

2018 Full-Year Result

ALUMINA LIMITED REPORTS US\$635 MILLION PROFIT AFTER TAX

DECLARES FINAL DIVIDEND OF 14.1 US CENTS PER SHARE

Alumina Limited (ASX:AWC) (“Alumina” or “Company”) today reported a statutory net profit after tax of US\$635.4 million for the full-year to 31 December 2018, an 87% increase on the prior corresponding period .

Alumina has declared a final, fully franked dividend of 14.1 US cents per share. This makes total dividends for 2018 of 22.7 US cents per share which represents a yield based on yesterday’s closing price of 11.5%. This compares to a total dividend for 2017 of 13.5 US cents per share.

Since 31 December 2018, Alumina has received, or is due to receive, US\$193.6 million of net distributions from AWAC¹ entities which have been included in the final dividend.

Alumina’s Chief Executive Officer, Mike Ferraro, said, “This is a record result for our Company, culminating in the highest profit and largest annual dividend paid to shareholders in our history. The Company has declared a final dividend 52% higher than last year and 2018 total dividends up 68% over the previous year. Alumina Limited’s unrivalled focus on alumina has delivered outstanding returns to shareholders.

“The Western world alumina market remained tight following severe supply disruptions in 2018 with the average realised alumina price up 33% on 2017. AWAC contained production cost increases to 14% over the same period despite higher raw material costs and some production issues across the system.

“In 2019 the alumina market is expected to be broadly balanced as limited new capacity matches higher demand from smelters. The resumption of full production at the Alunorte refinery remains uncertain but we have assumed a restart in 2Q 2019 in our assessment of a balanced market. The alumina price has averaged US\$380 per tonne since 1 January 2019 which delivers a significant margin for AWAC’s low cost assets. Alumina Limited is one of a kind, with the largest net economic exposure to the third-party smelter-grade alumina market outside China.”

AWAC: INCREASED DISTRIBUTIONS DUE TO CONTINUING FAVOURABLE MARKET CONDITIONS

- EBITDA increased **by** US\$1,013.2 million **to** US\$2,630.1 million
- Margin for alumina refineries² increased **by** US\$84 per tonne **to** US\$221 per tonne
- Net cash inflows³ increased **by** US\$766.6 million **to** US\$1,804.4 million.

ALUMINA LIMITED KEY FINANCIALS	US\$ MILLION			AWAC KEY FINANCIALS (US GAAP)	US\$ MILLION		
	FY 2018	FY 2017	Change		FY 2018	FY 2017	Change
Net profit after tax	635.4	339.8	Up 87%	Net profit after tax	1,640.2	901.3	Up 82%
Net profit after tax excluding significant items	689.9	363.1	Up 90%	EBITDA ⁴	2,630.1	1,616.9	Up 63%
Net receipts from AWAC	678.2	263.1	Up 158%	EBITDA excluding Significant Items	2,796.8	1,685.3	Up 66%
Free cash flow ⁵	662.1	243.3	Up 172%	Net cash inflow ³	1,804.4	1,037.8	Up 74%
Closing net debt/(cash)	(95.8)	58.4			US\$ / TONNE		
Interim dividend (US cps)	8.6	4.2	Up 105%	Average realised price of alumina	447	335	Up 33%
Final dividend (US cps)	14.1	9.3	Up 52%	Cash cost per tonne of alumina produced	226	198	Up 14%

ASX ANNOUNCEMENT

21 FEBRUARY 2019

DEFINITIONS AND NOTES

1. AWAC is Alcoa World Alumina & Chemicals, which is 40% owned by Alumina Limited and 60% owned by Alcoa Corp.
2. The margin for alumina refineries is calculated as average realised price less cash cost of production
3. AWAC net cash inflow is defined as cash flow before distributions less capital contributions from partners
4. Earnings before interest, tax, depreciation and amortisation consistent with previous periods
5. Alumina Limited free cash flow is cash from operations less net investments in associates

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 2017. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

This presentation contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year and to assess the operating performance of the business. Where non-IFRS measures are used, definition of the measure, calculation method and/or reconciliation to IFRS financial information is provided as appropriate or can be found in the Alumina Limited's ASX Full-Year Report for the period ended 31 December 2018.



Stephen Foster
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21 February 2019

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ASX FULL-YEAR PRELIMINARY FINAL REPORT

Alumina Limited

ABN 85 004 820 419

31 December 2018

Lodged with the ASX under Listing Rule 4.3A

ALUMINA
LIMITED

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

The Company invests worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through its 40% ownership of Alcoa World Alumina and Chemical (AWAC). Alcoa Corporation (Alcoa) owns the remaining 60% of AWAC, and is the manager.

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

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Results for Announcement to the Market

NET PROFIT/(LOSS)

		CHANGE	US\$ MILLION
Revenue from continuing operations	Up	167%	1.6
Net profit from continuing operations after tax attributable to members of Alumina Limited	Up	87%	635.4
Net profit for the year attributable to members of Alumina Limited	Up	87%	635.4

DETAILS RELATING TO DIVIDENDS

	AMOUNT PER SHARE ¹ US CENTS	TOTAL AMOUNT PAID/PAYABLE US\$ MILLION
2018 Interim dividend (paid 20 September 2018)	8.6	247.7
2018 Final dividend (declared on 21 February 2019)	14.1	406.1

¹ All dividends are fully franked at 30% tax rate. Final dividend amount has not been recognised as a liability at year-end.

	FINAL DIVIDEND DATE
Record date	27 February 2019
Payment date	14 March 2019

Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan remains suspended.

	A\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Franking Account Balance	473.2	388.5

NET TANGIBLE ASSETS PER SHARE

	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Net assets (US\$ million)	2,135.8	2,234.0
Less equity accounted intangible assets:		
Goodwill (US\$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US\$ million)	69.2	70.7
Net tangible assets (US\$ million)	1,890.8	1,987.5
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	0.69

SIGNIFICANT ITEMS AFFECTING NET PROFIT OR LOSS

The net profit/(loss) of Alumina Limited includes the Company's equity share of the full-year results of AWAC. The Company's net profit/(loss) was negatively affected by its equity share of net charges relating to significant items contained within AWAC's results. For further details refer page 22.

Consolidated Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Revenue from continuing operations	1.6	0.6
Share of net profit of associates accounted for using the equity method	653.5	360.4
General and administrative expenses	(11.6)	(13.6)
Change in fair value of derivatives/foreign exchange losses	(1.4)	0.7
Finance costs	(6.7)	(8.3)
Profit before income tax	635.4	339.8
Income tax expenses	–	–
Profit for the year attributable to the owners of Alumina Limited	635.4	339.8
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Share of reserve movements accounted for using the equity method	0.4	2.9
Foreign exchange translation difference	(217.6)	88.0
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of retirement benefit obligations accounted for using the equity method	(0.5)	7.8
Other comprehensive (loss)/income for the year, net of tax	(217.7)	98.7
Total comprehensive income for the year attributable to the owners of Alumina Limited	417.7	438.5

EARNINGS PER SHARE (EPS)¹

	US CENTS	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Basic EPS	Positive 22.1	Positive 11.8
Diluted EPS	Positive 22.1	Positive 11.8

¹ For further details refer page 13.

CONSOLIDATED BALANCE SHEET

	US\$ MILLION	
	31 DEC 2018	31 DEC 2017
CURRENT ASSETS		
Cash and cash equivalents	183.8	40.0
Other assets	1.1	1.8
Total current assets	184.9	41.8
NON-CURRENT ASSETS		
Investment in associates	2,060.2	2,301.0
Property, plant and equipment	-	0.1
Total non-current assets	2,060.2	2,301.1
TOTAL ASSETS	2,245.1	2,342.9
CURRENT LIABILITIES		
Payables	1.2	1.3
Borrowings	88.0	-
Derivative financial instruments	19.0	-
Provisions	0.2	0.3
Other liabilities	0.4	0.1
Total current liabilities	108.8	1.7
NON-CURRENT LIABILITIES		
Borrowings	-	98.4
Derivative financial instruments	-	8.3
Provisions	0.5	0.5
Total non-current liabilities	0.5	107.2
TOTAL LIABILITIES	109.3	108.9
NET ASSETS	2,135.8	2,234.0
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	(1.2)	(0.9)
Reserves	(1,252.0)	(1,034.7)
Retained earnings	706.1	586.7
TOTAL EQUITY	2,135.8	2,234.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	US\$ MILLION			
	CONTRIBUTED EQUITY ¹	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2017	2,682.9	(1,125.3)	449.3	2,006.9
Profit for the year	–	–	339.8	339.8
Other comprehensive income for the year	–	90.9	7.8	98.7
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(210.2)	(210.2)
Movement in treasury shares	(0.9)	–	–	(0.9)
Movement in share based payments reserve	–	(0.3)	–	(0.3)
Balance as at 31 December 2017	2,682.0	(1,034.7)	586.7	2,234.0
Balance as at 1 January 2018	2,682.0	(1,034.7)	586.7	2,234.0
Profit for the year	–	–	635.4	635.4
Other comprehensive loss for the year	–	(217.2)	(0.5)	(217.7)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(515.5)	(515.5)
Movement in treasury shares	(0.3)	–	–	(0.3)
Movement in share based payments reserve	–	(0.1)	–	(0.1)
Balance as at 31 December 2018	2,681.7	(1,252.0)	706.1	2,135.8

¹ Treasury shares have been deducted from contributed equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(10.7)	(12.1)
GST refund received	0.4	0.5
Dividends received from associates	657.2	278.1
Distributions received from associates	0.2	1.2
Finance costs paid	(8.1)	(9.8)
Interest paid under cross currency interest rate swap	(5.1)	(5.4)
Interest received under cross currency interest rate swap	5.7	6.6
Other	1.7	0.4
Net cash inflow from operating activities	641.3	259.5
Cash flows from investing activities		
Payments for investments in associates	(108.8)	(80.0)
Proceeds from return of invested capital	129.6	63.8
Net cash inflow/(outflow) from investing activities	20.8	(16.2)
Cash flows from financing activities		
Proceeds from borrowings	75.0	105.0
Repayment of borrowings	(75.0)	(105.0)
Payment for shares acquired by the Alumina Employee Share Plan	(1.2)	(2.0)
Dividends paid	(515.5)	(210.2)
Net cash outflow from financing activities	(516.7)	(212.2)
Net increase in cash and cash equivalents	145.4	31.1
Cash and cash equivalents at the beginning of the financial year	40.0	8.6
Effects of exchange rate changes on cash and cash equivalents	(1.6)	0.3
Cash and cash equivalents at the end of the financial year	183.8	40.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This consolidated financial report for the year ended 31 December 2018 has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4E and in accordance with Australian Accounting Standards (“AAS”) and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001.

This consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Alumina Limited during the 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, except for the adoption of new and amended standards as set out below.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new or amended standards, such as AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, became applicable for the current reporting period.

The standards did not have any impact on the Group’s accounting policies and did not require current period or retrospective adjustments.

IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$0.3 million. Therefore, the impact of standard implementation on the Group’s balance sheet and income statement will not be material.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

SEGMENT INFORMATION

Alumina Limited’s sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining. All of those business activities are conducted through its 40% investments in AWAC. Alumina Limited’s equity interest in AWAC forms one reportable segment.

The equity interest in AWAC is represented by investments in a number of entities in different geographical locations.

YEAR ENDED 31 DECEMBER 2018	US\$ MILLION			
	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in Associates	1,150.0	649.9	260.3	2,060.2
Assets	184.3	0.3	0.3	184.9
Liabilities	(109.3)	–	–	(109.3)
Consolidated net assets	1,225.0	650.2	260.6	2,135.8

YEAR ENDED 31 DECEMBER 2017	US\$ MILLION			
	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in Associates	1,307.4	747.9	245.7	2,301.0
Assets	32.2	9.3	0.4	41.9
Liabilities	(108.9)	–	–	(108.9)
Consolidated net assets	1,230.7	757.2	246.1	2,234.0

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RECONCILIATION OF CASH

	US\$ MILLION	
	31 DEC 2018	31 DEC 2017
Reconciliation of cash at the end of the financial year (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	2.8	13.1
Money market deposits (with maturities on investment three months or less)	181.0	26.9
Total cash and cash equivalents at the end of the financial year	183.8	40.0

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the period there was a \$100 million loan between two AWAC entities (100% AWAC level), which the borrower repaid using partners' equity contributions (\$40 million Alumina Limited's share). Proceeds from the loan repayment were distributed back to the partners by the lender.

CONSOLIDATED RETAINED EARNINGS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Retained earnings at the beginning of the financial year	586.7	449.3
Profit attributable to members of Alumina Limited	635.4	339.8
Dividends provided for or paid	(515.5)	(210.2)
Re-measurements of retirement benefit obligations accounted for using the equity method	(0.5)	7.8
Total retained earnings at the end of the financial year	706.1	586.7

DIVIDENDS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Dividends paid during the year	515.5	210.2
Dividends not recognised at the year end	406.1	267.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INCOME TAX

The income tax expense/benefit for the year ended is the tax payable/receivable on the current year end'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 unused tax losses.

The significant majority of the Company's taxable income

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

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Profit/(loss) from ordinary activities	635.4	339.8
Prima facie tax expense for the year at the rate 30%	(190.6)	(101.9)
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(653.5)	(360.4)
Foreign income subject to accruals tax	2.2	4.7
Share of Partnership income assessable for tax	0.2	0.8
Amounts non-assessable for tax	(0.1)	–
Tax losses not recognised	13.9	11.2
Non-deductible expenses	1.9	3.9
Previously unrecognised tax losses now recouped to reduce current tax expense	–	–
Net movement	(635.4)	(339.8)
Consequent decrease in charge for income tax	190.6	101.9
Aggregate income tax expense	–	–

EQUITY SECURITIES ISSUED

	NUMBER OF SHARES		US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Balance brought forward	2,879,843,498	2,879,843,498	2,682.9	2,682.9
Movement for the year	-	-	-	-
	2,879,843,498	2,879,843,498	2,682.9	2,682.9

MOVEMENT IN TREASURY SHARES

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

	NUMBER OF SHARES		US\$	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Balance brought forward	700,445	1,856	906,873	1,905
Shares acquired by Alumina Employee Share Plan Pty Ltd	684,500	1,484,568	1,241,548	2,040,374
Employee performance rights vested	(695,678)	(785,979)	(900,424)	(1,135,406)
Total treasury shares	689,267	700,445	1,247,997	906,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EARNINGS PER SHARE

	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US\$ million)	635.4	339.8
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,878,674,535	2,878,924,467
Basic EPS (US cents)	Positive 22.1	Positive 11.8
Diluted EPS (US cents)	Positive 22.1	Positive 11.8

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST OR GAINED

There was no loss or gain of control for the years ended 31 December 2018 and 31 December 2017.

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			31 DEC 2018	31 DEC 2017
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading & 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 ¹	Finance lender	Australia	-	40

¹ The Enterprise Partnership was terminated on 31 July 2018.

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

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Revenues	6,749.4	5,274.0
Profit from continuing operations	1,637.5	904.8
Profit for the year¹	1,637.5	904.8
Other comprehensive income/(loss) for the year	(540.2)	244.3
Total comprehensive income for the year	1,097.3	1,149.1
Group Share of profit for the year as a percentage	40%	40%
Group Share of profit for the year in dollars	655.0	361.9
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
Share of profit from associate accounted for using equity method	653.5	360.4
Dividends and distributions received from AWAC²	657.4	279.3

¹ The profit for the years ended 31 December 2018 and 31 December 2017 include net charges relating to significant items that have affected AWAC's net profit after tax. For further details refer to the reconciliation on page 22.

² In addition to dividends and distributions Alumina Limited also received \$129.6 million being return of invested capital in 2018 (2017: \$63.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BORROWINGS

	US\$ MILLION	
	31 DEC 2018	31 DEC 2017
Fixed rate note	88.0	98.4
Total borrowings	88.0	98.4

Bank loans

Alumina Limited has a US\$250 million syndicated bank facility with tranches maturing in July 2020 (US\$150 million) and October 2022 (US\$100 million). As at 31 December 2018 there were no amounts drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2018 was \$250 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. There were number of changes in the credit rating of Alumina Limited which triggered changes in the coupon rate as follows:

- 1.75% step up to 7.25%, effective 20 November 2016;
- 0.5% step down to 6.75%, effective 19 May 2017; and
- 1.25% step down to 5.5%, effective 21 May 2018.

The note matures on 19 November 2019. The fixed rate note has been converted to US dollar equivalents at year-end exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of financial instruments since the last annual financial report.

To provide an indication about the reliability of the input used in determining the fair values, the Group has classified its financial instruments into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	US\$ MILLION			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 DECEMBER 2018				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	19.0	–	19.0
Total financial liabilities at fair value through profit or loss	–	19.0	–	19.0
31 DECEMBER 2017				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	8.3	–	8.3
Total financial liabilities at fair value through profit or loss	–	8.3	–	8.3

Level 1: Financial instruments traded in active markets (such as publicly traded derivatives, trading and available for sale securities) for which the fair value is based on quoted market prices at the end of the reporting period.

Level 2: Financial instruments that are not traded in an active market (for example, over the counter derivatives) for which the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not observable market data, the instrument is included in level 3.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events occurring since 31 December 2018.

COMPLIANCE STATEMENT

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



MICHAEL FERRARO

Managing Director and Chief Executive Officer
Melbourne
21 February 2019

Supplementary Appendix 4E Information

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

This supplementary information contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with 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, the future financial position, performance, 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 2017. 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.

ABOUT ALUMINA LIMITED

Alumina Limited represents a unique investment in globally leading bauxite mines and alumina refineries through its 40% investment in AWAC. AWAC also has a 55% interest in the Portland aluminium smelter in Victoria, Australia.

The Company provides a reflection of AWAC's underlying performance. This is possible because the financial

REVIEW OF AWAC OPERATIONS

Since the beginning of this decade, AWAC has undergone business improvement and transformation, which have significantly increased the competitiveness of its portfolio of assets in a global market. The current refining portfolio is comprised mostly of tier one assets that allows AWAC to generate higher returns during the highs and lows of the commodity cycle.

In addition, AWAC's bauxite resources in Australia, Brazil and Guinea continue to cater for third party customers in both the Pacific and the Atlantic regions, providing AWAC with an additional earnings stream.

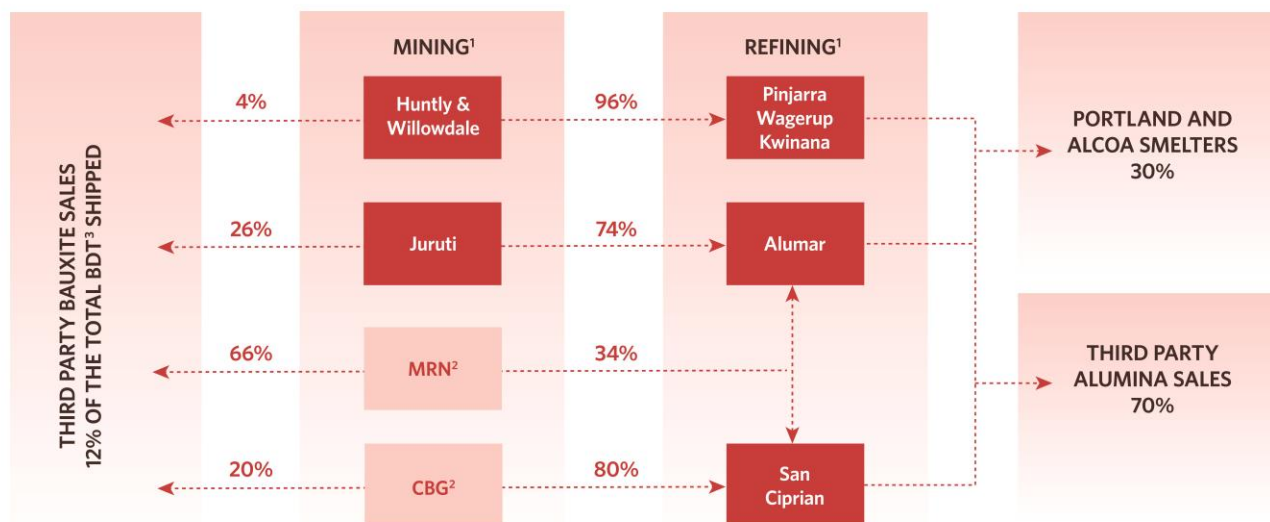
The significant growth in AWAC's 2018 earnings and cash generation was mainly due to higher realised prices for alumina, as most of AWAC's alumina sales are priced on an alumina index basis.

policies of Alumina Limited and AWAC ensure there is modest leverage in both, 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.

In 2018 alumina index prices had a growth rate higher than aluminium by 27% (implied 22% linkage in 2018 versus 18% in 2017). This reflected structurally superior alumina market fundamentals, which were supported by alumina supply disruptions in the Atlantic and the Pacific, US trade sanctions against one alumina producer and the impact of China's supply-side reforms.

For a second year running, AWAC's overwhelming exposure to alumina index pricing (during a time when aluminium pricing has not been as favourable), and AWAC's low position on the cost curve, have delivered an outstanding profit for Alumina Limited shareholders. Alumina Limited's principal exposure to alumina should continue to support a favourable outcome for the Company in a balanced alumina market.

DIAGRAM OF AWAC VALUE CHAIN



MINING HIGHLIGHTS:

- Completed Juruti's expansion to 6.5 million BDT
- CBG's Phase 1 expansion completed its first ore shipment
- Annual production records at Huntly and Juruti mines

REFINING HIGHLIGHTS:

- Platts FOB Australia averaged \$473 per tonne (one month lag)
- 92% of smelter grade alumina shipments on a spot or index basis
- Monthly production records for Pinjarra and Wagerup during December 2018
- Ma'aden at 98% of nameplate capacity for 2018

■ AWAC operated asset ■ Non-AWAC operated asset

¹Excludes Al Ba'itha mine and Ras Khair refinery ²AWAC equity share ³Bone dry tonnes (BDT)

MINING

	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC OPERATED MINES				
Production (million BDT)	39.2	38.8	0.4	1.0
Cash cost (\$/BDT of bauxite produced)	11.4	11.1	0.3	2.7
NON-AWAC OPERATED MINES				
AWAC equity share of production (million BDT) ¹	4.0	4.6	(0.6)	(13.0)
THIRD PARTY SALES				
Shipments to third parties (million BDT)	5.6	6.6	(1.0)	(15.2)
Total third party revenue ² (\$ million)	250.5	334.0	(83.5)	(25.0)

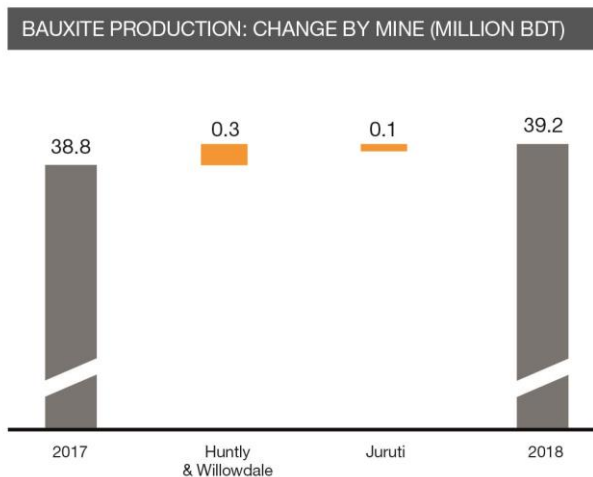
¹ Based on the terms of its bauxite supply contracts, AWAC bauxite purchases from Mineração Rio do Norte S.A. ("MRN") and Compagnie des Bauxites de Guinée (CBG) differ from their proportional equity in those mines.

² Includes freight revenue of \$68.1 million for 2018 (2017: \$98.1 million).

AWAC Operated Mines

AWAC operated mines increased production by 1.0%. The growth was facilitated by creep at the Huntly mine in Western Australia, and a capacity increase at the Juruti mine to 6.5 million BDT per annum.

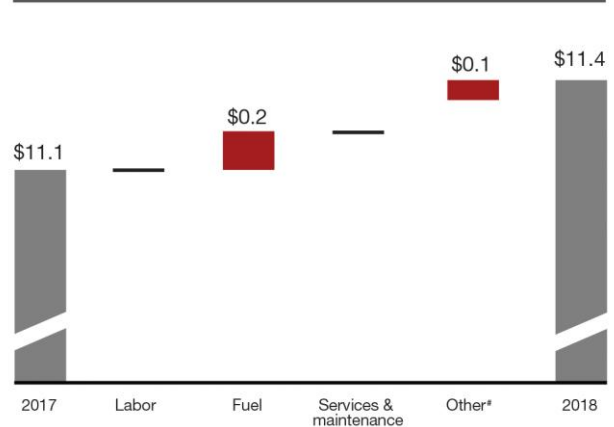
Huntly and Juruti mines achieved an annual production record with Huntly further achieving a monthly production record in December.



Capital expenditure on the Western Australian bauxite export infrastructure project has been deferred as an alternative medium-term solution has been found.

AWAC's cash cost per BDT of bauxite produced increased by 2.7% to \$11.4. Contributors to this increase included higher royalties and higher diesel costs particularly at the Juruti mine. The weaker Australian dollar and Brazilian real against the US dollar had a favourable effect on cash cost of bauxite produced.

CASH COST PER BDT OF BAUXITE PRODUCED[^]



Other includes energy, supplies, PAE, royalties and other
^ AWAC operated mines

Non-AWAC Operated Mines

AWAC's equity share of production at MRN and CBG mines decreased by 13% to 4.0 million BDT.

The MRN mine in Brazil decreased production in response to a partial curtailment of a third party alumina refinery in Brazil and issues caused by a severe dry season in 2017.

The CBG mine in Guinea decreased production as a consequence of an expansion project, which temporarily reduced the availability of mine infrastructure. This project is now in the completion phase and expected to fully ramp up in 1H 2019, which will increase AWAC's equity share of production by approximately 1.1 million BDT per annum.

The equity accounted share of profit after tax derived from CBG and MRN was \$13.7 million (2017: \$23.1 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers decreased by 15.2% to 5.6 million BDT in 2018, predominantly due to the decline in production at the CBG and MRN mines. Increased intersegment shipments from CBG to replenish low 2017 stockpiles at AWAC's San Ciprian refinery further reduced bauxite availability to third parties. Increases in Huntly and Juruti shipments partially offset the decline in MRN and CBG volume.

Third party revenue declined by 25% compared to 2017, caused by lower shipments and a decrease of 9% in the average FOB realised price due to both changes in the product mix and lower FOB prices.

Third party bauxite shipments are expected to increase to 6.2 million BDT in 2019.

REFINING

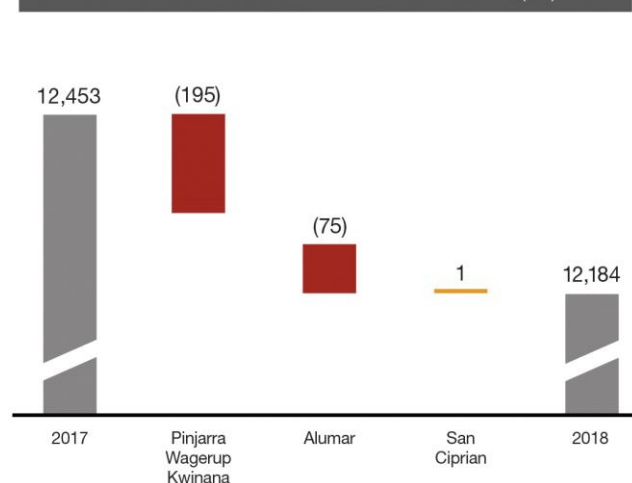
	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC OPERATED REFINERIES				
Shipments (million tonnes)	12.9	13.1	(0.2)	(1.5)
Production (million tonnes)	12.2	12.5	(0.3)	(2.4)
Average realised alumina price (\$/tonne)	447	335	112	33.4
Platts FOB Australia - one month lag (\$/tonne)	473	349	124	35.5
Cash cost per tonne of alumina produced	226	198	28	14.1
Margin ¹ (\$/tonne)	221	137	84	61.3
Smelter Grade Alumina ("SGA") shipments on spot or index basis (%)	92	85	7	8.2
MA'ADEN JOINT VENTURE				
Production (million tonnes)	1.8	1.5	0.3	20
AWAC's share of production (million tonnes)	0.5	0.4	0.1	25

¹ Calculated as average realised price less cash cost of production.

AWAC operated refineries

Production from AWAC operated refineries was 12.2 million tonnes, down 0.3 million tonnes compared to 2017.

ALUMINA PRODUCTION: CHANGE BY REFINERY (KT)

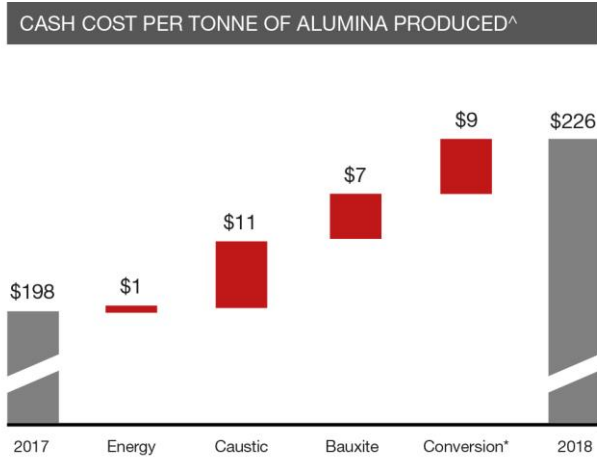


Whilst production slightly improved at the San Ciprian refinery, production at all other refineries decreased as a result of operational and equipment issues throughout 2018. With issues being progressively addressed, Pinjarra and Wagerup completed the year strongly with monthly production records in December.

Alumina shipments declined by 1.5% to 12.9 million tonnes in 2018, as a result of the lower production.

The 2018 average realised price was \$447 per tonne, an improvement of \$112 per tonne over the previous corresponding period. As approximately 92% of AWAC's alumina shipments were priced on a spot or index basis, AWAC was able to benefit from the 36% increase in the Alumina Price Index ("API"), which was supported by a tight alumina market. The average AWAC realised price was \$26 lower than the index price (one-month lag), which reflects the impact of legacy contracts and lower priced chemical grade alumina.

The cash cost per tonne of alumina produced increased to \$226 per tonne (14.1% increase on 2017). The increase is mostly attributable to higher input prices, with further impact from higher conversion costs.



[^] Includes the mining business unit at cost
* Conversion includes: employee costs, indirect costs and other raw material costs

The rise in energy costs was mainly due to the increase in the underlying oil reference price for the San Ciprian and Alumar refineries.

The increase in the caustic cost is mainly related to price.

The cost of bauxite increased due to an increase in the underlying production cost of bauxite, as well as higher logistics and demurrage costs.

Conversion costs were higher at all refineries due to an increase in maintenance, as a result of the impact of operational and equipment issues. This was partially offset by the weaker Australian dollar and Brazilian real against the US dollar.

Ma'aden Joint Venture

During 2018, the Ma'aden refinery produced 1.8 million tonnes of alumina (AWAC's share of production was 0.5 million tonnes), representing a 20% improvement compared to 2017. The Ma'aden refinery operated at 98% of nameplate capacity during 2018.

The equity profit relating to the Ma'aden joint venture was \$32.5 million during 2018 (2017: \$5.0 million equity loss). The improvement in performance was mainly as a result of higher alumina prices and production.

PORTLAND

	31 DEC 2018	31 DEC 2017	CHANGE	CHANGE (%)
AWAC'S 55% EQUITY SHARE				
Production (thousand tonnes)	164	112	52	46.4
LME aluminium cash - 15 day lag (\$/tonne)	2,119	1,950	169	8.7
EBITDA (\$ million)	(29.7)	(25.6)	(4.1)	(16)

Aluminium production increased by 46%, compared to 2017, when production was significantly affected by a power outage in December 2016. The smelter reached the pre-outage capacity of approximately 167 thousand tonnes per year (AWAC equity share) in October 2017.

The decline in 2018 earnings was primarily as a result of higher alumina and carbon input prices, partially offset by a higher production rate and improved metal prices.

AWAC FINANCIAL REVIEW

The improvement in AWAC's net profit was due to higher realised alumina prices during 2018 which more than offset higher input costs and higher charges for significant items.

The increases in income tax charges were driven by higher taxable income, particularly in AWAC's Australian operations.

AWAC PROFIT AND LOSS (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Net profit after tax	1,640.2	901.3
Add back: Income tax charge	701.3	443.7
Add back: Depreciation and amortisation	290.4	274.5
Add back: Net interest income	(1.8)	(2.6)
EBITDA	2,630.1	1,616.9
Add back: Significant items (pre-tax)	166.7	68.4
EBITDA excluding significant items	2,796.8	1,685.3

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Suralco restructuring related charges	(9.7)	(8.3)
Point Comfort restructuring related charges	(34.3)	(48.6)
Bauxite mining service contract final arbitration ¹	(29.0)	-
Derecognition of Brazil state VAT receivables ²	(77.6)	-
Other ³	(16.1)	(11.5)
Total significant items (pre-tax)	(166.7)	(68.4)
Total significant items (after-tax)	(149.0)	(65.7)

¹ On December 16, 2016, Boskalis International B.V. (Boskalis) initiated a binding arbitration proceeding against Suriname Aluminum Company, LLC (Suralco), an AWAC company, seeking \$47 million plus prejudgment interest and associated taxes in connection with a dispute arising under a contract for mining services in Suriname between Boskalis and Suralco. In February 2018, the arbitration hearing was held before a three-person panel. The panel awarded Boskalis \$29 million, including prejudgment interest of \$3 million. The award is final and cannot be appealed. The cash payment of \$29 million to Boskalis was made on 6 June 2018.

² AWAC derecognised VAT receivables from certain Brazilian states. The company retains the ability to utilise the VAT credits in the future.

³ Other significant items include net charges related to Point Henry and Anglesea restructuring, severance and other payments.

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2018

AWAC BALANCE SHEET (US GAAP)	US\$ MILLION	
	31 DEC 2018	31 DEC 2017
Cash and cash equivalents	740.3	631.9
Receivables	497.5	560.3
Inventories	565.4	530.8
Property, plant & equipment	3,317.2	3,753.9
Other assets	2,030.4	2,372.9
Total Assets	7,150.8	7,849.8
Short term borrowings	0.4	4.6
Accounts payable	623.8	715.1
Taxes payable and deferred	546.3	401.1
Capital lease obligations & long term debt	84.4	17.5
Other liabilities	1,028.5	1,261.0
Total Liabilities	2,283.4	2,399.3
Equity	4,867.4	5,450.5

The decrease in the value of assets and liabilities includes the effect of the weaker Australian dollar and Brazilian real against the US dollar as at 31 December 2018.

The high average alumina prices in the fourth quarter of 2018 resulted in higher cash and cash equivalents as at year-end, whereas lower alumina prices in December 2018 relative to December 2017 resulted in lower receivables.

The increase in inventory includes the effect of a higher bauxite inventory at San Ciprian compared to 2017.

The decrease in property, plant and equipment was mainly due to foreign currency rate movement partially offset by the Pinjarra press filtration construction and growth projects such as the Juruti mine capacity increase.

Other assets and other liabilities decreased due to changes in the fair value of derivatives associated with Portland's hedging arrangements and the effect of the weaker Australian dollar against the US dollar as at 31 December 2018. The decrease in other assets is also due to derecognition of Brazil state VAT receivables. The decrease in other liabilities was also due to the final payment of \$74 million for the Alba settlement.

The rise in taxes payable and deferred is mainly attributable to an increase in the taxable income for Australian operations.

The increase in capital lease obligations and long-term debt relates to funds drawn from a newly established bilateral bank facility. The funds were used for various growth projects.

AWAC CASH FLOW (US GAAP)	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash from operations	1,963.0	1,102.4
Capital contributions arising from the allocation agreement ¹	74.0	74.0
Capital contributions from partners	371.9	200.0
Net movement in borrowings	63.3	17.4
Capital expenditure	(234.1)	(191.6)
Other financing and investing activities ²	6.7	7.9
Effects of exchange rate changes on cash and cash equivalents	(68.5)	27.7
Cash flow before distributions	2,176.3	1,237.8
Distributions paid to partners	(2,067.9)	(857.1)
Net change in cash and cash equivalents	108.4	380.7

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

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

Cash from operations in 2018 increased primarily due to higher average realised alumina prices. Consequently, gross distributions paid to partners increased to \$2,067.9 million.

Cash from operations includes the payment for the Alba settlement of \$74 million (2017: \$74 million) and a \$29 million payment relating to the arbitration settlement of Suralco's mining services contract.

In 2018, sustaining capital expenditure was \$210.9 million (2017: \$146.0 million). The most significant expenditure was for the Pinjarra refinery where press filtration is currently being constructed.

Growth capital expenditure was \$23.2 million. The largest growth project related to the expansion of the Juruti mine.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Share of net profit of associates accounted for using the equity method	653.5	360.4
General and administrative expenses	(11.6)	(13.6)
Finance costs	(6.7)	(8.3)
Foreign exchange losses, tax and other	0.2	1.3
Profit for the year after tax	635.4	339.8
Total significant items after tax	54.5	23.3
Net profit after tax excluding significant items	689.9	363.1

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Suralco restructuring related charges and deferred tax assets adjustment	(1.2)	(2.2)
Point Comfort restructuring related charges	(13.8)	(19.5)
Bauxite mining service contract final arbitration	(11.6)	-
Derecognition of Brazil state VAT receivables	(25.8)	-
Other ¹	(2.1)	(1.6)
Total significant items	(54.5)	(23.3)

¹ Other significant items include net charges related to Point Henry and Anglesea restructuring, severance and other payments.

Alumina Limited recorded a net profit after tax of \$635.4 million (2017: \$339.8 million).

The increase in net profit was due to AWAC's higher average realised alumina price and partially offset by AWAC's higher production costs, and higher net charges for significant items.

Excluding significant items, net profit would have been \$689.9 million (2017: \$363.1 million).

General and administrative expenses in 2018 includes \$0.3 million associated with the CFO's retirement (2017: \$1.0 million associated with the CEO's retirement and \$0.4 million of costs from the Company's actions in relation to

Alcoa's corporate separation). Excluding these costs, 2018 general and administrative expenses were lower than 2017 by approximately \$1.0 million, which was primarily attributable to a weaker Australian dollar against the US dollar.

The Company's finance costs in 2017 included \$1.1 million of charges related to the renegotiation of the syndicated bank facility. Adjusting for this, 2018 finance costs were still marginally lower than 2017 reflecting changes in the fixed interest rate note's coupon rate, which were triggered by changes in the credit rating of Alumina Limited.

ALUMINA LIMITED
YEAR ENDED 31 DECEMBER 2018

ALUMINA LIMITED BALANCE SHEET	US\$ MILLION	
	31 DEC 2018	31 DEC 2017
Cash and cash equivalents	183.8	40.0
Investment in associates	2,060.2	2,301.0
Other assets	1.1	1.9
Total assets	2,245.1	2,342.9
Payables	1.2	1.3
Interest bearing liabilities	88.0	98.4
Other liabilities	20.1	9.2
Total Liabilities	109.3	108.9
Net Assets	2,135.8	2,234.0

The decrease in investments in associates was due to foreign currency balance sheet revaluations and AWAC's increased distributions to shareholders.

Alumina Limited's net debt/(cash) as at 31 December 2018 was \$(95.8) million. (2017: \$58.4 million)

Alumina Limited has \$250 million of committed bank facilities which expire as follows:

- \$150 million in July 2020 (no amounts drawn under these facilities as at 31 December 2018).
- \$100 million in October 2022 (no amounts drawn under these facilities as at 31 December 2018).

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

ALUMINA LIMITED CASH FLOW	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Dividends received	657.2	278.1
Distributions received	0.2	1.2
Net finance costs paid	(7.5)	(8.6)
Payments to suppliers and employees	(10.7)	(12.1)
GST refund, interest received & other	2.1	0.9
Cash from operations	641.3	259.5
Net receipts/(payments) – investments in associates	20.8	(16.2)
Free cash flow¹	662.1	243.3

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 AWAC entities offset by the Company's general, administrative and finance costs.

Alumina Limited's total gross receipts from AWAC during 2018 were \$787.0 million compared to \$343.1 million in 2017.

Alumina Limited's gross cash contributions to AWAC during 2018 were \$108.8 million (2017: \$80.0 million).

Contributions to AWAC in 2018 were mainly to support one AWAC entity's purchases of alumina on a spot basis from other AWAC entities in order to meet the former's long term customer supply commitments which are on different pricing mechanisms.

Lower cash finance costs reflect the note's decreased coupon rate following the changes in the Company's credit rating.

As a result, free cash flow was \$418.8 million higher in 2018 compared to 2017.

Alumina Limited's dividend policy is based on distributing the free cash up until the date of declaration by the Directors of the Company. The Board will also consider the capital structure of Alumina Limited, the capital requirements for the AWAC business and market conditions. Since 31 December 2018, AWAC has announced an additional \$193.6 million of net distributions, which are included in the Company's 14.1 cents per share 2018 final dividend to be paid on 14 March 2019.

MARKET, OUTLOOK AND GUIDANCE

ALUMINIUM

As forecast by Alumina Limited a year ago, China's aluminium production growth was lower in 2018 due to curtailments and closures of smelting capacity as a result of environmental and supply-side reform policies. Further and unforeseen Chinese smelting capacity was curtailed due to low aluminium prices and higher alumina costs.

Global primary aluminium production in 2018 rose by 1.5% to just over 64 million tonnes, according to the International Aluminium Institute. China, the largest aluminium producer, increased output by only 1.6%, to an estimated 36.5 million tonnes, while other Asian nations increased production by 11.7% to an estimated 4.4 million tonnes over 2018.

Primary aluminium production increased in Oceania by 5.5% to an estimated 1.92 million tonnes and in Gulf Co-operation Council States by 3.6% to 5.3 million tonnes. The main decreases in smelting production in 2018 were in South America, where output fell by 15.5% to an estimated 1.2 million tonnes and in North America, down 4.5% to an estimated 3.7 million tonnes. The fall in production in South American smelting was mainly related to the 50% reduction in alumina production at the Alunorte refinery, ordered by a Brazilian court in February.

The fall in North American production was related to industrial action at the Bécancour smelter in Canada, which was only partially offset by the restart of capacity in the USA in the second half of the year.

Other matters which had a significant impact on primary aluminium product flows and the aluminium price in 2018 were the U.S. imposition in March of a 10% tariff on imported aluminium products and the imposition of sanctions on UC Rusal and others by the U.S in April.

The above-mentioned American and Chinese factors resulted in the production of aluminium, and hence the demand for metallurgical alumina, not growing as fast as the 4% global rate forecast by Alumina Limited a year ago.

In late January 2019, the U.S. lifted sanctions against Rusal, which should help restore more typical market conditions and trade flows in the aluminium supply chain.

As the Chinese New Year break is over, one would expect the market to pick up.

Outside China, 2019 primary aluminium production is forecast to resume at smelters affected in 2018 by operational issues and industrial action as well as modest restarts in the US and other regions, where idling was related to alumina shortages. New production has commenced in Bahrain and is also expected in India, Norway and Iran during 2019.

Aluminium demand growth outside China is expected to be modest. On-going trade tensions between the U.S. and China are affecting sentiment. Higher demand growth in China is expected in electric vehicles and high-speed rail and growing exports of higher value products.

ALUMINA

Over 2018, the alumina price indices reached a high of \$710 and a low of \$357 per tonne, averaging approximately \$473. The prices were primarily due to the alumina supply constraints, following the Alunorte curtailment, Rusal sanction-related supply disruptions, Chinese policies and increased costs.

Prior to the Alunorte curtailment in the first quarter of 2018, the Atlantic market was short alumina, due to previous curtailments and closures of Atlantic refineries by AWAC and others. However, the global alumina market was broadly balanced. Once the Alunorte curtailment took hold, the ex-China market was unable to respond sufficiently quickly to meet alumina demand, nor has it been able to store large inventories. As a result, the alumina index price soared to \$710 and a price arbitrage emerged between China and the rest of world market, which Chinese refiners quickly took advantage of by exporting their more expensive alumina from China to fill the gap. In 2018, China exported 1.46 million tonnes of alumina and imported only 510,000 tonnes of alumina, according to Chinese Customs.

It remains unknown when Alunorte will receive Brazilian court permission to resume full production and how long it will take to reach it. In the meantime, it is likely that Chinese refiners would respond quickly to fill any further supply gaps, if the price arbitrage becomes sufficiently attractive for them to do so. As of 19 February, the Chinese domestic alumina price of \$410 is approximately \$29 per tonne above prices outside China, so there is currently a financial disincentive for Chinese alumina exports.

The Chinese Government has recently announced a supply-side reform focus on its domestic alumina sector. In addition to on-going environmental and safety audits in China, which are expected to continue to reduce production and increase costs, specific alumina supply-side reforms are likely to ensure domestic alumina and primary aluminium production are more closely aligned as well as ensure that over-capacity does not re-emerge in the industry.

Once Alunorte resumes full production, Chinese alumina exports are unlikely to resume.

Additional alumina production in 2019 outside China is expected from a number of refineries in Australia and Brazil, which experienced operational issues in 2018. In addition, increased production is expected from refineries ramping up in Guinea and Jamaica, as well as in India.

First alumina is also expected from the Al Taweelah greenfields refinery in the UAE in 2019. There are reports that Nanshan has commenced construction of a refinery on Bintan Island in Indonesia. Otherwise, there is no other committed greenfields refining capacity on the horizon and any further restarting of curtailed capacity looks challenging outside China.

Alumina Limited forecasts that alumina growth will broadly match aluminium growth, with on-going modest alumina imports into China, and a global alumina balance in 2019, assuming a full resumption at Alunorte.

BAUXITE

China's total bauxite imports reached nearly 83 million tonnes in 2018, up 20.5% on 2017. Third party bauxite remained well-supplied in 2018 and this is expected to continue into 2019. Predominantly supply is expected to continue to come from Guinea and Australia. The next highest source country in 2018 was Indonesia.

AWAC GUIDANCE

The following 2019 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	2019 GUIDANCE
Production – alumina	Approximately 12.6 million tonnes
Production – aluminium	Approximately 165,000 tonnes
Third party bauxite sales	Approximately 6.2 million BD tonnes
Alumina Price Index sensitivity ¹ : +\$10/t	Approximately +\$110 million EBITDA
Caustic price sensitivity ² : +\$100/dry metric tonne	Approximately -\$90 million EBITDA
Australian \$ Sensitivity: + 1¢ USD/AUD	Approximately -\$25 million EBITDA
Brazilian \$ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 94% for the year
AWAC sustaining capital expenditure	Approximately \$155 million
AWAC growth capital expenditure	Approximately \$110 million
AWAC Point Comfort after tax restructuring ³	
Charges (IFRS)	Approximately \$40 million
Cash Flows	Approximately \$40 million
AWAC Suralco after tax restructuring ²	
Charges (IFRS)	Approximately \$15 million
Cash Flows	Approximately \$50 million
AWAC Point Henry and Anglesea after tax restructuring ²	
Charges (IFRS)	Approximately \$5 million
Cash Flows	Approximately \$30 million

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

² Caustic inventory flow is 5-6 month.

³ Ongoing costs will be recognised in future financial years relating to the curtailments and closures.

Bauxite supply disruptions were experienced in China's domestic market throughout 2018, caused by on-going audits for environmental, safety, licensing and tax reasons. They are expected to continue into 2019, resulting in higher than average prices over the year. Chinese domestic bauxite quality continues to deteriorate, which is likely to accelerate the demand for imported bauxite (or alumina) into China and to increase Chinese alumina production costs.

Extract from AWAC's Unaudited Combined Financial Statements

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

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

AWAC PROFIT & LOSS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Sales	4,814.7	3,692.3
Sales to related parties	1,934.7	1,581.7
Total revenue	6,749.4	5,274.0
Cost of goods sold	3,991.3	3,518.2
Selling, general administrative, and research and development expenses	113.3	88.4
Provision for depreciation, depletion and amortisation	290.4	274.5
Restructuring and other expenses	12.9	47.9
Total expenses	4,407.9	3,929.0
Net profit before income taxes	2,341.5	1,345.0
Provision for taxes on income	(701.3)	(443.7)
Net profit after taxes	1,640.2	901.3
Members' equity		
Opening balance at start of period	5,450.5	4,799.7
Net profit	1,640.2	901.3
Capital contribution	445.9	274.0
Dividends paid and return of capital to partners	(2,067.9)	(857.1)
Common stock issued for compensation plans	3.9	3.1
Other comprehensive income/(loss)	(605.2)	329.5
Closing balance at end of period	4,867.4	5,450.5

AWAC BALANCE SHEET

	US\$ MILLION	
	31 DECEMBER 2018	31 DECEMBER 2017
Current assets		
Cash and cash equivalents	740.3	631.9
Receivables	497.5	560.3
Inventories	565.4	530.8
Prepaid expenses and other current assets	136.1	175.6
Total current assets	1,939.3	1,898.6
Non-current assets		
Property, plant and equipment	3,317.2	3,753.9
Investments	433.6	399.1
Other assets and deferred charges	1,460.7	1,798.2
Total non-current assets	5,211.5	5,951.2
Total assets	7,150.8	7,849.8
Current liabilities		
Short term borrowings	0.4	4.6
Accounts payable	623.8	715.1
Taxes payable	365.7	190.1
Accrued compensation and retirement costs	175.6	204.3
Other current liabilities	181.1	247.7
Total current liabilities	1,346.6	1,361.8
Non-current liabilities		
Capital lease obligations and long term debt	84.4	17.5
Deferred income taxes	180.6	211.0
Other long term liabilities	671.8	809.0
Total non-current liabilities	936.8	1,037.5
Total liabilities	2,383.4	2,399.3
Net assets	4,867.4	5,450.5
Equity		
Members' equity	7,125.2	7,103.1
Accumulated other comprehensive loss	(2,257.8)	(1,652.6)
Total members' equity	4,867.4	5,450.5

AWAC STATEMENT OF CASH FLOWS

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
Cash flows from operations		
Net profit	1,640.2	901.3
<i>Adjustments to reconcile net income to cash from operations</i>		
Depreciation, depletion and amortisation	290.4	274.5
Other items ¹	32.4	(73.4)
Cash provided from operations	1,963.0	1,102.4
Cash flows from financing activities		
Dividends paid and return of capital to partners	(2,067.9)	(857.1)
Net change in debt	63.3	17.4
Payments on capital lease obligations	-	(1.1)
Capital contributions	445.9	274.0
Cash used for financing activities	(1,558.7)	(566.8)
Cash flows from investing activities		
Capital expenditures	(234.1)	(191.6)
Other items	6.7	9.0
Cash used from investing activities	(227.4)	(182.6)
Effect of exchange rate changes on cash and cash equivalents	(68.5)	27.7
Cash generated	108.4	380.7
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	631.9	251.2
Cash and cash equivalents at the end of the period	740.3	631.9
Net change in cash and cash equivalents	108.4	380.7

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

RECONCILIATION OF AWAC'S US GAAP TO IFRS PROFIT

	US\$ MILLION	
	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2017
AWAC profit before tax (US GAAP)	2,341.5	1,345.0
<i>Adjustments made to align with IFRS</i>		
Asset Retirement Obligations and Defined Benefit Plan	(20.1)	(10.9)
Restructuring related charges	18.1	14.7
Other	5.7	(7.1)
AWAC profit before tax (IFRS)	2,345.2	1,341.7
AWAC provision for taxes on income (USGAAP)	(701.3)	(443.7)
Adjustments made to align with IFRS	(6.4)	6.8
AWAC provision for taxes on income (IFRS)	(707.7)	(436.9)
AWAC profit before tax (IFRS)	2,345.2	1,341.7
AWAC provision for taxes on income (IFRS)	(707.7)	(436.9)
AWAC profit after tax (IFRS)	1,637.5	904.8