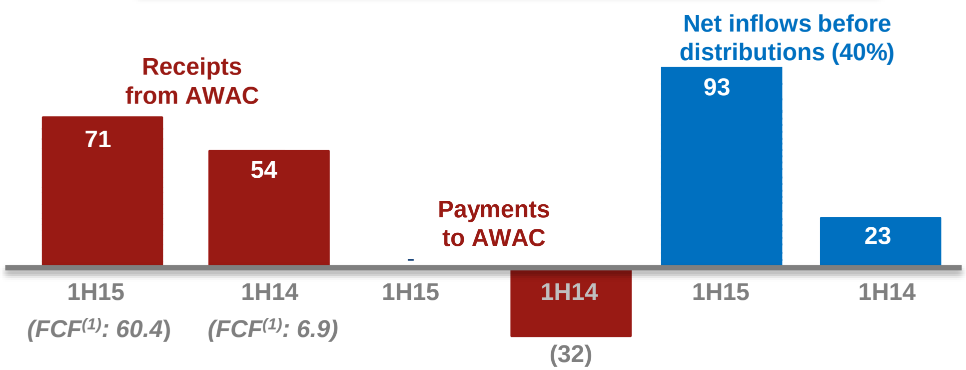
# Alumina Limited overview

ALUMINA LIMITED

## IFRS NPAT/(NLAT) ($m)




## Cash Flow ($m)




### 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

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

# Appendix:
# Additional Information

# Alumina Limited: a pure investment in Alcoa World Alumina & Chemicals (“AWAC”)

ALUMINA LIMITED

## History and Summary

- Alumina Limited’s relationship with Alcoa goes back to 1961
- Alumina Limited was created through the demerger of WMC Limited’s interest in AWAC from its nickel, copper/uranium and fertilizer businesses and exploration and development interests in 2002
- All business activities are conducted through its 40% investment in AWAC – the world’s largest producer of alumina and miner of bauxite
    - Formed in 1995 by WMC Limited and Alcoa Inc combining their global bauxite, alumina and selected aluminium operations
    - Alcoa Inc manages AWAC assets
    - Alumina Limited has two of five seats on the AWAC “Strategic Council” (principal forum for leadership of AWAC)

## AWAC’s[1] Underlying Businesses

Alcoa (60%) | Alumina Limited (40%)

Alcoa of Australia | International Entities

AWAC Global Operations[2]

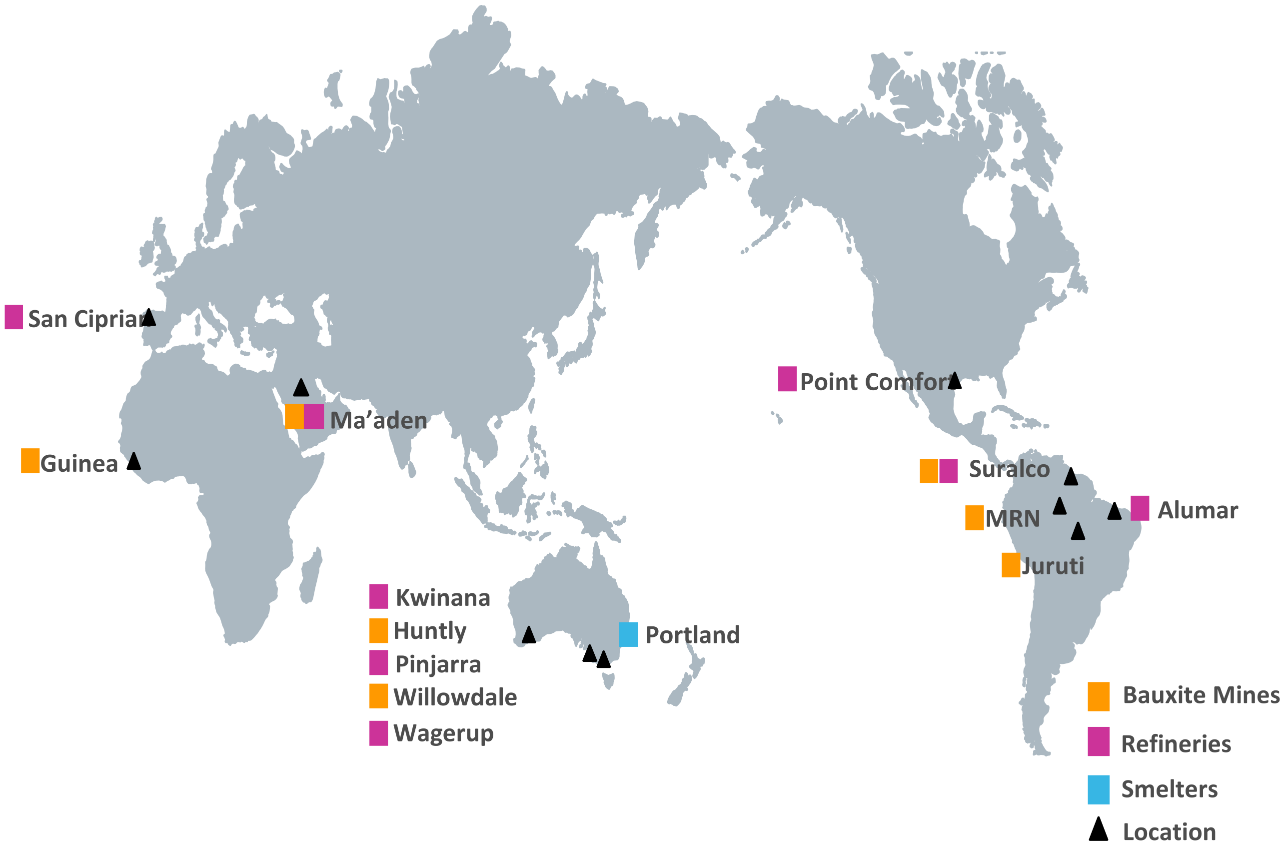
| Location | Bauxite Mines[3] | Alumina Refineries | Aluminium Smelters [5] |
|---|---|---|---|
| **Australia** | Huntly & Willowdale | Kwinana, Pinjarra & Wagerup | Portland (55%) |
| **Suriname** [4] | Coermotibo & Onverdacht | Paranam | - |
| **Brazil** | Trombetas (9.6%) & Juruti | Sao Luis (Alumar) (39%) | - |
| **Guinea** | Sangaredi (23%) | - | - |
| **USA** | - | Point Comfort [6] | - |
| **Spain** | - | San Ciprian | - |
| **Saudi Arabia** | Al Ba’itha (Ma’aden), 25.1% | Ras al Khair (Ma’aden), 25.1% | - |

(1) *AWAC is a JV comprised of a number of companies, of which Alcoa of Australia owns and operates the Australian assets.*
(2) *AWAC also owns and operates a shipping business which provides transport for AWAC’s alumina business and 3rd parties.*
(3) *AWAC has other bauxite exploration interests.*
(4) *AWAC has announced that the mining and refining operations in Suriname will be fully curtailed by 30 November 2015.*
(5) *Point Henry smelter permanently closed on 1 August 2014.*
(6) *AWAC has announced that refining capacity at Pt Comfort will be curtailed by a further 1.2 million metric tonnes by the end of the first quarter of 2016.*

# AWAC: global leader in bauxite and alumina

ALUMINA LIMITED

## AWAC is premier owner & operator of tier 1 bauxite mines and alumina refineries




- AWAC is well positioned with long-life mines and nearly all AWAC mines are integrated with its refineries
- AWAC mined c.40m tonnes of bauxite from its own mines plus 7m tonnes from equity interests in 2014
- As bauxite prices increase, AWAC's mines become more valuable

# AWAC: the world's largest alumina producer

ALUMINA LIMITED

| Country | Refinery | Ownership | AWAC share of nameplate capacity (MTPY) | Percentage of AWAC total nameplate capacity | Bauxite mine integration |
|---|---|---|---|---|---|
| Australia | Kwinana<br>Pinjarra<br>Wagerup | AWAC (100%) | 2.2<br>4.2<br>2.6 | 52% | ✓ |
| Brazil | Sao Luis | AWAC (39%)<br>Rio Tinto Alcan Inc (10%)<br>Aluminio (15%)<br>BHP Billiton (36%) | 1.4 | 8% | ✓ |
| Spain | San Ciprian | AWAC (100%) | 1.5 | 9% | [2] |
| Suriname | Paranam [3] | AWAC (100%) | 2.2 | 13% | ✓ |
| US | Point Comfort [4] | AWAC (100%) | 2.3 | 13% | [2] |
| **Total** | | | **17.2** | **100%** | |

- AWAC's share of Ma'aden alumina refinery nameplate capacity is 450,000 tonnes and is expected to be at full operating capacity in 2016

(1) *Nameplate capacity is an estimate based on design capacity and normal operating efficiencies and does not necessarily represent maximum possible production. Excludes additional creep opportunities.*
(2) *Bauxite is supplied from mines in which AWAC has an equity interest*
(3) *AWAC has announced that the mining and refining operations in Suriname will be fully curtailed by 30 November 2015.*
(4) *AWAC has announced that refining capacity at Pt Comfort will be curtailed by a further 1.2 million metric tonnes by the end of the first quarter of 2016.*