

Alumina Limited 2016 Full Year Result

Attached are the following documents in relation to Alumina Limited's Annual Results for the year ended 31 December 2016:

- Public Announcement
- December 2016 ASX Report
- AWAC Report



Stephen Foster
Company Secretary

23 February 2017

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2016 Full-Year Result

ALUMINA LIMITED REPORTS US\$30 MILLION LOSS AFTER TAX

Alumina Limited (ASX:AWC) today reported a statutory net loss after tax of US\$30.2 million for the full-year to 31 December 2016. This compares to a net profit in the prior corresponding period of US\$88.3 million.

Alumina's results include significant items of US\$114.9 million which are largely for the restructuring of AWAC's¹ asset portfolio partially offset by the gain on the sale of an interest in the Dampier Bunbury Natural Gas Pipeline. Excluding significant items the net profit after tax would be US\$84.7 million.

Alumina has declared a final, fully franked dividend of 3.1 US cents per share. This compares to an interim dividend in 2016 of 2.9 US cents per share and a final dividend of 1.8 US cents per share in 2016. The dividend reinvestment plan (DRP) will be suspended for this dividend.

Since 1 January 2017, Alumina has received US\$50.2 million of distributions from AWAC entities which have been included in the final dividend.

Alumina's Chief Executive Officer, Peter Wasow, said, "Net cash distributions from AWAC were higher than the previous year despite the tough market conditions in the first half. Third party bauxite sales continue to grow and have a positive impact on AWAC's performance. As a result of restructuring and productivity gains AWAC continues to keep the cost of production low and prices have recovered significantly. In addition, the significant changes to the AWAC agreements negotiated by Alumina ensure that the Company's shareholders benefit from the improved performance to the maximum extent possible."

AWAC: INCREASED DISTRIBUTIONS AS MARKET CONDITIONS IMPROVED OVER THE YEAR

- EBITDA decreased by US\$596.0 million to US\$393.5 million
- EBITDA margin for alumina of US\$63 per tonne
- Cash from operations decreased by \$832.4 million to negative \$23.5 million. Cash from operations is after the final \$200 million instalment for the Western Australian gas supply agreement and the US\$74 million Alba settlement² but excludes the proceeds from the sale of the Dampier Bunbury Natural Gas Pipeline
- Excluding the gas and Alba payments, cash from operations would have been a positive \$250.5 million

OUTLOOK

- Aluminium demand growth of over 4% in 2017 will feed through to alumina and bauxite demand
- Alumina supply and demand forecast to be broadly balanced in 2017 with production cost increases in early 2017 to underpin pricing
- Margins assisted by improved API pricing in early 2017, portfolio rationalisation, productivity gains and growing bauxite sales

ALUMINA KEY FINANCIALS	US\$ MILLION		AWAC KEY FINANCIALS (US GAAP)	US\$ MILLION	
	FY 2016	FY 2015		FY 2016	FY 2015
Net (loss)/profit after tax	(30.2)	88.3	Net profit after tax	49.0	318.2
Total Significant Items after tax ³	(114.9)	(169.9)	EBITDA ⁵	393.5	989.5
Net profit after tax excluding Significant Items	84.7	258.2	Total Significant Items before tax ⁶	(363.7)	(375.0)
Cash received from AWAC	232.8	106.3	EBITDA excluding Significant Items	757.2	1,364.5
Contributions paid to AWAC	(48.0)	(2.4)			
Net Receipts from AWAC	184.8	103.9			
				US\$ PER TONNE	
	31 Dec 2016	31 Dec 2015		FY 2016	FY 2015
Net Debt US\$m	83.8	101.2	Alumina EBITDA margin ⁷	63	91
Gearing ⁴	4.0%	4.8%	Alumina average realised price	242	296
			Alumina average cash cost of production	191	216

DEFINITIONS AND NOTES

1. AWAC is Alcoa World Alumina & Chemicals, which is 60% owned by Alcoa Inc and 40% owned by Alumina Limited.
2. In accordance with the allocation agreement with Alcoa, the \$74 million Alba settlement payment was funded by Alcoa as a part of its assumption of the additional 25% equity share of the Alba settlement payments and costs.
3. FY16 significant items comprise a share of all AWAC FY16 significant items, adjusted for GAAP differences. All items are included in the equity accounted share of net profit of associate.
4. Calculated as $(\text{debt} - \text{cash}) / (\text{debt} + \text{equity})$.
5. Earnings before interest, tax, depreciation and amortisation consistent with previous periods.
6. FY16 significant items are Suralco restructuring charge of \$132.8 million, Portland impairment charge of \$125.8 million, impairment of a Western Australian gas field of \$72.3 million, Anglesea restructuring charge of \$4.3 million, Point Comfort restructuring charge of \$31.0 million and other items totalling a charge of \$24.6 million partially offset by a gain on sale of the Dampier Bunbury Natural Gas Pipeline interest of \$27.1 million. FY15 AWAC financials include Point Comfort restructuring charge of \$85.7 million and Suralco restructuring charges and deferred tax adjustments of \$178.4 million. For further details refer to the reconciliation on page 21 of Alumina Limited's ASX Full-Year Report for the period ended 31 December 2016.
7. The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, the smelter's EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

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 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'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 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's Annual Report 2015. 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.

This presentation 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 or can be found in the Alumina Limited's ASX Full-Year Report for the year ended 31 December 2016.



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23 February 2017

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ASX FULL-YEAR REPORT

Alumina Limited

ABN 85 004 820 419

31 December 2016

Lodged with the ASX under Listing Rule 4.2A.

ALUMINA
LIMITED

Alumina Limited (the Company) is a leading Australian company listed on the Australian Securities Exchange (ASX).

The Company invests worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through its 40% ownership of Alcoa World Alumina and Chemical (AWAC). Following the separation of Alcoa Inc. into Alcoa Corporation and Arconic Inc. on 1 November 2016, Alcoa Corporation replaced Alcoa Inc as Alumina Limited's joint venture partner in the AWAC joint venture. Alcoa Corporation (Alcoa) owns the remaining 60% of AWAC, and is the manager.

The ASX full-year report covers the consolidated entity consisting of Alumina Limited and its subsidiaries. All financial data is presented in US dollars, unless otherwise specified.

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Results for Announcement to the Market

NET PROFIT/(LOSS)

		CHANGE	US\$ MILLION
Net (loss)/profit from ordinary activities after tax attributable to members of Alumina Limited	Down	134.2%	(30.2)
Net (loss)/profit for the year attributable to members of Alumina Limited	Down	134.2%	(30.2)

DIVIDENDS

The record date to determine entitlements to the dividend is 2 March 2017.

	AMOUNT PER SHARE US CENTS	FRANKED AMOUNT PER SHARE US CENTS
Final dividend	3.1	3.1
Interim dividend	2.9	2.9

SIGNIFICANT ITEMS AFFECTING THE NET PROFIT OR LOSS

The net profit/(loss) of Alumina Limited includes the full-year results of AWAC. The Company's net profit/(loss) was negatively affected by its equity share of significant items contained within AWAC's results. These items are disclosed in the table below to enhance an understanding of the Company's operational performance during the reporting period.

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Net (loss)/profit for the period, after tax	(30.2)	88.3
Significant items included in profit/(loss):		
Suralco restructuring charges and deferred tax assets adjustments	(57.5)	(88.4)
Point Comfort restructuring charges	(12.4)	(34.3)
Anglesea restructuring charges	(1.2)	(15.4)
Portland impairment charge	(24.7)	(20.0)
Impairment of an interest in a gas field in Western Australia	(20.2)	–
Gain on sale of interest in the Dampier Bunbury Natural Gas Pipeline (DBNGP)	2.5	–
Other ¹	(1.4)	(11.8)
Total significant items included in net (loss)/profit	(114.9)	(169.9)

¹ Other significant items in 2016 include Point Henry's net scrap proceeds offset by other severance and redundancy payments, assets write-offs (2015: capital work in progress write-offs and severance and redundancy payments).

Consolidated Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

US\$ MILLION		
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Revenue from continuing operations	0.6	0.1
Share of net profit of associates accounted for using the equity method	18.1	109.9
General and administrative expenses	(25.7)	(11.9)
Change in fair value of derivatives/foreign exchange losses	(14.1)	(3.2)
Finance costs	(9.1)	(6.6)
(Loss)/profit before income tax	(30.2)	88.3
Income tax expenses	–	–
(Loss)/profit for the year attributable to the owners of Alumina Limited	(30.2)	88.3
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Share of reserve movements accounted for using the equity method	4.4	(0.7)
Foreign exchange translation difference	178.5	(452.2)
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of retirement benefit obligations accounted for using the equity method	7.5	32.0
Other comprehensive income/(loss) for the year, net of tax	190.4	(420.9)
Total comprehensive income/(loss) for the year attributable to the owners of Alumina Limited	160.2	(332.6)

EARNINGS PER SHARE (EPS)

US CENTS		
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Basic EPS	Negative 1.0	Positive 3.1
Diluted EPS	Negative 1.0	Positive 3.1

CONSOLIDATED BALANCE SHEET

	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
CURRENT ASSETS		
Cash and cash equivalents	8.6	9.3
Receivables	0.1	–
Other assets	3.0	3.3
Total current assets	11.7	12.6
NON-CURRENT ASSETS		
Investment in associates	2,106.0	2,098.0
Property, plant and equipment	0.1	0.1
Total non-current assets	2,106.1	2,098.1
TOTAL ASSETS	2,117.8	2,110.7
CURRENT LIABILITIES		
Payables	1.3	1.7
Provisions	0.3	0.2
Other liabilities	0.1	0.2
Total current liabilities	1.7	2.1
NON-CURRENT LIABILITIES		
Borrowings	92.4	110.5
Derivative financial instruments	16.2	14.7
Provisions	0.6	0.5
Total non-current liabilities	109.2	125.7
TOTAL LIABILITIES	110.9	127.8
NET ASSETS	2,006.9	1,982.9
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	–	(1.4)
Reserves	(1,125.3)	(1,305.9)
Retained earnings	449.3	607.3
TOTAL EQUITY	2,006.9	1,982.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$ MILLION				
	Contributed Equity ¹	Reserves	Retained Earnings	Total
Balance as at 1 January 2015	2,618.8	(853.0)	658.2	2,424.0
Profit for the year	–	–	88.3	88.3
Other comprehensive (loss)/income for the year	–	(452.9)	32.0	(420.9)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(171.2)	(171.2)
Dividend reinvestment plan	62.9	–	–	62.9
Movement in treasury shares	(0.2)	–	–	(0.2)
Balance as at 31 December 2015	2,681.5	(1,305.9)	607.3	1,982.9
Balance as at 1 January 2016	2,681.5	(1,305.9)	607.3	1,982.9
Loss for the year	–	–	(30.2)	(30.2)
Other comprehensive income/(loss) for the year	–	182.9	7.5	190.4
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(135.3)	(135.3)
Movement in treasury shares	1.4	–	–	1.4
Movement in share based payments reserve	–	(2.3)	–	(2.3)
Balance as at 31 December 2016	2,682.9	(1,125.3)	449.3	2,006.9

¹Treasury shares have been deducted from contributed equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(27.9)	(12.1)
GST refund received	0.9	0.4
Dividends received from associates	150.2	61.4
Distributions received from associates	0.7	1.5
Finance costs paid	(7.2)	(8.4)
Interest paid under cross currency interest rate swap	(3.5)	(3.3)
Interest received under cross currency interest rate swap	5.0	5.2
Other	0.2	(1.1)
Net cash inflow from operating activities	118.4	43.6
Cash flows from investing activities		
Payments to investments in associates	(48.0)	(2.4)
Proceeds from return of invested capital	81.9	43.4
Net cash inflow from investing activities	33.9	41.0
Cash flows from financing activities		
Proceeds from borrowings	30.0	110.0
Repayment of borrowings	(50.0)	(100.0)
Dividends paid	(135.3)	(108.2)
Net cash outflow from financing activities	(155.3)	(98.2)
Net increase in cash and cash equivalents	(3.0)	(13.6)
Cash and cash equivalents at the beginning of the financial year	9.3	24.9
Effects of exchange rate changes on cash and cash equivalents	2.3	(2.0)
Cash and cash equivalents at the end of the financial year	8.6	9.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This consolidated financial report for the year ended 31 December 2016 has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4E and in accordance with Australian Accounting Standards ("AAS") and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001.

This consolidated 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 2015 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.

RECONCILIATION OF CASH

	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
Reconciliation of cash at the end of the financial year (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	5.3	1.8
Money market deposits (with maturities on investment three months or less)	3.3	7.5
Total cash and cash equivalents at the end of the financial year	8.6	9.3

CONSOLIDATED RETAINED EARNINGS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Retained earnings at the beginning of the financial year	607.3	658.2
(Loss)/profit attributable to members of Alumina Limited	(30.2)	88.3
Dividends provided for or paid	(135.3)	(171.2)
Re-measurements of retirement benefit obligations accounted for using the equity method	7.5	32.0
Total retained earnings at the end of the financial year	449.3	607.3

INCOME TAX

The income tax expense/benefit for the period is the tax payable/receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The significant majority of the Company's taxable income

reported for the reporting period relates to Australian dividend income from the Company's investments in AWAC. Under Australian income tax law, the Company is entitled to reduce its tax payable by claiming credits (franking credits) in relation to Australian dividend income. This is to prevent double taxation, as Australian tax has been paid by Alcoa of Australia Limited (an AWAC entity) on its operating income.

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
(Loss)/profit from ordinary activities	(30.2)	88.3
Prima facie tax benefit/(expense) for the year at the rate 30%	9.1	(26.5)
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted (profit)/loss not assessable for tax	(18.1)	(109.9)
Foreign income subject to accruals tax	2.8	1.8
Share of Partnership income assessable for tax	3.0	1.5
Timing differences not recognised	-	(1.4)
Tax losses not recognised	26.3	17.8
Non-deductible expenses	16.4	1.9
Previously unrecognised tax losses now recouped to reduce current tax expense	(0.2)	-
Net movement	30.2	(88.3)
Consequent (increase)/decrease in charge for income tax	(9.1)	26.5
Aggregate income tax expense	-	-

EQUITY SECURITIES ISSUED

	NUMBER OF SHARES		US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Balance brought forward	2,879,843,498	2,806,225,615	2,682.9	2,620.0
Movement for the period	-	73,617,883 ¹	-	62.9
	2,879,843,498	2,879,843,498	2,682.9	2,682.9

¹ The Company's Dividend Reinvestment Plan was applicable to the 2015 interim dividend resulting in 73,617,883 shares issued in September 2015 at a 1.5% discount to the market price.

MOVEMENT IN TREASURY SHARES

Treasury shares are Alumina Limited shares held by the Alumina Employee Share Plan Trust for the purposes of issuing shares under the Alumina Employee Share Plan.

	NUMBER OF SHARES		US\$	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Balance brought forward	61,717	423,695	1,413,606	1,176,904
Shares acquired by Alumina Employee Share Plan Pty Ltd	1,508,604	600,000	1,558,319	827,340
Employee performance rights vested	(1,568,465)	(961,978)	(2,970,020)	(590,638)
Total treasury shares	1,856	61,717	1,905	1,413,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EARNINGS PER SHARE

	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
(Loss)/profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US\$ million)	(30.2)	88.3
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,879,474,499	2,824,328,800
Basic EPS (US cents)	Negative 1.0	Positive 3.1
Diluted EPS (US cents)	Negative 1.0	Positive 3.1

NET TANGIBLE ASSET BACKING PER SECURITY

	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Net assets (US\$ million)	2,006.9	1,982.9
Less equity accounted intangible assets:		
Goodwill (US\$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US\$ million)	72.2	73.7
Net tangible assets (US\$ million)	1,758.9	1,733.4
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,879,843,498
Net tangible asset backing per ordinary security (US\$)	0.61	0.60

DIVIDENDS

Since the year-end the Directors have determined that a fully franked dividend of US 3.1 cents per share will be payable on 22 March 2017, amounting to US \$89.3 million. This amount has not been recognised as a liability at year-end. The record date to determine entitlement to the dividend is 2 March 2017.

The franking account balance, which is maintained in Australian dollars, was A\$347.5 million as at 31 December 2016 (A\$339.9 million as at 31 December 2015).

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST OR GAINED

There was no loss or gain of control for the years ended 31 December 2016 and 31 December 2015.

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			31 DEC 2016	31 DEC 2015
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership	Finance lender	Australia	40	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AWAC CONTRIBUTION TO NET PROFIT/(LOSS) OF ALUMINA LIMITED AND CONTROLLED ENTITIES

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Revenues	4,057.1	5,380.4
Profit from continuing operations	48.9	278.5
Profit for the year¹	48.9	278.5
Other comprehensive income/(loss) for the year	475.8	(1,052.3)
Total comprehensive income/(loss) for the year	524.7	(773.8)
Group Share of profit for the year as a percentage	40%	40%
Group Share of profit for the year in dollars	19.6	111.4
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
Share of profit from associate accounted for using equity method	18.1	109.9
Dividends and distributions received from AWAC	150.9	62.9

¹ The profit for the twelve month periods ended 31 December 2016 and 31 December 2015 include significant items that have affected AWAC's net profit after tax. For further details refer to the reconciliation on page 21.

AWAC'S 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 filed a declaratory judgement action in Delaware seeking clarification of its rights and obligations under the 1995 Agreement.

By order dated 8 February 2016, the court granted AWA's motion and denied Glencore's motion, resulting in AWA not being liable to indemnify Glencore for the Lockheed action. On 17 February 2016, Glencore filed notice of its application for interlocutory appeal of the 8 February ruling. AWA and SCA filed an opposition to that application on 29 February 2016. On 10 March 2016, the court denied Glencore's motion for interlocutory appeal and on the same day entered judgment on claims other than Glencore's claims for costs and fees it incurred in defending and settling the earlier Superfund action brought against Glencore by the Government of the Virgin Islands.

On 29 March 2016, Glencore filed a withdrawal of its notice of interlocutory appeal and on 6 April 2016, Glencore filed an appeal of the court's 10 March 2016 judgement to the Delaware Supreme Court which set the appeal for argument for 2 November 2016. On 4 November 2016, the Delaware Supreme Court affirmed the judgement of the Delaware Superior Court. Remaining in the case are Glencore's claims for costs and fees it incurred related to the previously described Superfund action; these claims are not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BORROWINGS

	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
Bank loans	-	20.0
Fixed rate note	92.4	90.5
Total borrowings	92.4	110.5

Bank loans

Alumina Limited has a US\$300 million syndicated bank facility with two equal tranches maturing in December 2017 and July 2020. As at 31 December 2016 there were no amounts drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2016 was \$300 million.

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 change in credit rating for Alumina Limited triggered a 1.75% step up in coupon from 5.5% to 7.25%, effective 20 November 2016. The note matures on 19 November 2019. The fixed rate note has been converted to US dollar equivalents at year-end exchange rates.

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 bauxite/alumina/aluminium business through its equity interest in AWAC.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events occurring since 31 December 2016.

COMPLIANCE STATEMENT

1. This financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.
2. This report gives a true and fair view of the matters discussed.
3. This report is based on accounts which are in the process of being audited.
4. Alumina Limited has a formally constituted Audit and Risk Management Committee.
5. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



PETER WASOW
Director
Melbourne
23 February 2017

Supplementary Appendix 4E Information

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

This supplementary information contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior corresponding period 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.

AWAC financial information has been extracted from unaudited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

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 supplementary information 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 2015. 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.

ALUMINA LIMITED FINANCIAL PERFORMANCE SUMMARY

LOWER PROFIT BUT IMPROVED CASH FLOW

- Profit decreased by \$118.5 million.
- Excluding significant items, profit decreased by \$173.5 million.
- Net cash receipts from AWAC increased by \$80.9 million.

FINAL DIVIDEND DECLARED AND INTERIM DIVIDEND PAID

- The directors declared a fully franked final dividend of US 3.1 cents per share, payable on 22 March 2017 to shareholders on the register as at 5pm on 2 March 2017.
- The fully franked interim dividend for 2016 of 2.9 cents per share was paid on 15 September 2016.

BALANCE SHEET STABILITY MAINTAINED

- Balance sheet gearing at 4.0%.

KEY FINANCIALS (IFRS)

	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
Net (loss)/profit after tax	(30.2)	88.3
Total significant items after tax ¹	(114.9)	(169.9)
Net profit after tax excluding significant items	84.7	258.2
Cash received from AWAC	232.8	106.3
Contributions paid to AWAC	(48.0)	(2.4)

	US CENTS PER SHARE	
	31 DEC 2016	31 DEC 2015
EPS	Negative 1.0	Positive 3.1
Total dividends declared	6.0	6.3

	31 DEC 2016	31 DEC 2015
Net Debt, US\$m	83.8	101.2
Gearing ²	4.0%	4.8%

¹ For further details refer to page 24.

² Calculated as (debt - cash) / (debt + equity).

AWAC FINANCIAL AND OPERATIONAL PERFORMANCE SUMMARY

LOWER EBITDA AFTER SIGNIFICANT ITEMS

- EBITDA decreased by \$596.0 million.
- Charges related to significant items decreased by \$11.3 million.
- Excluding significant items, EBITDA decreased by \$607.3 million.

ALUMINA COSTS AND PRICES DECLINED

- EBITDA margin per tonne of alumina decreased by \$28 per tonne.
- Alumina average cash cost declined by \$25 per tonne, or \$29 per tonne after excluding all curtailed refinery operations.
- Alumina average realised price declined by \$54 per tonne.
- Proportion of smelter grade alumina (SGA) shipments that were priced on spot or alumina indexed basis increased to 84%.

LOWER CASH FROM OPERATIONS

- Cash from operations decreased by \$832.4 million.
- Cash from operations includes payments of the \$200 million final instalment for natural gas supply from 2020 and \$74 million Alba settlement.
- Excluding the gas and Alba payments, cash from operations would have been a positive \$250.5 million.

EXPANDING THIRD PARTY BAUXITE BUSINESS

- Third party shipments for 2016 increased by 277% to 6.3 million bone dry tonnes (BDT) of bauxite.

KEY FINANCIALS (US GAAP)

	31 DEC 2016	31 DEC 2015
EBITDA US\$m ¹	393.5	989.5
Total significant items before tax US\$m ¹	(363.7)	(375.0)
EBITDA excluding significant items US\$m ¹	757.2	1,364.5
EBITDA margin per tonne of alumina US\$/tonne ²	63	91
Alumina average realised price US\$/tonne	242	296
Alumina average cash cost of production US\$/tonne	191	216
SGA shipments priced on spot or index basis (%)	84	79
Cash from operations US\$m	(23.5)	808.9

¹ For further details refer to the reconciliation on page 21.

² The Earnings before interest, tax, depreciation and amortisation (EBITDA) margin is calculated as AWAC's EBITDA excluding significant items, smelter's EBITDA and equity accounted income/(losses) divided by tonnes of alumina produced.

REVIEW OF AWAC OPERATIONS

Following the separation of Alcoa Inc. into Alcoa Corporation and Arconic Inc. on 1 November 2016, Alcoa Corporation replaced Alcoa Inc as Alumina Limited's joint venture partner in the AWAC joint venture.

As announced by Alumina Limited on 2 September 2016, Alcoa Inc. and Alumina Limited agreed certain changes to the governance and financial policies of the joint venture. The changes align more closely the partners' interests in AWAC, promote faster decision-making, provide for joint input on significant decisions, improve information sharing and streamline the dispute resolution process.

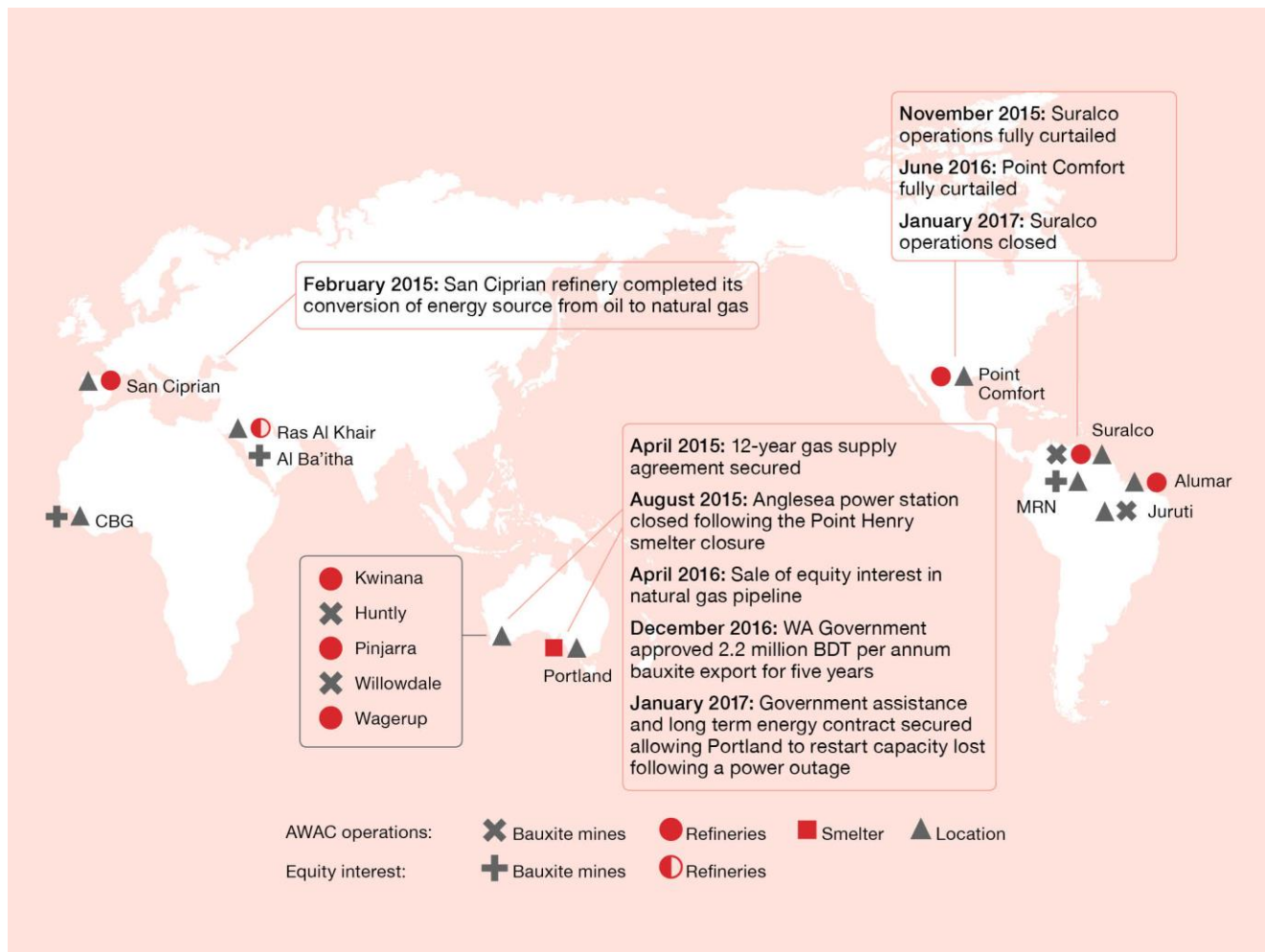
The changes also simplified AWAC's dividend and cash management policies and require that AWAC raise a limited amount of debt to fund future mutually agreed growth projects.

The changes to the joint venture arrangements have not affected the nature of AWAC's operations. Furthermore, AWAC's portfolio restructuring and repositioning continued on under the new management with the closure of Suriname operations.

Increased third party sales of bauxite in 2016 reaffirmed the decision to create the separate mining business unit, which recognises the growing commercial value of bauxite, and the extensive resource, mining capabilities and infrastructure capacity of AWAC.

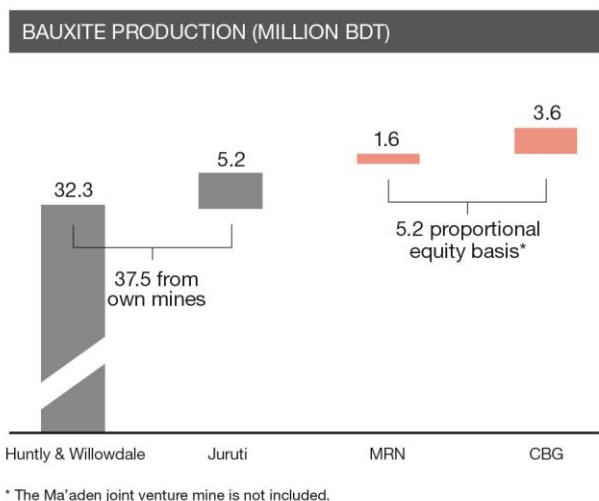
Whilst portfolio restructuring results in additional costs to AWAC, these actions are necessary to strengthen its competitive position.

DIAGRAM OF AWAC OPERATIONS AND INTERESTS



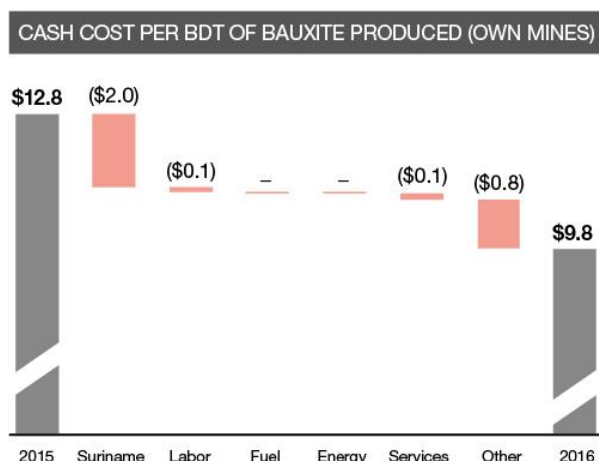
MINING

AWAC's own mines produced 37.5 million BDT of bauxite, a decrease of 0.5 million tonnes compared to 2015, which was due to the closure of the Suralco mine, offset by increased production in Australia and Brazil. The Juruti mine in Brazil set an annual production record. Including equity interests, total bauxite production in 2016 was 42.7 million BDT (2015: 43 million BDT).



The 2016 average cash cost per tonne of bauxite produced by AWAC's own mines decreased by 24% to \$9.8 per BDT compared to \$12.8 per BDT in 2015.

Approximately \$2 per BDT of the decrease was as a result of the curtailment of the higher cost Suralco mine. The balance of the decrease was predominately due to productivity improvements and the stronger US dollar against the Australian dollar and the Brazilian real.



Whilst AWAC remains focused on leveraging its strategic advantage of having mining operations generally in close proximity to its refining operations, it is also expanding its third party bauxite business.

In April 2016, AWAC announced that it signed bauxite supply contracts with customers in China, Europe and Brazil worth more than \$350 million over two years. AWAC also completed its first trial cargo shipment of Western Australian bauxite to China during the first half of 2016, which has led to further orders for over 0.4 million BDT of bauxite, most of which will be satisfied during 2017.

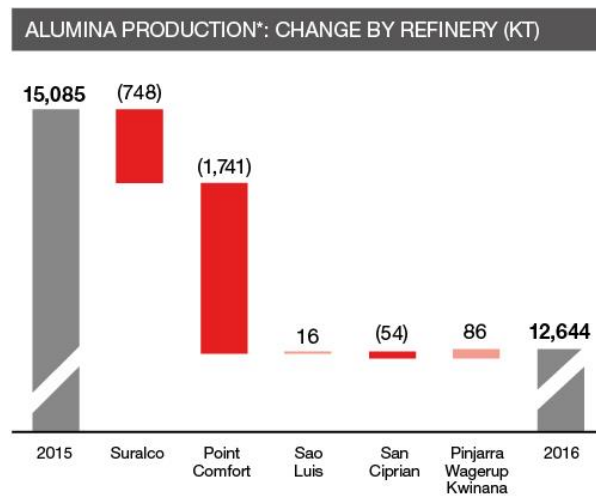
Furthermore, on 19 December 2016, Alcoa announced that the Western Australian government had granted approval for AWAC to export approximately 2.3 million BDT annually for a period of 5 years.

In 2016 AWAC sold a total of 6.3 million BDT of bauxite to third parties and have approximately 6.8 million BDT committed sales for 2017.

During 2017 AWAC is expected to complete an incremental increase in the capacity of the Juruti mine, which could be the foundation for further expansions, and to invest in infrastructure development to facilitate further exports from Western Australia.

REFINING

Production of alumina was 12.6 million tonnes in 2016, compared to 15.1 million tonnes in 2015, and alumina shipments were 13.3 million and 15.5 million tonnes respectively. The reduction in both production and sales volume is mainly due to the closure of Suralco and curtailment of Point Comfort refineries.



* Production of AWAC's operated refineries. Therefore, the Ma'aden joint venture refinery is not included.

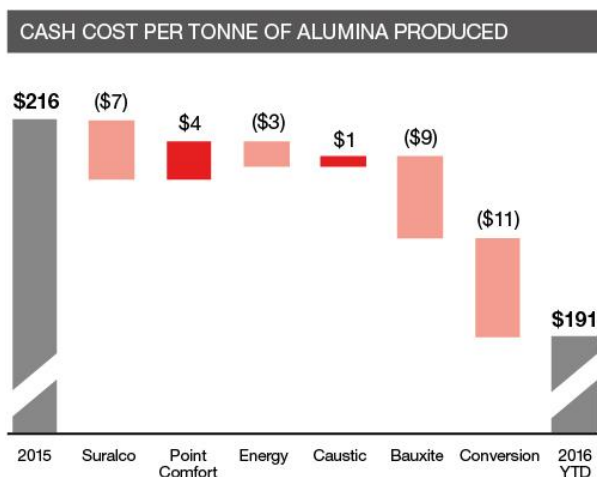
The Ma'aden refinery produced 1.4 million tonnes of alumina in 2016 compared to 0.9 million tonnes in 2015 (AWAC's share is approximately 359,000 and 220,000 respectively). The 2016 results included \$42.6 million of equity losses relating to the Ma'aden joint venture, compared to \$46.2 million in 2015. It is expected that production at Ma'aden refinery will achieve nameplate capacity during 2017.

In 2016, sales of alumina to Alcoa's smelters were renegotiated to an alumina index basis, except for a legacy contracts totalling to approximately 0.5 million tonnes.

Therefore, approximately 84% of AWAC's total SGA shipments were priced on spot or alumina indexed basis for 2016 compared to 79% for 2015. For 2017, SGA shipments on a spot or alumina indexed basis are expected to be approximately 85% of the total, rising to 92% in 2018.

The 2016 average realised alumina price decreased by 18% to \$242 per tonne compared to \$296 per tonne in 2015.

AWAC's average 2016 cash cost per tonne of alumina produced (which includes the mining business unit at cost) decreased by 11% to \$191 per tonne compared to \$216 per tonne in 2015. Approximately seven dollars per tonne of the decrease is as a result of the curtailment of the higher cost Suralco mine and refinery which were fully curtailed in November 2015. The Suralco operations were subsequently closed.



The Point Comfort refinery was fully curtailed in June 2016. If this refinery was excluded from the year-end results, then 2016 cash costs would have been \$187 per tonne, which would be 13% lower than the 2015 costs on the same basis. The balance of the decrease was due to productivity improvements, the stronger US dollar and lower energy costs driven by lower energy prices.

The EBITDA margin was \$63 per tonne of alumina produced in 2016, a decrease of \$28 per tonne compared to 2015. Lower margins were a result of the lower average realised alumina prices partially offset by lower costs of production and an increase in sales of bauxite to third parties.

SMELTING

The Portland smelter, in which AWAC has a 55% equity interest, is the remaining smelting operation in the AWAC portfolio.

AWAC's share of aluminium production was approximately 154,000 tonnes in 2016, which is 5% lower than 2015, mostly due to a power outage in December 2016. Prior to the electrical fault the smelter had been operating at nearly 85 percent of its nameplate capacity of 358,000 metric tonnes per year. The power outage reduced production to approximately 21% of capacity.

In January, agreements were reached with the Victorian State and Australian Federal governments and energy provider AGL Energy Limited, which allow the restart of the lost smelting capacity. Restoring the curtailed production is expected to take approximately six months.

Portland's 2016 average cash cost of aluminium per tonne produced, up to the point of molten metal exiting the potrooms, decreased by 7% to \$1,471 per tonne, mainly due to lower alumina prices.

The average realised aluminium price decreased by 11% to \$1,702 per tonne, mainly as a result in the weakening of the LME aluminium price.

Portland contributed \$5 million in EBITDA, at a margin of \$34 per tonne of aluminium produced.

AWAC FINANCIAL REVIEW

The decline in AWAC's net profit was largely due to the lower average realised alumina price, which was partially offset by lower charges for significant items, net productivity improvements, lower energy costs and an increase in third party bauxite sales.

AWAC PROFIT AND LOSS (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Net profit after tax	49.0	318.2
Add back: Income tax charge	72.3	367.1
Add back: Depreciation and amortisation	271.8	302.9
Add back: Net interest	0.4	1.3
EBITDA	393.5	989.5
Add back: Significant items (pre-tax)	363.7	375.0
EBITDA excluding significant items	757.2	1,364.5

The AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Suralco restructuring charges	(132.8)	(178.4)
Point Comfort restructuring charges	(31.0)	(85.7)
Anglesea restructuring charges	(4.3)	(68.2)
Gain on sale of interest in the Dampier Bunbury Gas Pipeline	27.1	–
Capital work in progress write-offs	–	(33.0)
Impairment in an interest in a gas field in Western Australia	(72.3)	–
Portland impairment charge ¹	(125.8)	–
Other (includes severance and redundancy charges, US GAAP pension adjustment)	(24.6)	(9.7)
Total significant items (pre-tax)	(363.7)	(375.0)
Total significant items (after-tax)²	(306.2)	(385.4)

¹ For US GAAP purposes the Portland impairment charge was fully recognised in 2016. For AAS, the charge was recognised over the period of two years, 2016 and 2015.

² For the year ended 31 December 2016, after-tax significant items included a \$5.0 million deferred tax assets write-off in relation to the sale of DBNGP. For the year ended 31 December 2015, after-tax significant items included a \$85.2 million tax charge for a revaluation of certain deferred tax assets of Suralco, which mainly related to employee benefits and the carrying forward of tax losses.

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2016

AWAC BALANCE SHEET (US GAAP)	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
Cash and cash equivalents	251.2	531.8
Receivables	395.7	329.1
Related party notes receivable	-	113.6
Inventories	425.9	436.8
Property, plant & equipment	3,634.2	3,691.8
Other assets	2,064.5	2,032.7
Total Assets	6,771.5	7,135.8
Short term borrowings	2.2	10.0
Accounts payable	561.6	635.8
Taxes payable and deferred	184.9	306.5
Capital lease obligations & long term debt	2.7	3.6
Other liabilities	1,220.4	1,308.8
Total Liabilities	1,971.8	2,264.7
Equity	4,799.7	4,871.1

The value of assets and liabilities denominated in foreign currencies increased, mainly due to the effect of the weaker US dollar at year-end particularly against the Brazilian real.

The reduction of property plant & equipment is predominantly due to a \$125.8m impairment charge in relation to the Portland smelter offset by the increase in value of the foreign assets.

In 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, the second and final instalment of \$200 million was made in April 2016. These instalments are included in other assets (non-current) on the AWAC consolidated balance sheet in the respective reporting periods.

The other movements in other assets include an increase in the value of deferred tax assets of approximately \$33 million, a reduction in investments of \$135 million primarily due to the sale of DBNGP and reduction in other assets due to the \$72.3 million impairment in an interest in a gas field in Western Australia.

The reduction in other liabilities includes the \$74 million Alba settlement paid in January 2016. In accordance with the allocation agreement with Alcoa, the payment was funded by Alcoa as a part of its assumption of the additional 25% equity share of the Alba settlement payments and costs. The remaining instalment payments totalling \$148 million will also be fully funded by Alcoa.

Further movements in other liabilities include the decrease in value of derivative contracts of approximately \$53 million and severance reserves of approximately \$53 million offset by an additional \$115m liabilities arising from the closure of Suriname operations.

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2016

AWAC CASH FLOW (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Cash from operations	(23.5)	808.9
Capital contributions arising from the allocation agreement ¹	74.0	71.2
Capital contributions from partners	120.0	5.9
Net movement in borrowings	(5.2)	(49.6)
Capital expenditure	(129.9)	(178.4)
Proceeds from sale of 20% interest in the DBNGP	145.0	–
Other financing and investing activities ²	122.3	(54.1)
Effects of exchange rate changes on cash and cash equivalents	6.8	(42.3)
Cash flow before distributions	309.5	561.6
Distributions paid to partners	(590.1)	(268.0)
Net change in cash and cash equivalents	(280.6)	293.6

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

² Made up of changes to capital lease obligations, related party notes receivable and other.

Cash from operations includes the final instalment of \$200 million for the 12-year gas supply agreement (2015: \$300 million), payment for the Alba settlement of \$74 million (2015: \$74 million) and payments relating to significant items.

Adjusting for the gas instalment and the Alba settlement, cash from operations would have been a positive \$250.5 million, despite SGA prices falling to a multi-year low during 2016. In 2016, sustaining capital expenditure was \$121.1 million compared to \$171.8 million in 2015.

Significant refinery capital expenditure in 2016 included residue storage at Alumar, residue filtration at Kwinana and water treatment at Point Comfort.

The mining business unit's capital expenditure was \$27 million in 2016, which included replacement of fleet management systems, haul roads and tailing ponds uplift.

Growth capital expenditure for 2016 was \$8.8 million compared to \$6.6 million in 2015. The expenditure largely related to digestion improvements at the Pinjarra refinery in Western Australia and production creep at Juruti.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Share of net profit of associates accounted for using the equity method	18.1	109.9
General and administrative expenses	(25.7)	(11.9)
Finance costs	(9.1)	(6.6)
Foreign exchange losses, tax and other	(13.5)	(3.1)
(Loss)/profit for the year after tax	(30.2)	88.3
Total significant items after tax	(114.9)	(169.9)
Net profit after tax excluding significant items	84.7	258.2

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2016

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Suralco restructuring charges and deferred tax assets adjustment	(57.5)	(88.4)
Point Comfort restructuring charges	(12.4)	(34.3)
Anglesea restructuring charges	(1.2)	(15.4)
Portland impairment charge ¹	(24.7)	(20.0)
Capital work in progress write-offs	-	(9.2)
Impairment in an interest in a gas field in Western Australia	(20.2)	-
Gain on sale of interest in the DBNGP	2.5	-
Other (includes severance and redundancy charges)	(1.4)	(2.6)
Total significant items	(114.9)	(169.9)

¹ For US GAAP purposes the Portland impairment charge was fully recognised in 2016. For AAS the charge was recognised over the period of two years 2016 and 2015.

Alumina Limited recorded a net loss after tax of \$30.2 million compared to a profit of \$88.3 million in 2015.

The decline in net profit was largely due to AWAC's decline in profitability predominantly due to the lower average realised alumina price, which was partially offset by AWAC's lower charges for significant items.

Significant items were the result of restructuring activities to improve the portfolio mix of AWAC. These activities included the curtailment and subsequent closure of the Suralco mine and refinery and curtailment of the Point Comfort refinery, closure of the Anglesea coal mine and power station and the sale of an interest in DBNGP.

Excluding significant items, net profit would have been \$84.7 million (2015: \$258.2 million).

The increase in Alumina Limited's general and administrative expenses compared to 2015 includes \$14.0 million of costs arising from the Company's actions in relation to Alcoa's corporate separation.

Excluding the above costs, the remaining 2016 general and administrative expenses were consistent with 2015.

A change in credit rating for Alumina Limited triggered a step up in the fixed interest rate note's coupon from 5.5% to 7.25% per annum, effective 20 November 2016. To reflect this, an interest expense adjustment of \$3.5 million was included in finance costs.

For 2016 Alumina Limited recorded US\$14.3 million of non-cash foreign exchange losses related to the return of capital from the Enterprise Partnership, an AWAC entity.

ALUMINA LIMITED BALANCE SHEET	US\$ MILLION	
	31 DEC 2016	31 DEC 2015
Cash and cash equivalents	8.6	9.3
Investment in associates	2,106.0	2,098.0
Other assets	3.2	3.4
Total assets	2,117.8	2,110.7
Payables	1.3	1.7
Interest bearing liabilities – non-current	92.4	110.5
Other liabilities	17.2	15.6
Total Liabilities	110.9	127.8
Net Assets	2,006.9	1,982.9

Alumina Limited's net debt as at 31 December 2016 was \$83.8 million.

Alumina Limited has \$300 million of committed bank facilities, which expire as follows:

- \$150 million in December 2017 (no amounts drawn under these facilities as at 31 December 2016).

- \$150 million in July 2020 (no amounts drawn under these facilities as at 31 December 2016).

In addition to the bank facilities Alumina Limited has an A\$125 million fixed rate note on issue, which matures on 19 November 2019.

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2016

ALUMINA LIMITED CASH FLOW	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Dividends received	150.2	61.4
Distributions received	0.7	1.5
Net finance costs paid	(5.7)	(6.5)
Payments to suppliers and employees	(27.9)	(12.1)
GST refund, interest received & other	1.1	(0.7)
Cash from operations	118.4	43.6
Net receipts – investments in associates	33.9	41.0
Free cash flow¹	152.3	84.6

¹ Free cash flow calculated as cash from operations less net investments in associates.

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

Payments for suppliers and employees included \$13.7 million arising from the Company's actions in relation to Alcoa's corporate separation.

Alumina Limited's total receipts from AWAC during 2016 were \$232.8 million (\$150.9 million of dividends and distributions, and \$81.9 million of capital returns).

For 2015 Alumina Limited's total receipts from AWAC were \$106.3 million, comprised of: \$61.4 million of dividends, \$43.4 million of capital returns and \$1.5 million of distributions.

Alumina Limited's cash contributions to AWAC during 2016 were \$48.0 million compared to \$2.4 million during 2015.

As a result, free cash flow was \$67.7 million higher in 2016 compared to 2015.

MARKET OUTLOOK AND GUIDANCE

In 2016, global consumption of primary aluminium grew by over 4%, with the main sectors of growth being transportation, electrical, construction, engineering and consumer durables. Aluminium demand growth of over 4% is expected for 2017. Global aluminium production in 2016 grew by over 2% and is forecast to increase by nearly 7% in 2017, reaching total global production of almost 63 million tonnes. China contributed almost 32 million tonnes of production in 2016. Although LME and Chinese warehouse stocks of aluminium fell during 2016, overall world aluminium inventories remain high and thus likely to overhang the market during 2017. Outside China, new aluminium production is expected to enter the market in 2017 from India, Norway and Vietnam.

Following the oversupply of alumina around the start of 2016 which contributed to alumina prices as low as \$197 per tonne, there were significant curtailments of alumina production within China and to a lesser extent outside China. The curtailments tightened supply of alumina considerably and, together with a subsequent ramping up of aluminium capacity, led to a tighter alumina market in the second half of 2016. Various environmental audits were introduced by the Chinese Government, which coincided with unforeseen domestic transport disruptions to reduce Chinese alumina production and delivery in the second half of 2016. The global alumina balance ended 2016 with a modest deficit and an alumina price of \$349 per tonne. Most of the currently curtailed capacity is likely to remain idled, although some scope remains for modest volumes to re-start if prices remain high. China, for instance, was estimated to be running at an alumina utilisation rate of 93% of installed capacity in January 2017.

Supply and demand for alumina are forecast to each grow by around 7% over 2017 and be broadly balanced. Refineries in Saudi Arabia and Indonesia are expected to ramp up to full capacity during 2017 and a new refinery is currently under construction in the United Arab Emirates due for completion in 2018.

Alumina pricing in January 2017 was influenced by ongoing strong Chinese alumina demand growth, higher alumina production costs (coal in China and caustic soda globally) and a rally in LME aluminium prices. Following the Chinese Lunar New Year break, there is usually a flatter period in production and demand and a potential reduction in the world alumina price until smelting production ramps up.

Malaysia's bauxite mining ban has been extended until March 2017 and could be extended until 2018. New

alumina production in China may require some drawdown of Chinese bauxite stockpiles, even with expected larger bauxite volumes supplied to China from Brazil and Australia in 2017.

In January 2017, the Indonesian Government announced some amendments to its January 2014 minerals export ban. The amendments would appear to allow the export of bauxite from Indonesia subject to a number of conditions, key amongst them being that the exporter would need to have an alumina refinery project approved by the Government and under construction (and needing to meet six-monthly progress milestones over a five-year period). This would seem to allow some exports of higher quality bauxite ore provided that the miners, or other refiners in Indonesia, process at least 30% of their production using low grade ore. Foreign companies may only own up to 49% of the refinery project. It is premature to reliably estimate the likely impact on bauxite exports under this new policy, pending further detail on the amendments and an understanding of how the amendments will be interpreted and applied in practice. There has only been one refinery constructed in Indonesia since the ban was brought in. In any event, it appears that some bauxite exports from Indonesia are likely in the near to medium term.

Also in January 2017 another area of uncertainty as to the outlook has emerged. There have been reports that the Chinese Ministry of Environmental Protection is consulting industry on cuts to production of energy-intensive industries for seasonal pollution control reasons from November 2017 to March 2018. This could include alumina and primary aluminium and potentially lead to temporary shutdowns of up to 50% of alumina and 30% of aluminium production in the provinces of Shandong, Hebei, Henan and Shanxi over that period. Also unclear is whether this would be a one-off exercise or intended to be an annual requirement.

Over the medium to longer term, AWAC's bauxite production costs are expected to remain relatively stable compared with the imported bauxite costs of Chinese merchant refiners. By 2025, the annual share of Chinese alumina production based on imported bauxite is expected to increase to 120 million tonnes from the 2016 total of 52 million tonnes. For these bauxite needs, it is expected that from around 2020, new and large greenfields mines outside China will be increasingly required to feed China's growing needs.

AWAC GUIDANCE

The following 2017 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	2017 GUIDANCE
Production – alumina	Approximately 12.6 million tonnes
Production – aluminium	Approximately 120,000 tonnes
Bauxite third party committed sales	Approximately 6.8 million tonnes
Alumina Price Index sensitivity ¹ : +\$10/t	Approximately +\$100 million EBITDA
Caustic price sensitivity: +\$100/dry metric tonne	Approximately -\$90 million EBITDA
Australian \$ Sensitivity: +1¢ in USD/AUD	Approximately -\$20 million EBITDA
Brazilian \$ Sensitivity: +1¢ in BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 85% for the year
AWAC sustaining capital expenditure	Approximately \$140 million
AWAC growth capital expenditure	Approximately \$85 million
AWAC Point Comfort after tax restructuring ²	
Charges (IFRS)	Approximately \$35 million
Cash Flows	Approximately \$50 million
AWAC Suralco after tax restructuring ²	
Charges (IFRS)	Approximately \$10 million
Cash Flows	Approximately \$30 million
AWAC Point Henry and Anglesea after tax restructuring ²	
Charges (IFRS)	Approximately \$1 million
Cash Flows	Approximately \$40 million

¹ Excludes equity accounted income/losses for the Ma'aden joint venture.

² Ongoing costs will be recognised in future financial years relating to the curtailments and closures.

Extract from AWAC's Unaudited Combined Financial Statements

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

AWAC financial information has been extracted from unaudited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

AWAC PROFIT & LOSS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Sales	2,867.1	3,742.7
Sales to related parties	1,190.0	1,637.7
Total revenue	4,057.1	5,380.4
Cost of goods sold	3,217.4	3,991.8
Selling, general administrative, and research and development expenses	96.9	95.1
Provision for depreciation, depletion and amortisation	271.8	302.9
Restructuring and other expenses	349.7	305.3
Total expenses	3,935.8	4,695.1
Net profit before income taxes	121.3	685.3
Provision for taxes on income	72.3	367.1
Net profit after taxes	49.0	318.2
Members' equity		
Opening balance at start of period	4,871.1	5,819.0
Net profit	49.0	318.2
Capital contribution	194.0	77.1
Dividends paid and return of capital to partners	(590.1)	(268.0)
Common stock issued for compensation plans	3.0	4.0
Other comprehensive income/(loss)	272.7	(1,079.2)
Closing balance at end of period	4,799.7	4,871.1

AWAC BALANCE SHEET

	US\$ MILLION	
	31 DECEMBER 2016	31 DECEMBER 2015
Current assets		
Cash and cash equivalents	251.2	531.8
Receivables	395.7	329.1
Related party notes receivable	-	113.6
Inventories	425.9	436.8
Prepaid expenses and other current assets	86.2	123.4
Total current assets	1,159.0	1,534.7
Non-current assets		
Property, plant and equipment	3,634.2	3,691.8
Investments	407.9	543.5
Other assets and deferred charges	1,570.4	1,365.8
Total non-current assets	5,612.5	5,601.1
Total assets	6,771.5	7,135.8
Current liabilities		
Short term borrowings	2.2	10.0
Accounts payable	561.6	635.8
Taxes payable	47.9	102.5
Accrued compensation and retirement costs	202.8	214.4
Other current liabilities	207.3	293.4
Total current liabilities	1,021.8	1,256.1
Non-current liabilities		
Capital lease obligations and long term debt	2.7	3.6
Deferred income taxes	137.0	204.0
Other long term liabilities	810.3	801.0
Total non-current liabilities	950.0	1,008.6
Total liabilities	1,971.8	2,264.7
Net assets	4,799.7	4,871.1
Equity		
Members' equity	6,777.3	7,121.4
Accumulated other comprehensive loss	(1,977.6)	(2,250.3)
Total members' equity	4,799.7	4,871.1

AWAC STATEMENT OF CASH FLOWS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
Cash flows from operations		
Net profit	49.0	318.2
<i>Adjustments to reconcile net income to cash from operations</i>		
Depreciation, depletion and amortisation	271.8	302.9
Other items ¹	(344.3)	187.8
Cash (used)/provided from operations	(23.5)	808.9
Cash flows from financing activities		
Dividends paid and return of capital to partners	(590.1)	(268.0)
Net change in debt	(5.2)	(49.6)
Payments on capital lease obligations	(3.9)	(4.9)
Capital contributions	194.0	77.1
Cash used for financing activities	(405.2)	(245.4)
Cash flows from investing activities		
Capital expenditures	(129.9)	(178.4)
Net change in related party notes receivable	113.0	(34.7)
Other items ²	158.2	(14.5)
Cash provided/(used) from investing activities	141.3	(227.6)
Effect of exchange rate changes on cash and cash equivalents	6.8	(42.3)
Cash (used)/generated	(280.6)	293.6
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	531.8	238.2
Cash and cash equivalents at the end of the period	251.2	531.8
Net change in cash and cash equivalents	(280.6)	293.6

¹ Other items consists of net movement in working capital and other non-current assets and liabilities.

² Year ended 31 December 2016 includes \$145 million being proceeds from the sale of the 20% interest in the DBNGP.

RECONCILIATION OF AWAC'S US GAAP TO IFRS PROFIT

	US\$ MILLION	
	YEAR ENDED 31 DEC 2016	YEAR ENDED 31 DEC 2015
AWAC profit before tax (US GAAP)	121.3	685.3
<i>Adjustments made to align with IFRS</i>		
Embedded derivatives	8.8	14.5
Impairment	51.1	(69.5)
Restructuring charges	14.0	15.0
Other	(33.0)	(6.4)
AWAC profit before tax (IFRS)	162.2	638.9
AWAC provision for taxes on income (USGAAP)	(72.3)	(367.1)
Adjustments made to align with IFRS	(41.0)	6.7
AWAC provision for taxes on income (IFRS)	(113.3)	(360.4)
AWAC profit before tax (IFRS)	162.2	638.9
AWAC provision for taxes on income (IFRS)	(113.3)	(360.4)
AWAC profit after tax (IFRS)	48.9	278.5