

ASX Announcement

8 May 2015

Chairman's and CEO speeches – 2015 AGM

Attached are the Chairman's and Chief Executive Officer's speeches delivered at the 2015 Annual General Meeting of the Company held today.



Stephen Foster
Company Secretary

8 May 2015

Alumina Limited

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CHAIRMAN - JOHN PIZZEY

Good morning ladies and gentlemen.

I am John Pizzezy and as Chairman of Alumina Limited, it is my pleasure to welcome you to the 45th Annual General Meeting of the Company.

I will briefly discuss some housekeeping matters before moving on to the business of the meeting.

In the unlikely event that evacuation of the Auditorium is required, Mr Jason Bulner, who is in charge of security for the meeting, will give directions and the meeting will be adjourned.

We would follow Mr Bulner directions for an orderly evacuation of the Auditorium to the pre-determined evacuation point which is the Tea House building on the corner of Clarendon and Normanby Street.

Before formally beginning the meeting, I would like to introduce to you my fellow directors .

On my far right is Mike Ferraro, a non-executive Director.

Mike is Chairman of the Nominations Committee.

Next to Mike Ferraro is Peter Day, a non-executive Director.

Peter is Chairman of the Audit Committee.

Next to Peter is Chen Zeng, a non-executive Director.

Next to Chen is Emma Stein, a non-executive Director and Chair of the Compensation Committee. Emma is standing for re-election today. I will speak to Emma's re-election later in the meeting and I will invite Emma to address the meeting.

Next to Emma is Peter Wasow, our Chief Executive Officer.

On my immediate right is Stephen Foster, Alumina Limited's General Counsel and Company Secretary.

And finally, the Company's Chief Financial Officer, Chris Thiris, is seated to my right in the front row.

The Company's auditor, PricewaterhouseCoopers, is represented by Ms Nadia Carlin, who is also seated in the front row.

Ms Carlin is available to answer any questions regarding the conduct of the audit and the content and preparation of the Audit Report.

Copies of both my address and that of the Chief Executive Officer will be available at the conclusion of the meeting.

Copies of the Alumina Limited Annual Review 2014 and the Annual Report are available today at the Registration table and on the Company website.

Both of these documents will provide more detail on the 2014 financial year and the business in general than we intend to cover in the formal proceedings of the meeting. I am advised that a quorum of members is present and I declare the meeting open.

The Notice of Meeting has been circulated and I will take it as read.

The Minutes of the last Annual General Meeting of the Company have been signed and are available at the registration desk for any shareholder to view.

The proxies received for today's meeting are held by the Company Secretary.

We have received proxies representing approximately 2.155 billion shares or 76.8 per cent of the Company's issued shares.

The first item on the agenda of the meeting is to receive and consider the financial statements.

No resolution or vote is required on the financial statements.

To deal with this item, I will make some introductory comments and then ask Peter Wasow, our Chief Executive Officer, to address shareholders.

After my comments and those of the CEO, I will open the meeting for general questions before dealing with the agenda items.

This morning I want to discuss Alumina Limited's financial performance for 2014 and the role of Alumina Limited.

Peter Wasow will then review the strategy and performance of the AWAC business and the outlook for 2015.

This year there will be four resolutions to be considered.

Now let's turn our attention to the 2014 year.

Results

The Company reported a loss of ninety-eight million dollars. The loss, includes restructuring charges for the sale or closure of two AWAC operations. These restructuring charges do not reflect the ongoing operating business of AWAC. If we exclude AWAC's restructuring charges, the Company would have reported a profit of ninety-one million dollars, a considerable improvement on the prior year.

This reflected an improved AWAC operating performance and reduced corporate and finance costs for Alumina Limited.

The improved AWAC performance before special items was partly due to marginally improved alumina prices in 2014.

The improved result was also led by a three per cent decline in the cash cost of alumina production, reflecting productivity initiatives and a stronger US dollar.

The AWAC restructuring charges arose from the sale of the interest in the Jamalco refinery and the closure of the Point Henry smelter. These plants started operating in 1972 and 1961 respectively. Their sale and closure furthers AWAC's objective of being one of the lowest cost producers in the industry. Until a closure or sale is decided upon, it is not possible to accrue all restructuring costs.

Low metal prices and rising input costs saw the Point Henry smelter in Geelong become unprofitable. AWAC decided in February of 2014 that the Point Henry smelter would be closed in August last year. Point Henry had been a very successful asset for AWAC, the City of Geelong, and for the State of Victoria. The decision to close the smelter was a difficult one but needed to be taken to ensure AWAC has a long term sustainable cost position.

Victoria is reluctant to use its significant energy advantage of brown coal to support and maintain its industrial base. This means it is very difficult to invest in energy-intensive industries in the State. Reinvestment in the Point Henry plant to meet competitive productivity and environmental standards could not be justified.

Dividends

The Company received cash flow from AWAC of one hundred and nineteen million dollars for 2014, nine million higher than the previous year.

After corporate and financing costs, the Company had free cash flow of fifty million dollars for 2014.

The Board and management have worked to strengthen the Company's balance sheet in recent years. After considering the future capital requirements and an improved business outlook, this enabled Directors to resume payment of dividends. A fully franked final dividend of one point six US cents per share was paid to shareholders in March. This amounted to 45 million US dollars and was ninety per cent of the free cash flow.

The Company's positive share price in 2014 reflected some of the changes occurring to AWAC and the industry.

The design of your Company means it is a vehicle that should pass back to the shareholders the cash flow from its AWAC shareholding after finance charges and operating costs. The Board's intention is to maximize cash distribution after debt servicing and corporate cost commitments have been met.

Of course, there will be growth opportunities that AWAC must pursue in order to secure its future. The Board will consider the Company's capital structure and future capital requirements in determining dividends, but the Board will always give a high priority to distributing dividends to shareholders. Currently, our capital structure is conservative and this means that as future free cash flow is generated by AWAC, shareholders can readily benefit.

The withdrawal of our listing on the New York Stock Exchange and completion of the deregistration from the SEC this year will save administrative costs. It was pleasing to see our corporate costs fall from seventeen million to thirteen million US dollars in 2014. Our finance charges were thirteen million dollars in 2014. We will continue to work

towards reducing our corporate costs.

Capital Management

In November, Alumina Limited issued a five year fixed rate note which was used to repay a higher cost loan with the Brazilian National Development Bank. The development bank loan was established in 2009 during the global financial crisis. It was a key part of our funding program for some years. We decided in 2014 a new fixed rate note would better meet the Company's funding needs.

Over recent years, the Company has improved its debt maturity profile and arranged for terms that reflect its status as a non-operating company. The Company is also now financially stronger and has significantly reduced its finance costs.

Alumina Limited Role

Now let's move to the role of Alumina Limited.

Alumina Limited is a major ASX listed company but with very unique characteristics. While it is not an operating company, the Company is steward for 40 per cent of the assets of AWAC.

The character of AWAC's two joint venturers, Alcoa and Alumina Limited, are very different. These differences have become more obvious over the last few years as Alcoa becomes a company that remains a major primary producer of aluminium, but has a growing focus on its successful downstream and diversified manufacturing portfolio. Alumina Limited remains the focused bauxite and refining investor.

Alumina Limited has had, and continues to have, a strong and respectful relationship with Alcoa.

In this world where competitors have changed, strategic advantages have changed and the future for bauxite and alumina is evolving rapidly, Alumina Limited must protect and grow the investments of our shareholders.

While the voting rights generally remain at 60:40, our executives, led by the Chief Executive Officer, must bring our views on all issues pertinent to the Enterprise's development.

Alumina Limited has chosen a model that requires a Board of six, including the CEO, and three senior executives to take an active involvement in the joint venture and the industry. Total employment at Alumina Limited is eleven and when including non-executive directors, is sixteen.

In its role as steward for the assets in AWAC, Alumina Limited needs to act in a number of ways:

- Alumina Limited maintains a balance sheet for a cyclical business that satisfies shareholders but is able to meet AWAC investment calls throughout the cycles or risk dilution of its ownership.
- We must have a clear position on the bauxite, alumina and aluminium markets to allow detailed discussion with Alcoa and shareholders on portfolio management,

investment opportunities and disruptive threats. This also includes an understanding of the countries and the partners with whom AWAC operates. The alumina industry is a capital intensive industry where investment and portfolio decisions have long lasting impacts.

- Alumina Limited needs to have a view on critical inputs to the manufacturing process to encourage strategic analysis of the risks and opportunities, especially for energy sourcing and other major input costs that affect the refineries and smelter.
- Alumina Limited maintains governance processes that meet or exceed the requirements of ASIC and ASX.
- We must continually monitor how Alumina Limited is placed to address the future. The industry has changed rapidly in the last decade. We must be alert to these changes which substantially affect investment value.
- A key part of our role is to enhance and protect Alumina Limited's interest in the AWAC joint venture. Alcoa and Alumina's objectives and financial requirements can diverge, and the joint venture agreements do not always foresee or proscribe an outcome. Alumina Limited's Board and management must debate issues and work to find mutually beneficial solutions in these situations.

Alumina Limited has no pretensions about its role. It is a minority investor with closely defined rights and obligations within the AWAC Formation Agreements. However, the Board and Executive believe the active involvement in the management processes of AWAC has been, and will continue to be, in the shareholders' interest. To abdicate the role of active investor and to appear more like a passive or royalty investor would open very different challenges for our shareholders.

Conclusion

Alumina Limited has started 2015 with a number of positives.

The average alumina price is above last year's average, the US dollar is stronger and the transition to index alumina pricing will continue.

The Company and AWAC's debt levels remain low, and capital requirements have been reduced.

I will now invite Peter Wasow to outline AWAC's strategy and operational performance and to comment further on the outlook for 2015.

CHIEF EXECUTIVE OFFICER - PETER WASOW

Good morning. I'd like to echo John's welcome and offer my personal thanks for your attendance on this chilly Melbourne morning.

There are four things I'd like to cover today. First I'll outline the improving industry context in which we operate; second I'll describe our highly competitive asset position and how it is changing for the better; third I'll explain how our strategy is driving improved operating performance, and; finally, I'll conclude with the outlook for 2015.

Let's turn to the industry context first. Behind whatever else we say, this industry has been experiencing a strong demand-pull. Aluminium demand growth has been running ahead of global GDP growth for some time and most commentators expect that to continue. Alcoa recently revised their estimate of growth in aluminium demand for 2014 to 9 per cent: or more than three times the growth in global GDP. Aluminium is competing strongly with other metals and its unique characteristics have seen it make significant inroads as a substitute for steel and copper, along with strong growth in its own markets.

The industry is also experiencing a cost-push. Following years of strong refining capacity growth in China and particularly in merchant refineries that rely on imported bauxite, resource access and cost challenges have arisen.

Indonesia, which was the primary source of bauxite for China, has banned unprocessed ore exports. The effect of this ban is to significantly increase the cost and significantly decrease the availability of bauxite for Chinese refineries. This has resulted in a cost-push for the world's marginal producers.

And as China's refinery growth is curbed by access to the resource, and other factors, there is insufficient growth in the rest of world's capacity, pointing to the potential for supply shortages in coming years.

Taken together, strong demand, higher costs for the world's already highest cost refiners and the potential for a supply squeeze paint a favourable picture of the industry.

And in that industry, the AWAC joint venture is the world's largest alumina producer with an operating cost in the lowest quartile. It is also the world's largest bauxite producer with record production and an abundant resource base. As the cost curve has steepened the relative advantage of low cost, integrated refiners with large scale and abundant bauxite resources like AWAC has increased.

Let's now turn to our strategy, which is in two parts: the first is to seek higher prices and the second is to further improve our cost advantage.

Last year more than two thirds of our product was priced off an alumina index rather than as a percentage of the price of aluminium. The shift to pricing alumina on its own fundamentals has meant that we can capture more of the rent in the aluminium value chain as bauxite scarcity drives that rent upstream.

AWAC continues to improve its relative cost position. In 2014 Jamalco was sold and Point Henry closed. We reduced costs at San Ciprian and we added low cost capacity with the Saudi refinery, which commenced producing alumina late in the year. In 2015 we have announced a further review of high cost assets and Suriname could be sold as a

consequence.

Unfortunately these actions forced us to record significant charges in 2014, but the restructuring leaves the company stronger and more profitable.

Finally on the cost front, in early April we announced that we have secured long term energy supplies for our lowest cost refineries in Western Australia, which supports their continued competitiveness.

[As for Alumina Limited, the company represents a unique investment vehicle, providing a largely pure exposure to the improving dynamics of the bauxite and alumina industry. Our debt is at target levels, and we don't currently have any significant capital expenditure plans. This means that distributions from AWAC can largely be passed through to our shareholders: providing a clean look through to not only the improving industry fundamentals but also to one of the best asset portfolios in the business.

When you look at the underlying performance of AWAC in 2014, you can see considerable improvement over the previous year. Our cash margin, or EBITDA, increased by 141 million to 869 million dollars.

AWAC's average alumina EBITDA per tonne increased from 45 dollars in 2013 to 54 dollars last year, with positive momentum as the year progressed. EBITDA per tonne was 85 dollars in the fourth quarter of 2014 and has since increased to 102 dollars in the first quarter of 2015.

The refineries performed well in 2014 and production costs decreased by nine dollars per tonne to 249 dollars. Production costs were aided by lower caustic consumption and prices, and continued productivity initiatives in energy, labour, contractors and maintenance.

The weakening Australian dollar and Brazilian Real also contributed to lower costs.

AWAC's total alumina production was 15.9 million tonnes in 2014. Following the sale of the Jamalco refinery and curtailment at Suriname, production of 15.2 million tonnes is expected for 2015.

We have started 2015 with a number of positives: an average alumina price which is above last year's average, a much stronger US dollar, and lower energy and caustic prices. And demand for aluminium and alumina remains healthy.

Against that background, AWAC will roll off more lower-margin alumina contracts and onto higher priced index based sales: up from 68% to 75% of total sales.

The portfolio restructuring I spoke about earlier has had the effect of lowering our average production costs. In addition San Ciprian now runs on lower cost natural gas. We also expect AWAC to deliver more benefits from productivity improvements and close attention to cost management.

From our perspective, with reduced debt and capital requirements we are now positioned to provide a clean look through for our shareholders to AWAC's improving cash flows.

Thanks for your attention and I look forward to meeting you at the conclusion of today's

formalities.