ASX FULL-YEAR PRELIMINARY FINAL REPORT

Alumina Limited

ABN 85 004 820 419

31 December 2019

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 an aluminium smelter through its 40% ownership of Alcoa World Alumina and Chemicals (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.

CONTENTS

Results for Announcement to the Market

NET PROFIT/(LOSS)

		CHANGE	US$ MILLION
Revenue from continuing operations	Up	56%	2.5
Net profit from continuing operations after tax attributable to members of Alumina Limited	Down	66%	214.0
Net profit for the year attributable to members of Alumina Limited	Down	66%	214.0

DETAILS RELATING TO DIVIDENDS

	AMOUNT PER SHARE[1] US CENTS	TOTAL AMOUNT PAID/PAYABLE US$ MILLION
2019 Interim dividend (paid 12 September 2019)	4.4	126.7
2019 Final dividend (declared on 25 February 2020)	3.6	103.7

[1] All dividends are fully franked at 30% tax rate. The final dividend amount was not recognised as a liability at year-end.

	FINAL DIVIDEND DATE
Record date	2 March 2020
Payment date	17 March 2020

Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan remains suspended.

	A$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Franking Account Balance	383.5	473.2

NET TANGIBLE ASSETS PER SECURITY

	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Net assets (US$ million)	1,782.1	2,135.8
Less equity accounted intangible assets:		
Goodwill (US$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US$ million)	67.7	69.2
Net tangible assets (US$ million)	1,538.6	1,890.8
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,879,843,498
Net tangible asset backing per ordinary security (US$)	**0.53**	**0.66**

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.

Condensed Consolidated Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Revenue from continuing operations	2.5	1.6
Share of net profit of associates accounted for using the equity method	232.0	653.5
General and administrative expenses	(12.1)	(11.6)
Change in fair value of derivatives/foreign exchange losses	(1.0)	(1.4)
Finance costs	(7.3)	(6.7)
Profit before income tax	**214.1**	**635.4**
Income tax expenses	(0.1)	–
Profit for the period attributable to the owners of Alumina Limited	**214.0**	**635.4**
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Share of reserve movements accounted for using the equity method	1.8	0.4
Foreign exchange translation difference	(33.2)	(217.6)
Items that will not be reclassified to profit or loss		
Re-measurements of post-employment benefit obligations accounted for using the equity method	(3.4)	(0.5)
Other comprehensive (loss)/income for the period, net of tax	**(34.8)**	**(217.7)**
Total comprehensive income for the period attributable to the owners of Alumina Limited	**179.2**	**417.7**

EARNINGS PER SHARE (EPS)[1]

	US CENTS	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Basic EPS	Positive 7.4	Positive 22.1
Diluted EPS	Positive 7.4	Positive 22.1

[1] For further details refer page 13.

CONSOLIDATED BALANCE SHEET

	US$ MILLION	
	31 DEC 2019	31 DEC 2018
CURRENT ASSETS		
Cash and cash equivalents	15.2	183.8
Other assets	1.8	1.1
Total current assets	**17.0**	**184.9**
NON-CURRENT ASSETS		
Investment in associates	1,836.8	2,060.2
Total non-current assets	**1,836.8**	**2,060.2**
TOTAL ASSETS	**1,853.8**	**2,245.1**
CURRENT LIABILITIES		
Payables	0.9	1.2
Borrowings	-	88.0
Derivative financial instruments	-	19.0
Provisions	0.3	0.2
Other liabilities	-	0.4
Total current liabilities	**1.2**	**108.8**
NON-CURRENT LIABILITIES		
Borrowings	70.0	-
Provisions	0.5	0.5
Total non-current liabilities	**70.5**	**0.5**
TOTAL LIABILITIES	**71.7**	**109.3**
NET ASSETS	**1,782.1**	**2,135.8**
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	(0.8)	(1.2)
Reserves	(1,283.9)	(1,252.0)
Retained earnings	383.9	706.1
TOTAL EQUITY	**1,782.1**	**2,135.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	US$ MILLION			
	CONTRIBUTED AND OTHER EQUITY[1]	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2018	**2,682.0**	**(1,034.7)**	**586.7**	**2,234.0**
Profit for the period	–	–	635.4	635.4
Other comprehensive income for the period	–	(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**
Balance as at 1 January 2019	**2,681.7**	**(1,252.0)**	**706.1**	**2,135.8**
Profit for the period	–	–	214.0	214.0
Other comprehensive loss for the period	–	(31.4)	(3.4)	(34.8)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(532.8)	(532.8)
Movement in treasury shares	0.4	–	–	0.4
Movement in share based payments reserve	–	(0.5)	–	(0.5)
Balance as at 31 December 2019	**2,682.1**	**(1,283.9)**	**383.9**	**1,782.1**

[1] Comprises of contributed equity and treasury shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(11.9)	(10.7)
GST refund received	0.5	0.4
Dividends received from associates	381.7	657.2
Distributions received from associates	-	0.2
Finance costs paid	(8.3)	(8.1)
Interest paid under cross currency interest rate swap	(3.3)	(5.1)
Interest received under cross currency interest rate swap	3.3	5.7
Other	2.6	1.7
Net cash inflow/(outflow) from operating activities	**364.6**	**641.3**
Cash flows from investing activities		
Payments for investments in associates	(51.0)	(108.8)
Proceeds from return of invested capital	90.2	129.6
Net cash inflow/(outflow) from investing activities	**39.2**	**20.8**
Cash flows from financing activities		
Proceeds from borrowings	325.0	75.0
Repayment of borrowings	(341.2)	(75.0)
Net payments related to cross currency interest rate swap	(21.7)	-
Payment for shares acquired by the Alumina Employee Share Plan	(0.9)	(1.2)
Dividends paid	(532.8)	(515.5)
Net cash inflow/(outflow) from financing activities	**(571.6)**	**(516.7)**
Net increase/(decrease) in cash and cash equivalents	**(167.8)**	**145.4**
Cash and cash equivalents at the beginning of the financial year	183.8	40.0
Effects of exchange rate changes on cash and cash equivalents	(0.8)	(1.6)
Cash and cash equivalents at the end of the financial year	**15.2**	**183.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This condensed consolidated financial report for the year ended 31 December 2019 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 condensed 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 2018 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 16 Leases, became applicable for the current reporting period. The changes to the standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The Group does not have any material leases.

IMPACT OF STANDARDS ISSUED BUT NOT YET ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2019	US$ MILLION				
	AUSTRALIA	BRAZIL	SPAIN	OTHER	TOTAL
Investments in associates	1,118.1	570.6	114.0	34.1	1,836.8
Assets	7.3	9.5	–	0.2	17.0
Liabilities	(71.7)	–	–	–	(71.7)
Consolidated net assets	**1,053.7**	**580.1**	**114.0**	**34.3**	**1,782.1**

YEAR ENDED 31 DECEMBER 2018	US$ MILLION				
	AUSTRALIA	BRAZIL	SPAIN	OTHER	TOTAL
Investments in associates	1,150.0	649.9	127.0	133.3	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**	**127.0**	**133.6**	**2,135.8**

RECONCILIATION OF CASH

	US$ MILLION	
	31 DEC 2019	31 DEC 2018
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	15.2	2.8
Money market deposits (with maturities on investment three months or less)	-	181.0
Total cash and cash equivalents at the end of the financial year	**15.2**	**183.8**

NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing and investing activities during the period. In 2018 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 2019	YEAR ENDED 31 DEC 2018
Retained earnings at the beginning of the financial year	**706.1**	**586.7**
Profit attributable to members of Alumina Limited	214.0	635.4
Dividends provided for or paid	(532.8)	(515.5)
Re-measurements of post-employment benefit obligations accounted for using the equity method	(3.4)	(0.5)
Total retained earnings at the end of the financial year	**383.9**	**706.1**

DIVIDENDS

	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Dividends paid during the year	532.8	515.5
Dividends not recognised at the year end	103.7	406.1

INCOME TAX

The income tax expense/benefit for the period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Profit/(loss) from ordinary activities	**214.0**	**635.4**
Prima facie tax expense for the year at the rate 30%	**(64.2)**	**(190.6)**
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(232.0)	(653.5)
Foreign income subject to accruals tax	4.9	2.2
Share of Partnership income assessable for tax	–	0.2
Amounts non-assessable for tax	–	(0.1)
Timing differences not recognised	5.8	–
Tax losses not recognised	7.1	13.9
Non-deductible expenses	1.0	1.9
Previously unrecognised tax losses now recouped to reduce current tax expense	(0.9)	–
Net movement	**(214.1)**	**(635.4)**
Consequent decrease in charge for income tax	**64.2**	**190.6**
Under provision of tax in prior years	**(0.1)**	–
Aggregate income tax expense	**(0.1)**	**–**

EQUITY SECURITIES ISSUED

	NUMBER OF SHARES		US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
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 2019	YEAR ENDED 31 DEC 2018	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Balance brought forward	689,267	700,445	1,247,997	906,873
Shares acquired by Alumina Employee Share Plan Pty Ltd	484,500	684,500	874,248	1,241,548
Employee performance rights vested	(738,399)	(695,678)	(1,335,992)	(900,424)
Total treasury shares	**435,368**	**689,267**	**786,253**	**1,247,997**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EARNINGS PER SHARE

	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US$ million)	214.0	635.4
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,879,143,308	2,878,674,535
Basic EPS (US cents)	**Positive 7.4**	**Positive 22.1**
Diluted EPS (US cents)	**Positive 7.4**	**Positive 22.1**

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 2019 and 31 December 2018.

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			31 DEC 2019	31 DEC 2018
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading	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

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

	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Revenues	5,215.8	6,749.4
Profit from continuing operations	583.8	1,637.5
Profit for the year[1]	**583.8**	**1,637.5**
Other comprehensive income/(loss) for the year	(84.2)	(540.2)
Total comprehensive income for the year	**499.6**	**1,097.3**
Reconciliation to share of net profit of associates		
Group share of profit for the year as a percentage	40%	40%
Group share of profit for the year in dollars	233.5	655.0
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 net profit of associates accounted for using equity the method	**232.0**	**653.5**

[1] The profit for the years ended 31 December 2019 and 31 December 2018 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.

COMMITMENTS AND CONTINGENT LIABILITIES FOR AWAC

There are potential obligations due to the various lawsuits and claims and proceedings which have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, safety and health and tax matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Also, not every plaintiff has specified the amount of damages sought in their complaint. Therefore, it is possible that the results of operations or liquidity in a particular period could be materially affected by certain contingencies.

Pursuant to the terms of the AWAC Formation Agreement, Arconic Inc, Alcoa Corporation and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as environmental conditions, to the extent of their pre-formation ownership of the AWAC's entity or asset with which the liability is associated.

The Australian Taxation Office (ATO) has undertaken a pricing examination in respect of certain historic third-party alumina sales made by Alcoa of Australia Limited (AoA) over a 20 year period.

As a result of this examination, the ATO has issued a statement of audit position (SOAP) to AoA, in which the ATO proposes a tax payment of approximately A$212 million (excluding interest and penalties).

The SOAP is currently the subject of an independent review process within the ATO. At the completion of this review the ATO may or may not issue a tax assessment in respect of this matter. If a tax assessment is issued, it is expected that AoA would pay 50% of the disputed tax amount to the ATO. AoA could then object to the assessment and pursue all available dispute resolution methods up to and including the filing and conduct of Court proceedings. Should AoA succeed in its defence, it would receive a refund of any payment made to the ATO.

Alumina Limited (as the owner of 40% of the capital of AoA) disagrees with the position taken in the SOAP, and understands that AoA will defend its position. No charge has been recognised by AoA in relation to this matter.

BORROWINGS

	US$ MILLION	
	31 DEC 2019	31 DEC 2018
Bank loans	70.0	-
Fixed rate note	-	88.0
Total borrowings	**70.0**	**88.0**

BANK LOANS

In June 2019 Alumina Limited rolled over a tranche of the bank facility that was due to mature in July 2020 and established a new tranche under the same facility.

As a result, Alumina Limited now has a US$350 million syndicated bank facility with tranches maturing in October 2022 (US$100 million), July 2023 (US$150 million), and July 2024 (US$100 million). As at 31 December 2019 there was US$70 million drawn against the syndicated facility.

FIXED RATE NOTE

On 12 November 2014, Alumina Limited issued an A$125 million face value 5.5% fixed rate note (the "Note") at a discount of A$0.7 million. On 30 July 2019, as permitted under the terms and conditions, the Company redeemed the outstanding principal amount plus interest accrued to 30 July 2019. There was no penalty incurred to redeem the Note early. The Company also terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the note. The total cash required to repay the Note and the CCIRS was equivalent to US$108.4 million plus accrued interest. The funds used to repay the Note and CCIRS were drawn down from the existing bank facility

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 inputs 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 2019				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	–	–	–
Total financial liabilities at fair value through profit or loss	**–**	–	**–**	–
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**

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 are 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 2019.

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
25 February 2020

Supplementary Appendix 4E Information

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

Consolidated Financial statements of the Group prepared in accordance with Australian Accounting Standards (“AAS”) also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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.

The AWAC financial information presented has been extracted from unaudited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

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 2018. 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.

REVIEW OF AWAC OPERATIONS

Alumina Limited provides its shareholders with a unique investment in globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, Saudi Arabia and Guinea through its 40% investment in the AWAC joint venture. AWAC also has a 55% interest in the Portland aluminium smelter in Victoria, Australia.

The current refining portfolio is comprised mostly of tier one assets that allows AWAC to generate strong returns throughout the commodity cycle. Having long life bauxite mines located close to the Australian refineries is a key competitive advantage in terms of driving a low position on the cost curve.

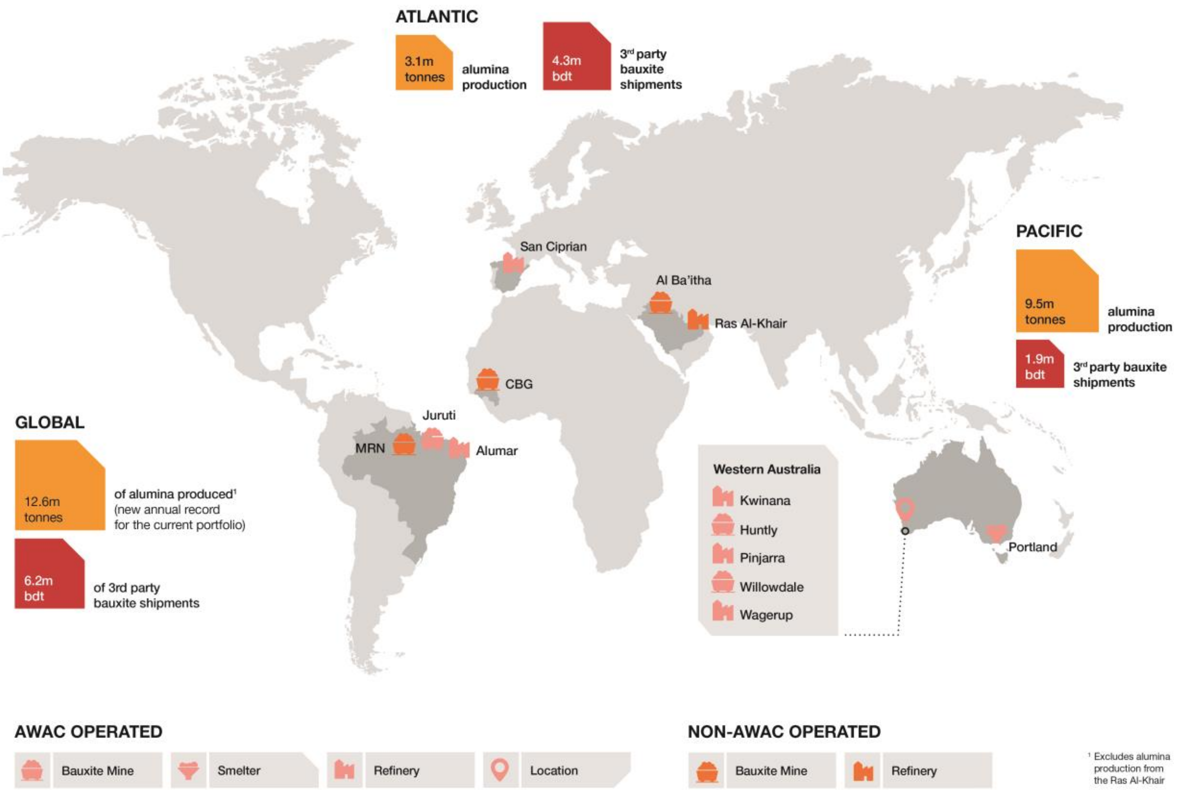
With the return of operational stability, AWAC's operated assets performed strongly during 2019, culminating in an annual production record for AWAC's current portfolio of refineries of 12.6 million tonnes. Increased production helped drive lower cash costs of alumina production, which partially offset the decline in the average realised alumina price.

Alumina prices declined year-on-year due to a move from a market deficit to a small surplus of alumina following new and resumed refinery capacity, and also lower than expected global aluminium demand.

Despite the decline in alumina prices, AWAC has remained profitable and continues to return cash to its joint venture partners, primarily due to its low cost alumina refineries.

The Company is also proud that AWAC's Western Australian and Brazilian bauxite mines and alumina refineries received an Aluminium Stewardship Initiative Certification, in recognition of AWAC's commitment to sustainable production.

DIAGRAM OF AWAC GLOBAL OPERATIONS



BAUXITE MINING

	31 DEC 2019	31 DEC 2018	CHANGE		CHANGE (%)
AWAC OPERATED MINES					
Production (million BDT)	40.7	39.2	1.5	▲	3.8
Cash cost ($/BDT of bauxite produced)	10.2	11.4	(1.2)	▼	(10.5)
NON-AWAC OPERATED MINES					
AWAC equity share of production (million BDT)[1]	4.1	4.0	0.1	▲	2.5
THIRD PARTY SALES					
Shipments to third parties (million BDT)	6.2	5.6	0.6	▲	10.7
Total third party revenue, inclusive of freight[2] ($ million)	274.7	250.5	24.2	▲	9.7

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

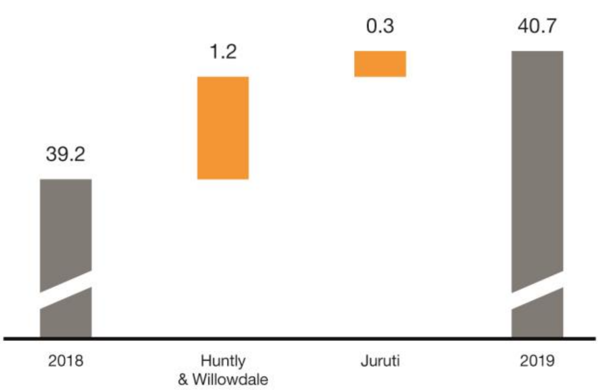
2 Includes freight revenue of $79.1 million for 2019 (2018: $68.1 million).

AWAC Operated Mines

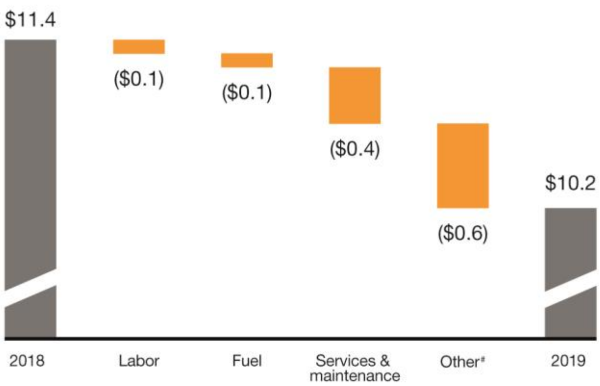
AWAC operated mines increased production by 3.8% driven by increased demand from AWAC owned refineries. Juruti's production improved following the completion of an expansion to a new capacity of 6.5 million BDT in 2018.

AWAC's cash cost per BDT of bauxite produced decreased by 10.5% to $10.2 per tonne, mostly due to a decline in royalty payments, and the stronger US dollar which had a favourable effect on the cash cost of bauxite produced.

BAUXITE PRODUCTION: CHANGE BY MINE (MILLION BDT)



CASH COST PER BDT OF BAUXITE PRODUCED^



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

Production at Huntly increased to meet a third party supply contract and accommodate record production levels at the Pinjarra refinery. Willowdale's production was increased to meet demand from the Wagerup refinery, and Juruti's production was increased in order to meet greater third party demand.

In Western Australia, planning for the relocation of the Willowdale crusher to a new reserve area has begun and is well progressed. The move is expected to be completed by the end of 2021 and involve total sustaining capital expenditure of approximately $135 million, of which $14 million was spent in 2019 on planning, and approximately $90 million will be spent during 2020. Similarly, planning for a new plateau in Juruti is being undertaken which will involve sustaining capital expenditure of approximately $5 million during 2020.

Non-AWAC Operated Mines

AWAC's equity share of production at MRN and CBG increased by 0.1 million BDT (2.5%) in 2019.

CBG's production increased by 10% to 3.0 million BDT, as the benefits from an expansion project begin to be realised. Once fully ramped up, the expansion will add an additional 1.1 million BDT to AWAC's share of production.

The production rate at MRN was marginally down, resulting in a decrease of AWAC's equity share of production by 0.1 million BDT to 1.1 million BDT.

AWAC's equity accounted share of profit after tax from CBG and MRN was $18.2 million (2018: $13.7 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers increased by 10.7% to 6.2 million BDT with an increase in shipments from Huntly, CBG and Juruti, partially offset by a decline in shipments from MRN.

Third party revenue increased by 9.7%, with the increase in third party shipments partially offset by a decrease in the average FOB realised price of bauxite.

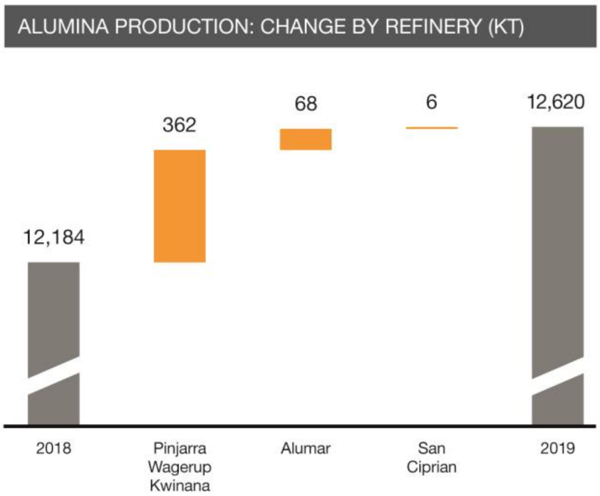
REFINING

	31 DEC 2019	31 DEC 2018	CHANGE		CHANGE (%)
AWAC OPERATED REFINERIES					
Shipments (million tonnes)	12.9	12.9	-	-	-
Production (million tonnes)	12.6	12.2	0.4	▲	3.3
Average realised alumina price ($/tonne)	336	447	(111)	▼	(24.8)
Cash cost per tonne of alumina produced	210	226	(16)	▼	(7.1)
Margin[1] ($/tonne)	126	221	(95)	▼	(43.0)
Smelter Grade Alumina ("SGA") shipments on spot or index basis (%)	94	92	2	▲	2.2
Platts FOB Australia - one month lag ($/tonne)	344	473	(129)	▼	(27.3)
MA'ADEN JOINT VENTURE					
Production (million tonnes)	1.839	1.765	0.074	▲	4.2
AWAC's share of production (million tonnes)	0.462	0.443	0.019	▲	4.3

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

AWAC operated refineries

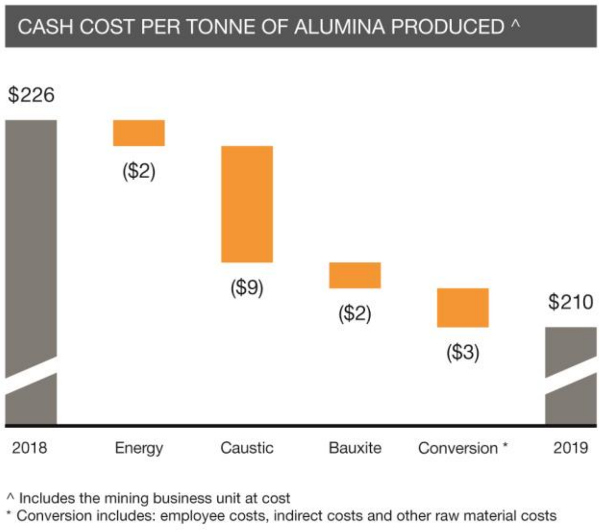
Production from AWAC operated refineries was 12.6 million tonnes, an annual record for the current portfolio of assets. Pinjarra and Wagerup achieved annual production records. Alumar's production improved with its major boiler overhaul near completion.



The lower AWAC average realised alumina price in 2019 reflected lower global metal demand, and additional alumina supply following the restart of Alunorte, ramp up of Al Taweelah, and other refinery capacity.

Approximately 94% of AWAC's alumina shipments were priced on a spot or index basis. AWAC's average realised price of $336 per tonne, a decline of $111 per tonne compared to the previous corresponding period reflected the average alumina price decline of 27.3% to $344 per tonne.

The average cash cost per tonne of alumina improved by 7.1% to $210 per tonne. Improved production rate reduced energy and caustic usage and the strength of the US dollar had a favourable effect on the cash cost of production.



Ma'aden Joint Venture

The Ma'aden refinery increased production by 4.2% in 2019 to 1.839 million tonnes of alumina (AWAC's share was 0.462 million tonnes), operating at 102% of nameplate capacity.

The equity profit relating to the Ma'aden joint venture for AWAC was $6.4 million during 2019 (2018: $32.5 million equity profit). The decline was predominantly driven by lower realised alumina prices.

PORTLAND

	31 DEC 2019	31 DEC 2018	CHANGE		CHANGE (%)
AWAC'S 55% EQUITY SHARE					
Production (thousand tonnes)	161	164	(3)	▼	(1.8)
LME aluminium cash - 15 day lag ($/tonne)	1,799	2,119	(320)	▼	(15.1)
EBITDA ($ million)	(20.0)	(29.7)	9.7	▲	32.7

Portland's aluminium production decreased by 1.8% compared to 2018.

The improvement in earnings was primarily as a result of a lower cash cost of production due to lower alumina prices. This was partially offset by a decline in metal prices.

AWAC FINANCIAL REVIEW

The decline in AWAC's 2019 net profit was largely due to lower realised alumina prices, charges related to the closure of Point Comfort, partially offset by improvements in the cash cost of production.

The decrease in the income tax charge was driven by lower taxable income, particularly in AWAC's Australian operations.

AWAC PROFIT AND LOSS (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Net profit after tax	565.1	1,640.2
Add back: Income tax charge	394.8	701.3
Add back: Depreciation and amortisation	306.0	290.4
Add back: Net interest income	(5.2)	(1.8)
EBITDA	**1,260.7**	**2,630.1**
Add back: Significant items (pre-tax)	325.3	166.7
EBITDA excluding significant items	**1,586.0**	**2,796.8**

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Suralco restructuring related charges[1]	(12.6)	(9.7)
Point Comfort restructuring related charges[1]	(289.0)	(34.3)
New operating model restructuring charges	(17.1)	-
Bauxite mining service contract final arbitration[2]	-	(29.0)
Derecognition of Brazil state VAT receivables[3]	-	(77.6)
Other[4]	(6.6)	(16.1)
Total significant items (pre-tax)	**(325.3)**	**(166.7)**
Total significant items (after-tax)	**(315.2)**	**(149.0)**

1 Including holding costs

2 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.

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

4 Other significant items include net charges related to Point Henry and Anglesea restructuring, severance, other payments, Portland government facility forgiveness, and Afobaka hydroelectricity dam accelerated depreciation.

AWAC BALANCE SHEET (US GAAP)	US$ MILLION	
	31 DEC 2019	31 DEC 2018
Cash and cash equivalents	418.7	740.3
Receivables	272.8	497.5
Inventories	518.8	565.4
Property, plant & equipment	3,138.0	3,317.2
Other assets	2,015.1	2,030.4
Total Assets	**6,363.4**	**7,150.8**
Short term borrowings	0.5	0.4
Accounts payable	548.1	623.9
Taxes payable and deferred	226.3	546.3
Capital lease obligations & long term debt	78.2	84.4
Other liabilities	1,235.2	1,028.4
Total Liabilities	**2,088.3**	**2,283.4**
Equity	**4,275.1**	**4,867.4**

The decline 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 2019.

The lower average alumina prices and a tax payment in excess of $300 million relating to the prior period resulted in lower cash and cash equivalents as well as reduction in receivables and taxes payable balances respectively.

The decrease in inventories and accounts payable includes the lower cost of raw materials, in particular caustic.

Property, plant and equipment value declined due to the write-down of the Point Comfort refinery as well as accelerated depreciation associated with the handback of the Afobaka hydroelectricity dam to the Suriname Government, partially offset by the capitalisation of operating leases following the adoption of the new accounting standard ASC 842 “Leases”.

Other assets decreased slightly, mainly due to changes in the fair value of derivative assets associated with Portland’s hedging arrangements.

Other liabilities increased mainly due to an increase in operating lease liabilities following the adoption of the new accounting standard ASC 842 “Leases”.

AWAC CASH FLOW (US GAAP)	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Cash from operations	906.3	1,969.6
Capital contributions arising from the allocation agreement[1]	-	74.0
Capital contributions from partners	127.5	371.9
Net movement in borrowings	(5.9)	63.3
Capital expenditure	(176.9)	(234.1)
Other financing and investing activities[2]	3.7	-
Effects of exchange rate changes on cash and cash equivalents	3.5	(68.4)
Cash flow before distributions	**858.2**	**2,176.3**
Distributions paid to partners – in respect of the current year	(645.8)	(1,540.4)
Distributions paid to partners – in respect of the previous year	(534.0)	(527.5)
Net change in cash and cash equivalents	**(321.6)**	**108.4**

[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 proceeds from sales of assets, and other.

Cash from operations in 2019 decreased primarily due to lower average realised alumina prices and a large tax payment in relation to the prior period.

In 2019, sustaining capital expenditure was $151.0 million (2018: $210.9 million). The most significant expenditure related to residue storage areas, completion of a press filtration facility and planning for Willowdale mine's crusher move.

2019 sustaining capital expenditure was lower than 2018 as the majority of Pinjarra press filtration facility was constructed throughout 2018, and completed in 1H 2019.

Growth capital expenditure was $25.9 million (2018: $23.2 million). This is down by $26 million from our previous guidance largely due to an extended timeline for the evaluation of the WA refineries growth opportunities. We expect a decision in relation to these projects to be made in 2020.

Other growth projects in 2019 included debottlenecking and a boiler upgrade at Alumar refinery.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Share of net profit of associates accounted for using the equity method	232.0	653.5
General and administrative expenses	(12.1)	(11.6)
Finance costs	(7.3)	(6.7)
Foreign exchange losses, tax and other	1.4	0.2
Profit for the year after tax	**214.0**	**635.4**
Total significant items after tax	112.6	54.5
Net profit after tax excluding significant items	**326.6**	**689.9**

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Suralco restructuring charges[1]	(2.2)	(1.2)
Point Comfort restructure-related charges[1]	(109.0)	(13.8)
New operating model restructuring charges	(4.9)	-
Bauxite mining service contract final arbitration	-	(11.6)
Derecognition of Brazil state VAT receivables	-	(25.8)
Other[2]	3.5	(2.1)
Total significant items	**(112.6)**	**(54.5)**

[1] Including holding costs

[2] Other significant items include net charges related to Point Henry and Anglesea restructuring, severance, other payments, Portland government facility forgiveness, and Afobaka hydroelectricity dam accelerated depreciation.

Alumina Limited recorded a net profit after tax of $214.0 million (2018: $635.4 million).

Excluding significant items, net profit would have been $326.6 million (2018: $689.9 million).

The decrease in net profit was primarily due to a decline in AWAC's profit.

2019 general and administrative expenses were higher than 2018 due to several factors including the additional ASIC industry funding levy, higher consulting and recruitment fees.

The Company's finance costs in 2019 were higher as they included $1.3 million of charges relating to the renegotiation of the syndicated bank facility. This was partially offset by lower interest charges as a result of terminating the Company's A$125 million note in July 2019, and replacing it with the syndicated bank facility which has a lower coupon rate.

ALUMINA LIMITED BALANCE SHEET	US$ MILLION	
	31 DEC 2019	31 DEC 2018
Cash and cash equivalents	15.2	183.8
Investment in associates	1,836.8	2,060.2
Other assets	1.8	1.1
Total Assets	**1,853.8**	**2,245.1**
Payables	0.9	1.2
Interest bearing liabilities	70.0	88.0
Other liabilities	0.8	20.1
Total Liabilities	**71.7**	**109.3**
Net Assets	**1,782.1**	**2,135.8**

The value of investments in associates decline includes AWAC profit, the closure of Point Comfort and a large tax payment in relation to the prior period.

Alumina Limited's net debt/(cash) as at 31 December 2019 was $54.8 million. (2018: $(95.8) million)

During 2019 the Company redeemed the A$125 million note and also early terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the Note.

The funds used to repay the Note and CCIRS were drawn down from the $350 million syndicated bank facility (tranche maturing 30 July 2023). The facility had $70 million drawn as at 31 December 2019.

ALUMINA LIMITED CASH FLOW	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Dividends received	381.7	657.2
Distributions received	-	0.2
Net finance costs paid	(8.3)	(7.5)
Payments to suppliers and employees	(11.9)	(10.7)
GST refund, interest received & other	3.1	2.1
Cash from operations	**364.6**	**641.3**
Net receipts/(payments) – investments in associates	39.2	20.8
Free cash flow[1]	**403.8**	**662.1**

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

Alumina Limited's dividend policy is to distribute free cash received right up until the date of the dividend declaration whilst taking into consideration its capital structure, any capital requirements for AWAC and market conditions.

Net receipts from AWAC totalled $420.9 million (2018: $678.2 million), and an additional $31.3m (2018: $193.6m million) received post 31 December 2020 is included in the 2019 final dividend paid on 17 March 2020.

Contributions to AWAC in 2019 of $51.0 million (2018: $108.8 million) 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.

The higher cash finance costs are a result of the bank facility's rollover and establishment fees incurred in 2019, which was partially offset by lower interest charges as a result of terminating the Company's A$125 million note in July 2019.

The lower dividend is driven by the reduction in distributions received from AWAC resulting from lower average alumina prices and a payment of $338 million relating to prior period tax.

MARKET, OUTLOOK AND GUIDANCE

ALUMINA

The alumina price ranged between $321 and $275 per tonne during the second half of 2019, averaging $290/t. This compares to the first half range between $321 and $418 per tonne, averaging $375/t. For the entire 2019 year the alumina price index averaged $332 per tonne, compared with $473 in 2018. Lower prices were due to both increased alumina supply and lower-than-expected demand, resulting in a modest alumina surplus outside China (exported to China). A global manufacturing slowdown reduced the need for primary aluminium and hence smelter-grade alumina (SGA).

Despite subdued prices, smelter-grade alumina production grew by 3.8% outside China in 2019 driven largely by the resumption at the partially curtailed Alunorte refinery in Brazil, ramping up of the Al Taweelah refinery in the UAE, the Friguia refinery in Guinea and the Lanjigarh refinery in India. Only the Alpart refinery in Jamaica announced a capacity curtailment in 2019.

Smelter-grade alumina production in China contracted by 1.2% in 2019, amid tightening environmental policies, lower alumina prices and increase in net imports. In May, over 4 million annual tonnes of capacity were curtailed in Shanxi due to bauxite residue issues, of which 2.8 million tonnes remain curtailed. Difficulty in accessing domestic bauxite, plus narrowing margins forced more high cost refineries in Northern China to curtail during the second half of 2019.

Chinese alumina prices remained subdued in the second half of 2019, causing the price outside China to fall as surplus alumina was exported to China as the market of last resort. Prices fell to the marginal cost level of RMB 2,400 including VAT (nearly US$350) per tonne in December and triggered some curtailments of high cost refineries. Prices have stabilised since.

China returned to being a net importer of alumina in 2019. China's net imports totalled 1.4 million tonnes in 2019, after being a net exporter in 2018 of nearly 1 million tonnes.

Going into 2020, whilst extra smelting production will require more alumina, additional global alumina supplies are likely to support a balanced to slight surplus SGA market (0.2 million tonnes). Winter cuts in China are having a reduced impact on production compared to previous years. Much less new refining capacity is expected to be built in China than in previous years, and any new capacity will most likely displace high cost existing capacity. Chinese smelter-grade alumina production is forecast to grow by 1.8% and non-Chinese production by 4.8% in 2020. Net alumina imported by China is forecast to increase by around 43% (2 million tonnes) in 2020.

Over the medium to longer term China is expected to be broadly balanced in alumina, while continuing with modest imports from time to time and the rest of world is forecast to be balanced in the medium term. The Chinese Government has imposed a supply side reform cap of 45 million tonnes on primary aluminium capacity. If this is insufficient of itself to regulate over-capacity in the Chinese alumina industry, the Chinese Government might be expected to impose more specific measures, particularly while Chinese state-owned-enterprises are long alumina. Either way, it is not expected that there will be Chinese overproduction of alumina in the medium to long term (although China is forecast to maintain some spare capacity which can be ramped up or down in line with market needs and raw material cost or availability). New, more cost-effective refineries are likely to be built along the coast of China, or in bauxite-rich regions outside of China, taking advantage of Chinese low capital cost design and construction. Outside of China, greenfields alumina refinery projects continue to be challenged by high construction costs and distances between favourable energy sources and good quality bauxite.

It is likely that sustainability concerns will increasingly impact the industry into 2020 and beyond, at least outside China. Examples are the greater downstream consumer demand for responsible product chains, more stringent measures for tailings dams and residue disposal areas, climate change issues and air and water quality concerns. These may add to alumina production costs. Over 2020 energy and caustic soda costs are expected to be relatively stable, with some risk of increased costs. However, AWAC is relatively well advanced to meet industry sustainability issues within its operations, particularly with its low position on the industry Co2 emissions curve and its rehabilitation practices.

Alumina price indices continue to be the main way smelter-grade alumina is priced. In March 2019, the LME launched a new cash-settled futures contract, the LME Alumina (CRU/Fastmarkets MB). This supplements CME's Alumina FOB Australia (Platts) Futures and Alumina FOB Australia (Metal Bulletin) Futures contracts. In China in 2019, Aladdiny introduced a physically settled alumina contract exchange platform. These types of price risk management tools continue to assist the development of alumina price indices.

BAUXITE

China imported a record of 101 million tonnes of bauxite in 2019, representing a 22% increase from 82.4 million tonnes in 2018. Third party bauxite continues to be well-supplied globally and this is forecast to continue into 2020. Supply to China is expected to continue to come predominantly from Guinea and Australia. Indonesia remains the third largest bauxite supplier to China, consistently exporting over 1 million tonnes per month. These three countries currently comprise around 94% of the total China imports. The Indonesian Government has indicated the possibility of bringing forward its ban on bauxite exports from January 2022. Even if the Indonesian ban were brought forward, beyond potential short-term supply disruptions, there is sufficient potential supply from other sources, such as Guinea, Australia and Malaysia, to fill the gap. Political protests in Guinea in 2019 have impacted bauxite supply at times and, if there were any extended supply disruptions, they would be likely to have a far greater impact on Chinese refinery bauxite sourcing and cost.

China currently imports around 50% of its bauxite needs, up from around 30% five years ago and this is expected to increase to over 75% within the next five years.

In 2019, the Chinese imported bauxite price on a value-in-use adjusted basis has ranged from $49.50 to $55.10 per dry metric tonne, with a volume-weighted average of $51.80. There has been increasing usage of imported bauxite by Chinese inland refineries. In 2019, thirteen refineries either completed high temperature to low temperature conversions or installed sweetening “add-ons” – and as a result these lines are now using imported (low temperature) bauxite to produce alumina. Freight cost increases and logistical impacts are expected into 2020, due to new rules regulating sulphur content in fuels (MARPOL IMO 2020).

Given the expected on-going ample supply of bauxite, particularly from Guinea and Australia, and to a lesser extent Indonesia, the third party bauxite market is likely to remain relatively stable in the near future.

ALUMINIUM

World primary and semi-fabricated aluminium consumption contracted in 2019. Global primary consumption fell by just under 1%. The transportation, machinery and equipment sectors led the decline, in particular automotive. Primary aluminium demand for the second half of 2019 fell by 4.6% year on year, led by North America. A stagnant real estate and electrical industry, as well as a poor macroeconomic environment, all contributed to an overall 1% contraction of global primary aluminium demand in 2019, despite marginal demand growth in China.

However, more favourable monetary policy, easing of US and Chinese trade tensions with the phase 1 agreement, stronger packaging demand and positive sentiment in global markets (particularly in emerging markets like China and India), are expected to drive the primary aluminium demand up in 2020, by around 2.3%.

Chinese primary aluminium production contracted by 2% in 2019, triggered by price driven curtailments in the first half of 2019, as well a series of unplanned outages in the second half of the year. Outside China, production expanded by 1.1% to 27.9 million tonnes in 2019. This was mainly due to the expansion of Alba (Bahrain), Rusal (Russia) and restarts at Albras (Brazil), Becancour (Canada), exceeding curtailments at Mostar (Bosnia), CVG (Venezuela) and in Spain.

Going into 2020, global primary aluminium production is expected to increase by 3.4%, with smelters started or re-started in 2019 (Alba’s line 6, Rusal’s BEMO expansion, Century (USA) restart) ramping up to full capacity and with the ramping up of Becancour and Albras, Xinfa and Weiqiao (China). In addition, there will be new Chinese capacity, particularly in the Southwestern provinces of Yunnan and Guangxi. Global demand is expected 66 million tonnes.

LME prices continued to fluctuate while trending lower during the second half of 2019 amid deteriorating sentiment for the aluminium industry in the Western World. In China, supply disruptions, decreasing inventory and improving macroeconomic data supported primary aluminium prices rebounding towards the end of the year. Smelter profitability has improved in 2019, driven by lower alumina and carbon prices.

During the first half of 2020, recovering demand for aluminium, easing trade/macro concerns and improving market sentiment are expected to be positive factors, but capacity expansion and restarts both in and out of China will provide ample supply and keep pressure on prices in 2020. Some Chinese economic slowdown due to the coronavirus appears likely and demand for aluminium may be reduced. There are likely to be unloading and transportation disruptions in China affecting bauxite, alumina and aluminium flows.

Over the medium and longer term, aluminium demand is forecast to continue to grow driven by economic expansion and increasing intensity of use. CRU expects primary aluminium demand to reach 87.6 million tonnes in 2045, compared with 64.9 million tonnes in 2019 and China, India and Southeast Asia are expected to account for around 63% of world aluminium demand in 2045. Whilst this is a modest growth rate, it would nevertheless require an additional 44 million tonnes of alumina production. In developed countries this is expected through more stringent environmental requirements to reduce emissions and waste and increase efficiency, leading for example to greater lightweighting of transport and electric vehicles. In developing countries, such as India and in Southeast Asia, aluminium demand growth is expected through greater urbanisation with more infrastructure and construction.

AWAC GUIDANCE

The following 2020 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	2020 GUIDANCE
Production – alumina	Approximately 12.7 million tonnes
Production – aluminium	Approximately 162,000 tonnes
Third party bauxite sales	Approximately 6.7 million BD tonnes
Alumina Price Index sensitivity[1]: +$10/t	Approximately +$115 million EBITDA
Caustic price sensitivity[2]: +$100/dry metric tonne	Approximately -$90 million EBITDA
Australian $ Sensitivity: + 1¢ AUD/USD	Approximately -$22 million EBITDA
Brazilian $ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 97% for the year
AWAC sustaining capital expenditure	Approximately $230 million
AWAC growth capital expenditure	Approximately $35 million
AWAC Point Comfort after tax restructuring[3, 4] Charges (IFRS) Cash Flows	 Approximately $15 million Approximately $55 million
AWAC Suralco after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $10 million Approximately $40 million
AWAC Point Henry and Anglesea after tax restructuring[3] Charges (IFRS) Cash Flows	 Approximately $5 million Approximately $20 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.

4 The closure of the Point Comfort refinery was announced on 17 December 2019

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 2019	YEAR ENDED 31 DEC 2018
Sales	3,771.8	4,814.7
Sales to related parties	1,444.0	1,934.7
Total revenue	**5,215.8**	**6,749.4**
Cost of goods sold	3,537.6	3,991.4
Selling, general administrative, and research and development expenses	121.8	113.4
Provision for depreciation, depletion and amortisation	306.0	290.4
Restructuring and other expenses	290.5	12.7
Total expenses	**4,255.9**	**4,407.9**
Net profit before income taxes	**959.9**	**2,341.5**
Provision for taxes on income	(394.8)	(701.3)
Net profit after taxes	**565.1**	**1,640.2**
Members' equity		
Opening balance at start of period	**4,867.3**	**5,450.4**
Net profit	565.1	1,640.2
Capital contribution	127.5	445.9
Dividends paid and return of capital to partners	(1,179.8)	(2,067.9)
Common stock issued for compensation plans	3.9	3.9
Other comprehensive income/(loss)	(108.9)	(605.2)
Closing balance at end of period	**4,275.1**	**4,867.3**

AWAC BALANCE SHEET

	US$ MILLION	
	31 DECEMBER 2019	31 DECEMBER 2018
Current assets		
Cash and cash equivalents	418.7	740.3
Receivables	272.8	497.5
Inventories	518.8	565.4
Prepaid expenses and other current assets	165.2	136.0
Total current assets	**1,375.5**	**1,939.2**
Non-current assets		
Property, plant and equipment	3,138.0	3,317.2
Investments	458.6	433.6
Deferred income tax and other non-current assets	1,391.3	1,460.8
Total non-current assets	**4,987.9**	**5,211.6**
Total assets	**6,363.4**	**7,150.8**
Current liabilities		
Short term borrowings	0.5	0.4
Accounts payable	548.1	623.9
Taxes payable	58.3	365.7
Accrued compensation and post-employment costs	185.9	175.6
Other current liabilities	209.4	180.9
Total current liabilities	**1,002.2**	**1,346.5**
Non-current liabilities		
Capital lease obligations and long-term debt	78.2	84.4
Deferred income taxes	168.0	180.6
Accrued pension and other postretirement benefits	130.0	125.9
Assets retirement obligations	453.3	381.4
Other long-term liabilities and deferred credits	256.6	164.6
Total non-current liabilities	**1,086.1**	**936.9**
Total liabilities	**2,088.3**	**2,383.4**
Net assets	**4,275.1**	**4,867.4**
Equity		
Members' equity	6,641.8	7,125.2
Accumulated other comprehensive loss	(2,366.7)	(2,257.8)
Total members' equity	**4,275.1**	**4,867.4**

AWAC STATEMENT OF CASH FLOWS

	US$ MILLION	
	YEAR ENDED 31 DEC 2019	YEAR ENDED 31 DEC 2018
Cash flows from operating activities		
Net profit	565.1	1,640.2
Adjustments to reconcile net income to cash from operations		
Depreciation, depletion and amortisation	306.0	290.4
Other items[1]	35.2	39.0
Net cash inflow/(outflow) from operating activities	**906.3**	**1,969.6**
Cash flows from financing activities		
Dividends paid and return of capital to partners	(1,179.8)	(2,067.9)
Net change in debt	(5.9)	63.3
Payments on capital lease obligations	-	-
Capital contributions	127.5	445.9
Net cash inflow/(outflow) from financing activities	**(1,058.2)**	**(1,558.7)**
Cash flows from investing activities		
Capital expenditures	(176.9)	(234.1)
Other items	3.7	-
Net cash inflow/(outflow) from investing activities	**(173.2)**	**(234.1)**
Effect of exchange rate changes on cash and cash equivalents	3.5	(68.4)
Cash generated	**(321.6)**	**108.4**
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	740.3	631.9
Cash and cash equivalents at the end of the period	418.7	740.3
Net change in cash and cash equivalents	**(321.6)**	**108.4**

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 2019	YEAR ENDED 31 DEC 2018
AWAC profit before tax (US GAAP)	**959.9**	**2,341.5**
Adjustments made to align with IFRS		
Asset Retirement Obligations and Defined Benefit Plan	(15.1)	(20.1)
Restructuring related charges	40.5	18.1
Other	(1.3)	5.7
AWAC profit before tax (IFRS)	**984.0**	**2,345.2**
AWAC provision for taxes on income (USGAAP)	**(394.8)**	**(701.3)**
Adjustments made to align with IFRS	(5.4)	(6.4)
AWAC provision for taxes on income (IFRS)	**(400.2)**	**(707.7)**
AWAC profit before tax (IFRS)	984.0	2,345.2
AWAC provision for taxes on income (IFRS)	(400.2)	(707.7)
AWAC profit after tax (IFRS)	**583.8**	**1,637.5**