

ASX Announcement

24 August 2016

Alumina Limited 2016 Half-Year Result Presentation

Attached is a presentation relating to Alumina Limited's Half-Year Result for the six months ended 30 June 2016.



Colin Hendry
Assistant Company Secretary

24 August 2016



Alumina Limited

2016 Half-Year Results

Peter Wasow, Chief Executive Officer

Chris Thiris, Chief Financial Officer

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**Alumina Limited and AWAC 2016
Half-Year Results**

Chris Thiris

NPAT declined by \$114m

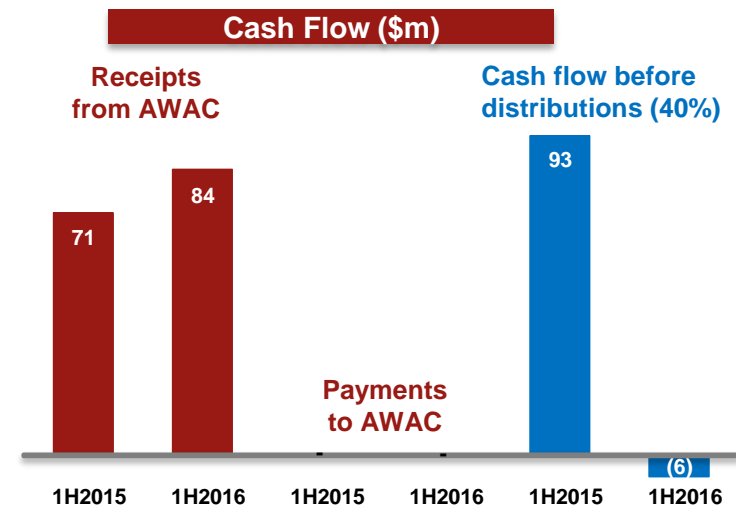
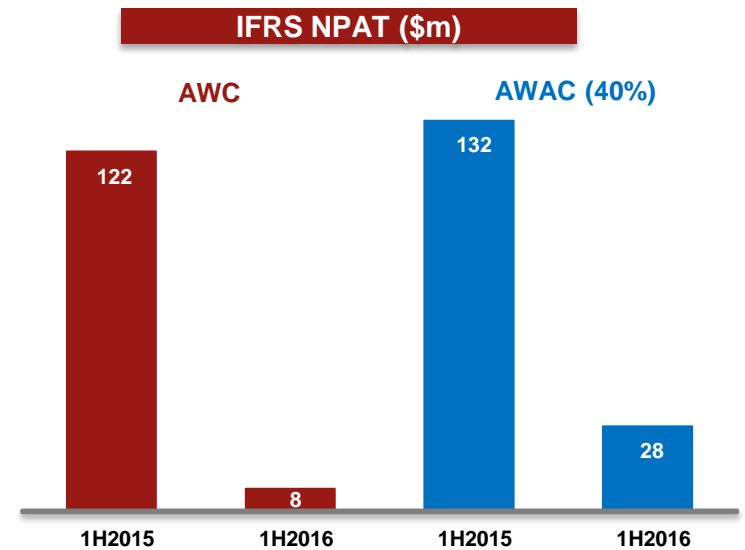
- Lower realised prices by AWAC
- Lower AWAC costs of production
- Lower charges for significant items

Net receipts from AWAC increased by \$13m

- Includes cash retained in 2015

Interim dividend of 2.9 cents per share

- Payable on 15 September 2016

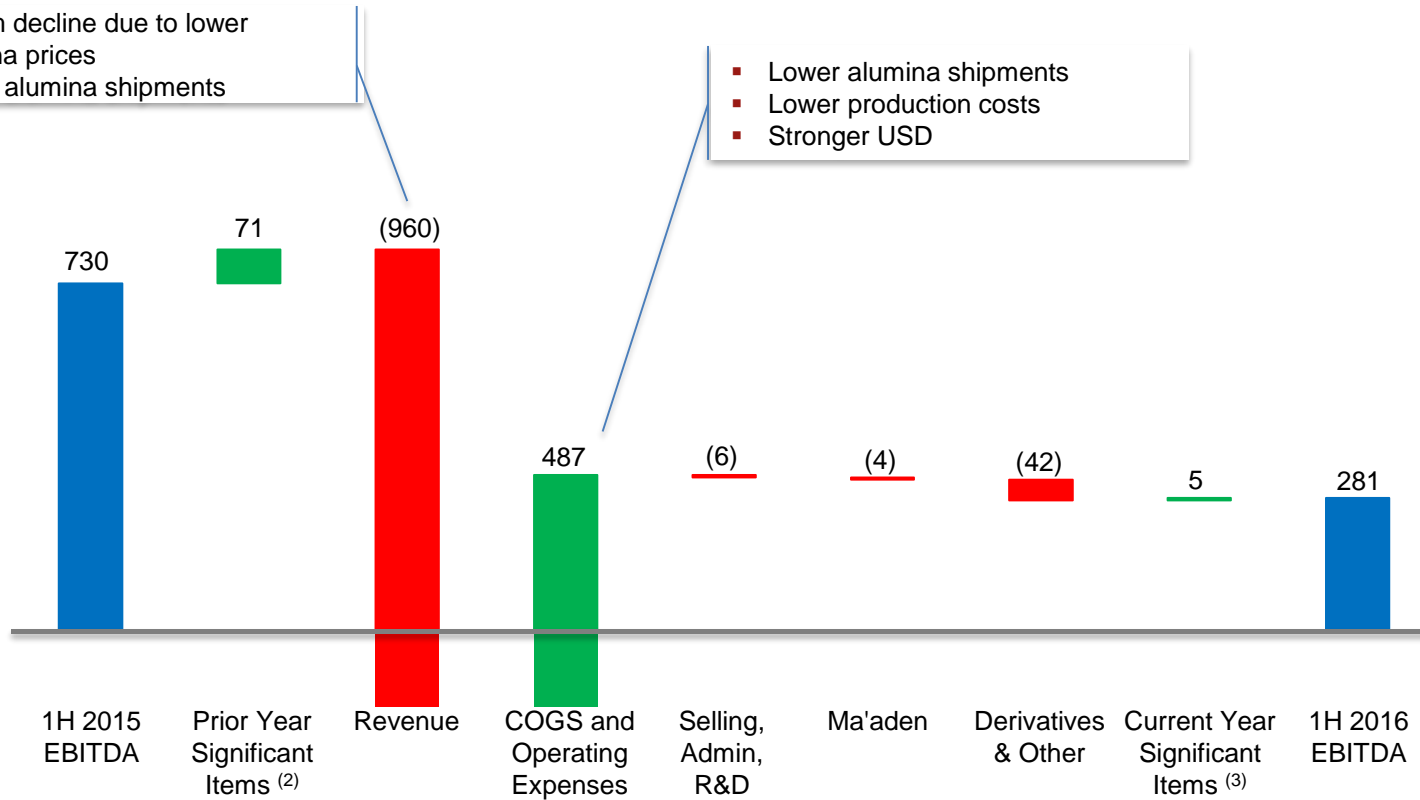


AWAC EBITDA performance bridge

Performance excluding effect of alumina price improved \$145m⁽¹⁾

- \$670m decline due to lower alumina prices
- Lower alumina shipments

- Lower alumina shipments
- Lower production costs
- Stronger USD



Alumina EBITDA Per Tonne Margin⁽⁴⁾

1H15	2H15	2015	1H16
\$104	\$78	\$91	\$46

⁽¹⁾ Excludes significant items

⁽²⁾ Reversal of: Suralco restructuring charge \$18m and Anglesea restructuring charges \$53m

⁽³⁾ Restructuring charges for Suralco (\$16m), Point Comfort (\$4m), Anglesea (\$1m), Gain on sale of DBNGP \$27m, and Other (\$1m)

⁽⁴⁾ 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 Cash Flow		
US\$m (US GAAP)	1H15	1H16
Cash from operations	320.6	(240.2)
Capital contribution arising from the allocation agreement ⁽¹⁾	71.2	74.0
Capital contributions from partners	-	-
Net movement in borrowings	(39.3)	61.2
Capital expenditure	(65.1)	(46.9)
Other financing and Investing activities ⁽²⁾	(30.2)	121.2
Effects of exchange rate changes on cash and cash equivalents	(23.5)	15.1
Cash Flow before distributions	233.7	(15.6)
Distributions paid to partners	(181.1)	(212.0)
Net Change in cash and cash equivalents	52.6	(227.6)
Cash & Cash Equivalents	290.8	304.2

Cash from operations decreased by \$561m

- CFO would be \$34m, excluding WA gas and Alba payments

AWAC continues to have low debt

- 0.13x EBITDA (annualised)
- Increase reflects challenging market

Capex declined by \$18m

- Due to FX, timing and lower expenditure

Distributions increased by \$31m

- Includes cash retained in 2015

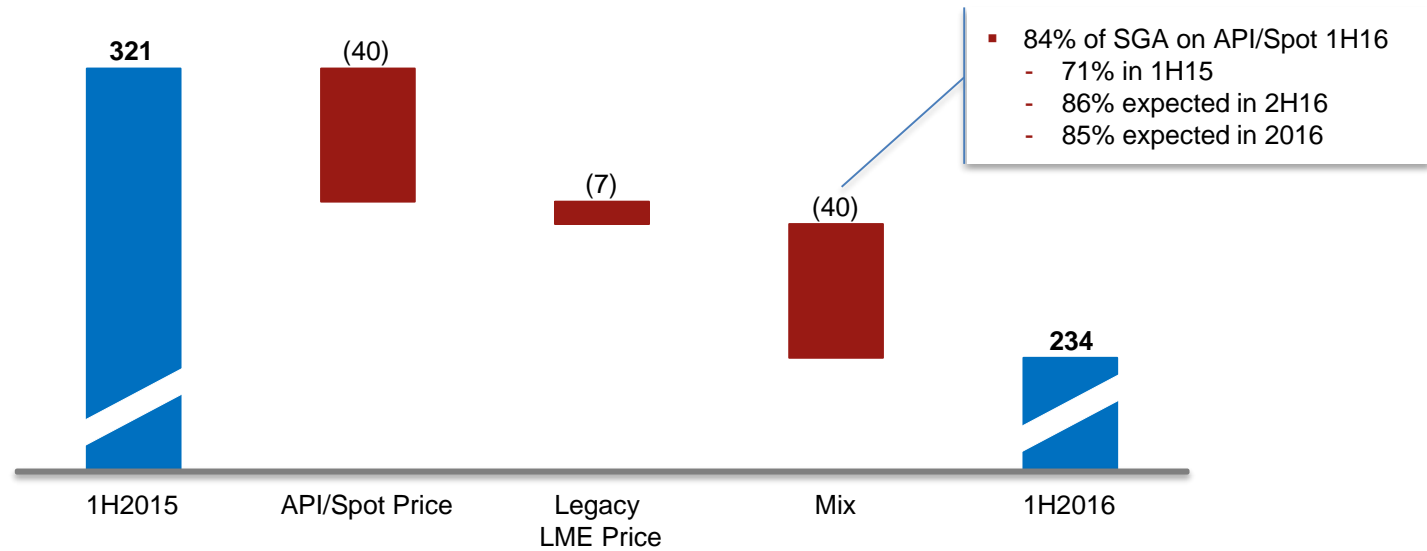
(1) Contributions by Alcoa Inc in accordance with the allocation agreement whereby Alcoa Inc assumes an additional 25% equity share relating to the Alba settlement payments and costs.

(2) Made up of changes to capital lease obligations, related party notes receivable and other. Includes \$145m proceeds from sale of 20% in the DBNGP in 1H 2016.

AWAC realised alumina price

Average price per tonne decreased by \$87

\$50/t of the decline was during 2H 2015



Market Prices (US\$ per tonne)	1H15	2H15	1H16
Ave alumina spot, one month lag ⁽¹⁾	344	284	230
Ave 3-month LME, two month lag ⁽²⁾	1,868	1,661	1,517
Spot/LME%	18.4%	17.1%	15.2%

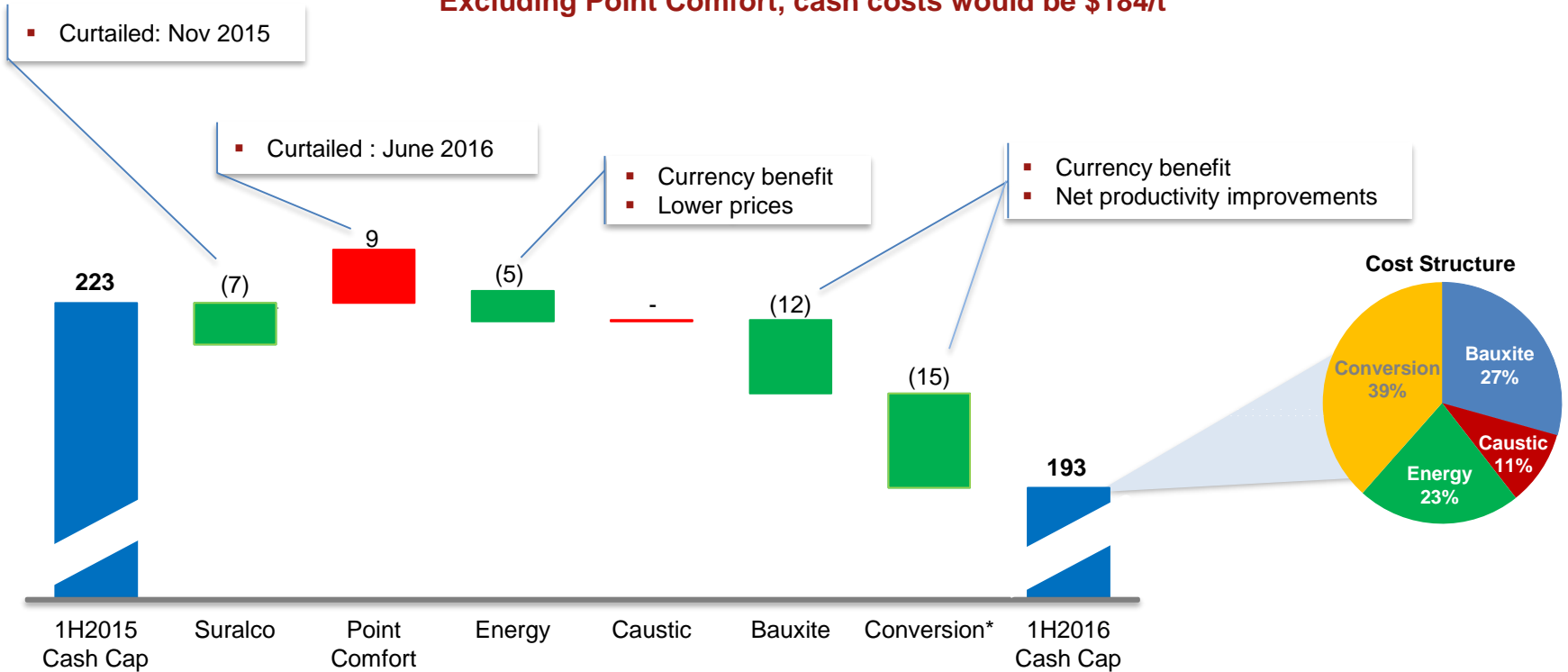
⁽¹⁾ Platts FOB Australia alumina price assessment; lagged one month – consistent with average sales contract pricing.

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

AWAC cost of alumina production

Cash cost of alumina production per tonne⁽¹⁾ reduced by \$30/t

Excluding Point Comfort, cash costs would be \$184/t



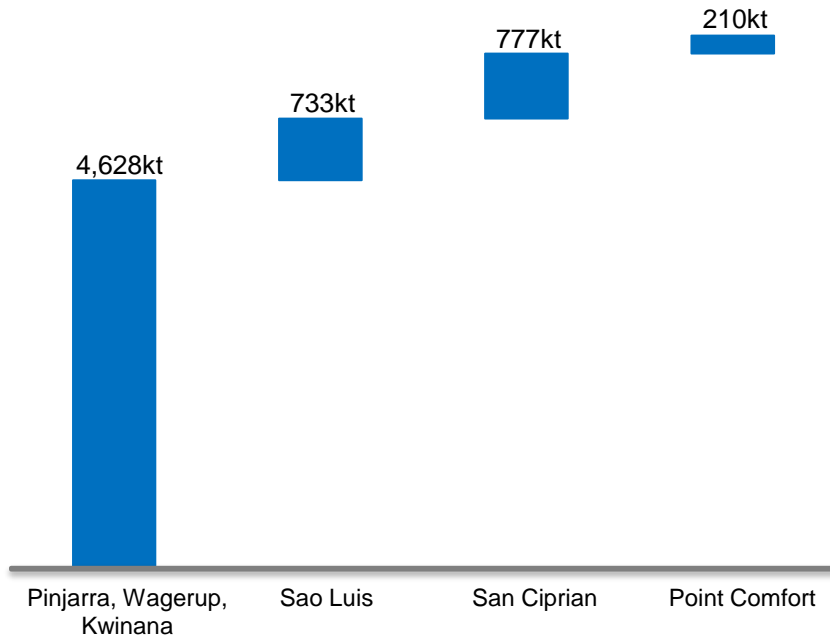
* Conversion includes: employee costs, indirect costs and other raw materials costs.

Alumina cash cost of production \$/t			
1H15	2H15	2015	1H16
223	209	216	193

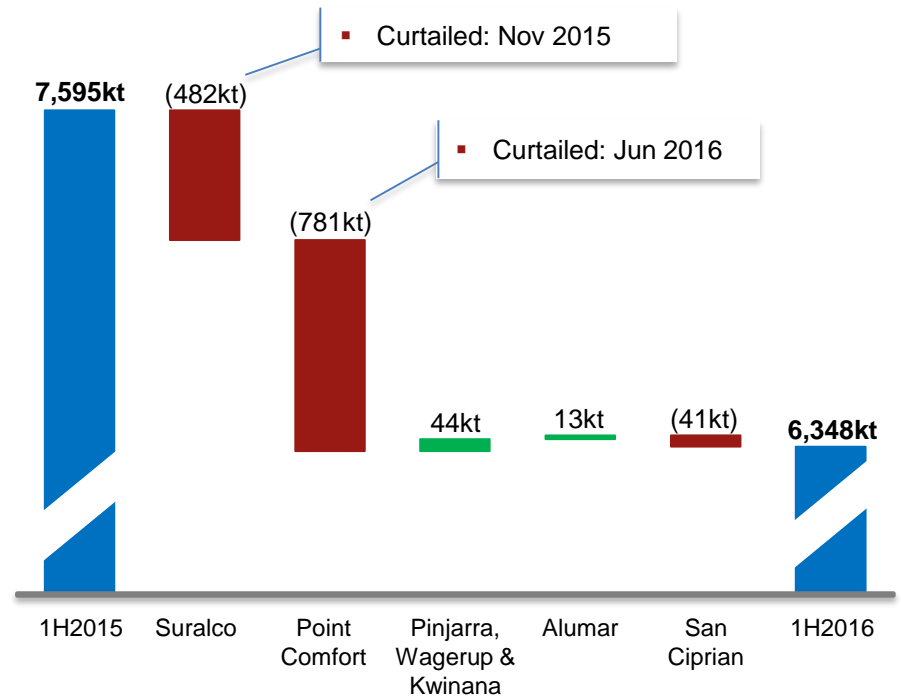
(1) Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation. Movements can relate to usage, unit costs or combination of both, timing of maintenance, seasonal factors, levels of production and the number of production days and refinery mix. Includes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

AWAC alumina production

1H16 production: 6.3mt



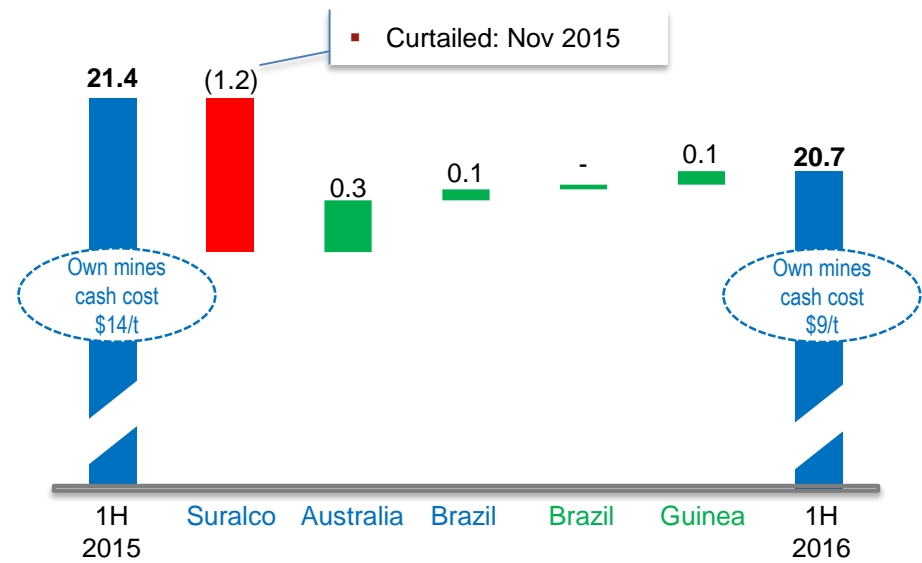
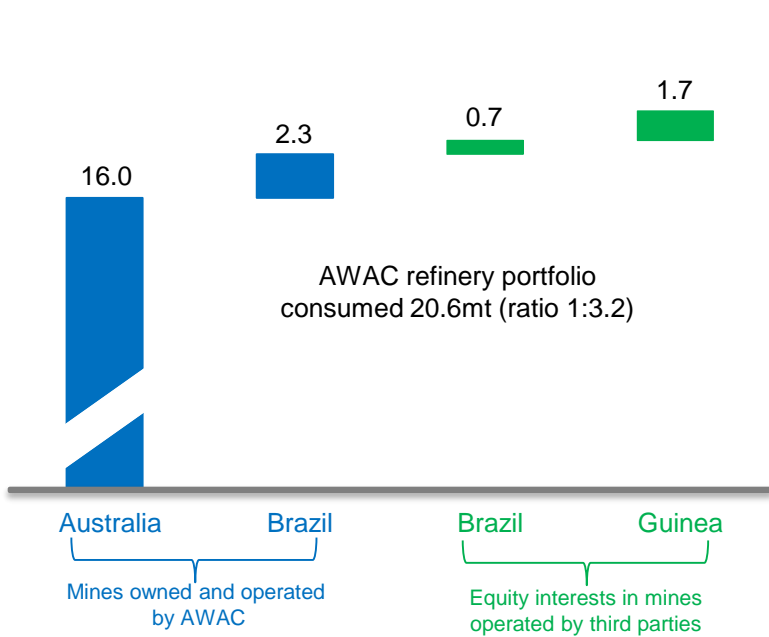
Change by region: 1.2mt decrease



AWAC bauxite production & sales

1H16 production: 20.7mt

Change by region: 0.7mt decrease



Third Party Sales	1H2016	2H2016	2016
Equity Interests	2.5mt	2.6mt	5.1mt
Owned Mines	0.4mt	0.8mt	1.2mt
EBITDA Margin ¹	\$7.8/t		

¹ Does not include margin earned in equity interest

	1H 2016	2H 2016 Outlook	
Alumina EBITDA	\$270m 6.3mt @ \$42/t ⁽¹⁾	Production: 6.4mt Point Comfort: curtailed Costs: lower but FX headwinds	To date, SGA spot above 1H average Lagged LME starts above 1H average
Bauxite EBITDA (3rd Party)	\$23m 3.2m BDT @ \$7.3/t	Sales: 3.1m BDT FX headwinds	
Portland EBITDA	\$3m 81kt @ \$40/t	Production: 83kt LME starts above 1H average	FX headwinds 1H affected by missed shipment
Equity Losses	(\$21m)		
Total EBITDA⁽²⁾	\$275m		
Significant Items (cash payments post tax)	\$26m	\$79m (Accounting: \$60m)	Starting net cash: \$233m
Capex	\$47m	\$103m	
Distributions to partners	\$212m	\$229m distributed in 3Q	

Note: EBITDA per tonne margins are based on production, except for Bauxite which is based on shipments.

⁽¹⁾ Alumina margin has been adjusted to exclude the effect of EBITDA earned from third party Bauxite shipments.

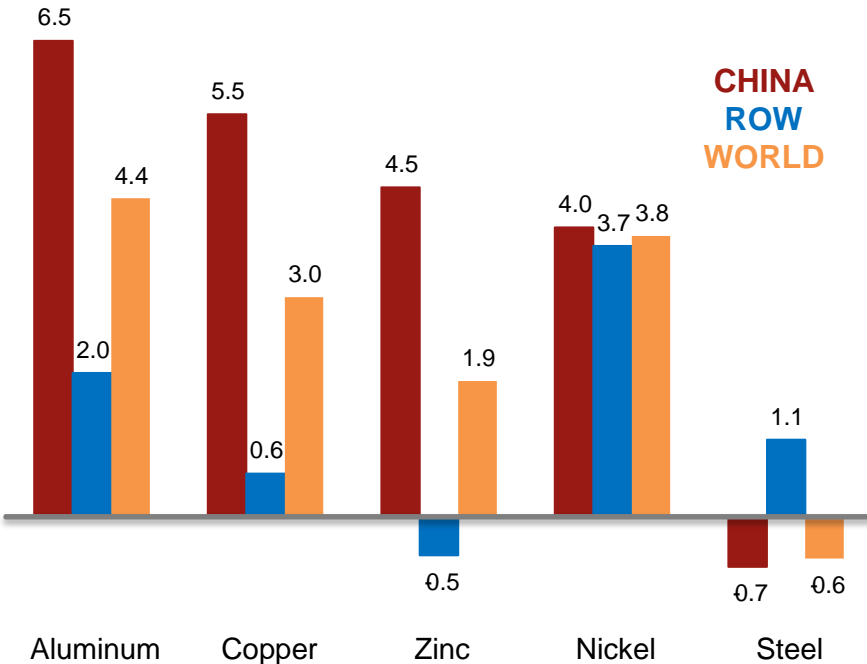
⁽²⁾ Excludes significant items.



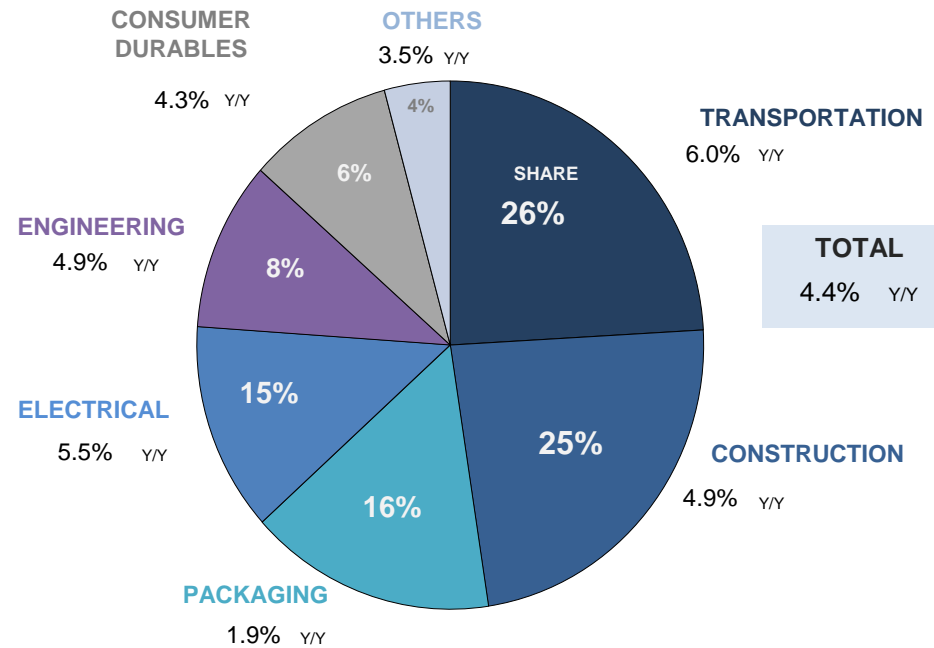
2016 1H Results – Industry Update

Aluminium demand remains strong

2016 Annual Consumption Growth by Metal %

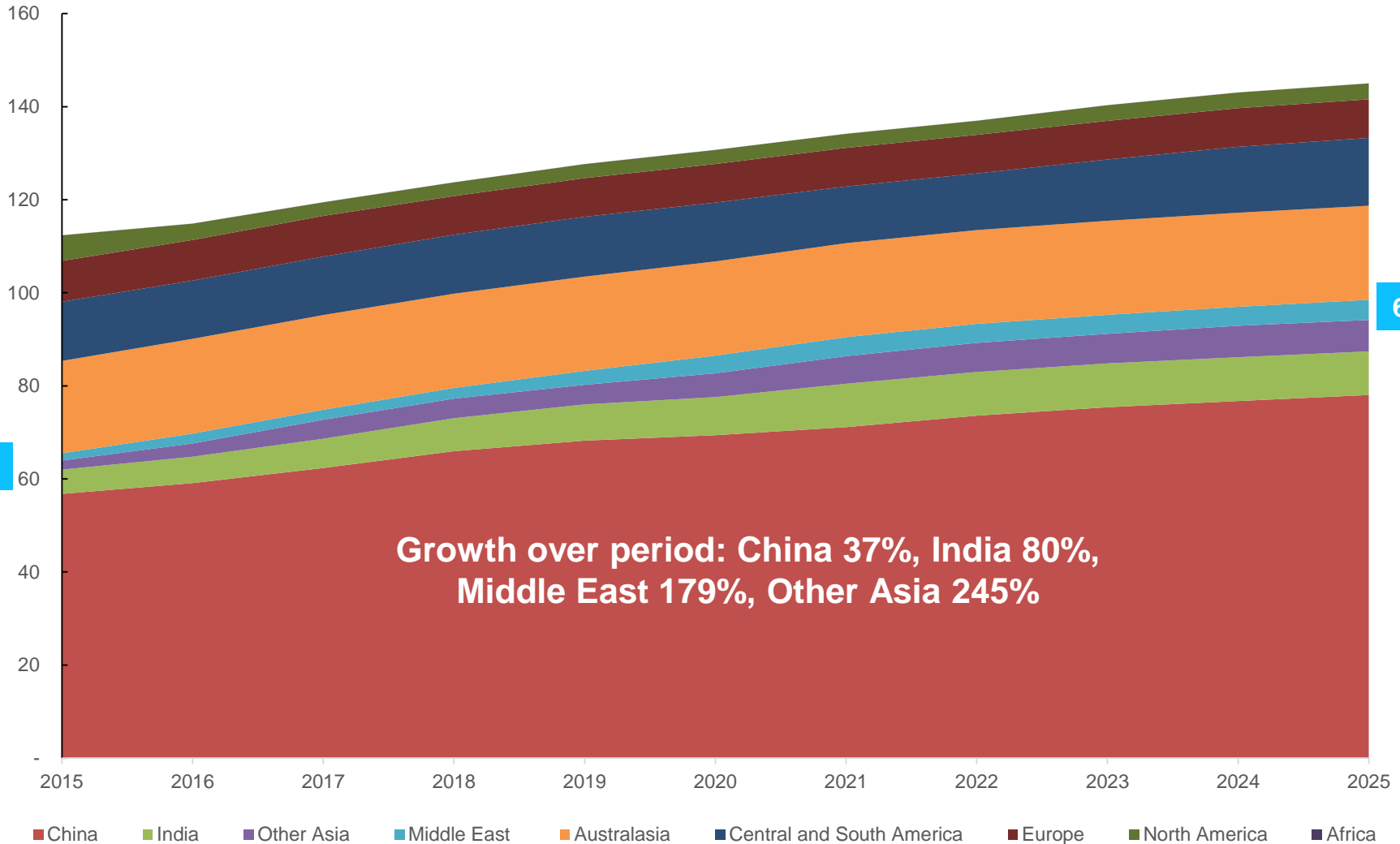


2016 Global Aluminium Consumption Growth by End Use Sector

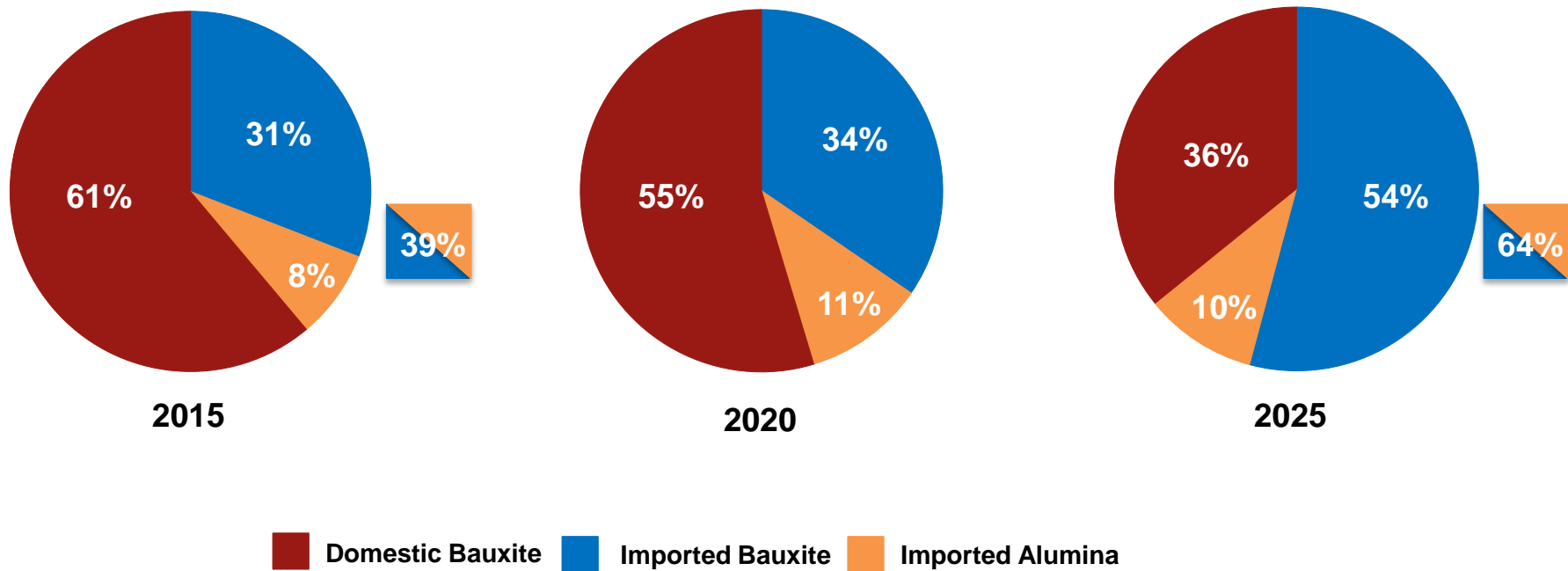


Alumina centre of gravity moves Eastward

Million tonnes
2015 to 2025



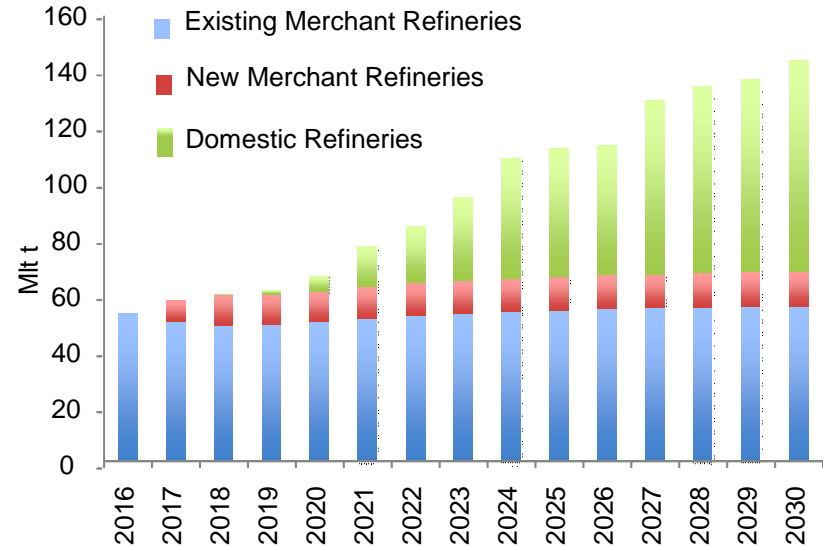
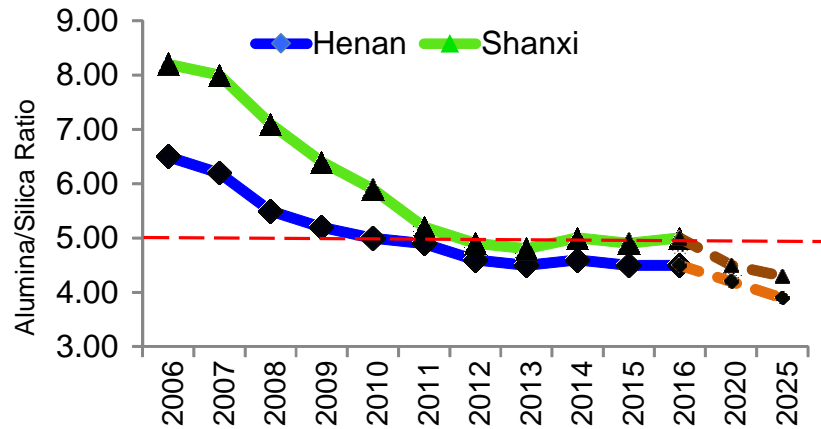
Chinese primary production dependent on imported resources



- Imported bauxite forecast to increase from 56mt in 2015 to 111mt in 2025

Chinese bauxite imports forecast to rise

Declining bauxite quality in key alumina producing provinces

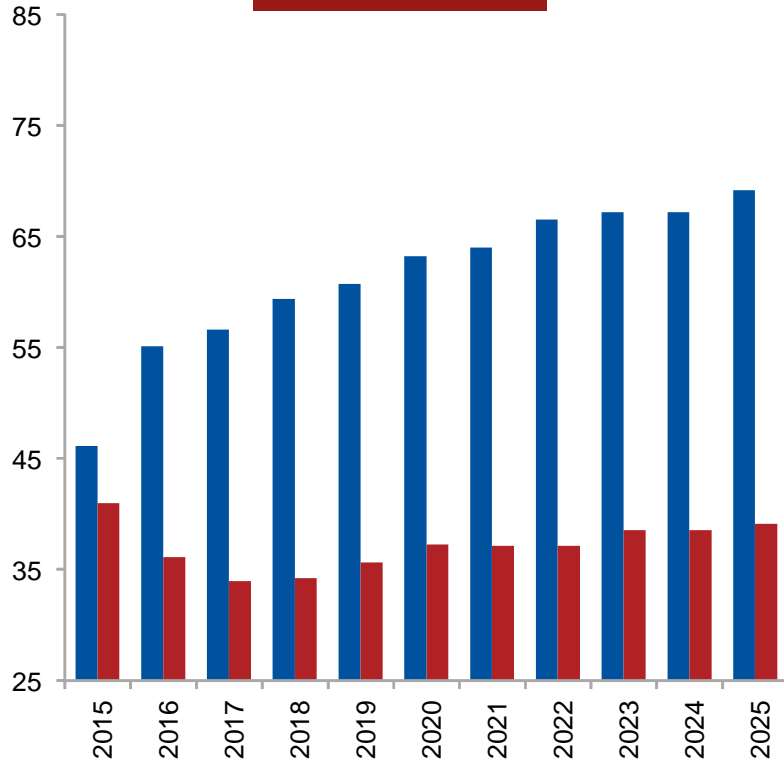


- Historical pure Bayer process economic limit is above 5
- Feed grade increased marginally in 2014 as refineries started to use allocated bauxite (rather than domestic traded)
- Mining costs are increasing as deposits go deeper
- Limited access to high quality bauxite deposits (allocations)
- Lower alumina prices over the past year have led to “high grading” of some deposits

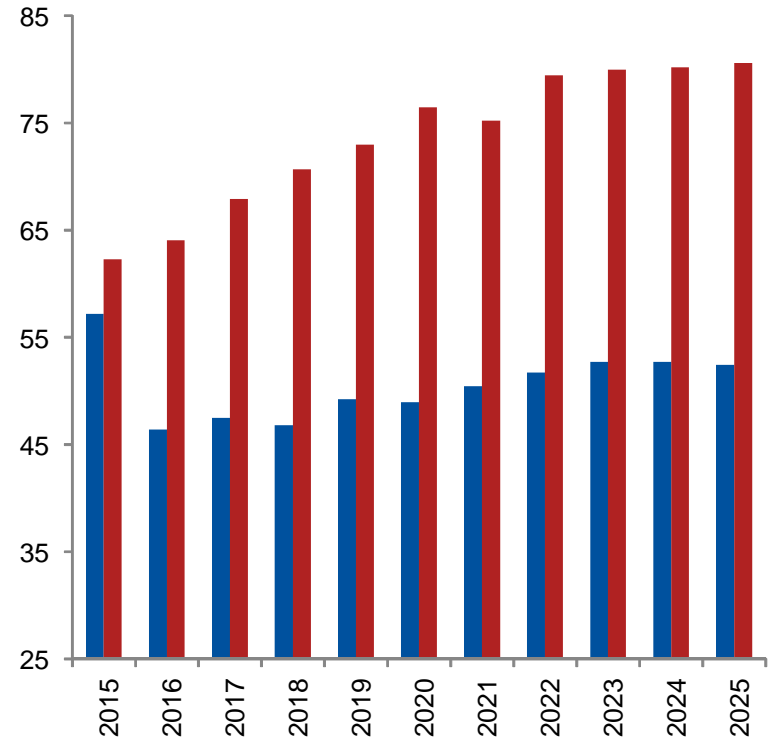
Bauxite availability increasing in the Atlantic

Third party bauxite supply and demand (million tonnes)

Atlantic



Pacific

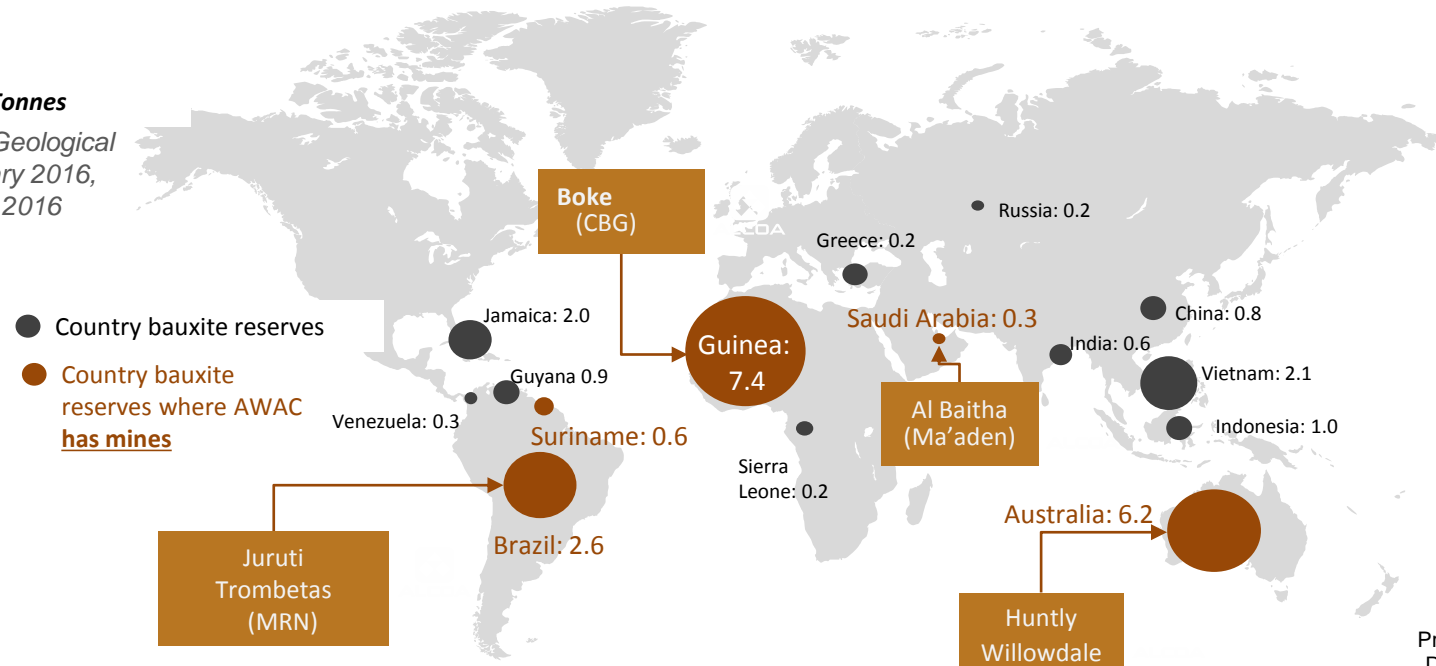


■ Supply

■ Demand

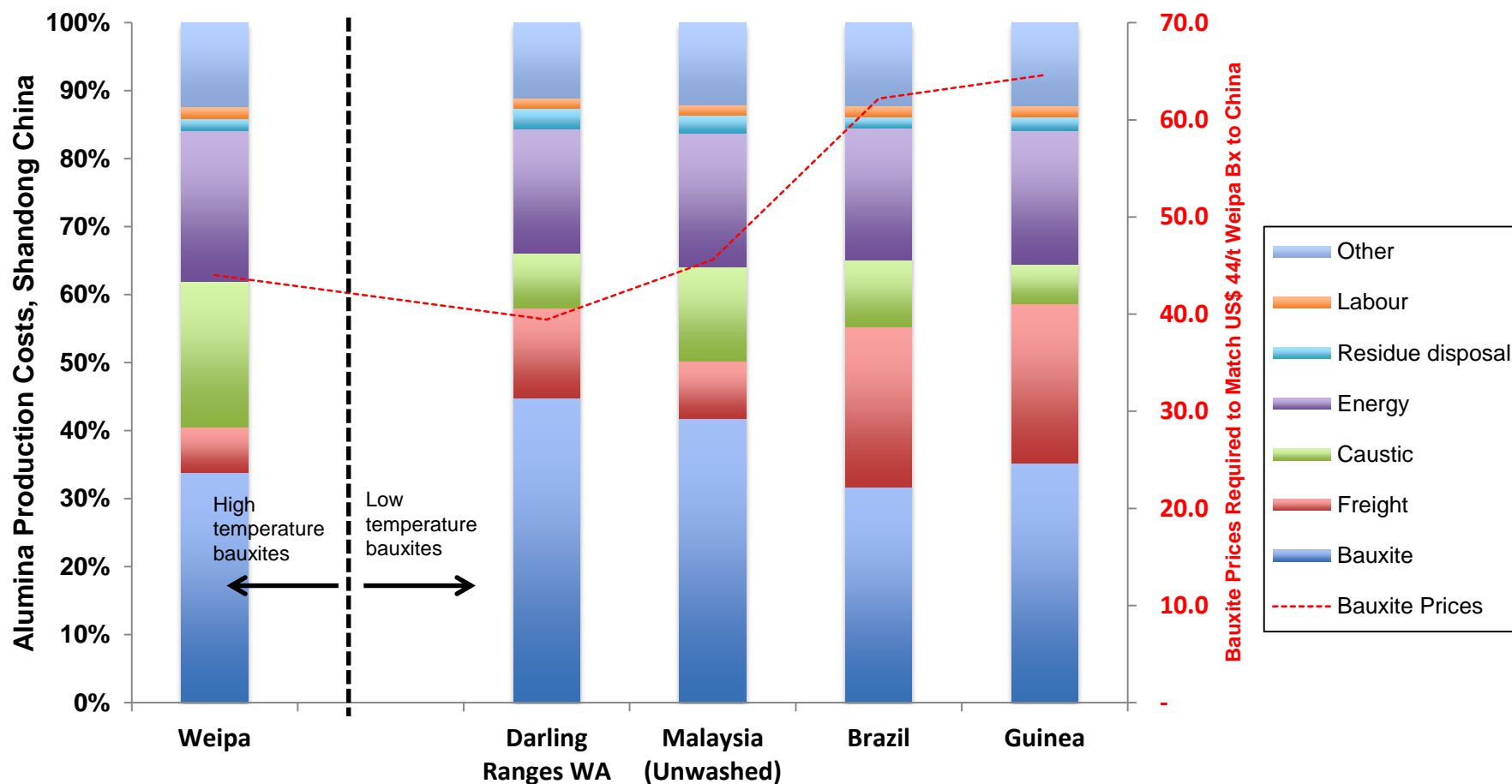
AWAC's strong presence in key bauxite basins

Billion Tonnes
Source: US Geological Survey January 2016, Alcoa August 2016



Mine	Owner(s)	2015 Production Dry ('000 tonnes)
Weipa	Rio Tinto Alcan 100%	27,663
Huntly	AWAC 100%	22,645
Trombetas	South32 14.8%, Rio Tinto Alcan 12%, CBA 10%, Alcoa 8.6%, AWAC 9.6%, Hydro 45%	16,158
Boddington	South32 86%, Japan Alumina 10%, Sojitz 4%	14,940
Boke	Guinean State 49%, AWAC 23.1%, Rio Tinto Alcan 22.9%, Dadco 5%	14,616
Willowdale	AWAC 100%	8,885
Paragominas	Hydro 60%, Vale 40%	8,245
Gove	Rio Tinto Alcan 100%	7,497
Guangxi Pingguo	Chalco 100%	5,940
Juruti	AWAC 100%	4,876
Discovery Bay	Jamaica State 51%, Noranda 49%	4,800
Panchpatmali	Nalco 100%	4,677
Shanxi Xiaoyi	Chalco 100%	3,677
Kindia	UC Rusal 100%	3,499

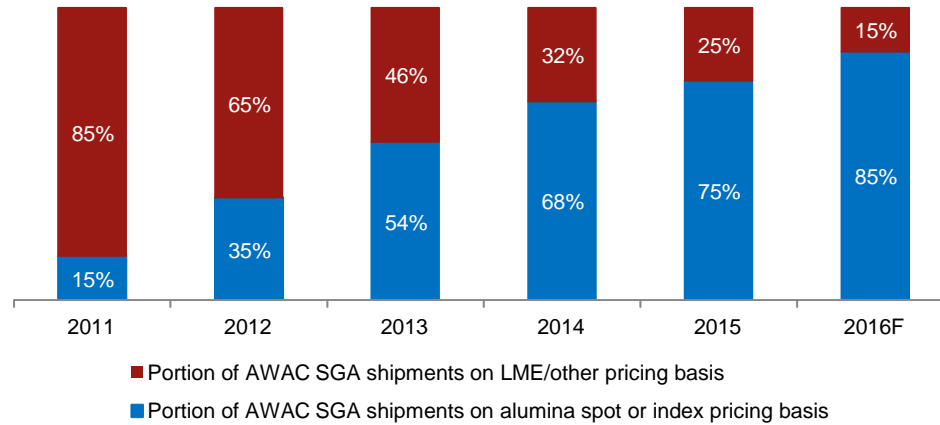
Impact of bauxite source on key cost drivers for alumina production



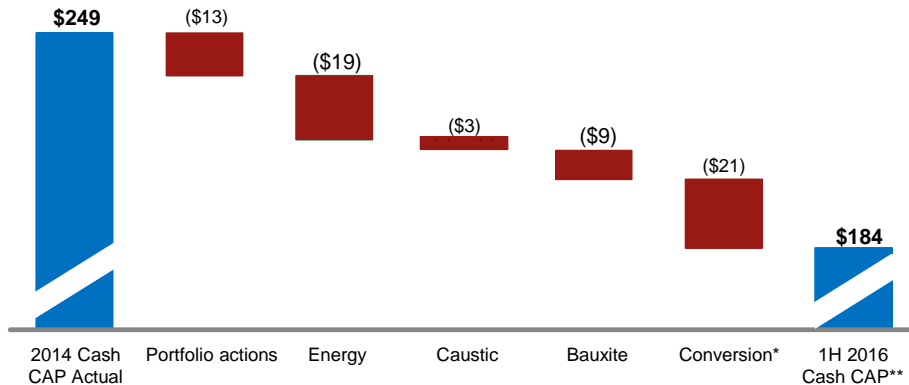
- Weipa is the only major high temperature bauxite supplier
- Darling Ranges bauxite is low in alumina, so requires more bauxite per tonne of alumina produced. However, it is very low in reacting silica, which reduces energy and caustic costs
- Current low-cost freight market increases the competitiveness of Atlantic bauxite relative to Asia-Pacific bauxite delivered into China.

AWAC's three pronged strategy

1. Increase revenue share thru API-based pricing



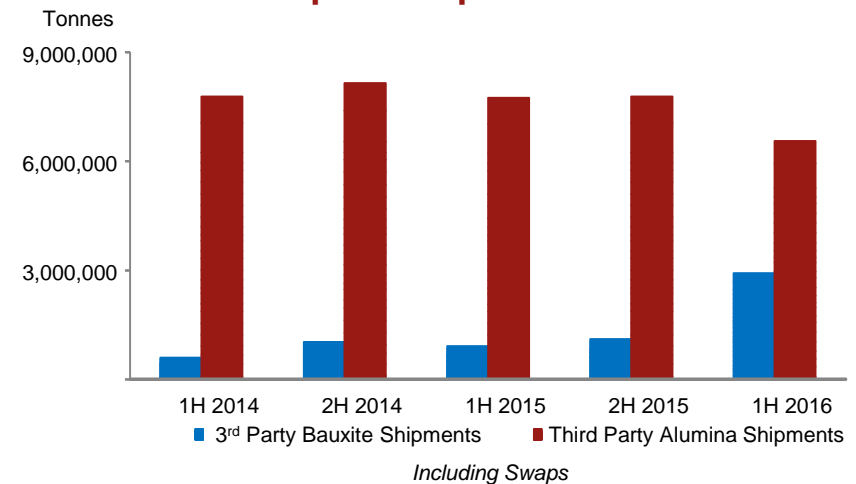
2. Improve cost advantage thru portfolio rationalisation and productivity gains



* Conversion includes: employee costs, indirect costs and other raw materials costs.

** 1H 2016 excludes Point Comfort

3. Develop a new product line in bauxite



AWC's position is sound; medium to long term fundamentals remain positive

Industry context

- Short term challenges
- Medium term fundamentals positive

- Primary aluminium demand growth strong: 4% for 2016 and 7% for 2017
- However, 2015 smelting and refining capacity growth overshoot demand growth
- US\$ strength, lower energy and bauxite prices shift cost curve down
- Sharp 2015 second half price falls followed by significant curtailments
- Refining issues in medium term
 - China: Cost and availability of bauxite (domestic and imported)
 - RoW: Long lead times and no financial incentive for new capacity

AWAC has a leading position

- Largest alumina producer and third party supplier and in lowest cost quartile
- Largest and first quartile of cost bauxite miner: record production, abundant resource, optionality of brownfield expansions to match market

AWAC's strategy is delivering

- De-link alumina pricing: 75% in 2015, 85% in 2016
- Further improving cost position: from 25th to 21st percentile by end 2016
- Closed Point Henry smelter, sold Jamalco, fully curtailing Suriname and Point Comfort, low cost Saudi refinery reaching capacity

Alumina Limited provides a unique look-through vehicle

- Unique, largely pure investment in bauxite and alumina
- Positioned for upside: industry context, asset position and strategy
- Low debt (rating affirmed) and low levels of growth investment



Alumina Limited

2016 Half-Year Results

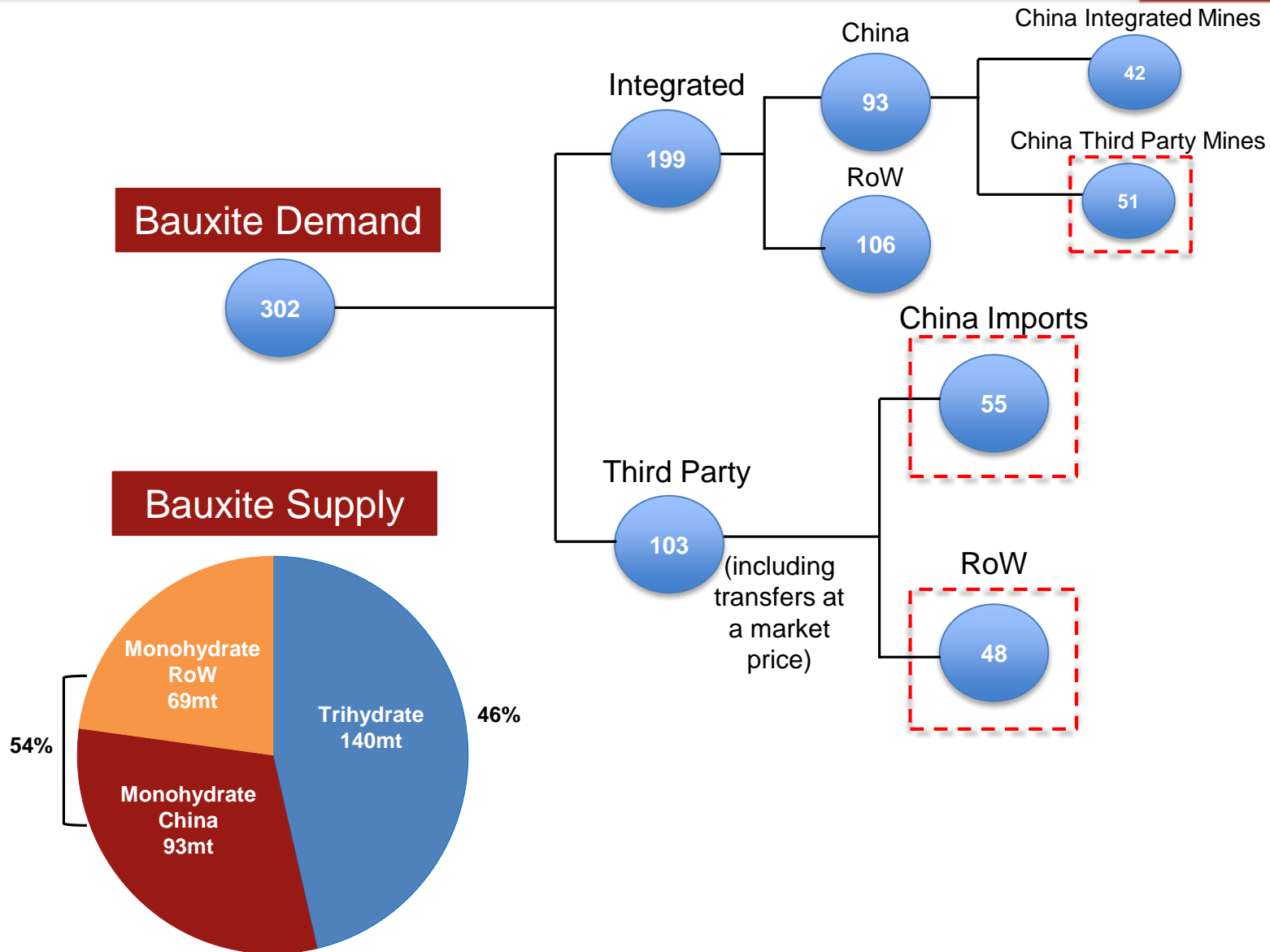
Peter Wasow, Chief Executive Officer

Chris Thiris, Chief Financial Officer

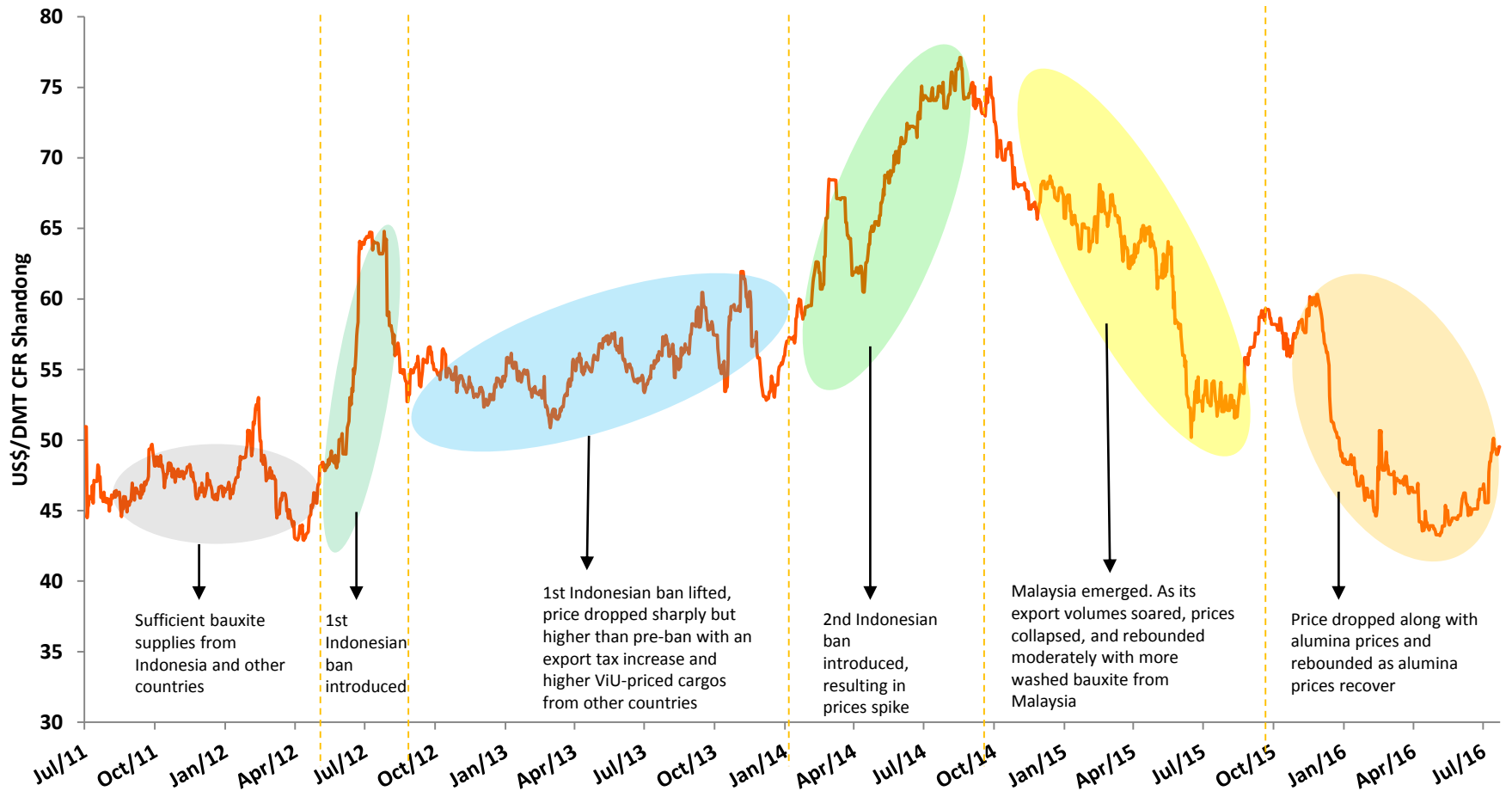
A photograph of an industrial facility, likely an alumina refinery, at sunset. The sky is filled with dramatic, golden clouds. The foreground shows a complex network of metal structures, pipes, and walkways. A large white rectangular box is overlaid on the center of the image, containing the text 'Back up'.

Back up

2015 Bauxite Market Overview



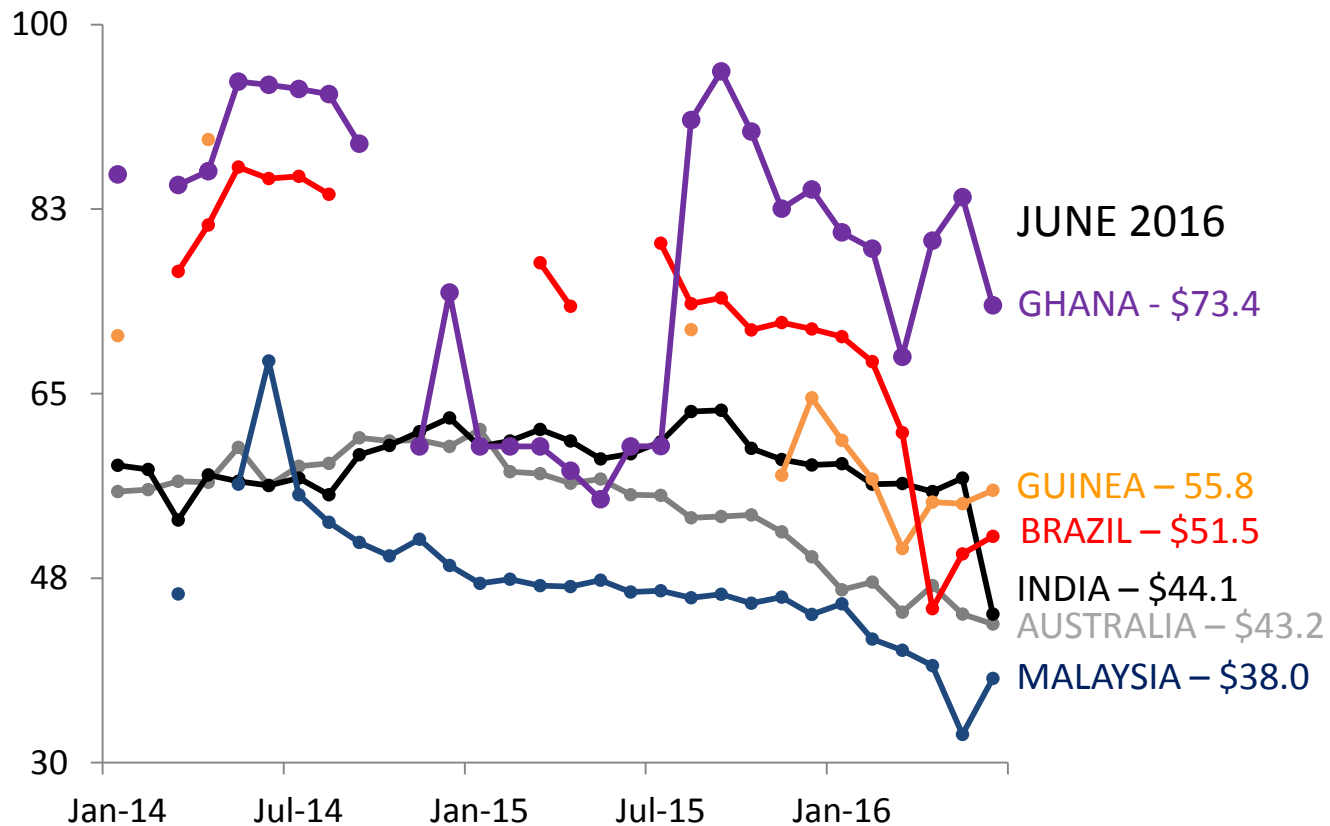
The Bauxite Price Journey – July 2011 to July 2016 (CBIX)*



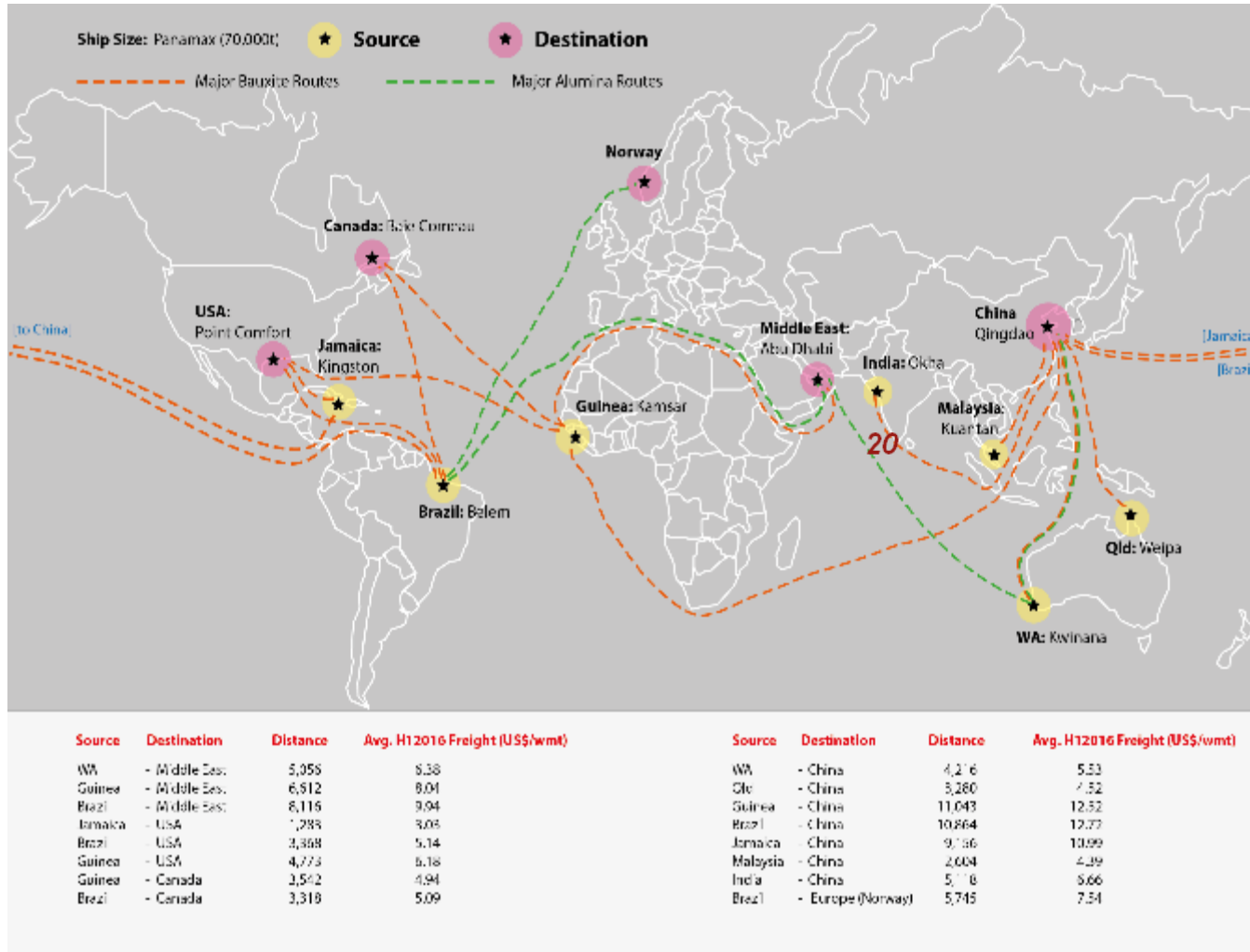
* CBIX is a Value in Use-adjusted reference price for bauxite of a standard grade CFR China

China imported bauxite – Atlantic sources at much higher landed prices

Landed Prices of Imported Bauxite



Key Bauxite/Alumina Freight Routes

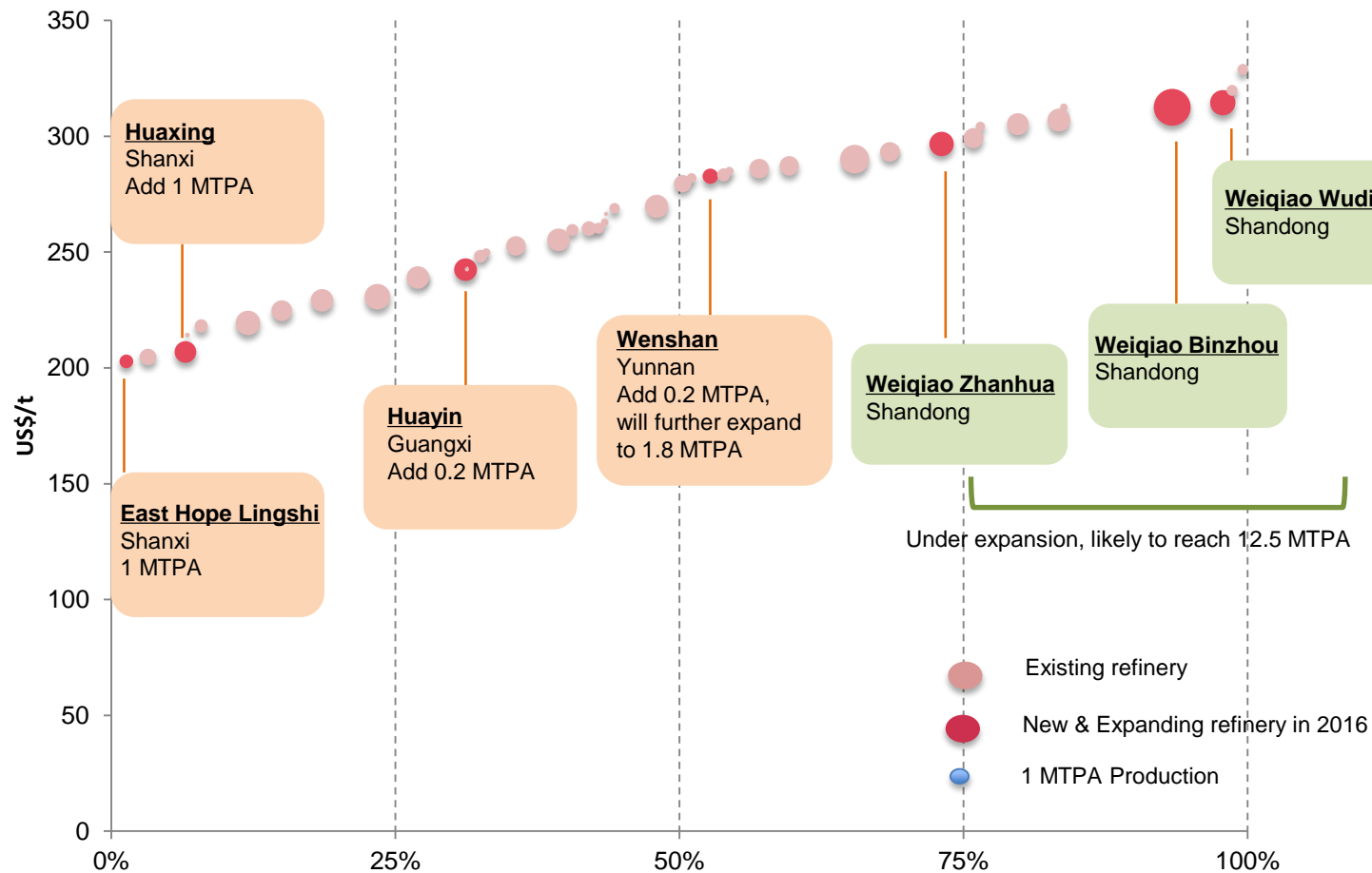


- The freight market in 1H 2016 witnessed one of the most difficult trading periods in decades - with some industry commentators calling it a 30 year low
- A combination of historically low Intermediate Fuel Oil (IFO) ship fuel prices and low vessel daily charter rates have driven freight rates to record lows in 1Q 2016
- 1Q 2016 has seen oil prices and vessel charter rates recover and are now at similar levels to 2H 2015. Even though freight rates have recovered, they are still significantly down on levels in 2014
- Increases in both oil prices and vessel charter rates are forecast to continue gradually, leading to an increase in overall freight rates

7 MTPY of Chinese alumina capacity curtailed; 4 MTPY has resumed in Q1 2016

Province	Curtailed Capacity (ktpa)	Comment	New Capacity in 2H 2016
Henan	300	Curtailed capacity typically older, higher cost refineries. Unlikely to be restarted without a price increase above RMB2,000/t. Jinjiang's 400ktpa (Kaiman) refinery, Wanji's new 600ktpa and Yixiang's 100ktpa have all resumed production since the price recovery in Q1 2016	
Shanxi	900	Capacity curtailed is mostly Chalco Shanxi, given the new strategy of Chalco to divest high-cost assets. Capacity is unlikely to be restarted in the short term Chalco Shanxi eliminated two obsolete Bayer Processing lines and is conducting technology improvement work on the remainder	Xinhua (Chalco Jiaokou) additional 550 ktpa
Shandong	1,800	1,200 ktpa from Xinfu is unlikely to restart, given it is one of the highest cost, non-integrated refineries in China. Weiqiao's announced capacity cut is yet to be implemented	Weiqiao forecast to reach 12.5 MTPY (up from 11.5 MTPY)
Chongqing	200	Bosai's 200ktpa capacity, based on high-cost imported bauxite, is unlikely to restart	
Guizhou	0	Curtailed capacity in Guizhou driven by limited access to higher bauxite grades in the short term. As more high grade bauxite becomes available, as well as the recovery of alumina prices, all curtailed capacity has restarted	
Total	3,200		

Chinese refineries' alumina cash costs – increasing capacity low & high end



- Huayin (Guangxi) and Wenshan (Yunnan) refineries improved production efficiency during H1 2016
- Weiqiao continues to build refining capacity, with three refineries at the high end of the cost curve
- After three years of suspension, East Hope Lingshi refinery has finally become operational, and at the bottom of the China cost curve. Huaxing (Chalco) has expanded to 2 MTPA.
- Both new projects in Shanxi are taking advantage of self-owned, high grade bauxite reserves.

Modest new alumina supply forecast outside China

Upcoming Alumina Projects

REGION	COUNTRY	COMPANY	LOCATION	2016	2017	2018	2019	2020	TYPE	COMMENTS
	UAE	Emirates Global Aluminium	KIZAD, Al Taweelah			2,000			Greenfield	First phase set to be completed in 1Q2018. Phase II could double capacity to 4.0 million tpy.
Asia exc China	Indonesia	Hongqiao Well Harvest Winning Alumina	Ketapang, West Kalimantan		1,000				Greenfield	Phase I started operating late 2015. Currently ramping up and to achieve full capacity by end of 2016. Second 1mt phase scheduled for 2017.
		Inalum/Antam/Chalco	West Kalimantan				1,000	1,000	Greenfield	The refinery is planned to hit the market in 2019-2020.
	Laos	Yunnan Aluminium	Paksong			1,000				The company obtained approval from China's NDRC to build the project in Laos. Yunnan is currently waiting for the green-light of Laos government. Likely to start construction during 2016.
Eastern Europe	Russia	UC Rusal	Kamensk-Uralsky	125					Brownfield	
China	China	Various Greenfield	Various	7,400	0	7,200	800	0	Greenfield	
		Various Brownfield	Various	800	1,100	0	0	0	Brownfield	
TOTAL WORLD				8,325	2,100	10,200	1,800	1,000		
TOTAL CHINA				8,200	1,100	7,200	800	0		
TOTAL ROW				125	1,000	3,000	1,000	1,000		