

ASX Announcement

24 August 2017

Alumina Limited 2017 Half-Year Result

Attached are the following documents in relation to Alumina Limited's Half-Year Result for the six-months ended 30 June 2017:

- Public Announcement
- June 2017 Half-Year ASX Report



Stephen Foster
Company Secretary

24 August 2017

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2017 Half-Year Result

ALUMINA LIMITED REPORTS US\$137 MILLION PROFIT AFTER TAX

Alumina Limited (ASX:AWC) today reported a statutory net profit after tax of US\$136.6 million for the half-year to 30 June 2017. This compares to a net profit in the previous corresponding period of US\$7.8 million.

Excluding significant items, Alumina Limited's net profit would have been US\$148.7 million.

Alumina Limited has declared an interim, fully franked dividend of 4.2 US cents per share. This compares to a final dividend of 3.1 US cents per share in 2017 and an interim dividend in 2016 of 2.9 US cents per share. The dividend reinvestment plan will be suspended for this dividend. Alumina Limited maintains low levels of debt (gearing 4.0%) which assists in maximising dividends to shareholders.

Since 30 June 2017, Alumina Limited has received US\$83.6 million of distributions from AWAC entities, the proceeds of which have been included in the interim dividend.

Alumina Limited's Chief Executive Officer, Mike Ferraro, said, "AWAC's lowest quartile cost of operations in mining and refining combined with a recovery in alumina prices has resulted in a strong performance by AWAC. Higher net cash distributions from AWAC have enabled the Company to increase its dividend to shareholders. Global aluminium consumption is growing and will underpin demand for alumina and bauxite. In the medium term, Chinese supply-side reforms are likely to reduce excess smelting and refining capacity."

AWAC JOINT VENTURE PERFORMANCE: EBITDA UP US\$402 MILLION, CASH FROM OPERATIONS UP US\$665 MILLION

- EBITDA increased by US\$401.9 million to US\$682.4 million over previous corresponding period largely due to higher alumina prices
- Cash from operations improved by US\$665.0 million over the previous corresponding period to US\$424.8 million. Cash from operations last year included the US\$200 million instalment for the Western Australian gas supply agreement but excluded the US\$145 million proceeds from the sale of the Dampier Bunbury Natural Gas Pipeline

OUTLOOK FOR 2017

- Aluminium demand growth of over 5% in 2017 will feed through to alumina and bauxite demand
- Alumina supply and demand outside China is expected to be broadly balanced in 2017. In China, industry supply-side reforms and pollution and environmental audit programs may cause fluctuations in alumina prices in the near term
- The bauxite market is expected to remain well supplied for the remainder of 2017 and, as a result, third party bauxite prices are expected not to change significantly in the second half

ALUMINA LIMITED KEY FINANCIALS	US\$ MILLION		AWAC KEY FINANCIALS (US GAAP)	US\$ MILLION	
	HY 2017	HY 2016		HY 2017	HY 2016
Net profit after tax	136.6	7.8	Net profit after tax	367.1	90.5
Total significant items after tax	(12.1)	(4.9)	EBITDA ²	682.4	280.5
Net profit after tax excluding significant items	148.7	12.7	Total significant items before tax ³	(33.3)	5.4
Cash received from AWAC	155.2	83.7	EBITDA excluding significant items	715.7	275.1
Contributions paid to AWAC	(56.0)	-			
Net Receipts from AWAC	99.2	83.7			

ASX ANNOUNCEMENT

24 AUGUST 2017

DEFINITIONS AND NOTES

1. AWAC is Alcoa World Alumina & Chemicals, which is 60% owned by Alcoa Inc and 40% owned by Alumina Limited.
2. Earnings before interest, tax, depreciation and amortisation consistent with previous periods.
3. HY17 significant items are Suralco restructuring charge of \$6.3 million, Point Comfort restructuring charge of \$23.7 million and other items totalling a charge of \$3.3 million. HY16 AWAC financials include Point Comfort restructuring charge of \$4.2 million, Suralco restructuring charges of \$15.7 million and other charges of \$1.8 million offset by a gain on sale of the Dampier Bunbury Natural Gas Pipeline interest of \$27.1 million. For further details refer to the reconciliation on page 24 of Alumina Limited's ASX Half-Year Report for the period ended 30 June 2017.

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 2016. 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 Half-Year Report for the half-year ended 30 June 2017.



Stephen Foster
Company Secretary

24 August 2017

FOR INVESTOR ENQUIRIES:

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ASX HALF-YEAR REPORT

Alumina Limited

ABN 85 004 820 419

30 JUNE 2017

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with
the 31 December 2016 Annual Report.

ALUMINA
LIMITED

Alumina Limited (the Company or the Group) 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 Chemicals (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 half-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

		CHANGE	US\$ MILLION
Net profit from ordinary activities after tax attributable to members of Alumina Limited	Up	1,651%	136.6
Net profit for the half-year attributable to members of Alumina Limited (Refer Note below)	Up	1,651%	136.6

DIVIDENDS

The record date to determine entitlements to the dividend is 30 August 2017. The dividend reinvestment plan will be suspended for this dividend.

	AMOUNT PER SHARE US CENTS	FRANKED AMOUNT PER SHARE US CENTS
Final dividend (prior year)	3.1	3.1
Interim dividend	4.2	4.2

SIGNIFICANT ITEMS AFFECTING THE NET PROFIT FOR THE PERIOD

The net profit of Alumina Limited includes the equity accounted half-year results of AWAC. The Company's net profit includes 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	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Net profit for the period, after tax	136.6	7.8
Significant items included in profit/(loss):		
Suralco restructuring charges and deferred tax assets adjustments	(2.5)	(6.3)
Point Comfort restructuring charges	(9.5)	(1.7)
Gain on sale of interest in the Dampier Bunbury Natural Gas Pipeline (DBNGP)	-	2.5
Other ¹	(0.1)	0.6
Total significant items included in net profit/(loss)	(12.1)	(4.9)

¹ Other significant items include Point Henry's net scrap proceeds offset by Anglesea restructuring charges and other severance and redundancy payments, assets write-downs at locations in the United States, Brazil, Suriname, Australia, Spain and Guinea (1H 2016: Point Henry's net scrap proceeds offset by Anglesea restructuring charges and other severance and redundancy payments, asset write-downs).

Interim Consolidated Financial Report

DIRECTORS' REPORT

The Directors of Alumina Limited present their report on the consolidated entity consisting of Alumina Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

DIRECTORS

The following persons were directors of Alumina Limited during the whole of the half-year and up to the date of this report, unless otherwise indicated:

NON-EXECUTIVE

G J Pizzey (Chairman)
E R Stein
C Zeng
W P Day

EXECUTIVE

M P Ferraro (appointed Chief Executive Officer from 1 June 2017, remained as Director)
P C Wasow (retired as Chief Executive Officer and Director on 31 May 2017)

PRINCIPAL ACTIVITIES

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming the AWAC joint venture. AWAC has interests in bauxite mining, alumina refining, and aluminium smelting. There have been no significant changes in the nature of these activities.

REVIEW OF OPERATIONS

The half-year financial results of Alumina Limited include the half-year results of AWAC and associated corporate activities.

The Group's half-year net profit after tax attributable to members of Alumina Limited was US\$136.6 million (1H 2016: US\$7.8 million).

For further information on the operations of the Group during the half-year ended 30 June 2017 and the results of these operations, refer to pages 19-27.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 7.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars, except where otherwise required.

This Report is made in accordance with a resolution of directors.



MICHAEL FERRARO
Director
Melbourne
24 August 2017



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alumina Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Alumina Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'JO', on a light pink rectangular background.

JOHN O'DONOUGHUE

Partner
Melbourne
24 August 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Revenue from continuing operations	0.1	0.2
Share of net profit of associates accounted for using the equity method	147.1	28.1
General and administrative expenses	(7.2)	(9.2)
Change in fair value of derivatives/foreign exchange losses	0.5	(8.1)
Finance costs	(3.9)	(3.2)
Profit before income tax	136.6	7.8
Income tax expenses	–	–
Profit for the half-year attributable to the owners of Alumina Limited	136.6	7.8
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Share of reserve movements accounted for using the equity method	32.1	14.4
Foreign exchange translation difference	73.8	152.8
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of retirement benefit obligations accounted for using the equity method	(2.5)	(23.5)
Other comprehensive income for the half-year, net of tax	103.4	143.7
Total comprehensive income for the half-year attributable to the owners of Alumina Limited	240.0	151.5

EARNINGS PER SHARE (EPS)

US CENTS		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Basic EPS	4.7	0.3
Diluted EPS	4.7	0.3

CONSOLIDATED BALANCE SHEET

	US\$ MILLION	
	30 JUNE 2017	31 DEC 2016
CURRENT ASSETS		
Cash and cash equivalents	22.5	8.6
Receivables	-	0.1
Other assets	2.4	3.0
Total current assets	24.9	11.7
NON-CURRENT ASSETS		
Investment in associates	2,257.0	2,106.0
Property, plant and equipment	0.1	0.1
Total non-current assets	2,257.1	2,106.1
TOTAL ASSETS	2,282.0	2,117.8
CURRENT LIABILITIES		
Borrowings	15.0	-
Payables	2.0	1.3
Provisions	0.4	0.3
Other liabilities	0.4	0.1
Total current liabilities	17.8	1.7
NON-CURRENT LIABILITIES		
Borrowings	97.7	92.4
Derivative financial instruments	9.7	16.2
Provisions	0.7	0.6
Total non-current liabilities	108.1	109.2
TOTAL LIABILITIES	125.9	110.9
NET ASSETS	2,156.1	2,006.9
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	(2.0)	-
Reserves	(1,018.9)	(1,125.3)
Retained earnings	494.1	449.3
TOTAL EQUITY	2,156.1	2,006.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	US\$ MILLION			
	Contributed Equity ¹	Reserves	Retained Earnings	Total
Balance as at 1 January 2016	2,681.5	(1,305.9)	607.3	1,982.9
Profit for the half-year	–	–	7.8	7.8
Other comprehensive income/(loss) for the half-year	–	167.2	(23.5)	143.7
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(51.8)	(51.8)
Movement in treasury shares	–	–	–	–
Movement in share based payments reserve	–	0.1	–	0.1
Balance as at 30 June 2016	2,681.5	(1,138.6)	539.8	2,082.7
Balance as at 1 January 2017	2,682.9	(1,125.3)	449.3	2,006.9
Profit for the half-year	–	–	136.6	136.6
Other comprehensive income/(loss) for the half-year	–	105.9	(2.5)	103.4
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(89.3)	(89.3)
Movement in treasury shares	(2.0)	–	–	(2.0)
Movement in share based payments reserve	–	0.5	–	0.5
Balance as at 30 June 2017	2,680.9	(1,018.9)	494.1	2,156.1

¹Treasury shares have been deducted from contributed equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(7.6)	(7.6)
GST refund received	0.3	0.4
Dividends received from associates	129.9	44.0
Distributions received from associates	0.5	0.4
Finance costs paid	(4.8)	(3.6)
Interest paid under cross currency interest rate swap	(2.8)	(1.7)
Interest received under cross currency interest rate swap	3.4	2.5
Tax paid	-	-
Other	0.1	0.1
Net cash inflow from operating activities	119.0	34.5
Cash flows/(outflow) from investing activities		
Payments for investments in associates	(56.0)	-
Proceeds from return of invested capital	24.8	39.3
Net cash (outflow)/inflow from investing activities	(31.2)	39.3
Cash flows/(outflow) from financing activities		
Proceeds from borrowings	65.0	30.0
Repayment of borrowings	(50.0)	(40.0)
Dividends paid	(89.3)	(51.8)
Net cash (outflow) from financing activities	(74.3)	(61.8)
Net increase in cash and cash equivalents	13.5	12.0
Cash and cash equivalents at the beginning of the reporting period	8.6	9.3
Effects of exchange rate changes on cash and cash equivalents	0.4	1.5
Cash and cash equivalents at the end of the reporting period	22.5	22.8

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This interim consolidated financial report for the half-year ended 30 June 2017 has been prepared in accordance with the Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim 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 2016 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 and corresponding interim reporting period.

RECONCILIATION OF CASH

US\$ MILLION		
	30 JUNE 2017	30 JUNE 2016
Reconciliation of cash at the end of the reporting period (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)	17.2	21.0
Total cash and cash equivalents at the end of the reporting period	22.5	22.8

CONSOLIDATED RETAINED EARNINGS

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Retained earnings at the beginning of the reporting period	449.3	607.3
Profit attributable to members of Alumina Limited	136.6	7.8
Dividends provided for or paid	(89.3)	(51.8)
Re-measurements of retirement benefit obligations accounted for using the equity method	(2.5)	(23.5)
Total retained earnings at the end of the reporting period	494.1	539.8

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 interim 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.

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Current tax	—	—
Deferred tax	—	—
Aggregate income tax expense	—	—

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EQUITY SECURITIES ISSUED

There were no issues of ordinary shares during the half-years ended 30 June 2017 and 30 June 2016.

MOVEMENT IN TREASURY SHARES

	NUMBER OF SHARES		US\$	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Balance brought forward	1,856	61,717	1,905	1,413,606
Shares acquired by Alumina Employee Share Plan Pty Ltd	1,484,568	–	2,040,374	–
Employee performance rights vested	–	(33,349)	–	(22,201)
Total treasury shares	1,486,424	28,368	2,042,279	1,391,405

EARNINGS PER SHARE

	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US\$ million)	136.6	7.8
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,879,186,056	2,879,783,064
Basic EPS (US cents)	4.7	0.3
Diluted EPS (US cents)	4.7	0.3

NET TANGIBLE ASSET BACKING PER SECURITY

	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Net assets (US\$ million)	2,156.1	2,082.7
Less equity accounted intangible assets:		
Goodwill (US\$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US\$ million)	71.5	73.0
Net tangible assets (US\$ million)	1,908.8	1,833.9
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,879,843,498
Net tangible asset backing per ordinary security (US\$)	0.66	0.64

DIVIDENDS

Since the half-year end, the Directors have determined that a fully franked dividend of US 4.2 cents per share will be payable on 14 September 2017, amounting to US \$121.0 million. This amount has not been recognised as a liability at 30 June 2017. The record date to determine entitlement to the dividend is 30 August 2017. The dividend reinvestment plan will be suspended for this dividend.

The franking account balance, which is maintained in Australian dollars, was A\$371.5 million as at 30 June 2017 (A\$347.5 million as at 31 December 2016).

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST OR GAINED

There was no loss or gain of control for the half-years ended 30 June 2017 and 30 June 2016.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			30 JUNE 2017	30 JUNE 2016
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

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

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Revenues	2,393.5	1,920.6
Profit from continuing operations	369.7	72.2
Profit for the half-year¹	369.7	72.2
Other comprehensive income/(loss) for the half-year	258.6	380.3
Total comprehensive income/(loss) for the half-year	628.3	452.5
Group Share of profit for the half-year as a percentage	40%	40%
Group Share of profit for the half-year in dollars	147.8	28.8
Mineral rights and bauxite amortisation	(1.1)	(1.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.4	0.4
Share of profit from associate accounted for using equity method	147.1	28.1
Dividends and distributions received from AWAC	155.2	44.4

¹ The profit for the six month periods ended 30 June 2017 and 30 June 2016 include significant items that have affected AWAC's net profit after tax. For further details refer to the reconciliation on page 24.

BORROWINGS

US\$ MILLION		
	30 JUNE 2017	31 DEC 2016
Bank loans	15.0	-
Fixed rate note	97.7	92.4
Total borrowings	112.7	92.4

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 30 June 2017, \$15 million has been drawn against the syndicated facility, so the undrawn available facility amount as at 30 June 2017 was \$285 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 decrease in credit rating from Standard and Poor's for Alumina Limited in September 2016 triggered a 1.75% step up in coupon from 5.5% to 7.25%, effective 20 November 2016. A subsequent increase in credit rating in April 2017 reduced the coupon from 7.25% to 6.75%, effective from 19 May 2017. The note matures on 19 November 2019.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 alumina/aluminium business through its equity interest in AWAC.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events occurring since 30 June 2017.

DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Alumina Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



MICHAEL FERRARO

Director
Melbourne
24 August 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF ALUMINA LIMITED

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the Alumina Limited (the Company) financial statements and notes set out on pages 8 to 16, which comprises the balance sheet as at 30 June 2017, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for Alumina Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alumina Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alumina Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PRICEWATERHOUSECOOPERS



JOHN O'DONOUGHUE

Partner
Melbourne
24 August 2017

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Supplementary Appendix 4D 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 the 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 2016. 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

HIGHER PROFIT AND IMPROVED CASH FLOW

- Profit increased by \$128.8 million.
- Excluding significant items, profit increased by \$136.0 million.
- Net cash receipts from AWAC increased by \$15.5 million.

INTERIM DIVIDEND DECLARED AND FINAL DIVIDEND PAID

- The directors declared a fully franked interim dividend of US 4.2 cents per share, payable on 14 September 2017 to shareholders on the register as at 5pm on 30 August 2017. The dividend reinvestment plan will be suspended for this dividend.
- The fully franked final dividend for 2016 of 3.1 cents per share was paid on 22 March 2017.

BALANCE SHEET STABILITY MAINTAINED

- Balance sheet gearing at 4.0%.

KEY FINANCIALS (IFRS)

	US\$ MILLION	
	30 JUNE 2017	30 JUNE 2016
Net profit after tax	136.6	7.8
Total significant items after tax ¹	(12.1)	(4.9)
Net profit after tax excluding significant items	148.7	12.7
Cash received from AWAC	155.2	83.7
Contributions paid to AWAC	(56.0)	-

	US CENTS PER SHARE	
	30 JUNE 2017	30 JUNE 2016
EPS	4.7	0.3
Interim dividend declared	4.2	2.9

	30 JUNE 2017	31 DEC 2016
Net Debt, US\$m	90.2	83.8
Gearing ²	4.0%	4.0%

¹ For further details refer to page 26.

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

AWAC FINANCIAL AND OPERATIONAL PERFORMANCE SUMMARY

HIGHER EBITDA

- EBITDA increased by \$401.9 million.
- Charges related to significant items increased by \$38.7 million.
- Excluding significant items, EBITDA increased by \$440.6 million.

ALUMINA MARGIN INCREASED

- Alumina average realised price increased by \$81 per tonne.
- Alumina average cash cost increased by \$9 per tonne.
- Proportion of third party smelter grade alumina shipments that were priced on spot or alumina indexed basis increased to 85%.

HIGHER CASH FROM OPERATIONS

- Cash from operations increased by \$665.0 million.
- Excluding Alba settlement¹ payment, cash from operations would have been \$498.8 million.

EXPANDING THIRD PARTY BAUXITE BUSINESS

- Third party shipments for 1H 2017 increased by 2% to 3 million bone-dry tonnes (BDT).
- Third party shipments for 2017 full year expected to be approximately 7.0 million tonnes.

KEY FINANCIALS (US GAAP)

	30 JUNE 2017	30 JUNE 2016
EBITDA US\$m ²	682.4	280.5
Total significant items before tax US\$m ²	(33.3)	5.4
EBITDA excluding significant items US\$m ²	715.7	275.1
Alumina average realised price US\$/tonne	315	234
Alumina average cash cost of production US\$/tonne	202	193
Alumina shipments priced on spot or index basis (%)	85	84
Cash from operations US\$m	424.8	(240.2)

¹ For further details refer to page 25.

² For further details refer to the reconciliation on page 24.

ABOUT ALUMINA LIMITED

Through its 40% investment in AWAC, Alumina Limited is a pure investment in the upstream segment of the aluminium value chain. Alumina Limited also has rights and powers not normally attributed to a minority shareholder, such as super-majority vote to enact certain material changes to the operations of AWAC. The Company provides the

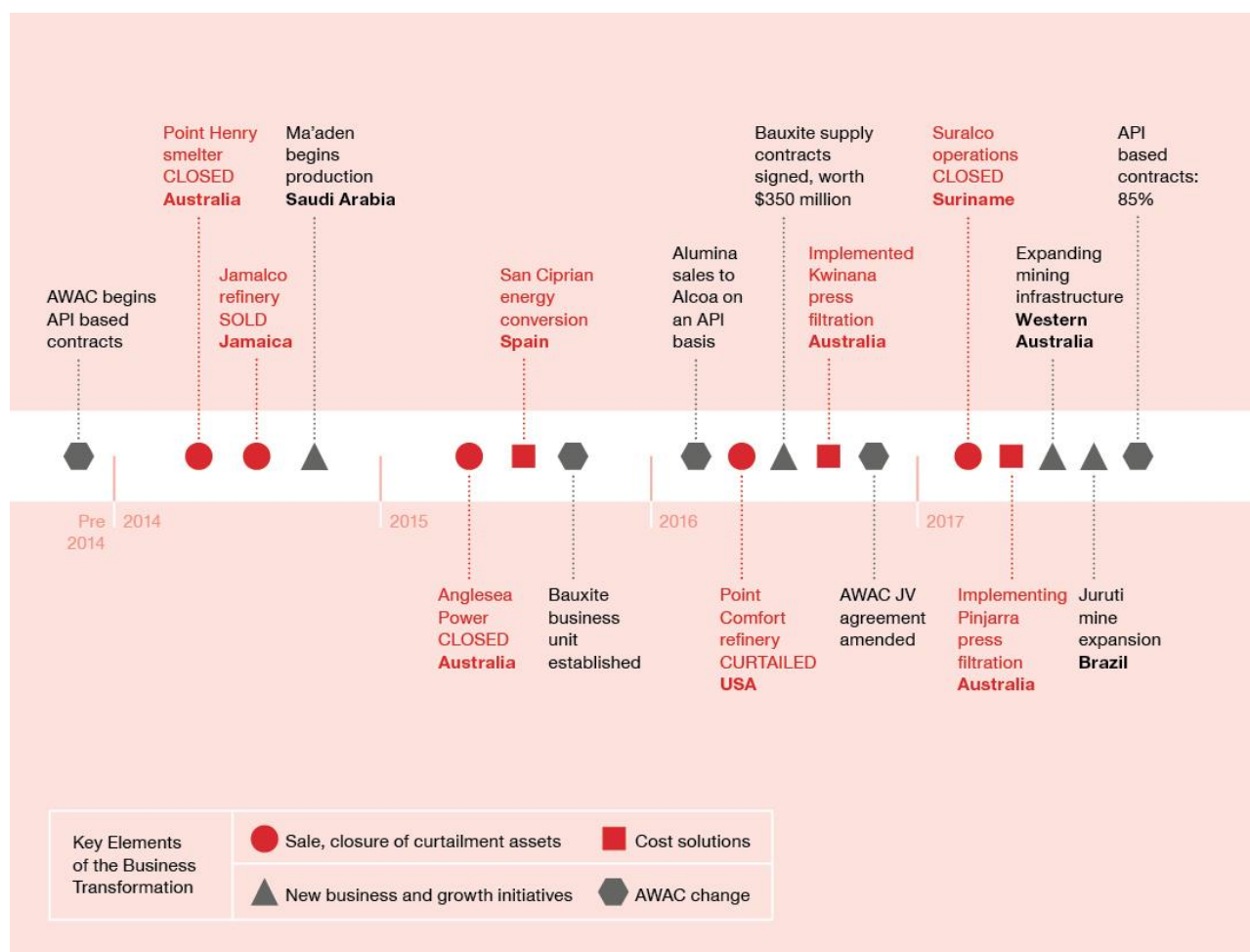
cleanest look through to AWAC's underlying performance. This is possible because the financial policies in both Alumina Limited and AWAC ensure there is minimal leverage in both entities, the Company's own costs are minimal and the distribution policies of Alumina Limited and AWAC require free cash flows to be paid to their respective shareholders.

REVIEW OF AWAC OPERATIONS

Since the beginning of this decade, AWAC has undergone business improvement and transformation, which has significantly improved the competitiveness of its portfolio of assets in a global market that has also undergone significant change. The key actions by AWAC were the

transition of smelter grade alumina sales ("SGA") contracts towards a spot index basis, overhead reductions, productivity improvements, reduction of capital intensity and the reweighting of the portfolio towards tier one assets.

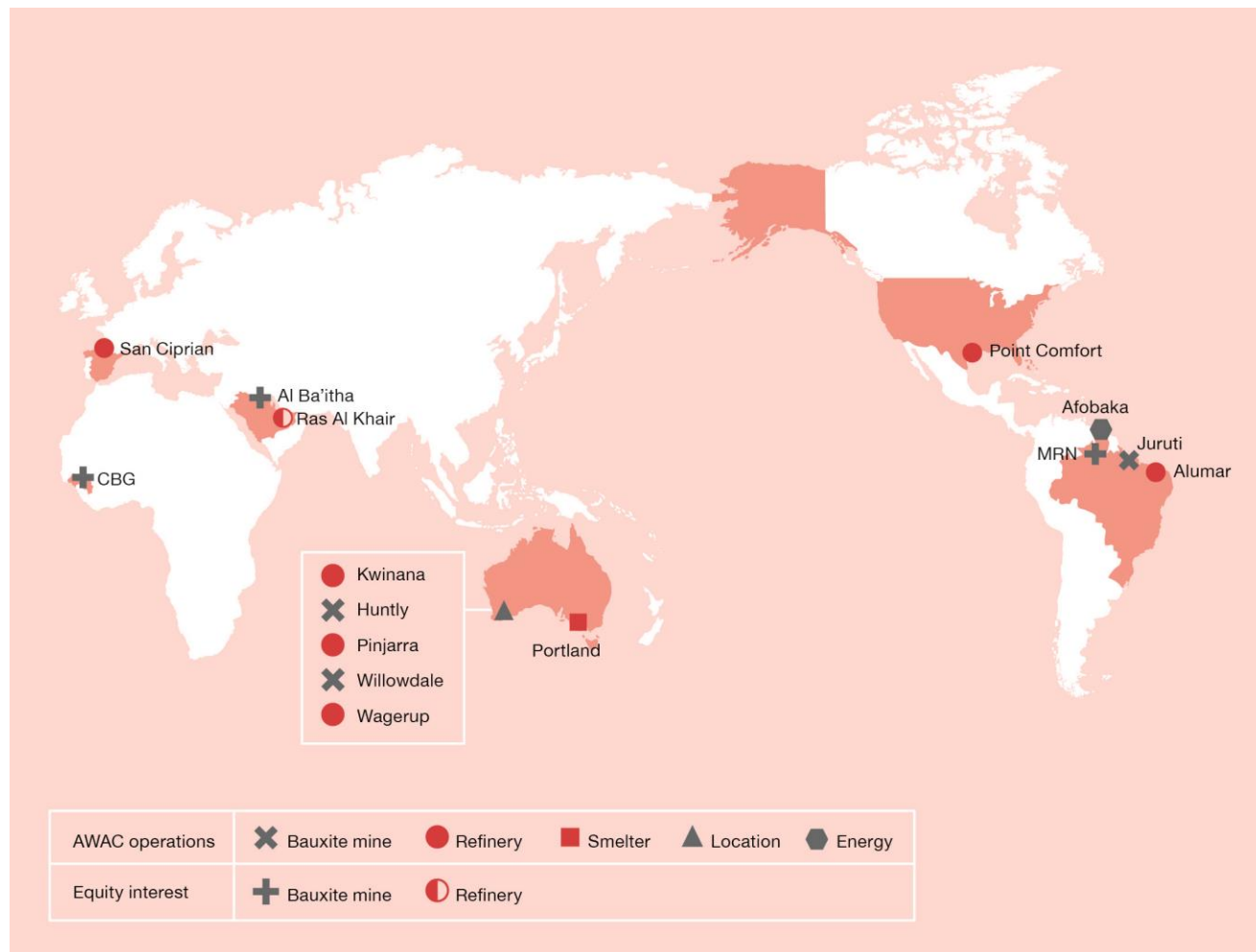
TIMELINE OF AWAC IMPROVEMENT AND TRANSFORMATION



Even though AWAC's mining and refining businesses are now close to where they need to be, the journey of improvement and transformation will continue with an emphasis on growth opportunities. AWAC will initially pursue moderate capital projects, using its proprietary technology to grow alumina capacity by an average of one to two percent per annum, and seek to leverage its abundant bauxite resources to more than double its third party sales over the next few years.

Alumina Limited's shareholders should benefit from this strategy, at a time when industry fundamentals also look to be improving through measures such as the China supply-side reforms, and the new AWAC cash distribution policy that Alumina Limited negotiated with Alcoa Corp that effectively sees AWAC distributing cash on hand above \$140 million on a quarterly basis.

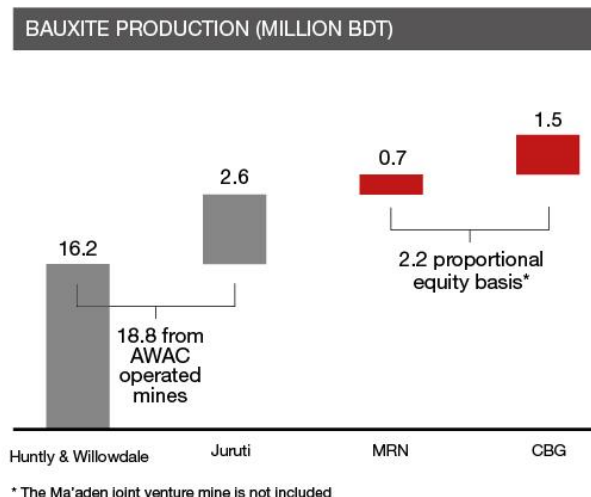
DIAGRAM OF AWAC OPERATIONS AND INTERESTS

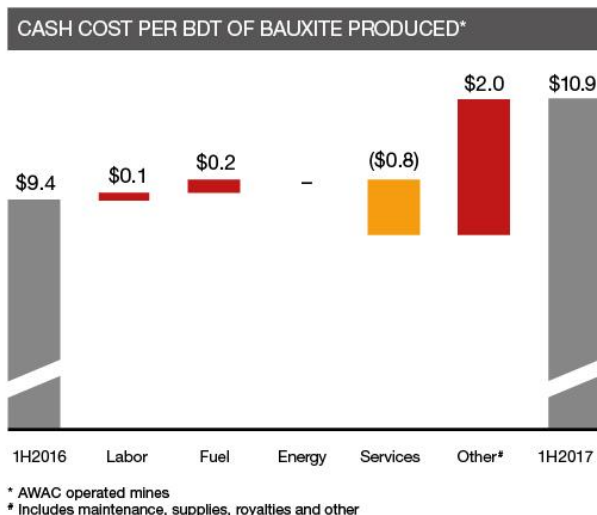


MINING

AWAC's mining operations produced 18.8 million BDT of bauxite in 1H 2017 (1H 2016: 18.3 million BDT). The increase was due to creep production at all mines, which more than offset disruptions in Brazil due to the heavy wet season. Including AWAC's equity interests in mining investments*, total bauxite production attributable to AWAC in 1H 2017 was 21.0 million BDT (1H 2016: 20.7 million BDT). Production in the equity interest mines was also affected by the wet season in Brazil and labour unrest in Guinea.

The 1H 2017 average cash cost per tonne of bauxite produced by AWAC's mining operations increased by 16% to \$10.9 per BDT (1H 2016: \$9.4 per BDT). Approximately \$1 per BDT of the increase was as a result of higher fleet overhaul costs at Juruti and the Australian mines. The production disruptions, timing of maintenance and the weaker US dollar against the Australia dollar and the Brazilian real also contributed to the increase in costs.





During 1H 2017 AWAC sold 3.0 million BDT of bauxite to third parties (1H 2016: 2.9 million BDT), which included 0.3 million BDT million shipped to China from Western Australia. This shipment follows the approval granted in December 2016 by the Western Australian government for AWAC to export approximately 2.3 million BDT annually for a period of five years.

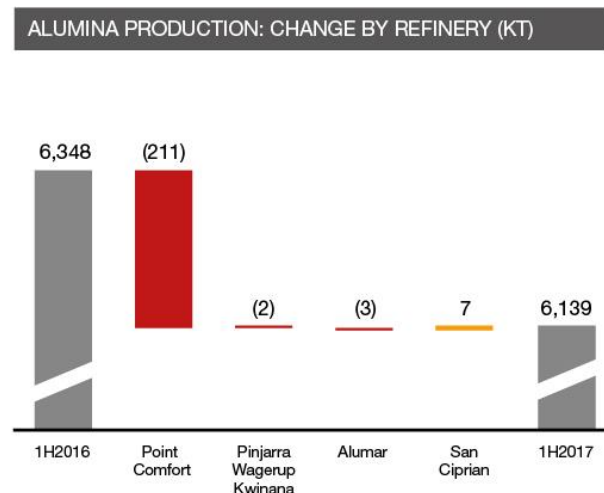
In the second half of 2017, AWAC expects to sell 4.0 million BDT to third parties, of which 0.4 million will be from Western Australia, and to begin investment in infrastructure to facilitate further exports from the state. AWAC should also progress the expansion of the Juruti mine capacity to 7.5 million BDT, which will further supplement growth in sales to third parties.

Earnings from AWAC's equity interests in mines declined to \$9.3 million (1H 2016: \$24.4 million) on lower production which was affected by the aforementioned production disruptions.

The EBITDA margin, which includes intersegment sales but excludes freight, was 38.9% (1H 2016: 37.8%).

REFINING (AWAC OPERATED REFINERIES)

Production of alumina was 6.1 million tonnes in 1H 2017 (1H 2016: 6.3 million tonnes) and alumina shipments were 6.4 million tonnes (1H 2016: 6.6 million tonnes). The reduction in both production and sales volume is mainly due to the curtailment of the Point Comfort refinery in 1H 2016.

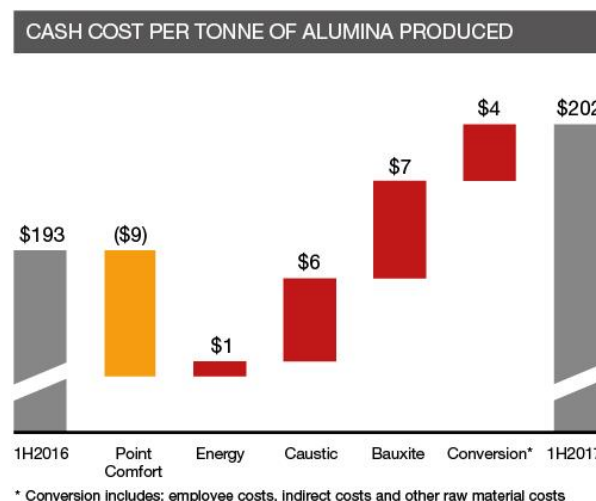


Approximately 85% of AWAC's total SGA shipments were priced on spot or alumina index basis for 1H 2017 (1H 2016: 84%). For 2017, SGA shipments on a spot or alumina index basis are expected to be approximately 85% of the total, rising to 92% in 2018.

The 1H 2017 average realised alumina price increased by 35% to \$315 per tonne (1H 2016: \$234 per tonne) as a result of a buoyant alumina price index (API). The average API for 1H 2017 was \$325 per tonne on a one month lag basis (1H 2016: \$230 per tonne).

AWAC's average 1H 2017 cash cost per tonne of alumina produced (which includes the mining business unit at cost) increased by 5% to \$202 per tonne (1H 2016: \$193 per tonne). There was a favourable variance of approximately \$9 per tonne associated with the curtailment of Point Comfort in June 2016, which was offset with unfavourable variances associated with caustic, bauxite and conversion.

Conversion costs were affected by increased maintenance at all refineries during 1H 2017 and unfavourable movement in the US dollar relative to local currencies.



The margin for 1H 2017 (average realised price less cash production costs) increased to \$113 per tonne of alumina produced (1H 2016: \$41 per tonne).

MA'ADEN

During 1H 2017, the Ma'aden refinery produced 0.7 million tonnes compared to 0.7 million tonnes in 1H 2016 (AWAC's share of production is approximately 178,000 and 175,000 tonnes respectively for those periods). The 1H 2017 results included \$4.8m of equity losses relating to the Ma'aden joint venture (1H 2016: \$24.2m of equity losses). The improved performance over last year was mainly due to higher alumina prices.

SMELTING

The Portland smelter, in which AWAC has a 55% equity interest, is AWAC's only smelting operation.

AWAC's share of aluminium production was 33,000 tonnes during 1H 2017 (1H 2016: 81,000 tonnes). The smelter was affected by a power outage in December 2016, which 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 allowed the restart of the lost smelting capacity. The Portland smelter has been gradually rebuilding its production capacity throughout 1H 2017, and expects to reach the pre power outage capacity during 2H 2017.

Portland's average realised aluminium price increased by 19% to \$1,959 per tonne, but the smelter recorded a loss of \$23.0 million in EBITDA due to the power outage and increased costs of major inputs (alumina, carbon and power).

AWAC FINANCIAL REVIEW

The improved Net Profit was largely due to the higher realised alumina price in 1H 2017, which was partially offset by AWAC's higher charges for significant items, higher production costs and unfavourable movement in the Australian dollar and the Brazilian real against the US dollar. The 1H 2016 Net Profit included the gain on the sale of an interest in the Dampier Bunbury Natural Gas Pipeline (DBNGP).

AWAC PROFIT AND LOSS (US GAAP)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Net profit after tax	367.1	90.5
Add back: Income tax charge	175.3	57.3
Add back: Depreciation and amortisation	140.7	132.4
(Deduct)/add back: Net interest	(0.7)	0.3
EBITDA	682.4	280.5
(Deduct)/add back: Significant items (pre-tax)	33.3	(5.4)
EBITDA excluding significant items	715.7	275.1

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Suralco restructuring charges	(6.3)	(15.7)
Point Comfort restructuring charges	(23.7)	(4.2)
Gain on sale of DBNGP	-	27.1
Other ¹	(3.3)	(1.8)
Total significant items (pre-tax)	(33.3)	5.4
Total significant items (after-tax)	(32.6)	(5.2)

¹ Other significant items include Point Henry's net scrap proceeds offset by Anglesea restructuring charges and other severance and redundancy payments, assets write-downs at locations in the United States, Brazil, Suriname, Australia, Spain and Guinea (1H 2016: Point Henry's net scrap proceeds offset by Anglesea restructuring charges and other severance and redundancy payments, asset write-downs).

AWAC BALANCE SHEET (US GAAP)	US\$ MILLION	
	30 JUNE 2017	31 DEC 2016
Cash and cash equivalents	467.6	251.2
Receivables	356.2	395.7
Inventories	487.5	425.9
Property, plant & equipment	3,699.1	3,634.2
Other assets	2,412.3	2,064.5
Total Assets	7,422.7	6,771.5
Short term borrowings	2.4	2.2
Accounts payable	608.1	561.6
Taxes payable and deferred	286.9	184.9
Capital lease obligations & long term debt	2.8	2.7
Other liabilities	1,140.7	1,220.4
Total Liabilities	2,040.9	1,971.8
Equity	5,381.8	4,799.7

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

The increase in other assets includes an increase in the fair value of derivative assets of \$195 million, primarily associated with new hedging arrangements at Portland.

Deferred taxes increased by \$90 million, largely due to the aforementioned Portland hedging arrangements.

The reduction in other liabilities includes the \$74 million Alba settlement, which was paid in January 2017. 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 final instalment of \$74 million, due in January 2018, will also be fully funded by Alcoa.

AWAC CASH FLOW (US GAAP)		US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016	
Cash from operations	424.8	(240.2)	
Capital contributions arising from the allocation agreement ¹	74.0	74.0	
Net movement in borrowings	0.3	61.2	
Capital expenditure	(57.9)	(46.9)	
Proceeds from sale of 20% interest in the DBNGP	-	145.0	
Other financing and investing activities ²	143.6	(23.8)	
Effects of exchange rate changes on cash and cash equivalents	18.8	15.1	
Cash flow before distributions	603.6	(15.6)	
Distributions paid to partners	(387.2)	(212.0)	
Net change in cash and cash equivalents	216.4	(227.6)	

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 contributions and lease obligations, related party notes receivable and other.

Cash from operations includes the payment for the Alba settlement of \$74 million (1H 2016: \$74 million) and payments relating to significant items. The 1H 2016 cash from operations included the \$200 million final instalment of the 12-year gas supply agreement.

Adjusting for the Alba settlement, cash from operations would have been \$498.8 million.

During 1H 2017, sustaining capital expenditure totalled \$39 million. Significant refinery sustaining capital expenditure during 1H 2017 included upgrading residue

storage areas at the Alumar and Pinjarra refineries, revamping the bauxite mills at San Ciprian, upgrading fleet management systems and haul roads at mine sites. Capital expenditure has also begun on the Pinjarra residue filtration project.

The most significant growth expenditure during 1H 2017 was at the Juruti bauxite mine, where a creep project is currently underway and is expected to be completed in 2017. Expenditure has also begun on developing infrastructure to facilitate further third party bauxite exports from Western Australia.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS		US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016	
Share of net profit of associates accounted for using the equity method	147.1	28.1	
General and administrative expenses	(7.2)	(9.2)	
Finance costs	(3.9)	(3.2)	
Foreign exchange losses, tax and other	0.6	(7.9)	
Profit for the half-year after tax	136.6	7.8	
Total significant items after tax	(12.1)	(4.9)	
Net profit after tax excluding significant items	148.7	12.7	

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Suralco restructuring charges and deferred tax assets adjustment	(2.5)	(6.3)
Point Comfort restructuring charges	(9.5)	(1.7)
Gain on sale of interest in the DBNGP	-	2.5
Other	(0.1)	0.6
Total significant items	(12.1)	(4.9)

Alumina Limited recorded a net profit after tax of \$136.6 million compared to \$7.8 million in 1H 2016.

The increase in net profit was largely due to AWAC's increase in revenue due to the higher average realised alumina price in 1H 2017 compared to 1H 2016, which was partially offset by AWAC's higher production costs and charges for significant items, and an unfavourable movement in the US dollar against the Brazilian real and the Australian dollar.

Significant items were the result of restructuring activities to improve the portfolio mix of AWAC, including the closure of the Suralco refinery and the curtailment of Point Comfort refinery. Significant items in 1H 2016 included the

gain on the sale of an interest in the DBNGP. Excluding significant items, net profit would have been \$148.7 million (1H 2016: \$12.7 million). Alumina Limited's general and administrative expenses in 1H 2017 included \$1.2 million associated with the previous CEO's retirement on 31 May 2017.

Furthermore, 1H 2017 general and administrative expenses include \$0.3 million of costs from the Company's actions in relation to Alcoa's corporate separation (1H 2016: \$3.8 million).

Excluding the above costs, the 1H 2017 general and administrative expenses were marginally higher than 1H 2016, primarily due to the effect of the weaker US dollar particularly against the Australian dollar.

ALUMINA LIMITED BALANCE SHEET	US\$ MILLION	
	30 JUNE 2017	31 DEC 2016
Cash and cash equivalents	22.5	8.6
Investment in associates	2,257.0	2,106.0
Other assets	2.5	3.2
Total assets	2,282.0	2,117.8
Payables	2.0	1.3
Interest bearing liabilities	112.7	92.4
Other liabilities	11.2	17.2
Total Liabilities	125.9	110.9
Net Assets	2,156.1	2,006.9

Alumina Limited's net debt as at 30 June 2017 was \$90.2 million and gearing remained at 4.0%.

The increase in investments in associates was due to foreign currency balance sheet revaluations and AWAC's higher operating performance partially offset by AWAC's increased distributions.

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

- \$150 million in December 2017 (\$15 million drawn under these facilities as at 30 June 2017).
- \$150 million in July 2020 (no amounts drawn under these facilities as at 30 June 2017).

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

ALUMINA LIMITED CASH FLOW	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Dividends received	129.9	44.0
Distributions received	0.5	0.4
Net finance costs paid	(4.2)	(2.7)
Payments to suppliers and employees	(7.6)	(7.6)
GST refund, interest received & other	0.4	0.4
Cash from operations	119.0	34.5
Net (payments)/receipts – investments in associates	(31.2)	39.3
Free cash flow¹	87.8	73.8

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.

The \$1.5 million increase in finance costs was largely due to higher interest margins and commitment fees resulting from the downgrade of the Company's credit rating in September 2016. Subsequently, during April 2017, the Company's credit rating was upgraded.

Alumina Limited's total receipts from AWAC during 1H 2017 were \$155.2 million, comprising: \$129.9 million of dividends, \$24.8 million of capital returns and \$0.5 million of distributions.

MARKET OUTLOOK AND GUIDANCE

ALUMINIUM AND ALUMINA

Demand for aluminium was solid in the first half of 2017 and is expected to end the year with a growth rate of over 5% compared with 2016. In early 2017 high global smelting rates and rising freight, coal and caustic soda costs supported the alumina price well above the current price of \$308 per tonne. From March, additional alumina supply came out of Vietnam, Indonesia and Brazil, while smelter incidents in India and Bahrain reduced alumina demand. Towards the end of the second quarter the alumina market moved towards a balanced position as production cuts in China due to environmental audits and maintenance took effect. There was also alumina restocking and short covering outside China as extra volume was required for smelters in India, the Middle East and the Americas. The average Platts Australian alumina price for the calendar first half of 2017 was \$318 per tonne, compared with the price of \$271 per tonne for the second half of 2016.

Into the second half of 2017, there is practically no Atlantic alumina discount relative to the Pacific price and the market outside China is expected to remain in near

For 1H 2016 total receipts of \$83.7 million comprised of: \$44.0 million of dividends, \$39.3 million of capital returns and \$0.4 million of distributions.

Capital returns of \$24.8 million were received from AWA Brasil (1H 2016: \$19.8 million from AWA Brasil and \$19.5 million from the Enterprise Partnership).

There were \$56.0 million of cash contributions to AWAC during 1H 2017. There were no cash contributions during 1H 2016.

As a result, free cash flow was \$14.0 million higher in 1H 2017 compared to 1H 2016.

balance, with the extra alumina production expected from Jamaica likely to meet the expected increased demand in the Americas, India and the Middle East.

In China, there could be some movement in price as the Chinese Government continues with its industry supply-side reforms and winter pollution and other environmental audit programs which should lead to more alumina and aluminium production cuts. Whilst some details remain to be negotiated between producers and the Chinese Government, it has been estimated that the winter curtailments could result in a net loss of 0.5 million tonnes of aluminium and 1.5 million tonnes of alumina. However, there are a number of variables that could impact on the overall outcome, including (i) the extent to which already idled capacity can be taken into account as a cut, (ii) the ability of producers to ramp up production leading up to winter and then curtail the newly increased production and (iii) the capacity for some producers to ramp up production outside the provinces affected by the winter cuts. Also, there is a risk that the cuts in smelting production due to unlicensed smelting cause a surplus in alumina supply in China, at least in terms of timing.

BAUXITE

China imported over 32 million tonnes of bauxite in the first half of 2017. The majority of the imports came from Guinea (12.2 million tonnes) and Australia (11.6 million tonnes). Other countries supplying China included Malaysia, India and Brazil. The bauxite market is expected to remain well supplied in the second half of 2017. The Pahang Government in Malaysia has extended its mining ban until the end of the year. The Malaysian Anti-Corruption Commission has reportedly

seized around 10 million tonnes of bauxite stockpiled in Pahang to facilitate its investigations into illegal bauxite mining in the state. This is likely to result in a decrease in bauxite exports during the second half of 2017. Indonesia has relaxed its bauxite export ban and relatively modest volumes are expected to be exported from Indonesia this year. Guinea and Australia are expected to continue solid supply to China. Third party bauxite prices are expected not to change significantly in the second half.

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 AWAC results. 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 110,000 tonnes
Bauxite third party committed sales	Approximately 7.0 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 \$160 million
AWAC growth capital expenditure	Approximately \$70 million
AWAC Point Comfort after tax restructuring ²	
Charges (IFRS)	Approximately \$50 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 \$25 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	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Sales	1,696.4	1,343.2
Sales to related parties	697.1	577.4
Total revenue	2,393.5	1,920.6
Cost of goods sold	1,646.8	1,567.0
Selling, general administrative, and research and development expenses	41.8	48.5
Provision for depreciation, depletion and amortisation	140.7	132.4
Restructuring and other expenses	21.8	24.9
Total expenses	1,851.1	1,772.8
Net profit before income taxes	542.4	147.8
Provision for taxes on income	175.3	57.3
Net profit after taxes	367.1	90.5
Members' equity		
Opening balance at start of period	4,799.7	4,871.1
Net profit	367.1	90.5
Capital contribution	214.0	74.0
Dividends paid and return of capital to partners	(387.2)	(212.0)
Common stock issued for compensation plans	2.1	2.0
Other comprehensive income/(loss)	386.1	401.0
Closing balance at end of period	5,381.8	5,226.6

AWAC BALANCE SHEET

	US\$ MILLION	
	30 JUNE 2017	31 DECEMBER 2016
Current assets		
Cash and cash equivalents	467.6	251.2
Receivables	356.2	395.7
Related party notes receivable	-	-
Inventories	487.5	425.9
Prepaid expenses and other current assets	186.7	86.2
Total current assets	1,498.0	1,159.0
Non-current assets		
Property, plant and equipment	3,699.1	3,634.2
Investments	396.1	407.9
Other assets and deferred charges	1,829.5	1,570.4
Total non-current assets	5,924.7	5,612.5
Total assets	7,422.7	6,771.5
Current liabilities		
Short term borrowings	2.4	2.2
Accounts payable	608.1	561.6
Taxes payable	59.9	47.9
Accrued compensation and retirement costs	202.0	202.8
Other current liabilities	195.8	207.3
Total current liabilities	1,068.2	1,021.8
Non-current liabilities		
Capital lease obligations and long term debt	2.8	2.7
Deferred income taxes	227.0	137.0
Other long term liabilities	742.9	810.3
Total non-current liabilities	972.7	950.0
Total liabilities	2,040.9	1,971.8
Net assets	5,381.8	4,799.7
Equity		
Members' equity	6,977.8	6,781.8
Accumulated other comprehensive loss	(1,596.0)	(1,982.1)
Total members' equity	5,381.8	4,799.7

AWAC STATEMENT OF CASH FLOWS

US\$ MILLION		
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
Cash flows from operations		
Net profit	367.1	90.5
<i>Adjustments to reconcile net income to cash from operations</i>		
Depreciation, depletion and amortisation	140.7	132.4
Other items ¹	(83.0)	(463.1)
Cash provided/(used) from operations	424.8	(240.2)
Cash flows from financing activities		
Dividends paid and return of capital to partners	(387.2)	(212.0)
Net change in debt	0.3	61.2
Payments on capital lease obligations	-	(1.1)
Capital contributions	214.0	74.0
Cash used for financing activities	(172.9)	(77.9)
Cash flows from investing activities		
Capital expenditures	(57.9)	(46.9)
Net change in related party notes receivable	-	(21.8)
Other items ²	3.6	144.1
Cash (used)/provided from investing activities	(54.3)	75.4
Effect of exchange rate changes on cash and cash equivalents	18.8	15.1
Cash generated/(used)	216.4	(227.6)
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	251.2	531.8
Cash and cash equivalents at the end of the period	467.6	304.2
Net change in cash and cash equivalents	216.4	(227.6)

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

² Half-year ended 30 June 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	
	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2016
AWAC profit before tax (US GAAP)	542.4	147.8
<i>Adjustments made to align with IFRS</i>		
Embedded derivatives	(3.6)	6.3
Asset Retirement Obligations and Defined Benefits Plans	(1.4)	(8.1)
Other	7.5	(6.8)
AWAC profit before tax (IFRS)	544.9	139.2
AWAC provision for taxes on income (USGAAP)	(175.3)	(57.3)
Adjustments made to align with IFRS	0.1	(9.7)
AWAC provision for taxes on income (IFRS)	(175.2)	(67.0)
AWAC profit before tax (IFRS)	544.9	139.2
AWAC provision for taxes on income (IFRS)	(175.2)	(67.0)
AWAC profit after tax (IFRS)	369.7	72.2