

## Alumina Limited 2020 Half Year Result Presentation

Attached is a presentation relating to Alumina Limited's Half Year Results for the 6 months ended 30 June 2020.

This ASX announcement was approved and authorised for release by Mike Ferraro, Chief Executive Officer.

### **Forward-looking statements**

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

*Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2019. 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.*



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Company Secretary

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# Alumina Limited 2020 Half-Year Results

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An aerial view of an alumina refinery facility, showing large industrial structures, conveyor belts, and piles of material in a desert-like environment. The image is partially obscured by a grey and red geometric shape on the left side.

## Mr Mike Ferraro

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Managing Director and  
Chief Executive Officer

# Disclaimer

## **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](http://www.asx.com.au).

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## **Past Performance**

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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 Full-Year Preliminary Report (Appendix 4E).

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# Strength Throughout the Cycle

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## Results

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- Interim dividend of 2.8 cps
- NPAT: \$90.5M
- NPAT excl significant items: \$87.5M
- 1H alumina daily production record

## COVID response

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- Emphasis on health & safety and protecting the workforce
- Supporting employees with COVID and minimising risk of exposure for others
- Production maintained and safeguarded

## Market

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- Global alumina market in small deficit for 2020
- Alumina price risen from the bottom
- Production of primary aluminium increased despite COVID
- Aluminium positive long-term growth outlook

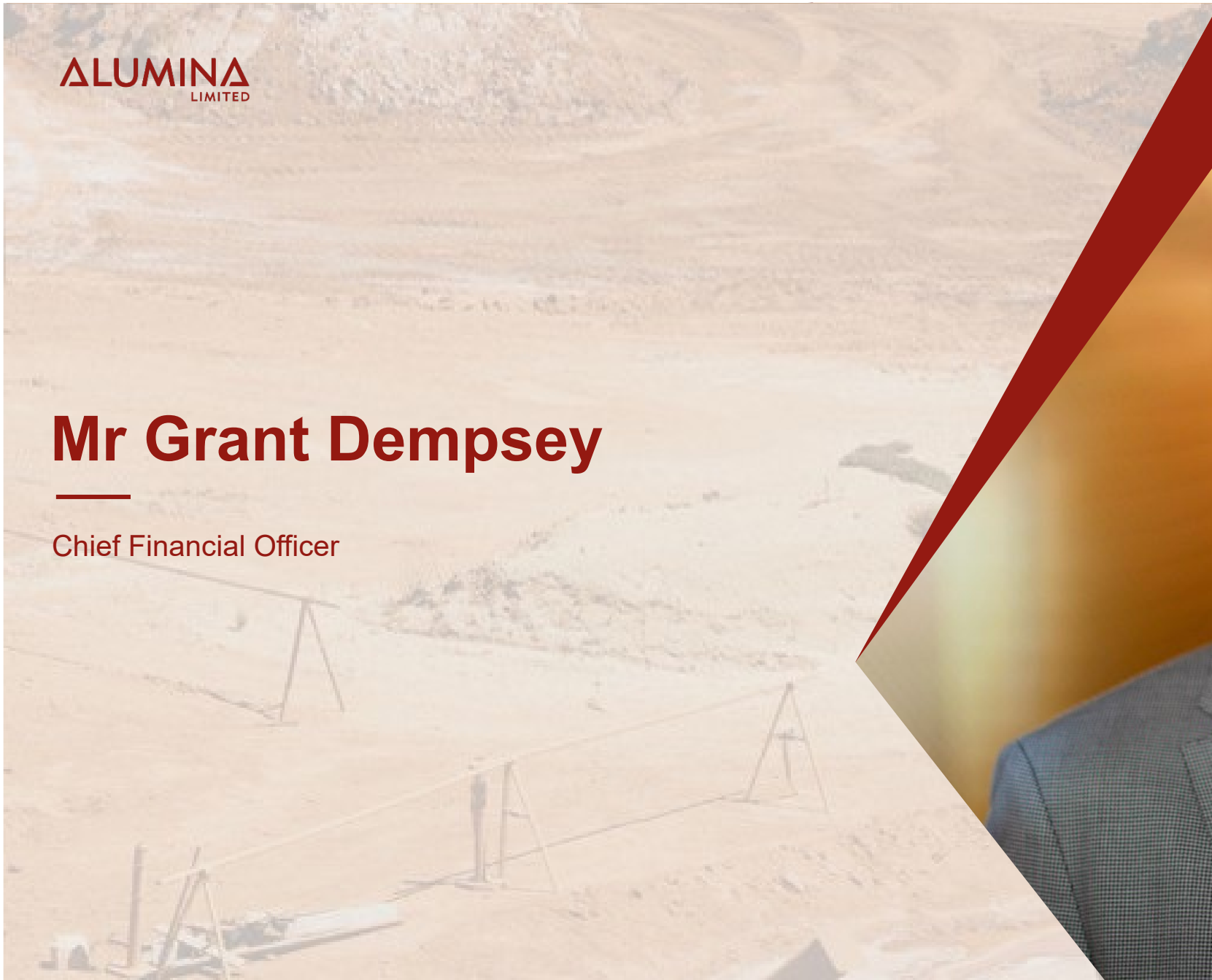
## Company

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- Strong balance sheet and low gearing
- Consistent and solid shareholder dividends
- Strength to withstand market shocks and benefit from positive market conditions

# Mr Grant Dempsey

Chief Financial Officer



# AWAC 2020 Half-Year Results

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## 2020 AWAC Half-Year Results\*

### EBITDA

\$507M

(1H 2019: \$950M)

### NPAT

\$246M

(1H 2019: \$552M)

### CFO

\$319M

(1H 2019: \$456M)

### Alumina Realised Price

\$266/t

(1H 2019: \$375/t)

### Alumina Production

6.4Mt

(1H 2019: 6.2Mt)

### Alumina Cash Cost

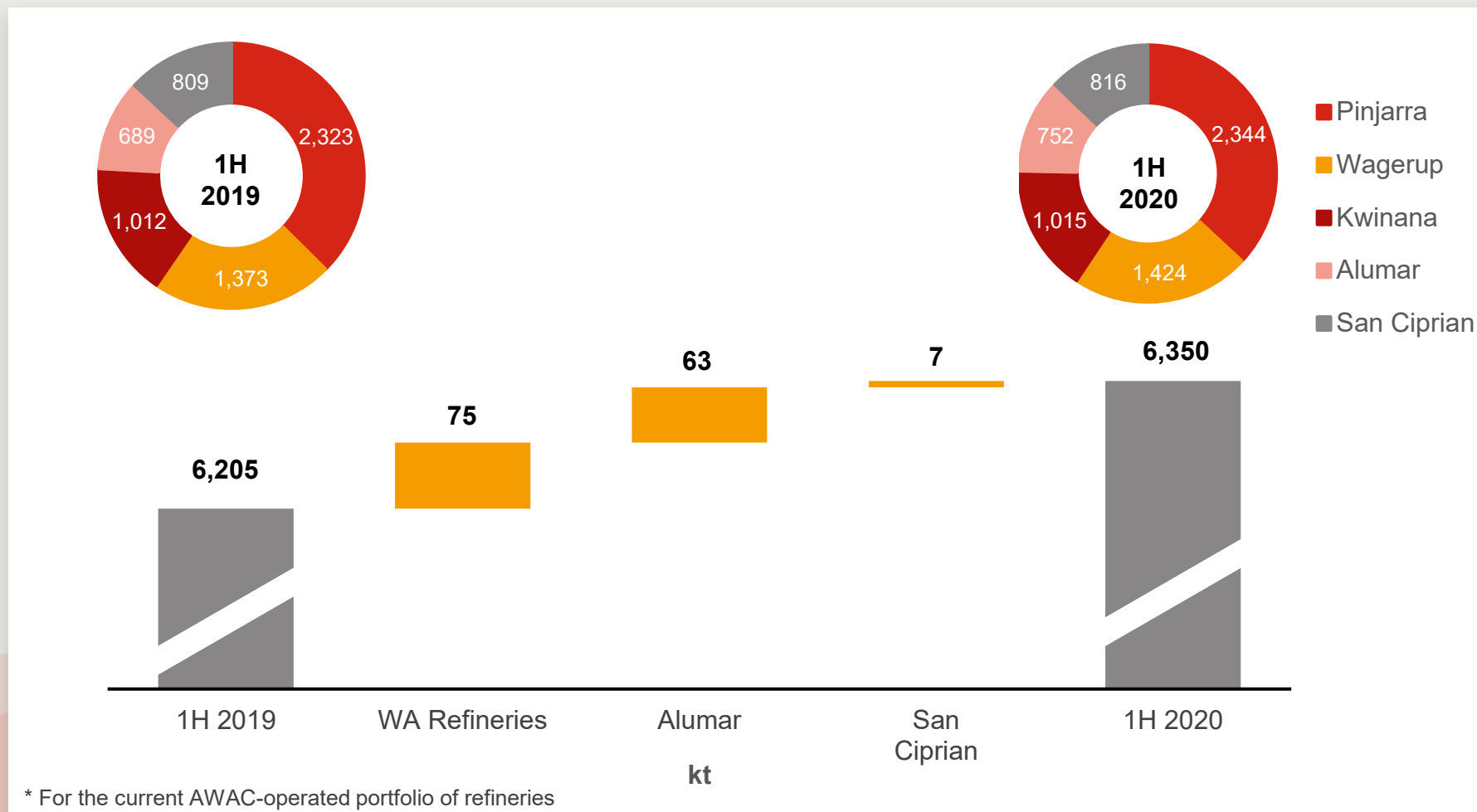
\$193/t

(1H 2019: \$218/t)

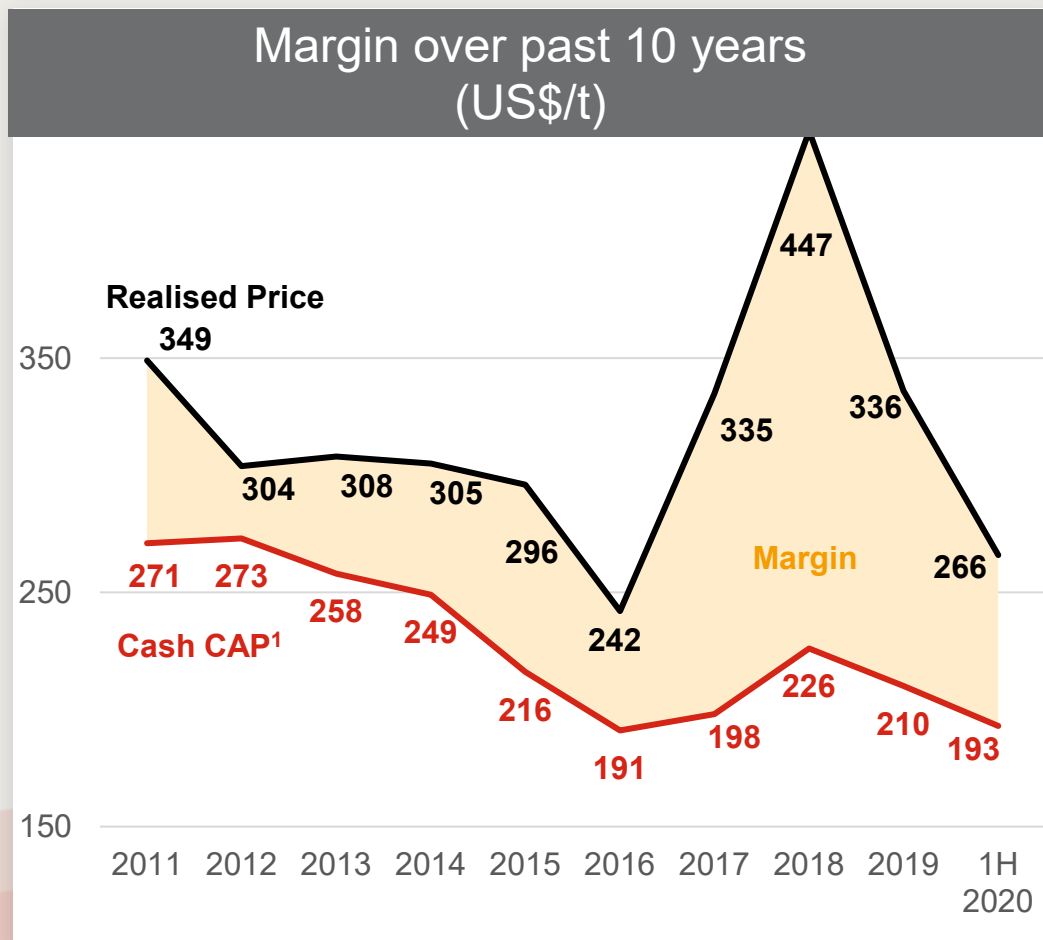
\*USGAAP



# AWAC Record Daily Alumina Production in a First Half\*



# AWAC Margin Strength



**Recent Pricing & Costing compared to 10 year average**

	1H2020	2H2019	1H2019	Average for 2011-2020 <sup>3</sup>
<b>Realised Price</b>	266	298	375	321
<b>CAP</b>	193	201	218	230
<b>Margin<sup>2</sup></b>	73	97	157	91
<b>Platts (1m lag)</b>	268	301	388	337

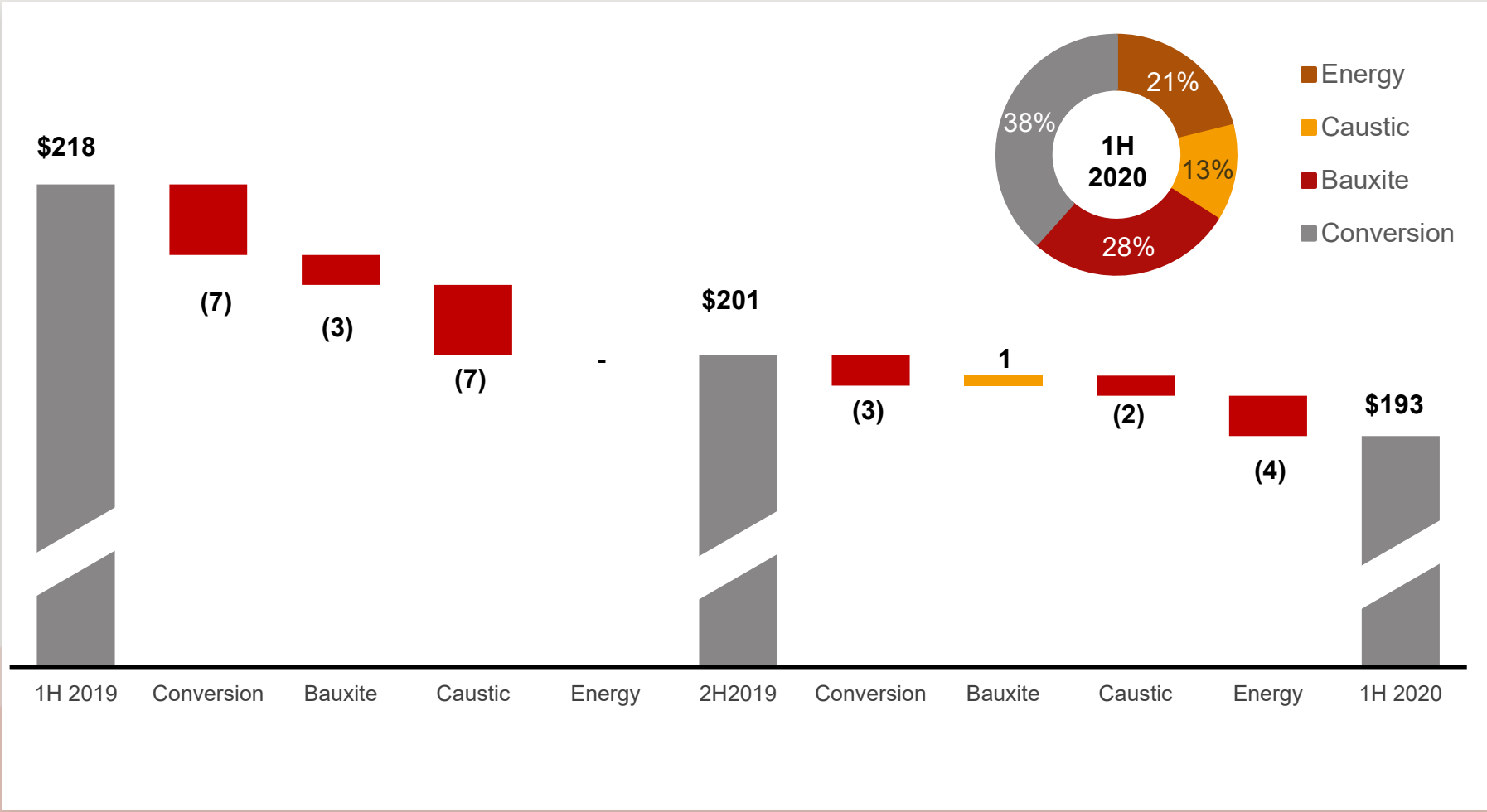
<sup>1</sup>Prior to 2016 the CAP included high-cost refineries that are no longer part of the portfolio

<sup>2</sup>Margin calculated as realised price minus cash cost of production

<sup>3</sup>Average as calculated for 2011-2019 with 1H2020 counted as half a year

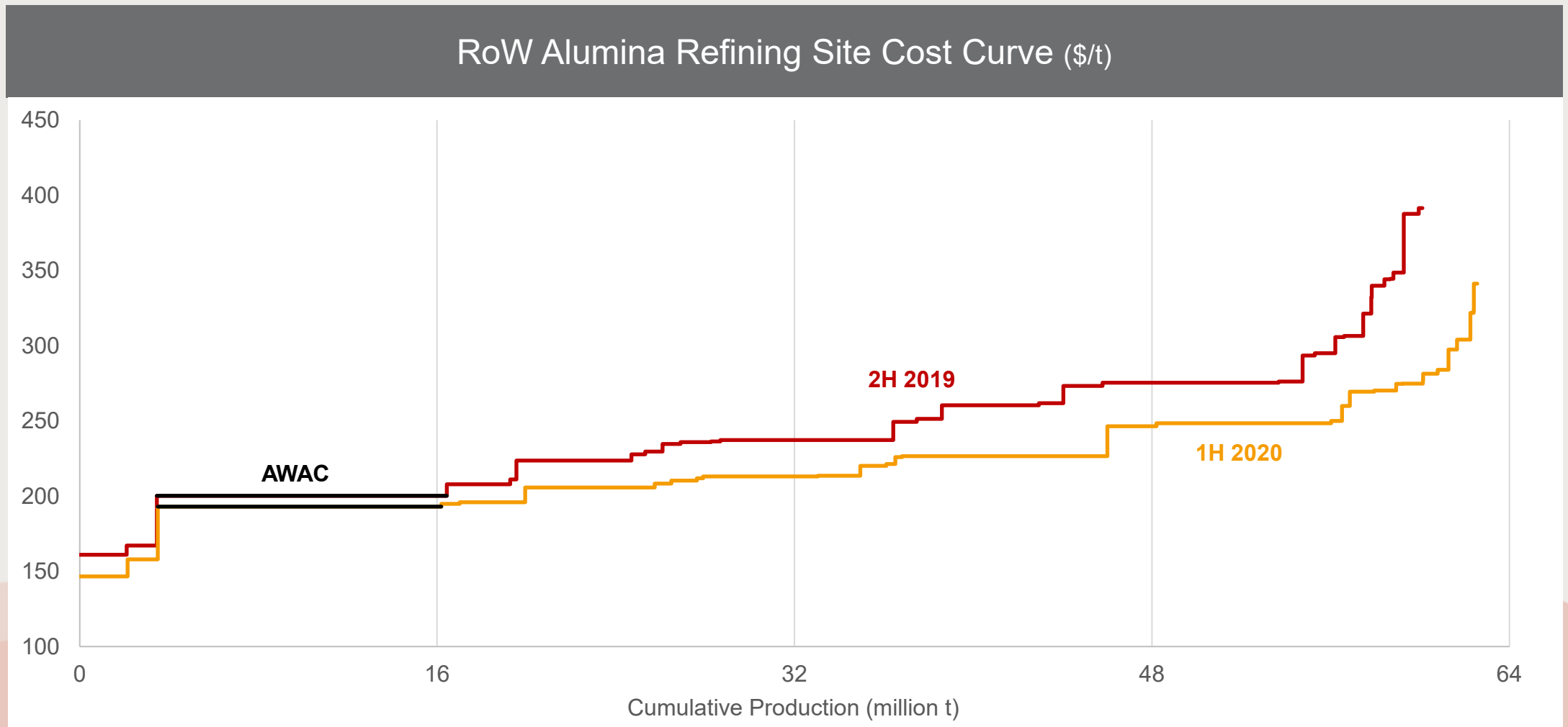
# AWAC Cash Cost of Alumina Production

## Decreased \$25/t 1H 2019 vs 1H 2020



# RoW Refining Cost Curve fell in 1H

## AWAC Remains 1<sup>st</sup> Quartile Refiner



Source: CRU, August 2020

## AWAC Outlook and Sensitivities

Item		1H 2020 Actual	2020 Outlook
<b>Production</b>	Alumina (Million t)	6.4	12.8
<b>Bauxite (3rd Party)</b>	Sales - Bone Dry Tonnes (Million bdt)	3.0	6.5
<b>Cash Items</b>	Sustaining Capex	\$89M	\$200M
	Growth Capex	\$9M	\$10M
	Restructuring-Related Items	\$28M	\$65M

Item		2020 Sensitivities
<b>EBITDA Sensitivities</b>	API +/--\$10/t Caustic +/--\$100/dmt +/-1¢ in AUD/USD	approx. +/--\$115M approx. -/+ \$90M approx. -/+ \$22M

# Alumina Ltd 2020 Half-Year Results

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# 2020 Alumina Half-Year Results\*

## Resilient Performance

**NPAT:**

\$90.5M

(1H 2019: \$210.9M)

**Dividend:**

Interim Dividend 2.8 CPS

**Dividend Yield:**

3 year avg 8.6%^

## Strong Balance Sheet

**Gearing:**

Very low gearing <5%

**DRP:**

Scheme reactivated

**Strong liquidity:**

Increased cash on hand

\$240m undrawn facilities

## 100% Cash Flow Payout

**Dividend Policy Unchanged**

**Available Dividend Calculation**

Changed to reflect Alumina cash flow for the period

\*IFRS  
^Before franking

# Market Review and Outlook

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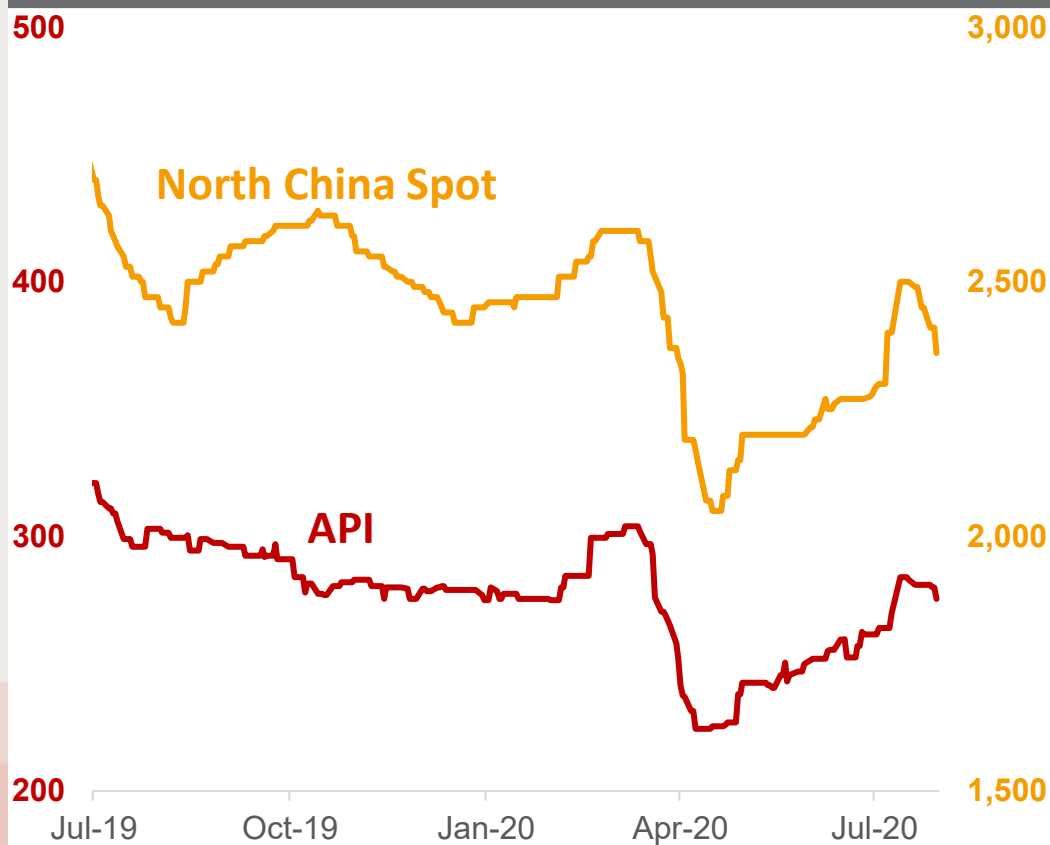
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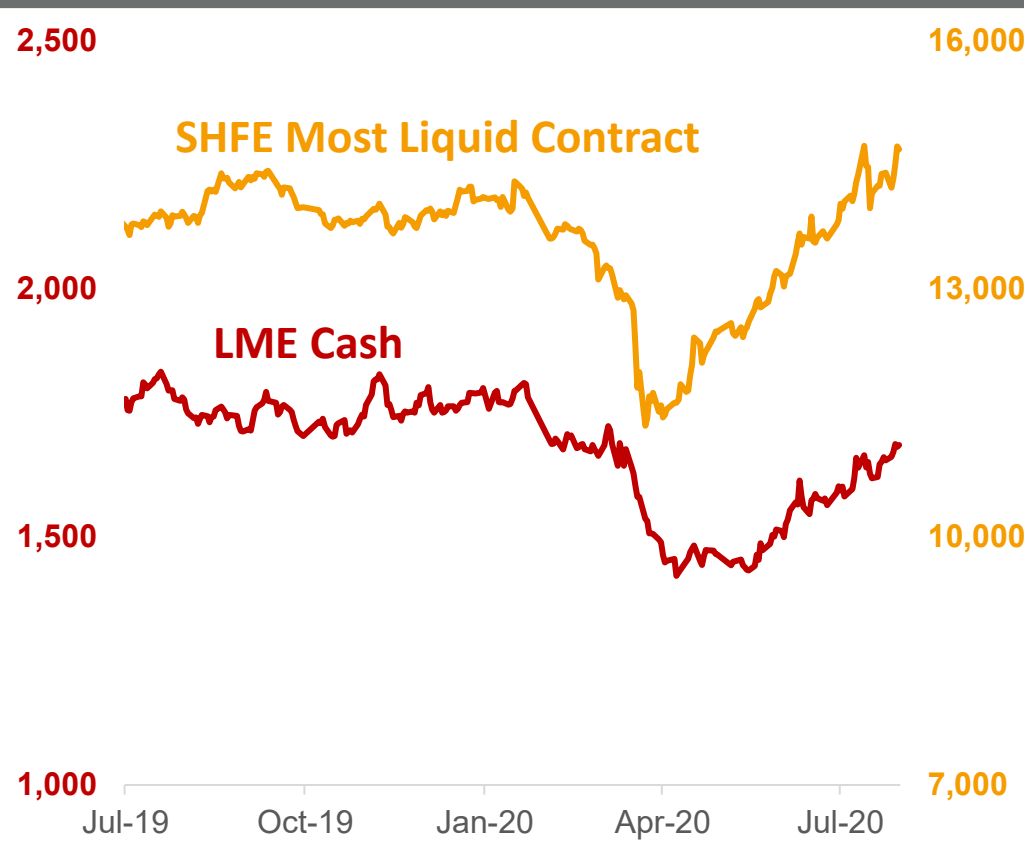


# Global Markets Absorb COVID Shock

API & China Alumina Prices (\$/t, RMB/t)

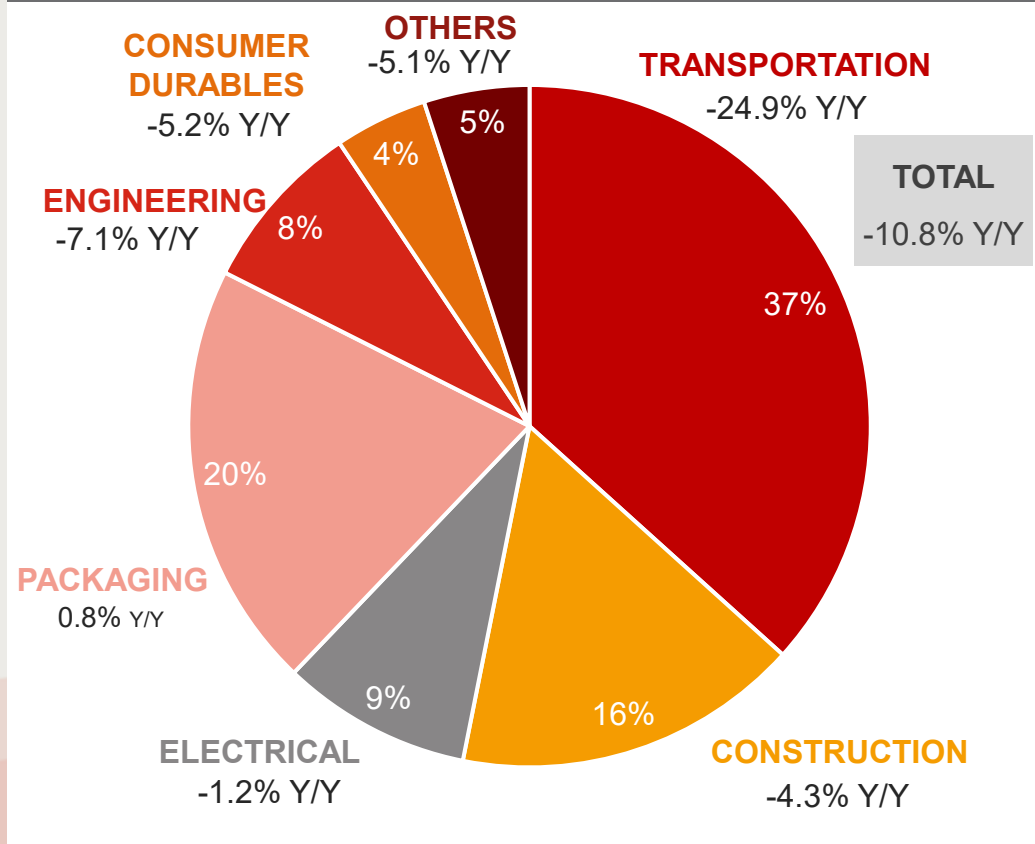


LME & SHFE Aluminium Prices (\$/t, RMB/t)



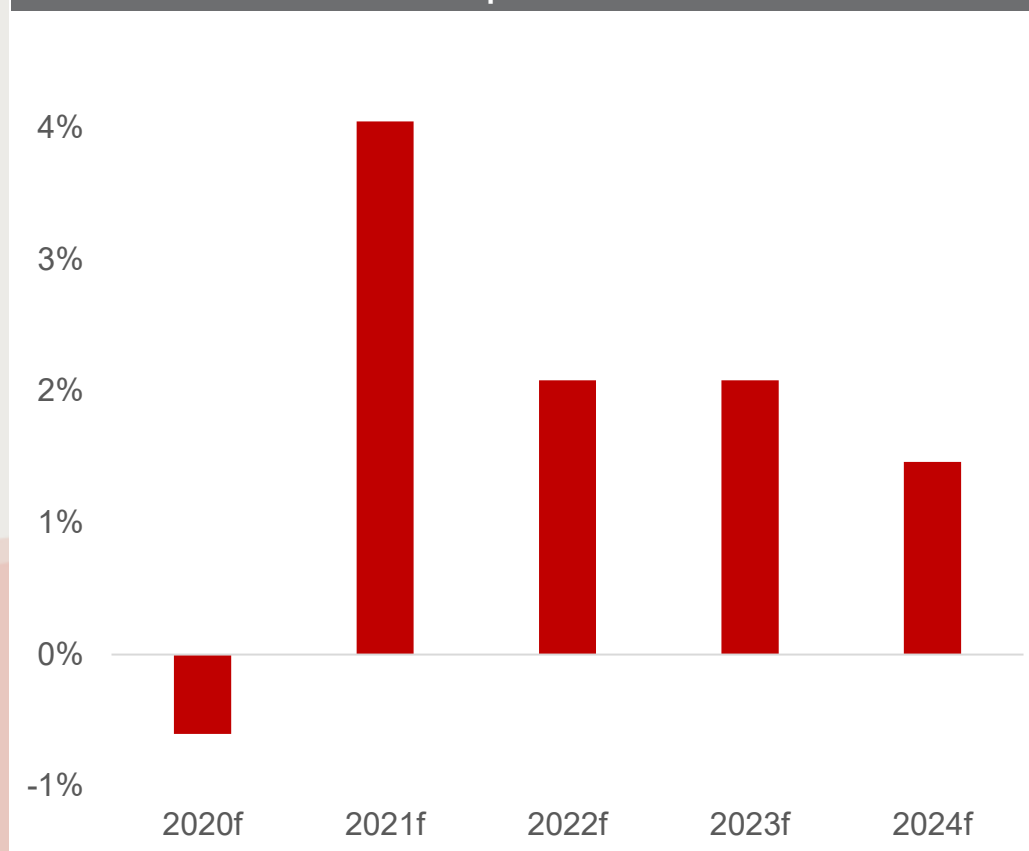
# COVID Impacts on RoW Demand Offset by China Recovery

Forecast 2020 Aluminium Consumption Growth by End-Use Sector (ex-China)



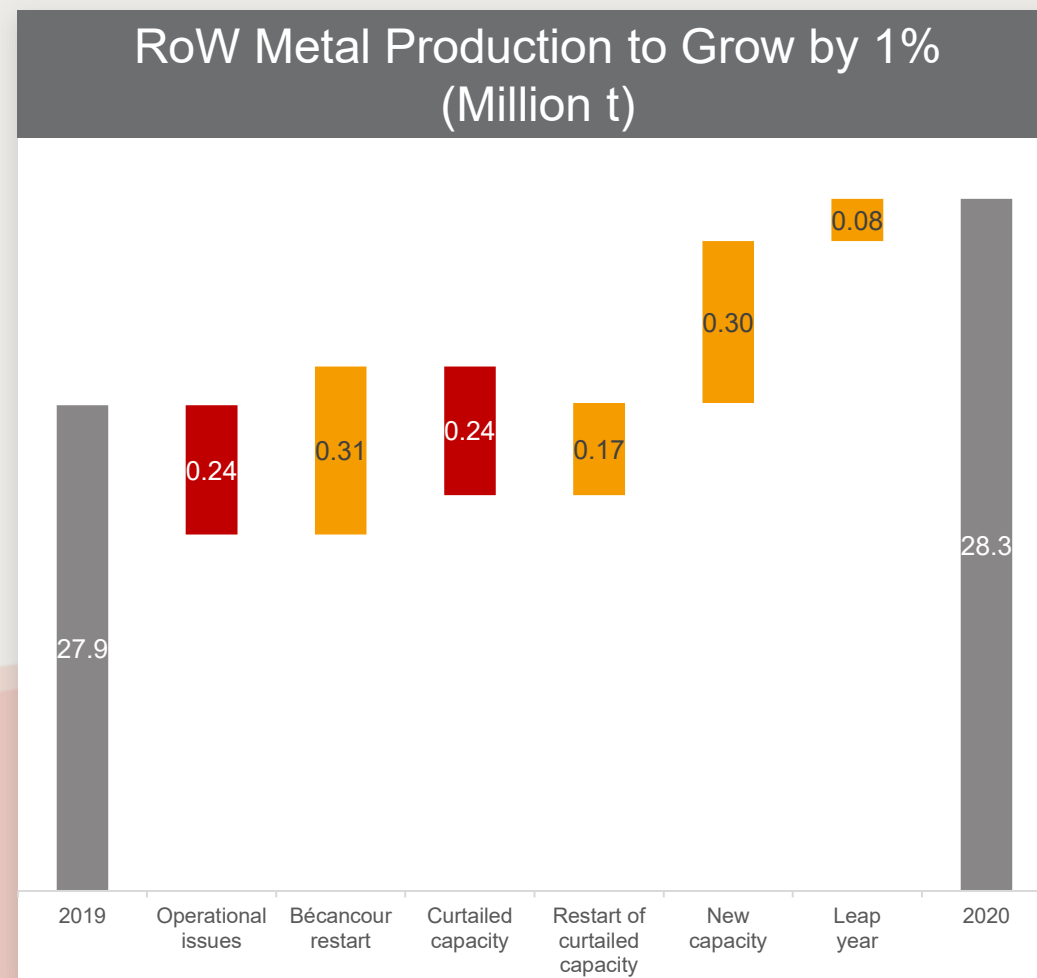
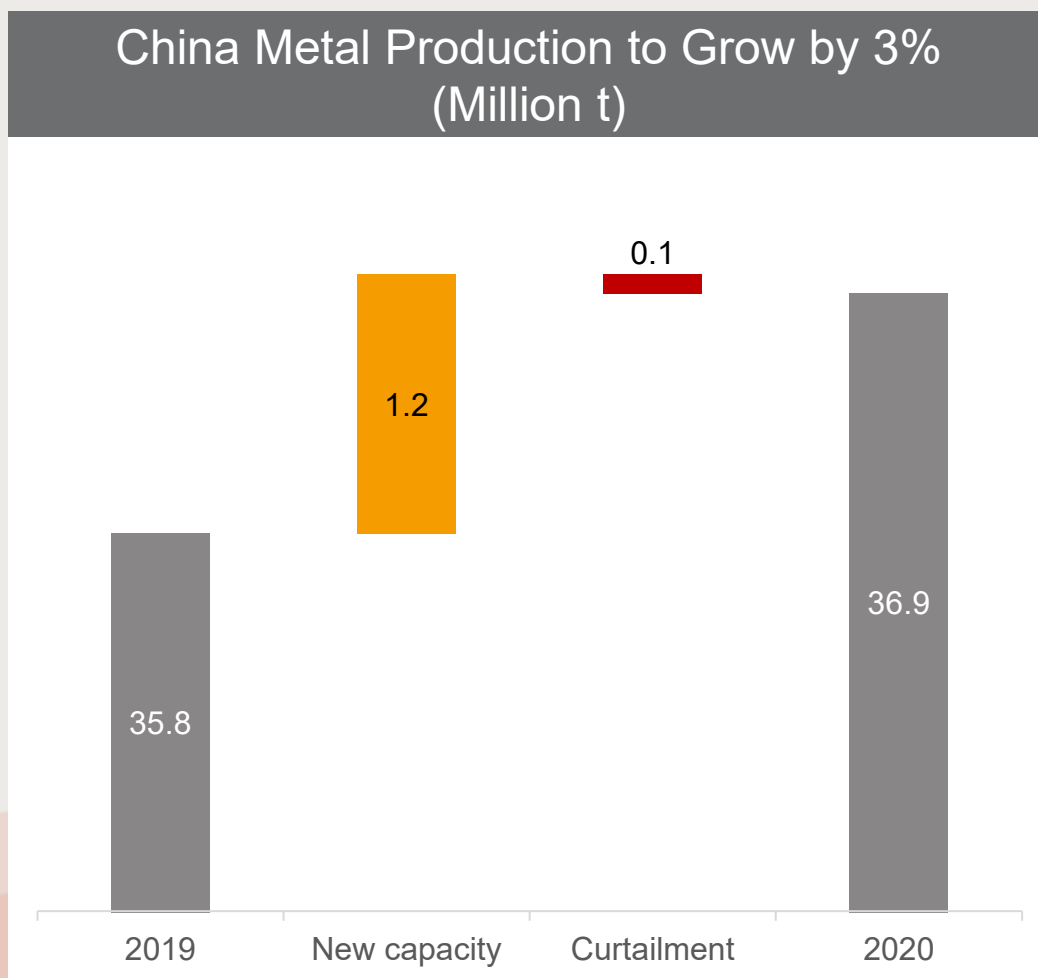
Source: Harbor, August 2020

China Primary Aluminium Consumption Growth



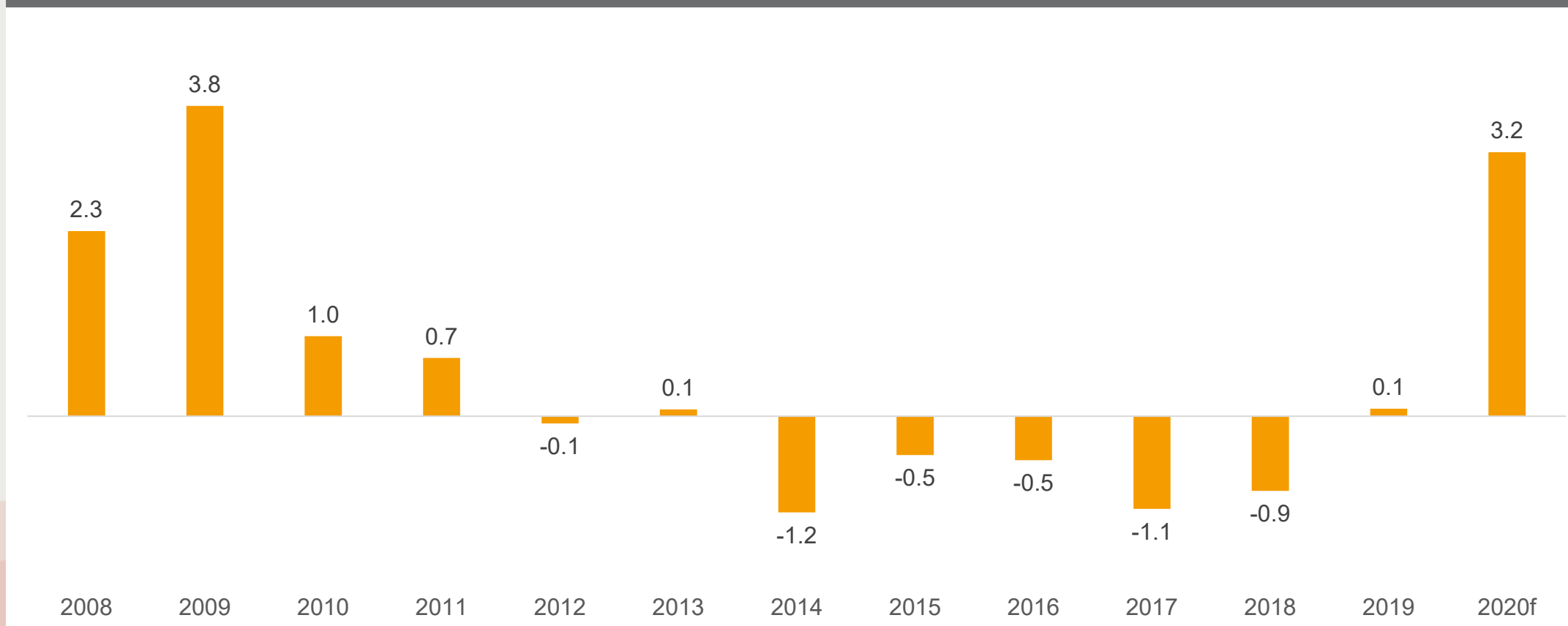
Source: CRU, July 2020

# Primary Aluminium Production Robust Despite COVID



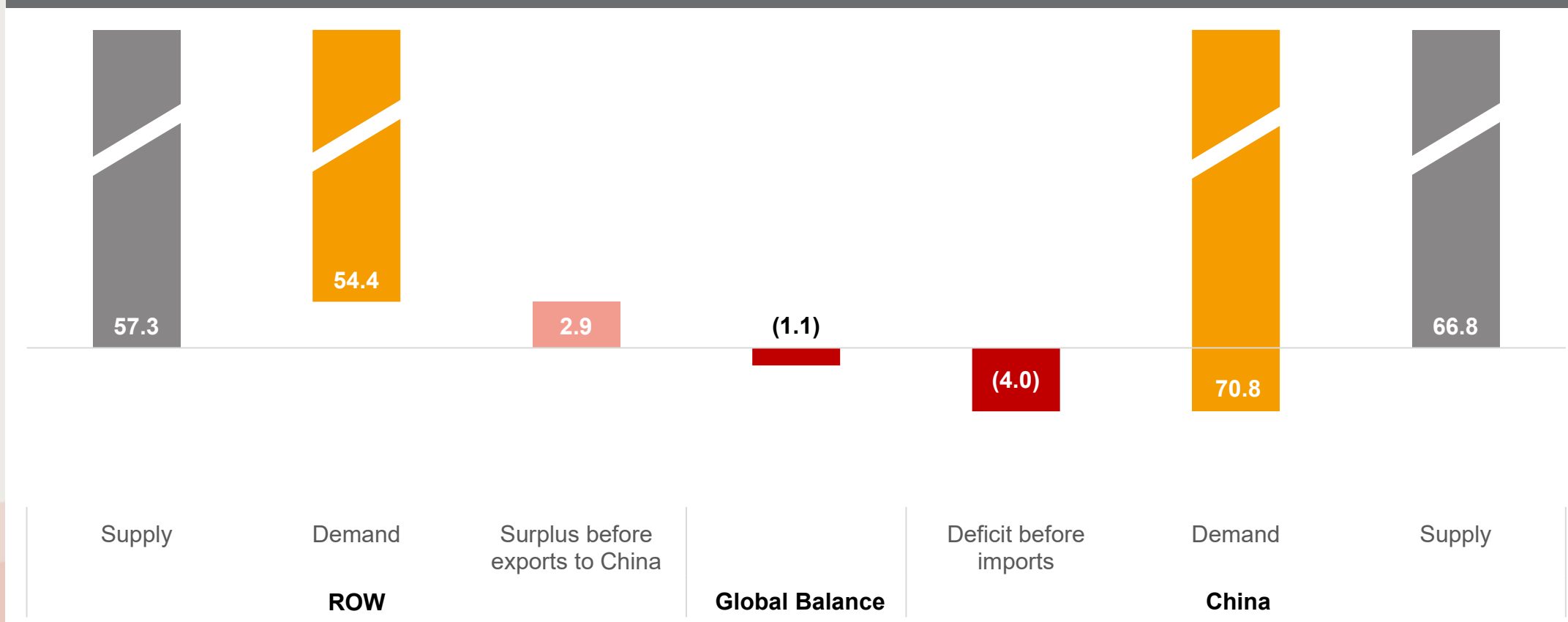
# RoW Production Boosts Inventories

RoW Primary Aluminium Market Balance and Forecast (Million t)



# RoW SGA\* Surplus to be Exported to China

Global SGA Market Deficit in 2020 Assuming Alunorte Cuts (Million t)



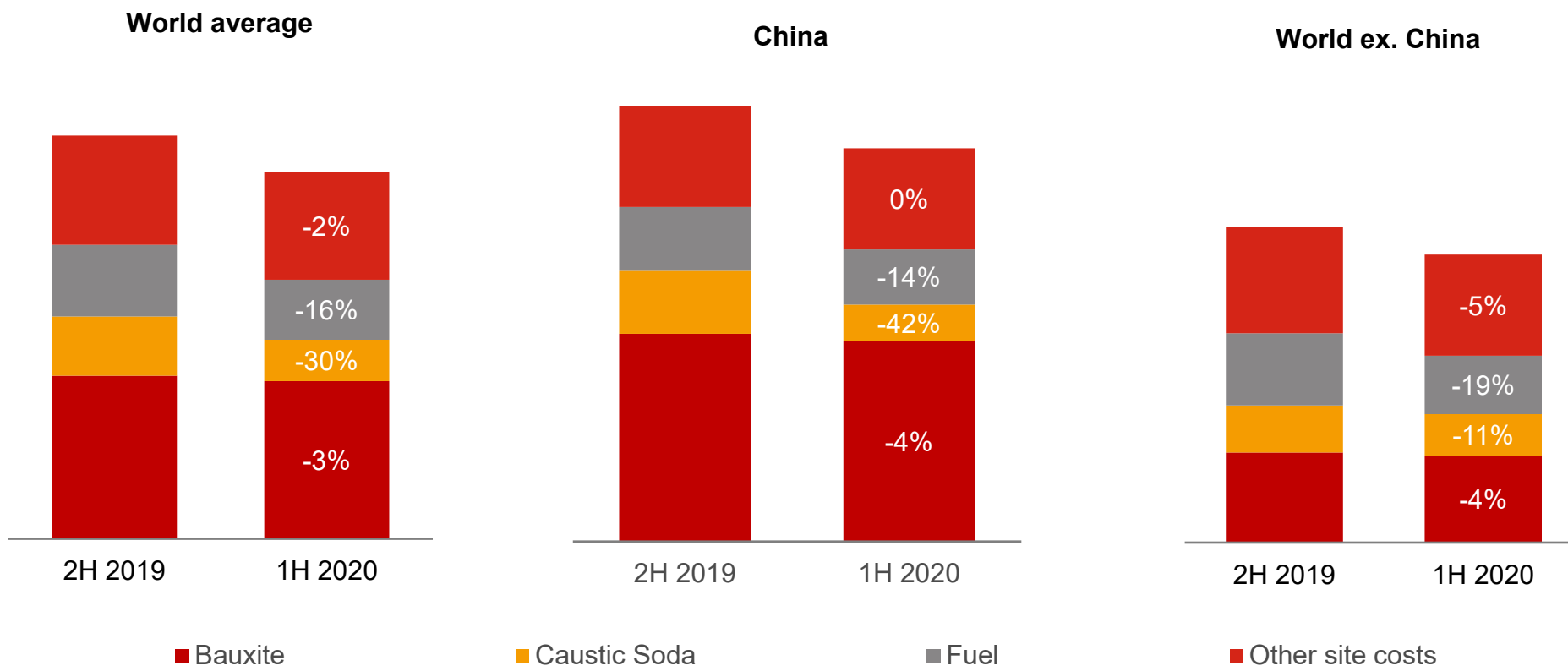
\* Smelter Grade Alumina

Note: SGA to primary aluminium ratio – China = 1.92:1, RoW = 1.925:1

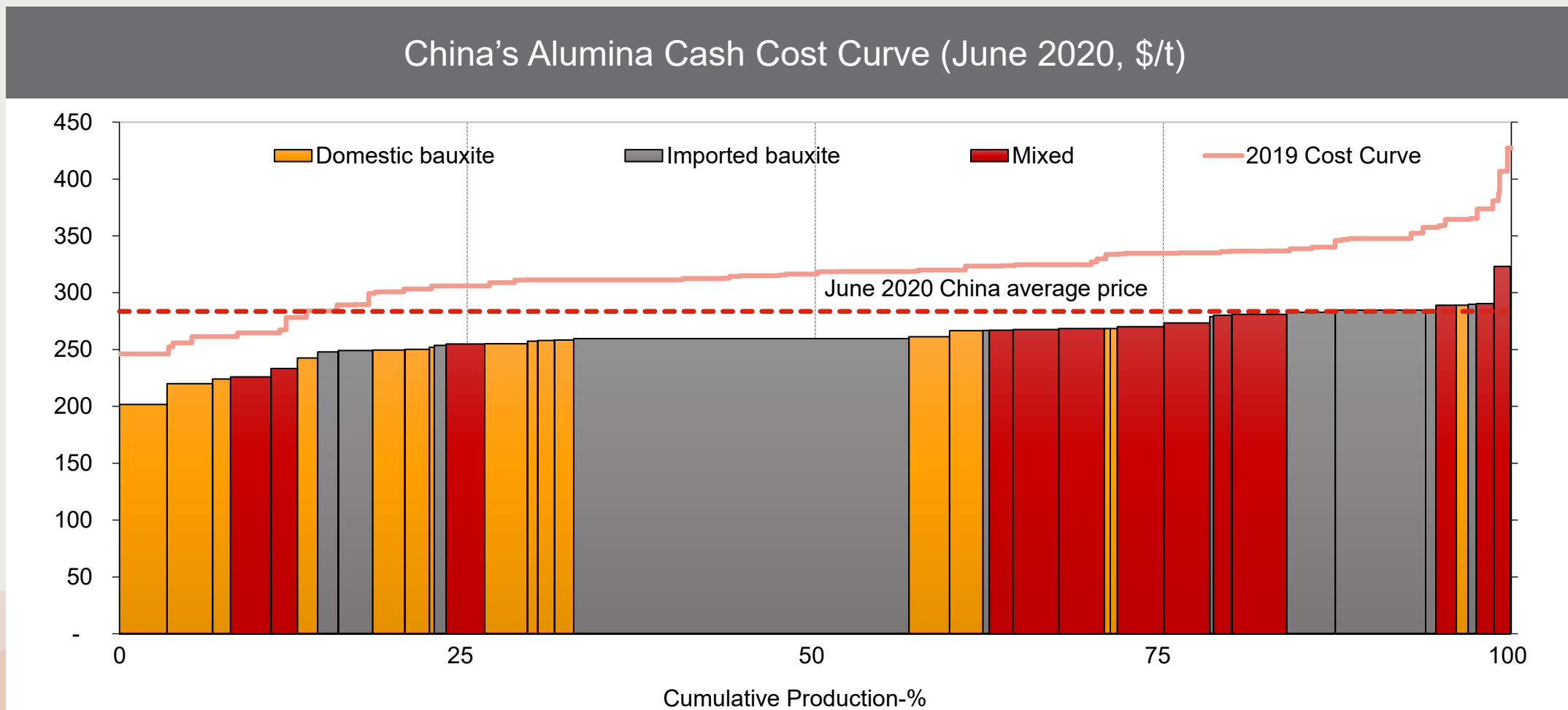
Source: Aladdiny, Alumina Limited, August 2020

# COVID Triggers Global Alumina Cash Cost Falls

## Average Site Cost Breakdown

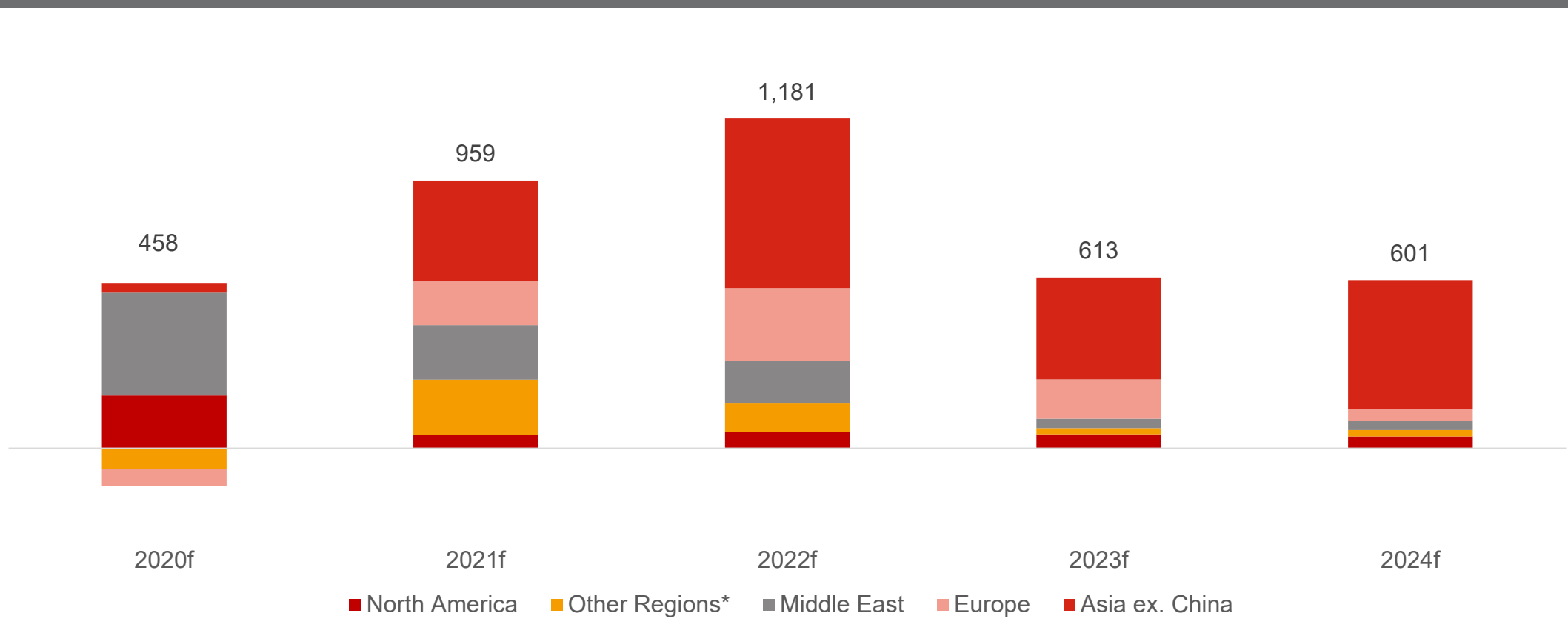


# Fall in China's Alumina Cash Costs Likely Temporary



# Robust 5 Year RoW SGA Demand Growth Forecast

3.8 Million t New Metal Demand Forecast to Require 7.3 Million t SGA Supply (ex-China, kt)



\*Other regions: Latam, Africa, and Oceania



# AWC's Fundamental Strengths Deliver Positive Outcomes in Unprecedented Half

## Market

- This significant market shock has proven the resilience of AWC to withstand any market conditions
- With forecast growth in aluminium production, demand for alumina will continue to grow
- The global market is expected to be in a small deficit this year and with higher China costs underpinning the Australian alumina price

## Operations

- AWAC remains at the lower end of the cost curve and can compete effectively against Chinese and other alumina producers

## Alumina Limited

- AWC's stability is strengthened by its almost undiluted exposure to alumina in the supply chain, low debt and strong balance sheet
- Consistent dividends

# Appendix

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# Sustainability

## Emissions

- Low refinery CO<sub>2</sub>e emissions intensity across the entire AWAC portfolio
- AWAC CO<sub>2</sub>e targets for refineries set for 4% reduction from 2015-2025 and 12% by 2030

## Rehabilitation

- All AWAC sites have biodiversity action plans
- Water efficiency focus with 2 WA refineries running press filtration reducing water consumption
- Globally mandated impoundment standards for planning, design, construction and operations

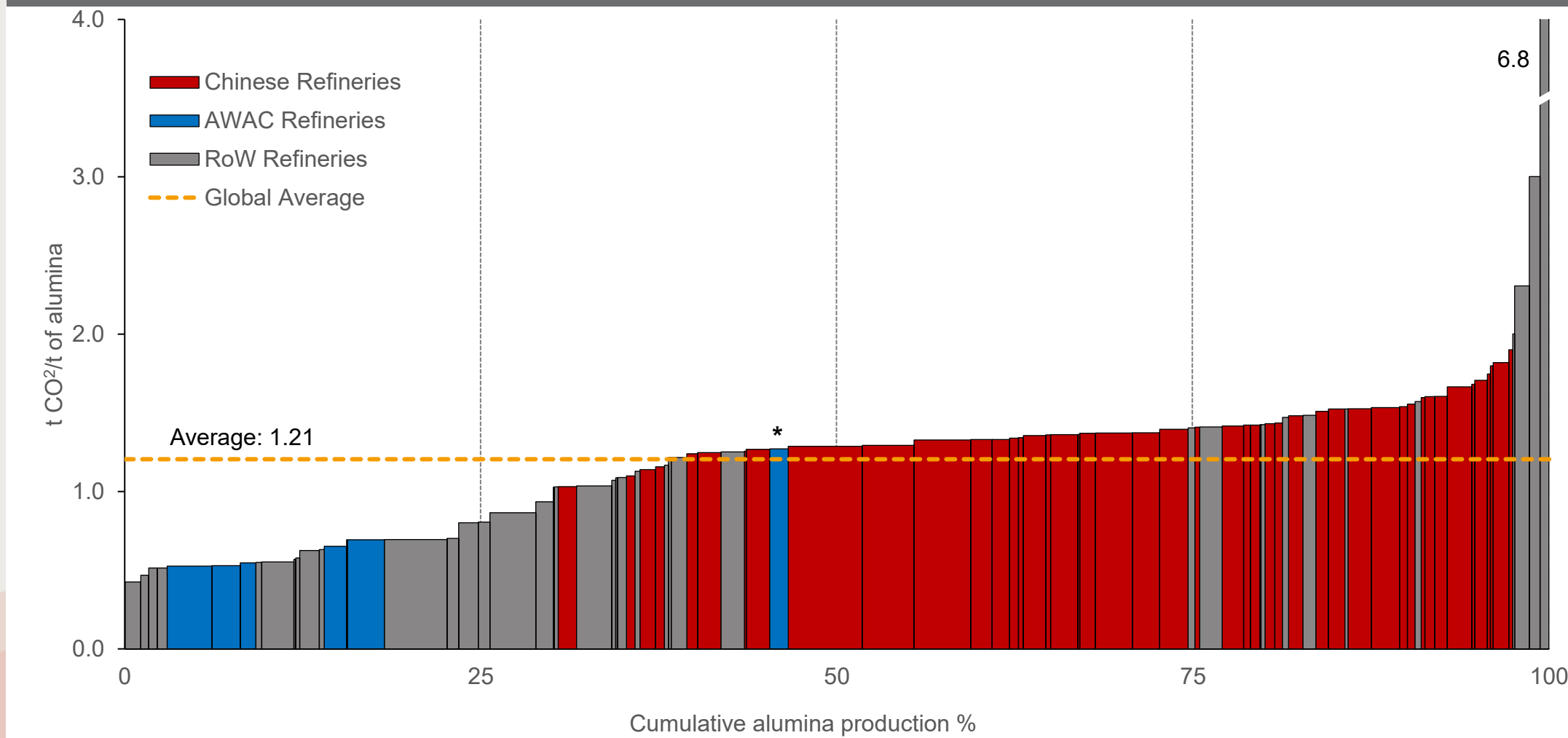
## Initiatives

- AWAC's Australian operation preparing a modern slavery statement for the 2020 year
- Continuing to explore potential energy efficiencies

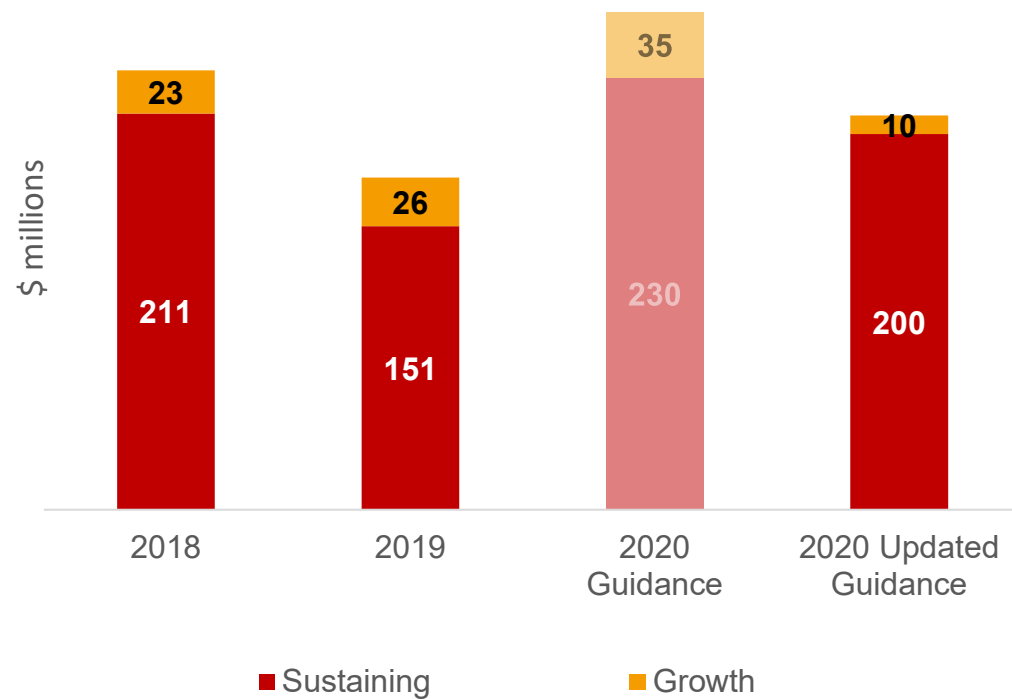
## 3<sup>rd</sup> Party Validation

- Aluminium Stewardship Initiative certification at:
  - WA refineries and mines, Juruti bauxite mine and Alumar refinery
- AWAC facilities aligning to ICMM principles

## Lowest Refinery CO<sub>2</sub> Emission Intensity Among Major Producers (Direct and indirect emissions, 2020 estimated)



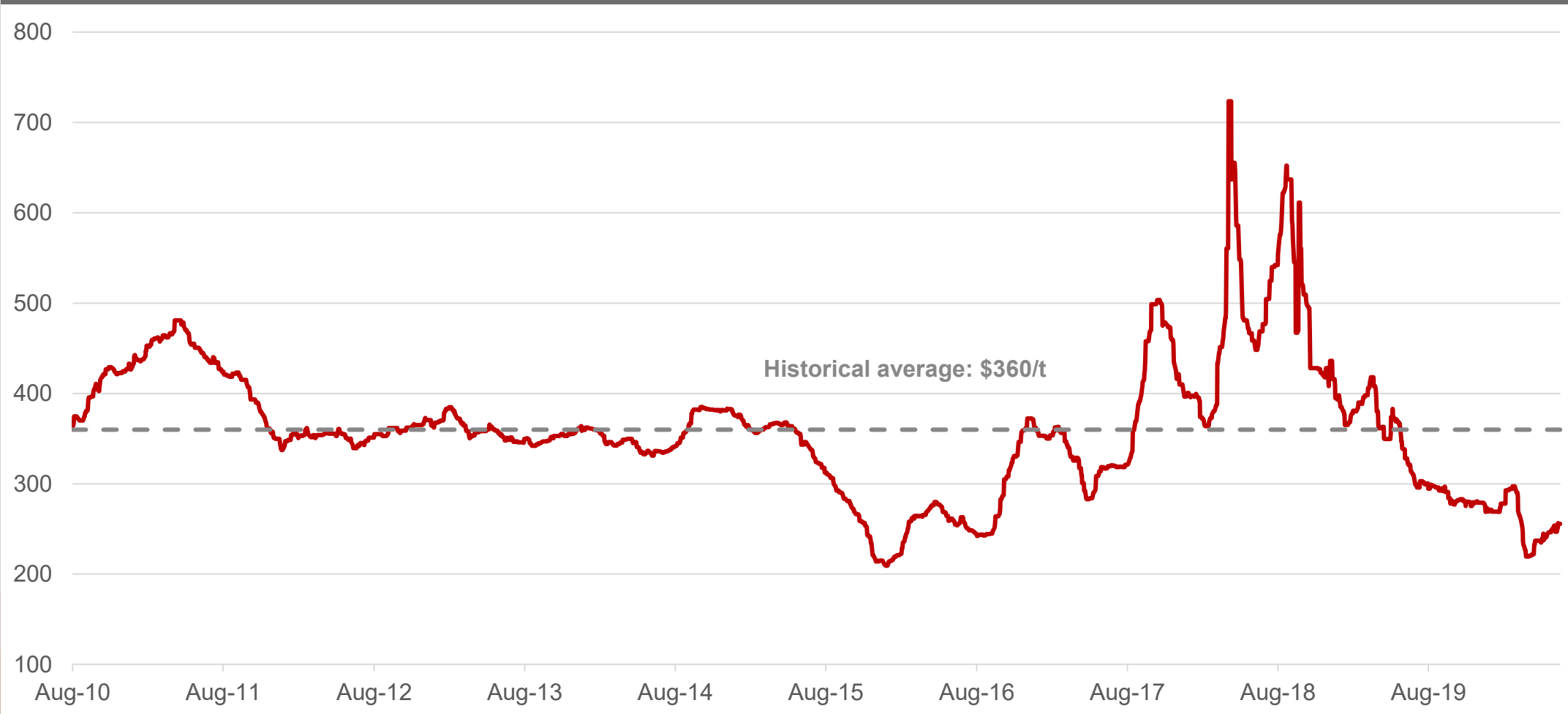
## AWAC Capital Expenditure



### CAPEX 2020

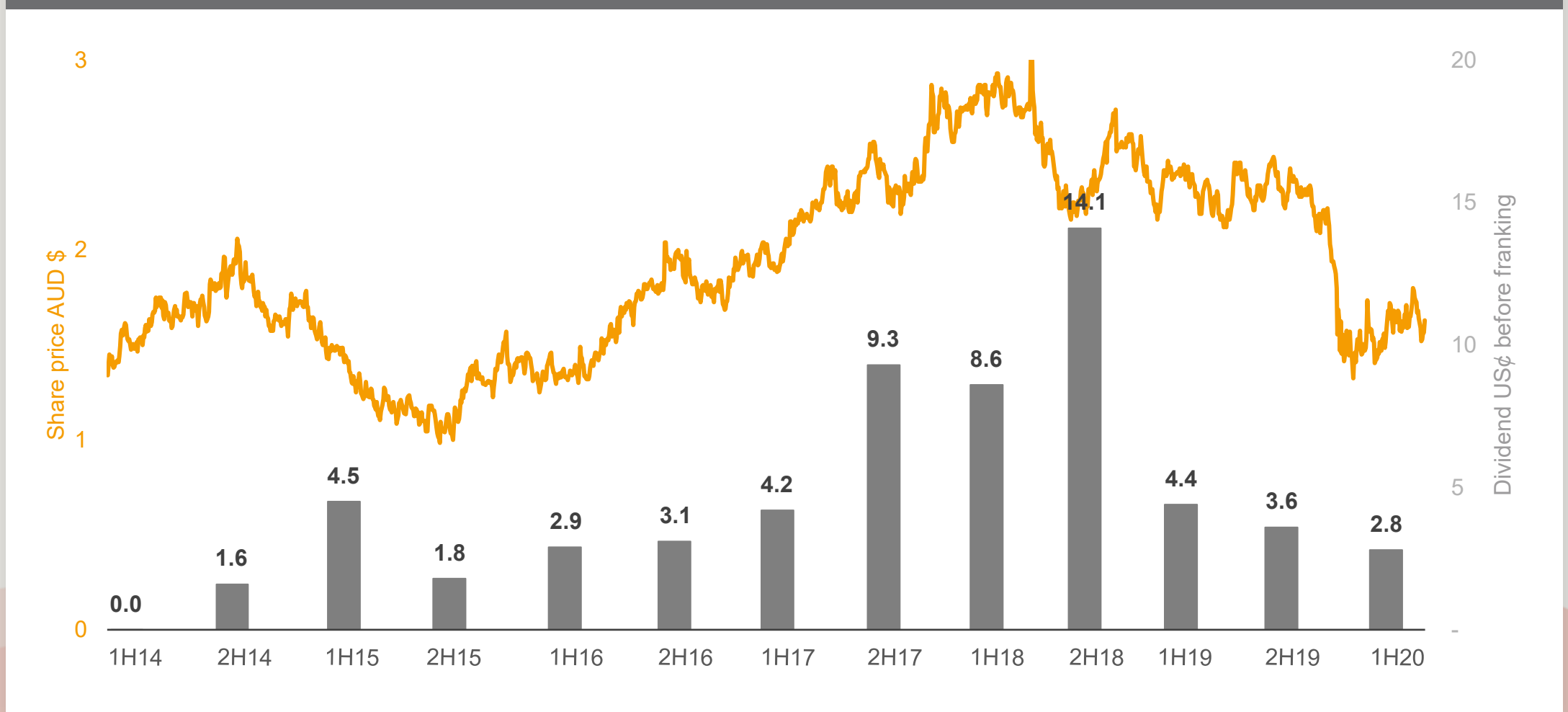
- Sustaining Significant Projects
  - Willowdale's crusher move
  - Alumar residue storage areas
  - Juruti tailing ponds
  
- Growth projects for 2020 deferred

Historical Platts API Price from inception August 2010 to June 2020  
US\$/t, real 2019\$

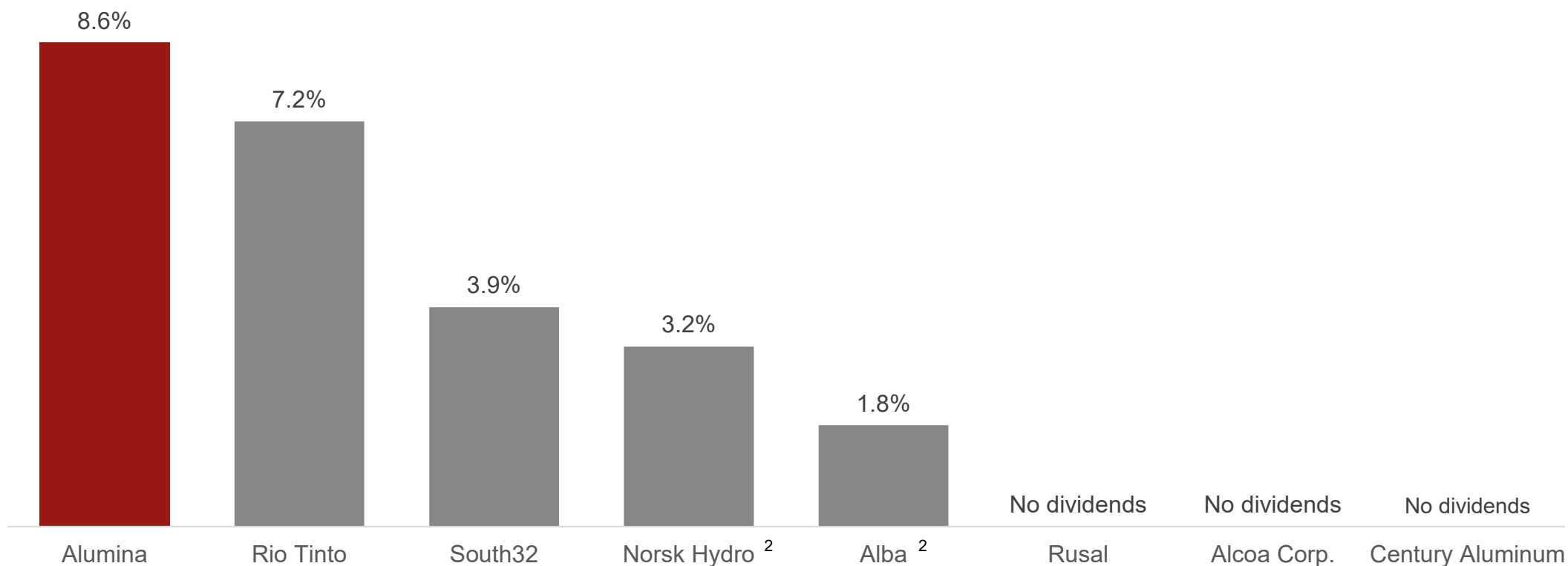


Source: Platts, Bloomberg (US inflation rate to convert to real 2019\$)

## Alumina Ltd Share Price / Dividend History



Alumina Ltd vs Peers Avg Dividend Yield<sup>(1)</sup> (Past three calendar years, excl franking credits)



Notes: (1) Dividend yield calculated as the average dividend declared from 19-Aug-17 to 19-Aug-20 divided by the average share price during that period

(2) As Norsk Hydro and Alba do not pay interim dividends the dividend yield was calculated using the period 26 Feb-17 to 26-Feb-20 to provide a comparative 3 year period



# AWAC Distribution Calendar : Comparison of Methodologies

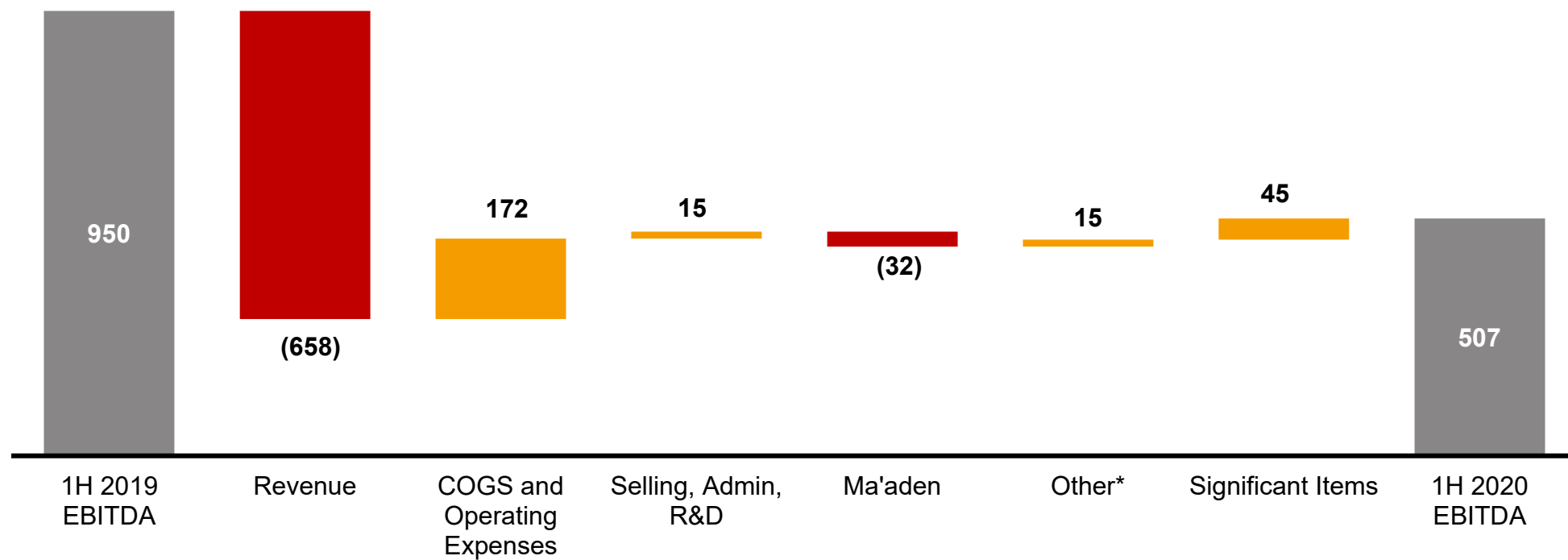
No later than	Relevant AWAC Entities	Description	Current Methodology: Included In Alumina's	Old Methodology: Included In Alumina's
20 January	All	50% of each entity's US GAAP Net Income (if positive) for 4Q of the previous calendar year	Current Year Interim Dividend	Prior Year Final Dividend
20 February	All except AWA LLC	Available Cash of each entity as at 31 January	Current Year Interim Dividend	Prior Year Final Dividend
20 February	All	Working Capital Contributions	Current Year Interim Dividend	Prior Year Final Dividend
20 April	All	50% of each entity's US GAAP Net Income (if positive) for 1Q	Current Year Interim Dividend	Current Year Interim Dividend
20 May	All except AWA LLC	Available Cash of each entity as at 30 April	Current Year Interim Dividend	Current Year Interim Dividend
30 June	All	Working Capital Contributions	Current Year Interim Dividend	Current Year Interim Dividend
20 July	All	50% of each entity's US GAAP Net Income (if positive) for 2Q	Current Year Final Dividend	Current Year Interim Dividend
20 August	All except AWA LLC	Available Cash of each entity as at 31 July	Current Year Final Dividend	Current Year Interim Dividend
20 August	All	Working Capital Contributions	Current Year Final Dividend	Current Year Interim Dividend
20 October	All	50% of each entity's US GAAP Net Income (if positive) for 3Q	Current Year Final Dividend	Current Year Final Dividend
20 November	All except AWA LLC	Available Cash of each entity as at 31 October	Current Year Final Dividend	Current Year Final Dividend
31 December	All	Working Capital Contributions	Current Year Final Dividend	Current Year Final Dividend

## Free Cash Flow Available for Dividends Calculation: Comparison of Methodologies

	1H 2020 (US\$m) Current Method	1H 2020 (cps) Current Method	1H 2020 (US\$m) Old Method	1H 2020 (cps) Old Method
AWAC Distributions	106.3	3.7	106.3	3.7
Corporate Costs, Finance Charges & Other	(8.8)	(0.3)	(8.8)	(0.3)
<b>AWC Cash from Operations</b>	<b>97.5</b>	<b>3.4</b>	<b>97.5</b>	<b>3.4</b>
Contributions to AWAC	(16.4)	(0.6)	(16.4)	(0.6)
Dividends paid from previous period cash <sup>[1]</sup>	N/a	N/a	(42.8)	(1.5)
<b>Free Cash Flow received available in/from period</b>	<b>81.1</b>	<b>2.8</b>	<b>38.3</b>	<b>1.3</b>
Post 30 June:				
- Distributions	N/a	N/a	46.2	1.6
- (Contributions)	N/a	N/a	(8.0)	(0.3)
<b>Free cash flow available for dividends</b>	<b>81.1</b>	<b>2.8</b>	<b>76.5</b>	<b>2.7</b>

[1] Included \$11.5m upwards adjustment to the 2019 Final Dividend to reflect timing differences which negatively impacted AWAC's February 2020 distribution

## AWAC EBITDA<sup>^</sup> Decreased by \$443M

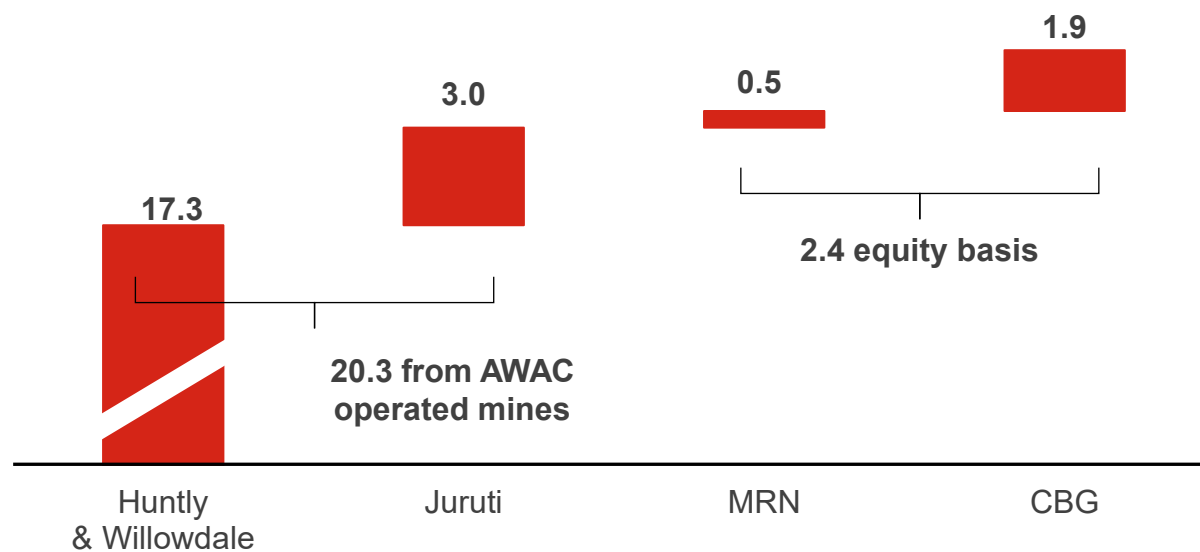


<sup>^</sup> Earnings before interest, tax, depreciation and amortisation

\* Other includes gain/loss on asset disposal, FX exchange differences, derivative income/expense, and miscellaneous

## Improved Bauxite Production and Third Party Shipments

### Bauxite Production (Mbdt)



### Cash Cost of Mining

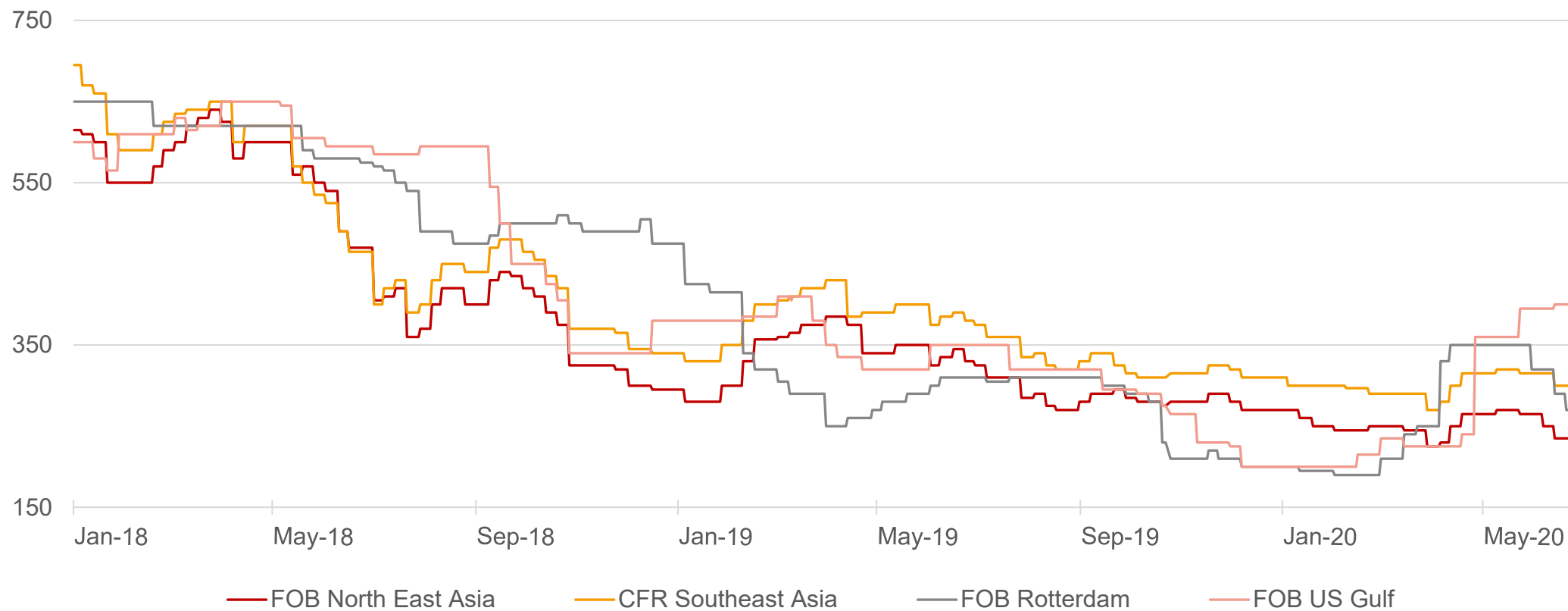
1H 2020: \$9.6/bdt  
(1H 2019: \$10.5/bdt)

### Third Party Shipments

1H 2020: 3.0Mbdt  
(1H 2019: 2.7Mbdt)

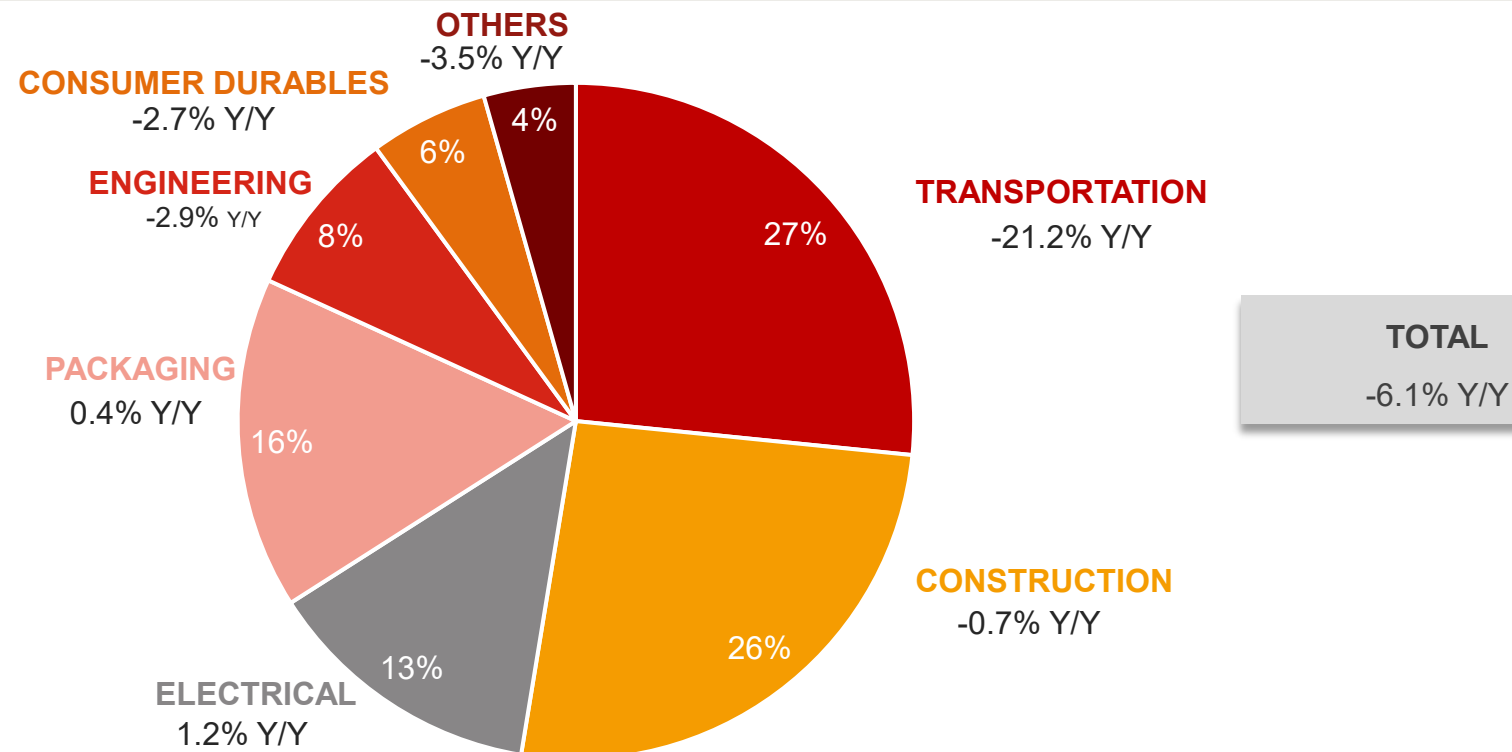
## Caustic Soda Prices

*2020 Caustic price sensitivity +/- \$100/t: approximately +/- \$90M EBITDA*



# Global Aluminium Demand - 6% Contraction in 2020

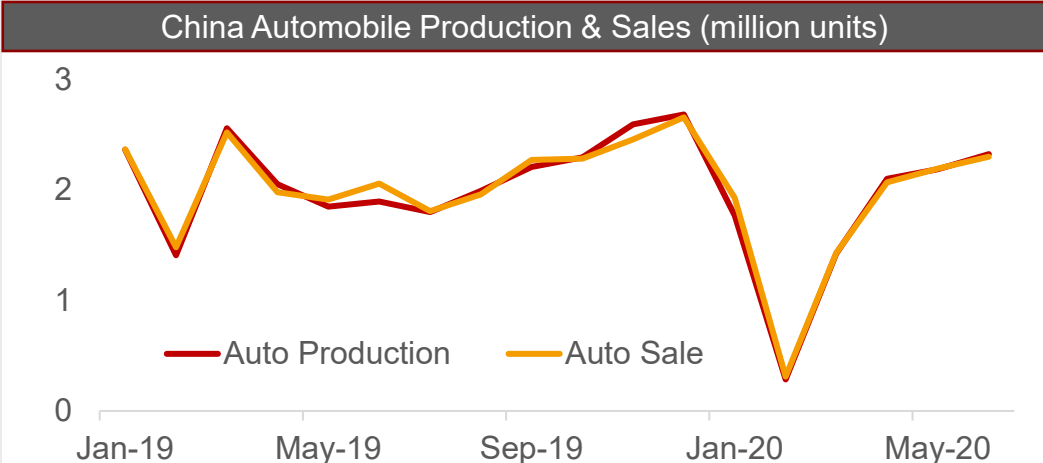
## Forecast 2020 Global Aluminium Consumption Growth by End-Use Sector



# China is Having “V” Shaped Recovery Aluminium Consumption Accelerating



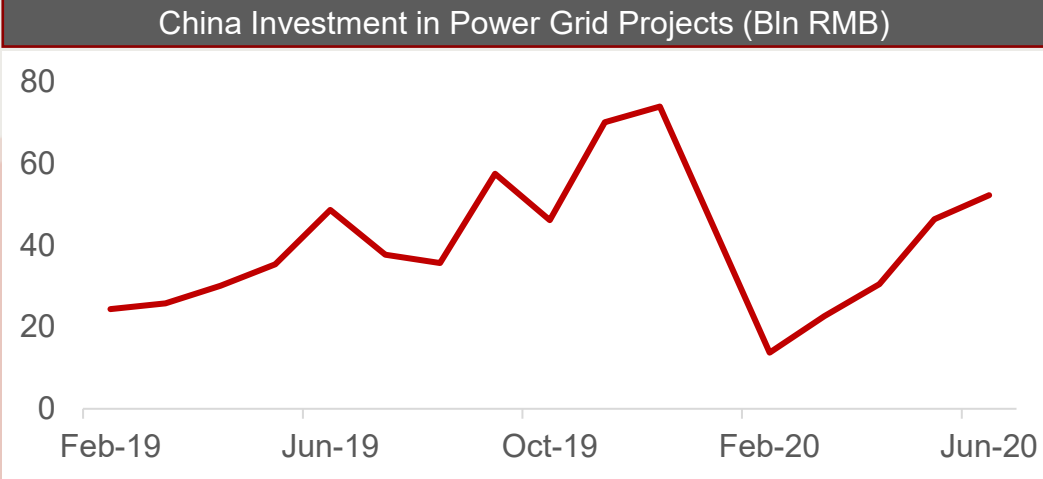
Source: NBS, July 2020



Source: CAAM, July 2020

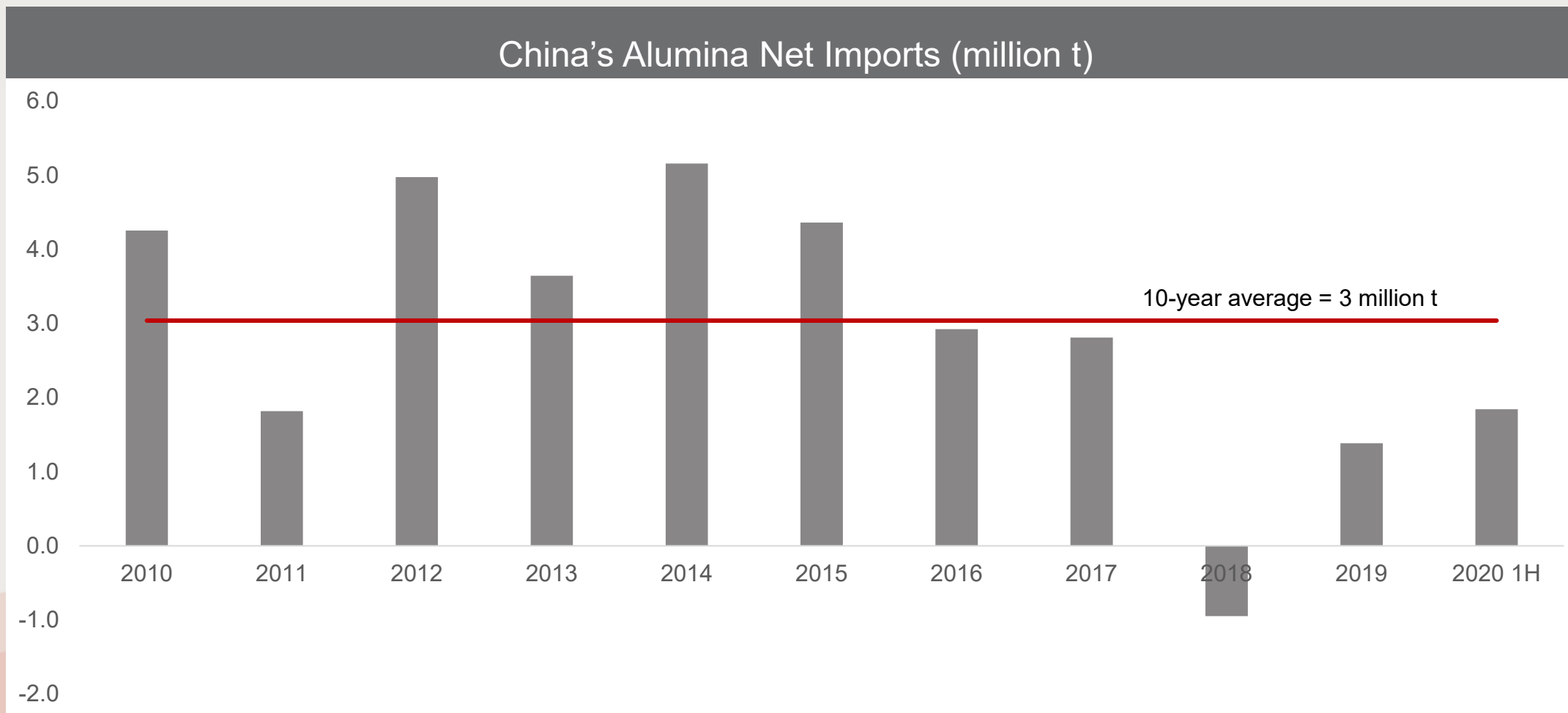


Source: NBS, July 2020



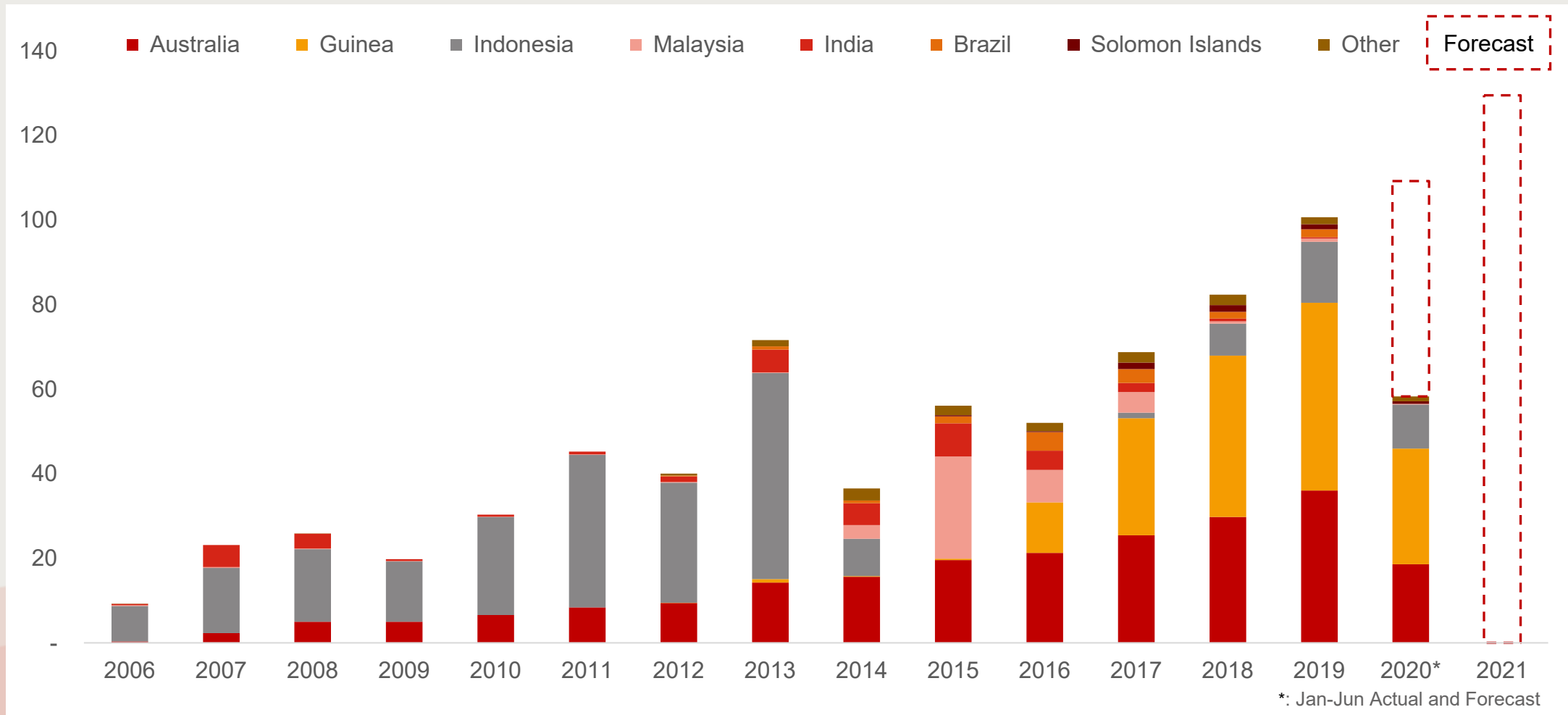
Source: National Energy Administration, July 2020

# China on Track to Import around 3 million t of Alumina in 2020





# Chinese Bauxite Imports - Past and Outlook (million t)



## New Chinese Smelting Capacity Outgrows New Refining Capacity in 2020

Province	Primary Aluminium Capacity (M tpa)
<b>Yunnan</b>	1.49
<b>Guangxi</b>	0.23
<b>Inner Mongolia</b>	0.35
<b>Shanxi</b>	0.25
<b>Sichuan</b>	0.30
<b>Total</b>	<b>2.62</b>

Province	Alumina Capacity* (M tpa)
<b>Guizhou</b>	1.00
<b>Guangxi</b>	2.00
<b>Total</b>	<b>3.00</b>

# RoW Smelting Capacity Under Construction or Being Considered

## Smelters Currently Under Construction:

Country	Company	Smelter	Capacity (M tpa)	Type
<b>Russia</b>	UC Rusal	Taishet (phase I)	0.43	Greenfield
<b>Vietnam</b>	Tran Hong Quan	Dak Nong (Phase I)	0.15	Greenfield
<b>Iran</b>	Salco	Fars	0.30	Greenfield
<b>Malaysia</b>	Press Metal	Samalju	0.32	Brownfield/Greenfield
<b>Total</b>			<b>1.20</b>	

## Other Projects Under Consideration:

Country	Company	Smelter	Capacity (M tpa)	Type
<b>Russia</b>	UC Rusal	Boguchansky (phase II)	0.30	Brownfield
<b>Indonesia</b>	Asahan Aluminium	Inalum	0.20	Brownfield
<b>Egypt</b>	Egyptalum	Nag Hammadi	0.25	Brownfield
<b>Saudi Arabia</b>	Ma'aden	Ras Al Khair	0.74	Brownfield
<b>Kazakhstan</b>	ENRC	Pavlodar	0.27	Brownfield
<b>Indonesia</b>	Asahan Aluminium	Inalum (West Kalimantan)	0.50	Greenfield
<b>Total</b>			<b>2.26</b>	

# Limited New Alumina Capacity Committed Outside China

## Refineries Currently Under Construction Outside China

Country	Company	Refinery	Capacity (M tpa)	Type	Status	Bauxite Source
<b>Indonesia</b>	Nanshan	Bintan	1.0	Greenfield	To be commissioned end 2020	Indonesia
<b>Indonesia</b>	Hongqiao	Ketapang Phase II	1.0	Brownfield	To be commissioned end 2020 / early 2021	Indonesia

## Other Projects

Country	Company	Refinery	Capacity (M tpa)	Type	Status
<b>India</b>	Hindalco	Utkal	0.5	Brownfield	Committed
<b>Indonesia</b>	Inalum/Antam	West Kalimantan	2.0	Greenfield	Under Consideration
<b>Indonesia</b>	Jinjiang	West Kalimantan	1.0	Greenfield	Under Consideration
<b>Indonesia</b>	Nanshan/Press Metal	Bintan	1.0	Brownfield	Under Consideration
<b>India</b>	Vedanta	Lanjigarh	1.2	Brownfield	Under Consideration
<b>India</b>	Nalco	Damanjodi	1.0	Brownfield	Under Consideration
<b>India</b>	Hindalco	Rayagada	2.0	Greenfield	Under Consideration
<b>Guinea</b>	SMB/Winning	Dapilon	1.0	Greenfield	Under Consideration
<b>Guinea</b>	Chalco	Boffa	1.0	Greenfield	Under Consideration
<b>Greece</b>	Mytilineos	Distomon	0.9	Brownfield	Under Consideration
<b>Laos</b>	Slaco	Paksong	1.0	Greenfield	Under Consideration
<b>Jamaica</b>	JISCO	Alpart	2.0	Brownfield/Greenfield	Under Consideration

## Most ex-China Curtailed Refineries Unlikely to Restart

Curtailed Refineries	Owner	Location	Nameplate Capacity (M tpa)	Comment
<b>Alpart</b>	JISCO	Jamaica	1.70	Acquired in curtailed state mid-2016. Backward integration re-start. Production suspended in Q4 2019
<b>Kirkvine</b>	Winalco	Jamaica	0.60	On care and maintenance since 2009
<b>Anrak</b>	Anrak	India	1.50	Built in 2014 (not started). Would need financing and bauxite access/supply
<b>Eurallumina – Porto Vesme</b>	Rusal	Italy	1.10	Idled since 2009. Reviewing restart from around end 2020
<b>Bauxilum</b>	State-owned	Venezuela	2.00	Idled in 2015, restarted in 2019, with inconsistent, low production
<b>LAlumina – Burnside</b>	Arthur Metals	USA	0.50	In the process of full curtailment
<b>TOTAL</b>			<b>7.40</b>	