

To: The Manager  
Announcements  
Company Announcements Office  
Australian Securities Exchange



## **Public Announcement 2013 – 9AWC**

Attached is a presentation relating to Alumina Limited's Full Year Results for the 12 months ended 31 December 2012.

A handwritten signature in black ink, appearing to read "Stephen Foster".

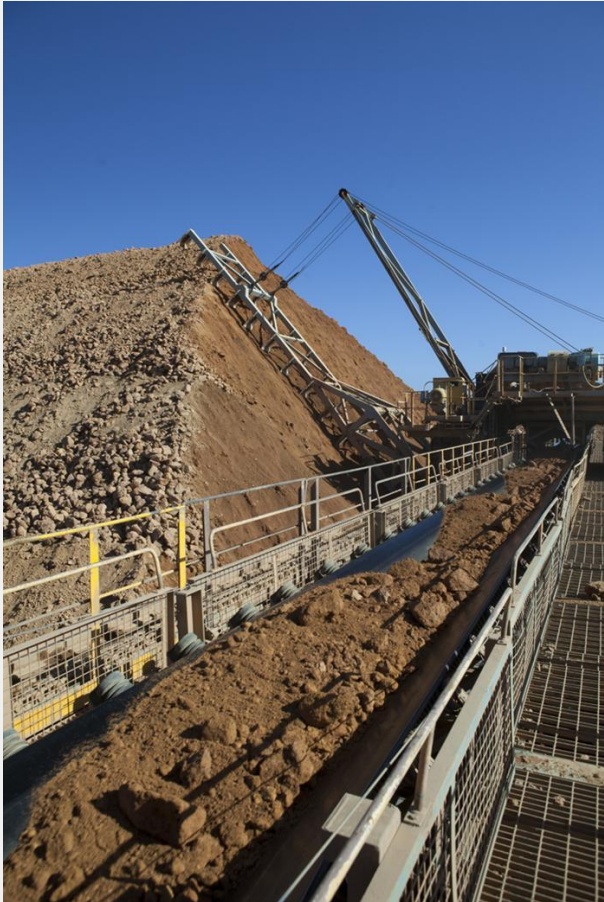
**Stephen Foster**  
**Company Secretary**

21 February 2013

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# **Alumina Limited**

## **2012 Full Year Results**

**John Bevan**  
**Chief Executive Officer**

**Chris Thiris**  
**Chief Financial Officer**

*This presentation is not a prospectus or an offer of securities for subscription or sale in any jurisdiction.*

*Some statements in this presentation are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements also include those containing such words as “anticipate”, “estimates”, “should”, “will”, “expects”, “plans” or similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward-looking statements. Important factors that could cause actual results to differ from the forward-looking statements include:*

*(a) material adverse changes in global economic, alumina or aluminium industry conditions and the markets served by AWAC; (b) changes in production and development costs and production levels or to sales agreements; (c) changes in laws or regulations or policies; (d) changes in alumina and aluminium prices and currency exchange rates; (e) constraints on the availability of bauxite; and (f) the risk factors and other factors summarised in Alumina’s Form 20-F for the year ended 31 December 2011.*

*Forward-looking statements that reference past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. Alumina Limited does not undertake any obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements which speak only as of the date of the relevant document.*

# 2012 – a difficult year

AWC			
US\$m (IFRS)	2012	2011	2010
NPAT	(62)	127	35
Underlying earnings	(53)	128	37
Total Dividend (US cps)	0	6	6
Net Debt	664	472	353

- **AWC** – 2H similar to 1H performance
- No final dividend paid by AWC in 2012

AWAC			
US\$m (US GAAP)	2012	2011	2010
Revenue	5,815	6,667	5,456
Dividends and distributions paid*	239	642	641
EBITDA	336	1,074	803

- **AWAC** – revenue & EBITDA down principally due to pricing
- Sound operational performance

EBITDA per tonne**	\$31	\$70	\$47
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\* Includes amounts paid to Alumina Limited and Alcoa Inc

\*\* Adjusted EBITDA/MT from Alcoa Inc's alumina segment (source: Alcoa Inc 4Q 2012 Results slide pack). Alcoa Inc alumina segment is predominately AWAC operations, of which Alumina Limited owns 40%

# CITIC introduced as a strategic investor

## Long Term Investor

- CITIC is a strategically aligned and financially strong long term investor

## JV Value Enhanced

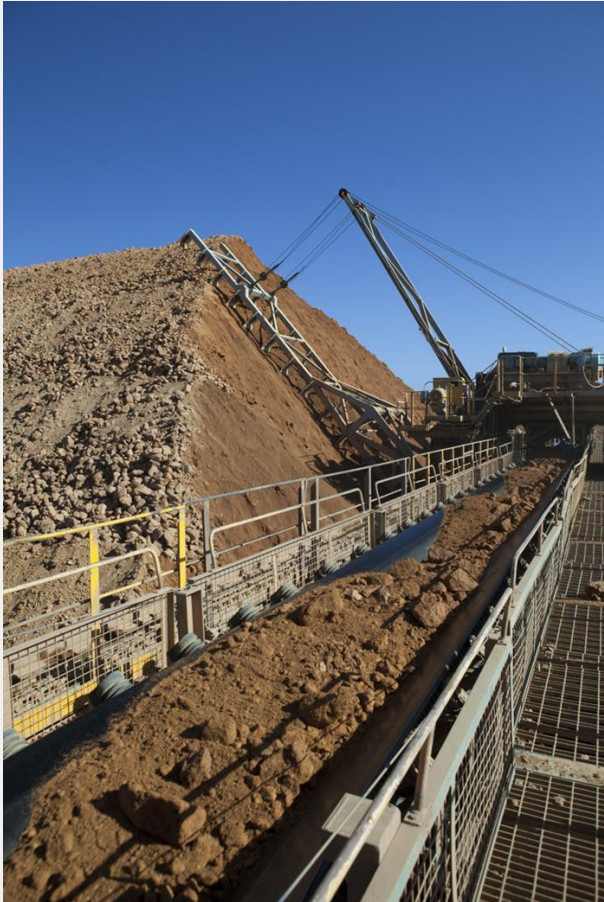
- Will work to enhance value of Alumina's interest in the AWAC JV

## Financial Strength

- Funds used to reduce debt and fortify balance sheet

## Added Board Strength

- Board representative to bring industry expertise and key insights into the China market



# Alumina Limited and AWAC 2012 Results

# AWAC 2012 results

## Profit & Loss

US\$m (US GAAP)	2012	2011	Change
Sales revenue	3,645	4,145	-12%
Related party revenue	2,170	2,522	-14%
Total Revenue	5,815	6,667	-13%
COGS and operating expenses	(5,370)	(5,459)	-2%
Depreciation and Amortisation	(479)	(466)	+3%
Selling, Admin, R&D, Other	(112)	(133)	-16%
Total Expenses	(5,961)	(6,058)	-2%
Profit before Tax	(146)	609	-124%
Income Tax	54	(139)	-139%
Net Profit after Tax	(92)	470	-120%
EBITDA	336	1,074	-69%

## Free Cash Flow

US\$m (US GAAP)	2012	2011	Change
Cash from operations	242	690	-65%
Capital expenditure	(375)	(392)	-4%
Free cash flow*	(133)	298	-145%

## Profit & Loss

- Revenue and EBITDA declined
  - principally due to price
- Total expenses also lower
  - productivity offsetting other costs

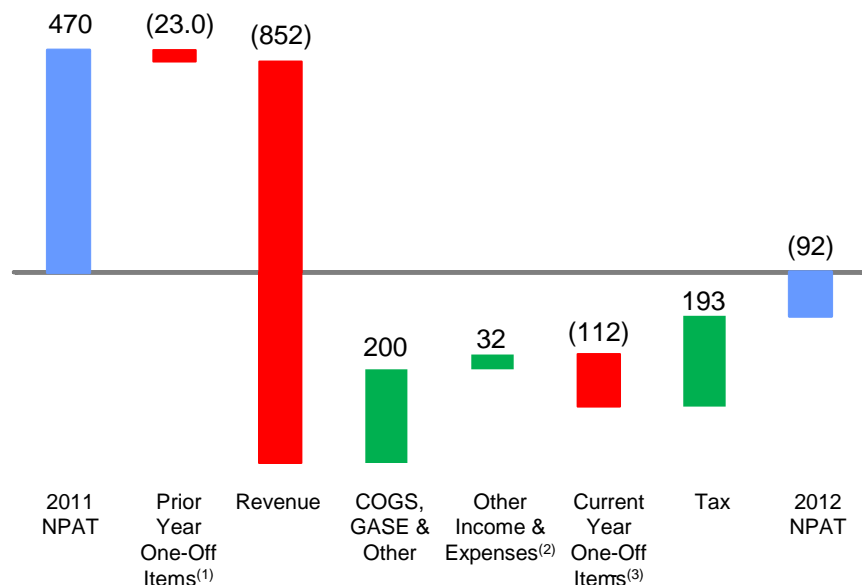
## Free Cash Flow

- CFO impacted by lower prices
- Capex marginally lower
  - sustaining capex higher
  - growth capex lower

\* Free cash flow defined as cash from operations less capital expenditure

# AWAC performance bridge

## US GAAP NPAT (US\$m)



(1) Reversal of: \$20m St Croix remediation provision, \$14m equity profit from Dampier-Bunbury pipeline \$43m land sales and \$14m loss on smelter restructuring costs

(2) Includes foreign currency fluctuations and movements in embedded derivatives

(3) Includes: \$85m Alba civil charge, \$9m long service leave adjustment, \$18m asset write-off

## Revenue

- Average LME declined 15%
- Average alumina price 13% lower
- Converting to alumina API/spot
  - approximately 40% at year-end
- Alumina shipments 68kt higher

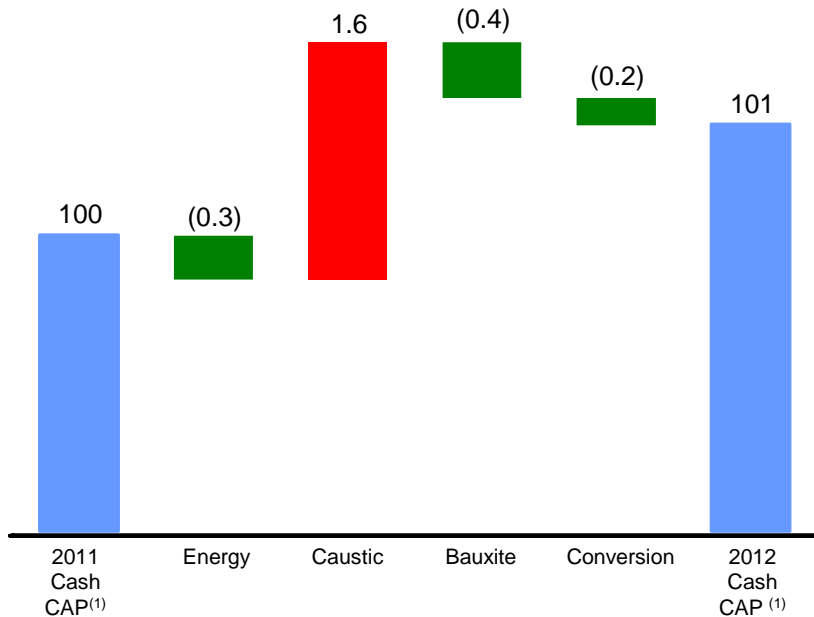
## COGS, GASE & Other

- Reflects productivity initiatives
  - more than offset cost increases



# AWAC cash cost of alumina production

## Alumina Refinery Costs (basic units)

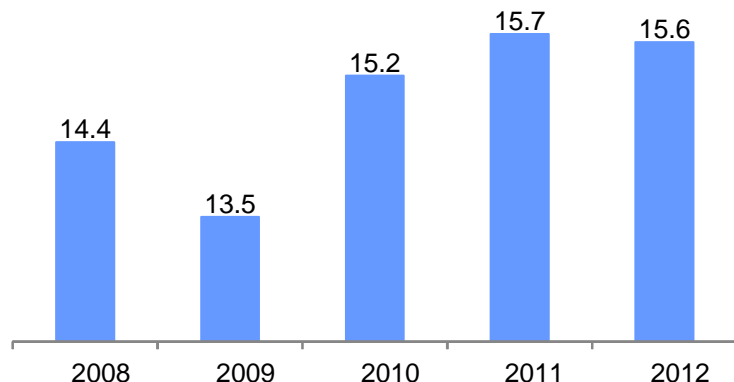


<sup>(1)</sup> Defined as direct materials and labour, energy, indirect materials, indirect expenses, excluding depreciation

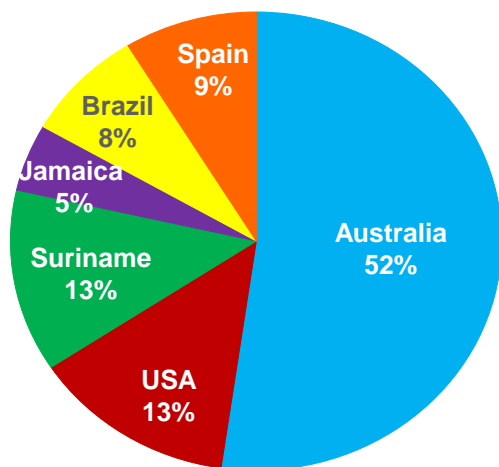
- Increased by 1%
  - caustic exceeded other cost improvements
  - caustic lag of 3-6 months and prices declining
- Includes benefit of productivity initiatives
- Benefit of strategic initiative
  - reducing position on cost curve
  - production curtailment in Atlantic
  - production creep in Australia

# AWAC alumina production

## Production (m tonnes)

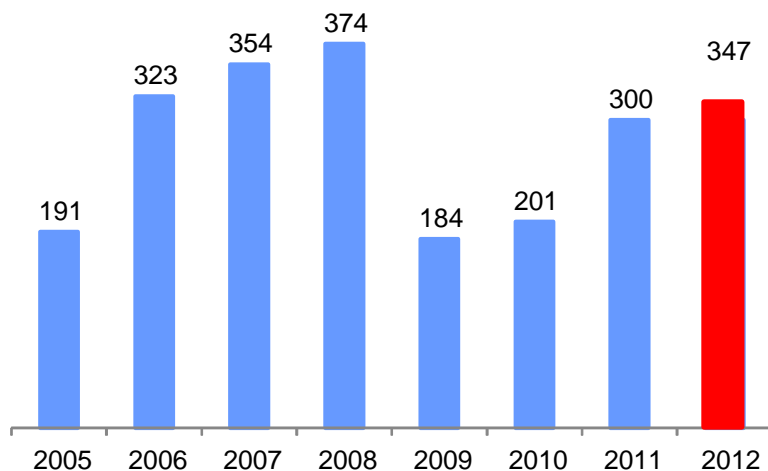


## Refinery Nameplate Capacity



- Shipments also 15.6mt
- Curtailment of 390kt (annual)
  - Atlantic base
- Production creep in Australia
  - partially offsetting planned reduction
  - operating at or above nameplate capacity
  - lower unit cost refineries
- Expect 15.6mt for 2013
- Ma'aden to commence in 2014
  - low cash cost facility, globally

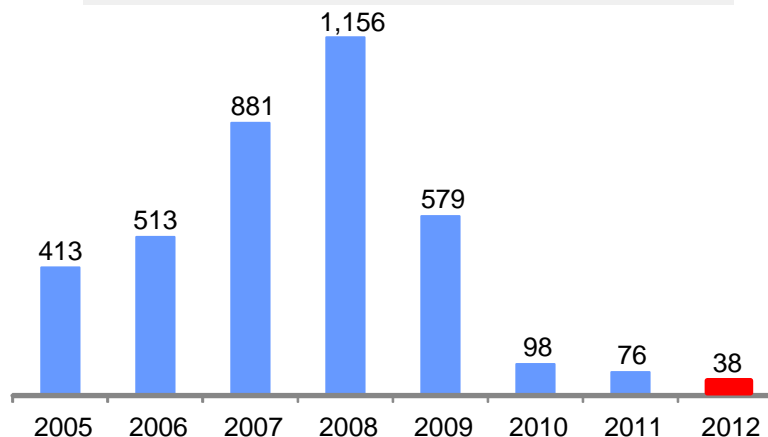
## Sustaining (US\$m)



## Sustaining Capex

- Majority spent in Australia
- Expect \$350m for 2013

## Growth (US\$m)



## Growth Capex

- Mainly in Brazil
- Expect \$50m for 2013
  - mainly improving Juruti
- Excludes Ma'aden equity
  - \$37m expected for 2013 (AWC share)

# Alumina Limited 2012 results

## Profit & Loss

US\$m (IFRS)	2012	2011	Change
Equity Share of AWAC Underlying PAT	(4)	174	-102%
Corporate Costs	(19)	(17)	+12%
Finance Costs	(29)	(28)	+4%
Other & Tax	-	(1)	-100%
<b>Underlying Earnings</b>	<b>(53)</b>	128	-141%
Retirement benefit obligation, AWAC	(16)	(61)	-74%
Embedded Derivative, AWAC	6	60	-90%
<b>Net Profit After Tax</b>	<b>(62)</b>	127	-149%

## Profit & Loss

- Reflects AWAC performance
- Corporate costs
  - include one-off expenses
- Finance costs
  - higher drawn debt & refinance costs

## Free Cash Flow

US\$m (IFRS)	2012	2011	Change
Dividends and distributions received	95	240	-60%
Costs (Interest, corporate, other)	(46)	(44)	+5%
Cash from Operations	49	196	-75%
Payments for Investments in Associates	(171)	(149)	+15%
<b>Free Cash Flow*</b>	<b>(122)</b>	47	-360%

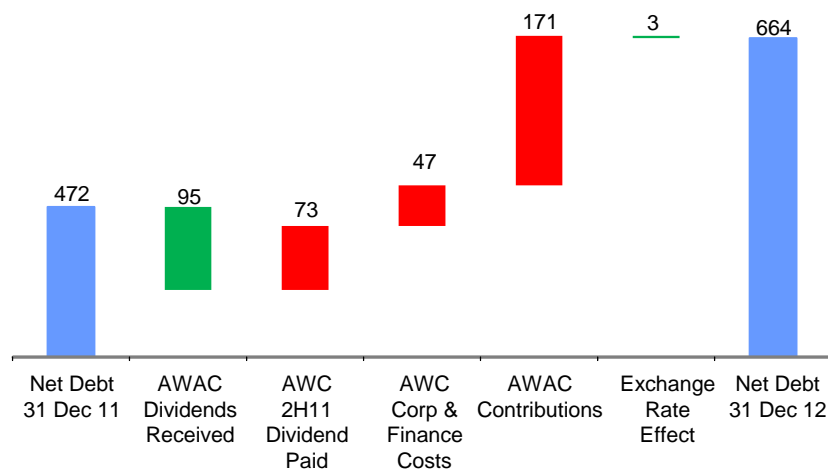
## Free Cash Flow

- \$95m received from AWAC
- Investments include:
  - Juruti
  - Ma'aden

\* Free cash flow defined as cash from operations less net investments in associates

# Alumina Limited net debt & facilities

## Net Debt Changes (US\$m)

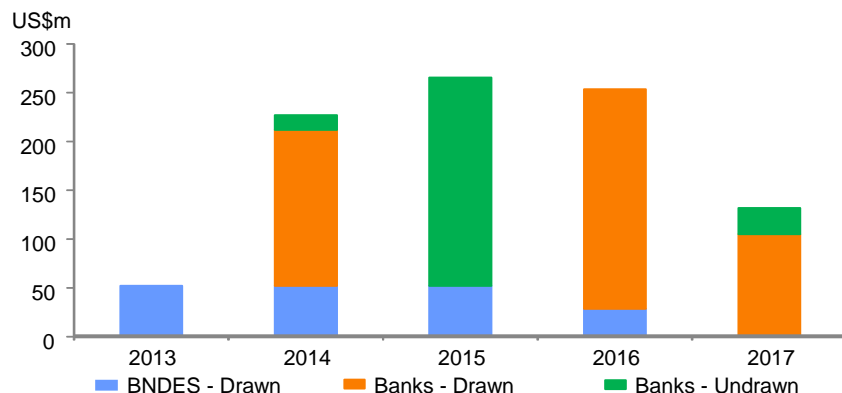


## Net Debt

- Net debt reflects AWAC's needs
  - including Ma'aden investment
- Gearing 20%<sup>(1)</sup> at 31 December
- Net debt reduced to c.\$216m post placement

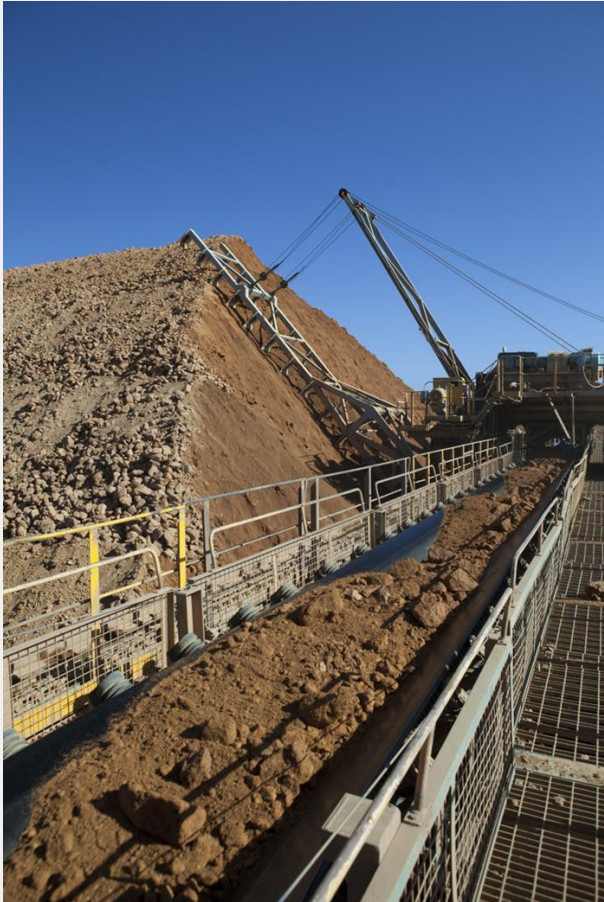
<sup>(1)</sup> Calculated as (debt – cash)/(debt + equity)

## Debt Maturity & Availability – 31/12/2012



## Maturities & Available Facilities

- Prudent maturity profile
- \$255m available at 31 December
  - added \$200m
  - refinanced \$107m
- Placement proceeds to primarily repay debt

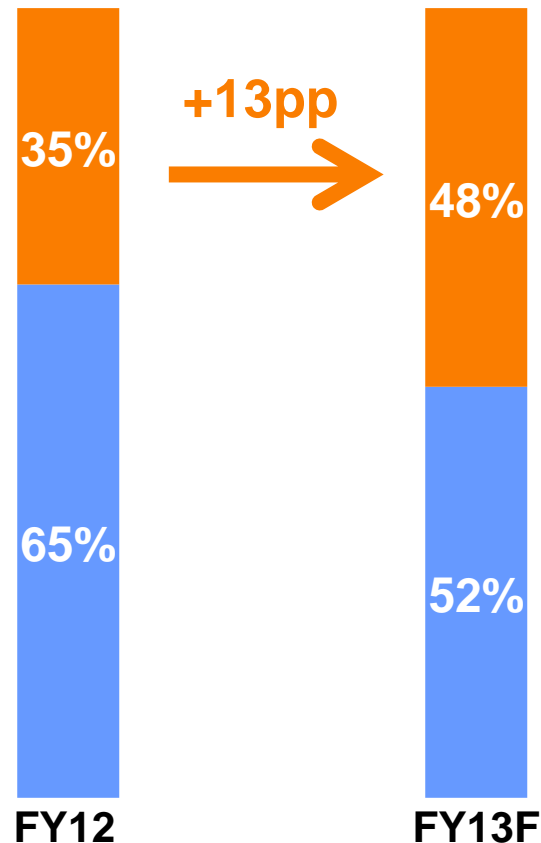


## Key AWAC initiatives

- Revenue: pricing transition
- Competitive initiatives to reduce operating costs

# Ongoing alumina price transition continued

## Portion of 3<sup>rd</sup> Party Shipments



- Spot or Index Pricing
- Legacy contracts

- Spot/index pricing reflects physical supply and demand dynamics and other alumina fundamentals
- AWAC transition continues with 48% of 3rd party SGA shipments expected to be on spot or index basis in 2013
- Spot prices are above legacy LME-linked contracts

# AWAC targeting move to 1<sup>st</sup> quartile on global refinery cash cost curve by 2015\*

## Optimise Portfolio 2-3pp

- 390kt curtailments at Atlantic refineries
- Creep at lower cost Australian refineries

## Ma'aden Refinery 2pp

- Refinery on budget and on time
- Supplying alumina to smelter



## Cost Reductions 1-2pp

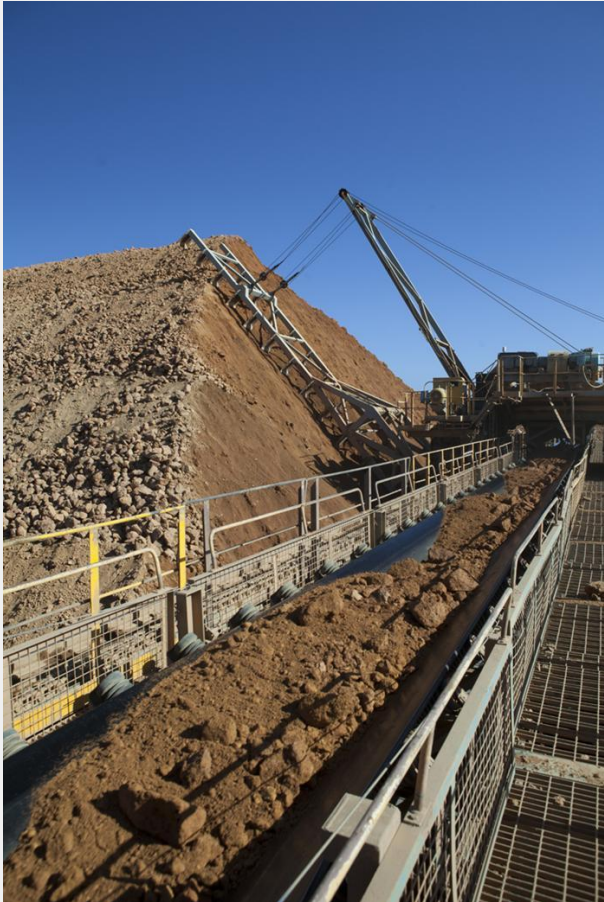
- \$190m productivity gains in FY12\*\*
- \$390m productivity gains since FY10\*\*



## Lower Cost Energy 1pp

- San Ciprian: Target \$25/mt
- Jamaica: Target \$50/mt savings

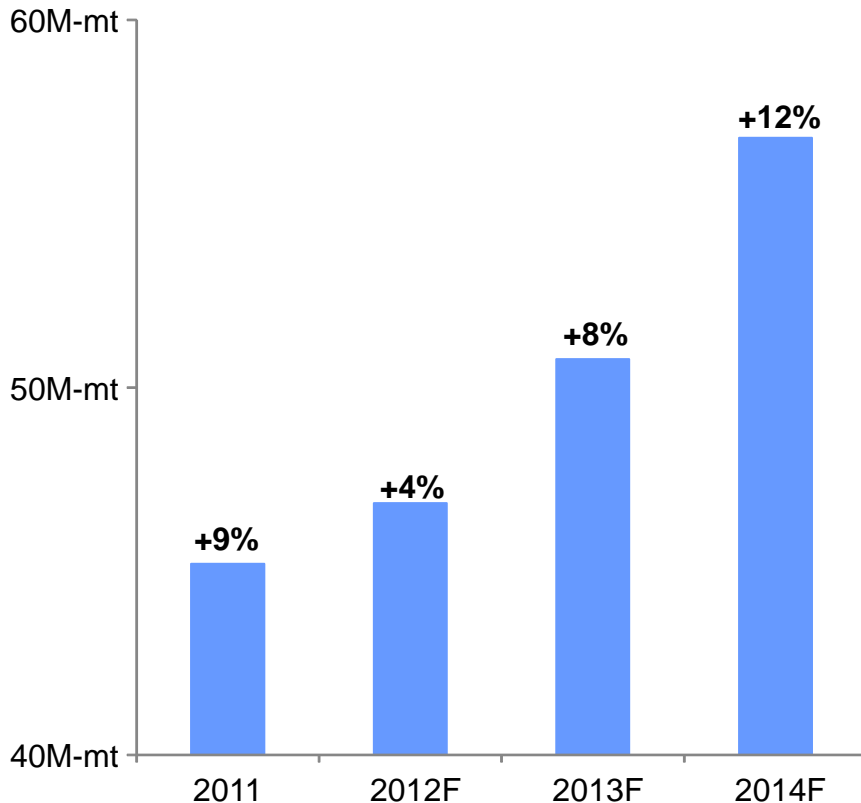




# Global Aluminium & Alumina Market Dynamics

# Aluminium growth recovers

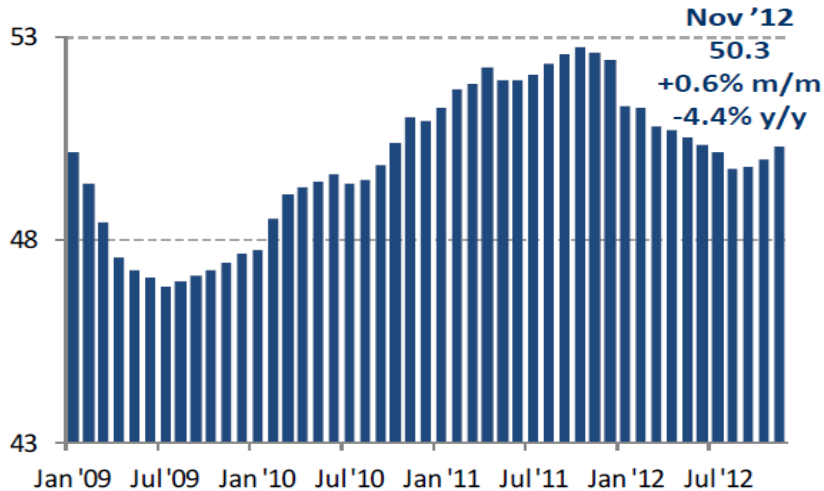
## Global Aluminium Consumption Forecasts



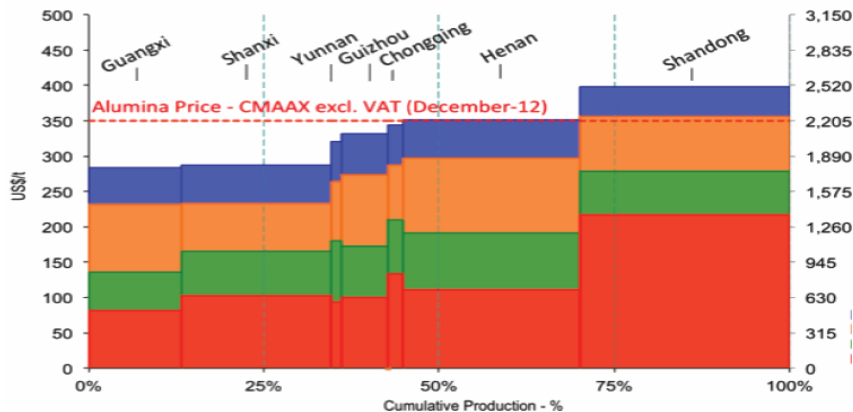
- Global aluminium consumption forecast to continue to grow strongly
- Western world market is balanced, with curtailments offsetting capacity growth in the Middle East
- Ongoing strong growth in Chinese aluminium demand and capacity

# Alumina demand increasing

## Metallurgical Alumina Demand (ROW ex China)



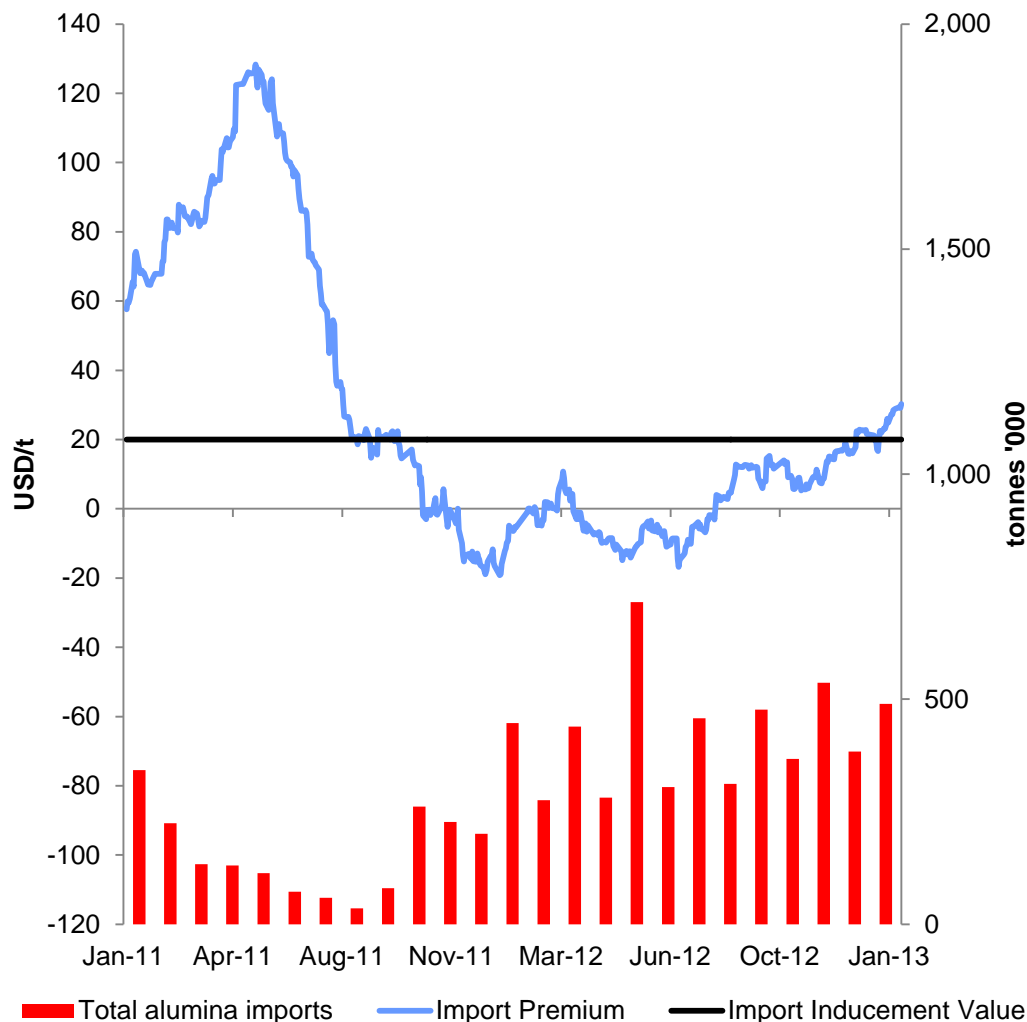
## China Alumina Cash Costs by Province



- Alumina demand increased as a result of aluminium production growth of ~4% in FY12
- RoW (ex-China) production growth has slowed following additional capacity and curtailments
- RoW market in balance, supported by Chinese imports
- Chinese refinery capacity utilisation is low, with 55% production below cash break-even and approx 5mt of curtailments

# Price difference stimulates China imports

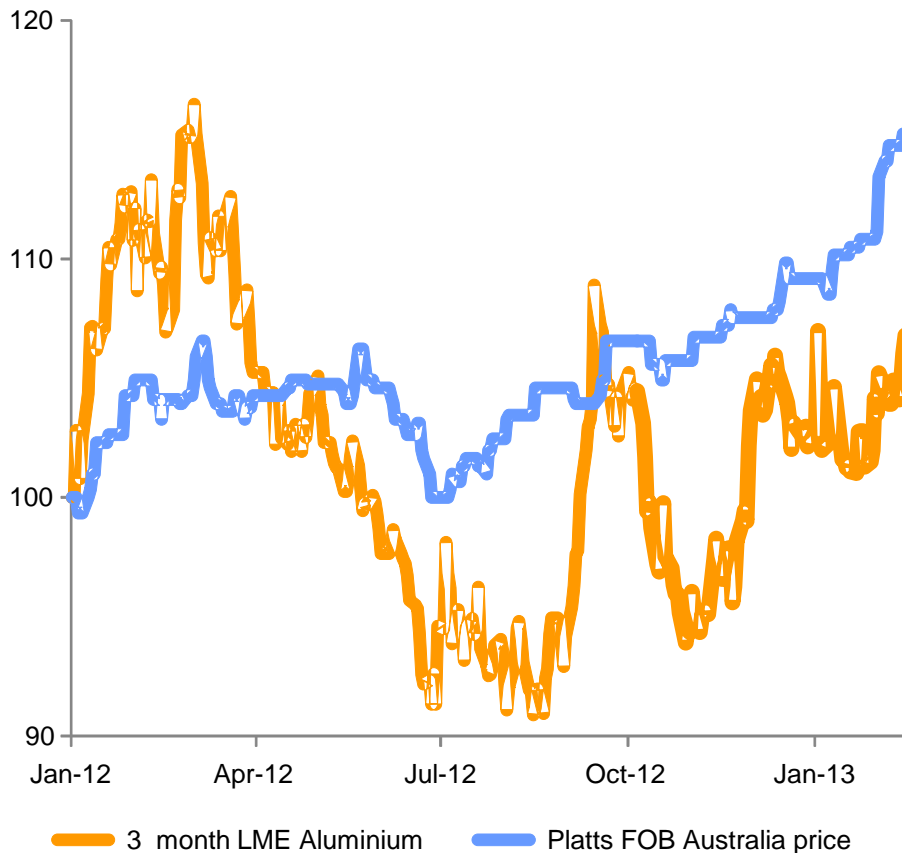
## China Alumina Imports and Price Differential



- China alumina imports 2012: 5 million mt (+166%)
- China alumina imports strengthen global alumina demand and moved market to balance
- Potential future China 'cost push' from bauxite could further stimulate imports

# Spot alumina price reflects balanced market

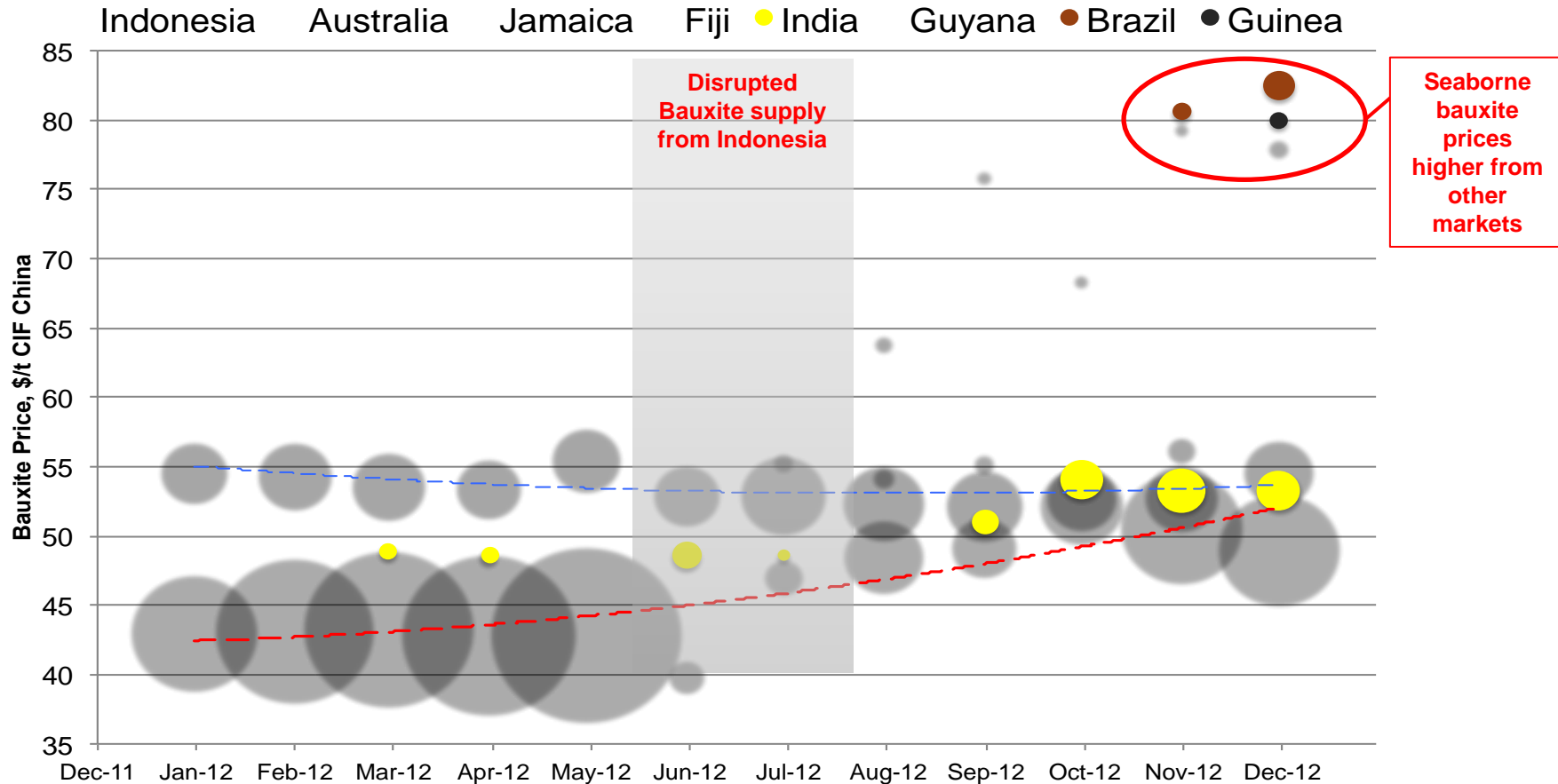
## 3 Month LME Aluminium vs Platts Alumina Spot Index



- Platts alumina price:
  - +9% during 2012
  - 15 Feb 2013: \$351.50/t
- Alumina price increase driven by:
  - China demand growth
  - net refinery curtailments in China
  - bauxite supply squeeze
  - RoW alumina more balanced
- LME aluminium price volatility continued, impacted by finance deals and macro-economic sentiment

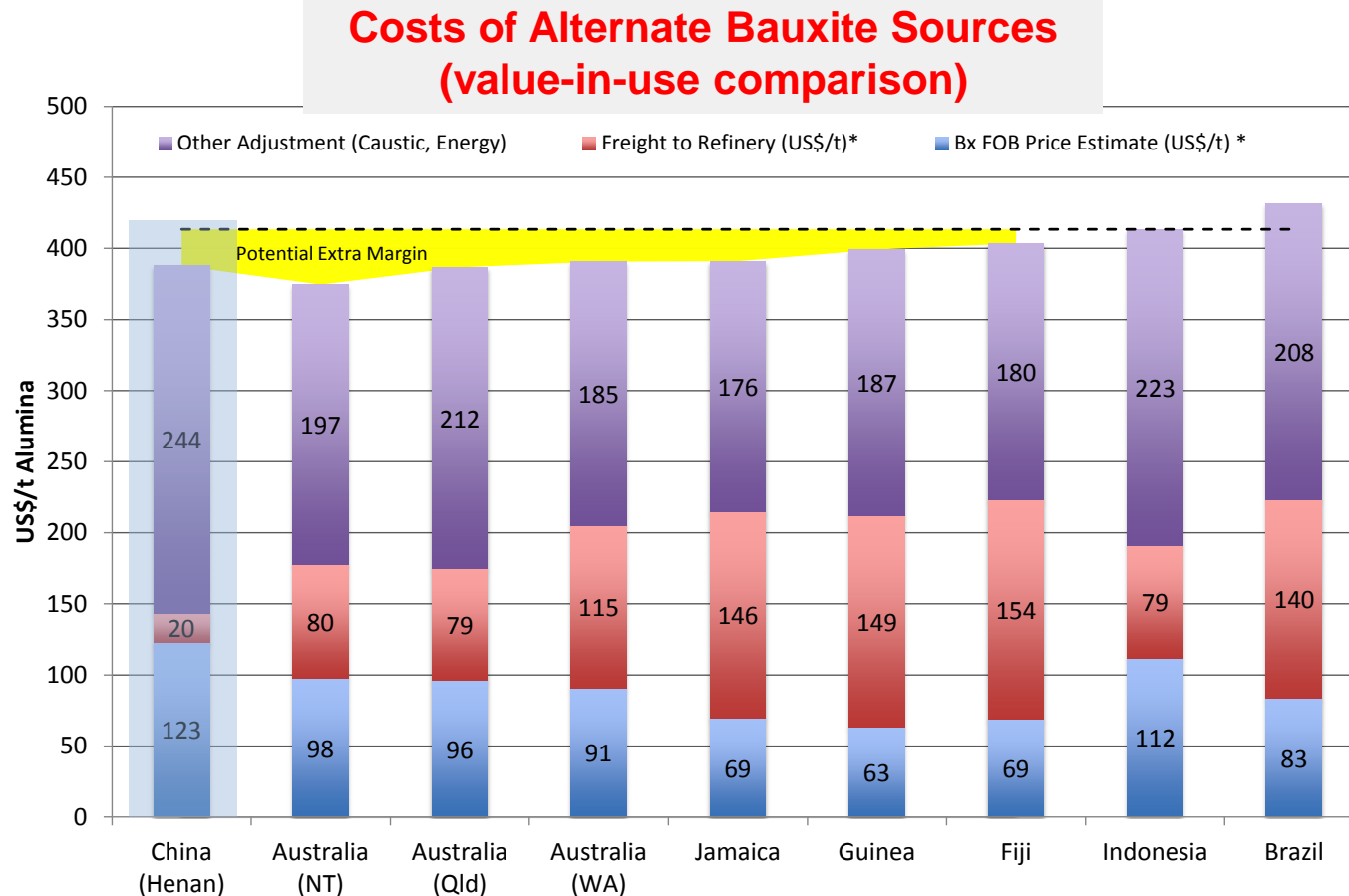
# Bauxite prices up, pushing value upstream

## China Imported Bauxite: Volume and Price



- Significant disruption to seaborne bauxite market in 2012
- Bauxite prices are increasing both inside and outside China
- AWAC competitive position improves when seaborne bauxite prices increase

# Strong bauxite demand, but supply uncertain



\* CM estimate made using publically available data and estimated costs, adjusted for quality (alumina grade, moisture), with bauxite and freight figures expressed in tonnes of alumina

- From 2005, annual China bauxite imports up from 2mt to 40mt
- Chinese domestic bauxite quality and availability have fallen. Prices are rising
- China demand for imported bauxite forecast to continue to grow strongly
- Industry will take time to build supply capacity to meet seaborne market



- Early 2013 prices have improved over 2012 averages
- Foreign exchange rates are stable at higher levels
- The alumina market has moved to a balanced position, with China import levels remaining robust
- Alumina Limited
  - balance sheet strengthened, with debt levels and maturities improved





# **Alumina Limited**

## **2012 Full Year Results**

**John Bevan**  
Chief Executive Officer

**Chris Thiris**  
Chief Financial Officer



## Appendix 1

**AWAC is a Global Leader in  
Alumina & Bauxite**

# AWAC: global leader in bauxite and alumina

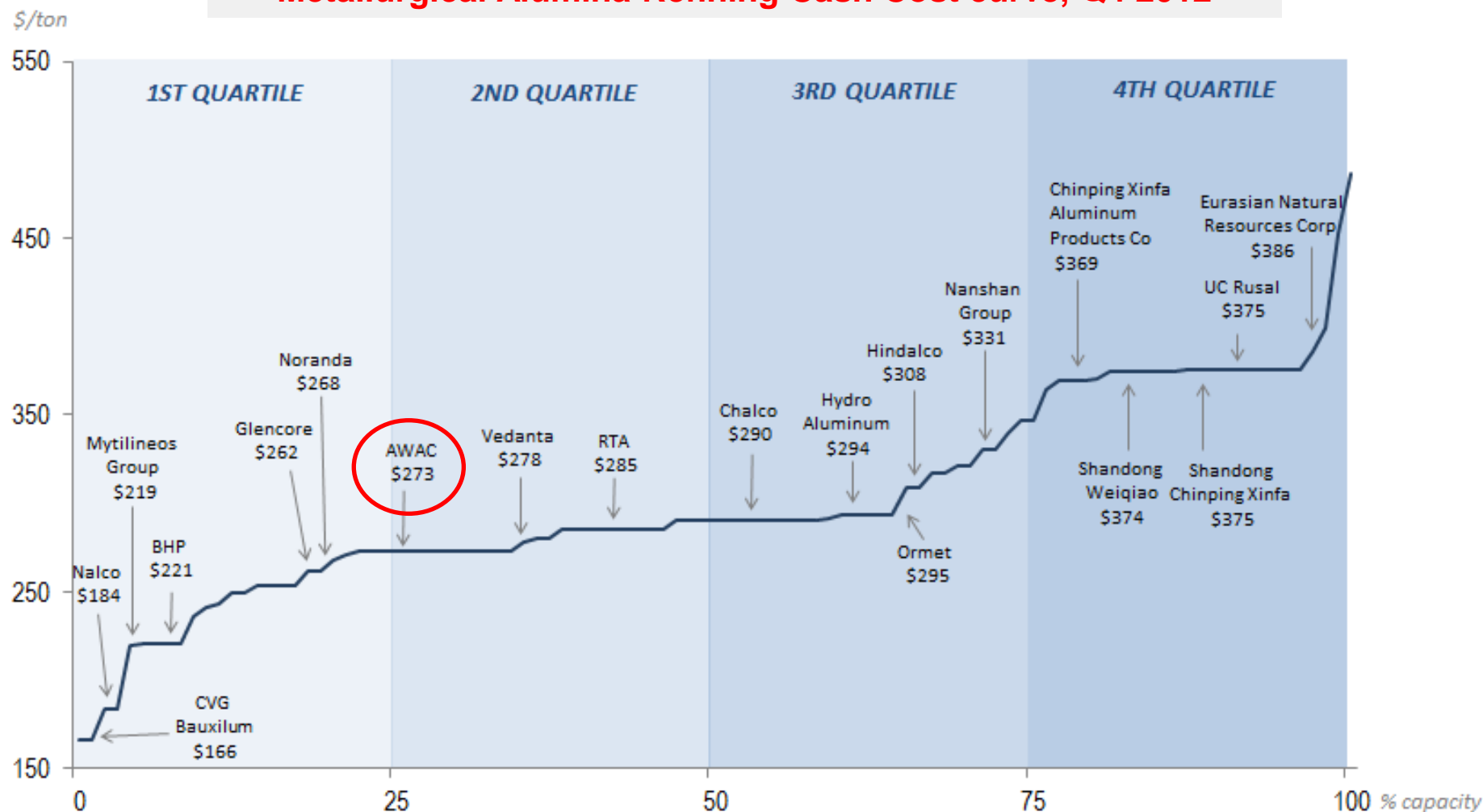


AWAC is a premier owner and operator of Tier 1 bauxite mines and alumina refineries globally

- Bauxite
  - world's largest bauxite miner
  - produces approx 45mtpa
  - long life mines and leases
- Alumina
  - largest producer of alumina for the 3<sup>rd</sup> party market
  - produced 15.6m tonnes in FY12
  - AWAC is a low cost producer (~30th percentile) giving it strength in the industry
- Alumina Limited provides a unique ability for a pure investment in Alcoa World Alumina & Chemicals (AWAC) – a JV between Alumina Limited (40%) and Alcoa Inc (60%)

# AWAC low in 2<sup>nd</sup> quartile on global cost curve

## Metallurgical Alumina Refining Cash Cost curve, Q4 2012





## Appendix 2

### Reconciliation to Alcoa Reporting

# Alcoa reported “net income attributable to non-controlling interests”

	2012	2011
<b>Alcoa reported net (loss)/income attributable to non-controlling interests (US GAAP)</b>	(\$29)m	\$194m
Accounting Adjustments (IFRS) <sup>(1)</sup> :		
Foreign Tax Differences <sup>(2)</sup>	\$28m	(\$19)m
Inventory (LIFO to FIFO)	(\$1)m	\$4m
Other	(\$4)m	(\$1)m
<b>Adjusted amount</b>	(\$6)m	\$178m
<b>Alumina underlying (loss)/earnings (pre funding and corporate costs) <sup>(3)</sup></b>	(\$5)m	\$174m

<sup>(1)</sup> Net adjustments made by Alumina Limited to arrive at underlying earnings, which is not an IFRS requirement

<sup>(2)</sup> The Foreign Tax differences includes AWC's 40% of the recognition of \$69m Brazil deferred tax credit adjustment

<sup>(3)</sup> Alumina's share of net profit of associates accounted for using the equity method (before its own costs), adjusted for certain non-cash items to arrive at underlying earnings, which is not an IFRS requirement





## Appendix 3

### 2012 Market Data on Commodity Prices and Foreign Exchange Rates

(selected slides from those lodged with ASX on 9 January 2013)

# LME aluminium prices (3 month)

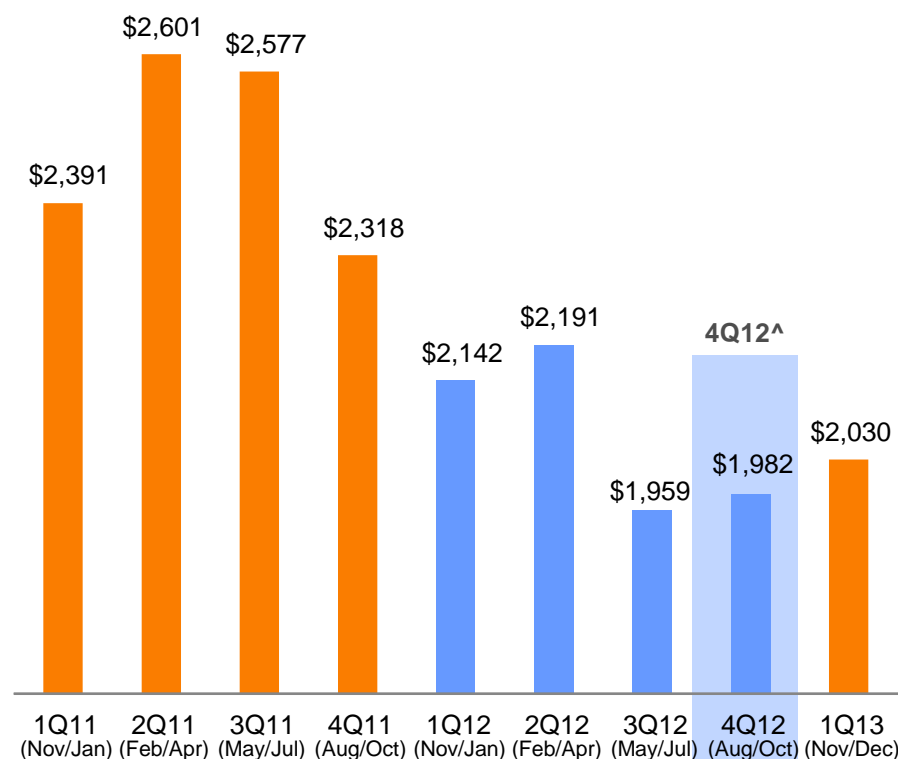
Majority of AWAC's 3<sup>rd</sup> party SGA shipments were linked to 3-month LME aluminium price, though proportion has continued to reduce

**Daily 3-Month LME Aluminium  
(US\$/t)**



^ Pricing relevant to AWAC 4Q sales due to 2 month lag

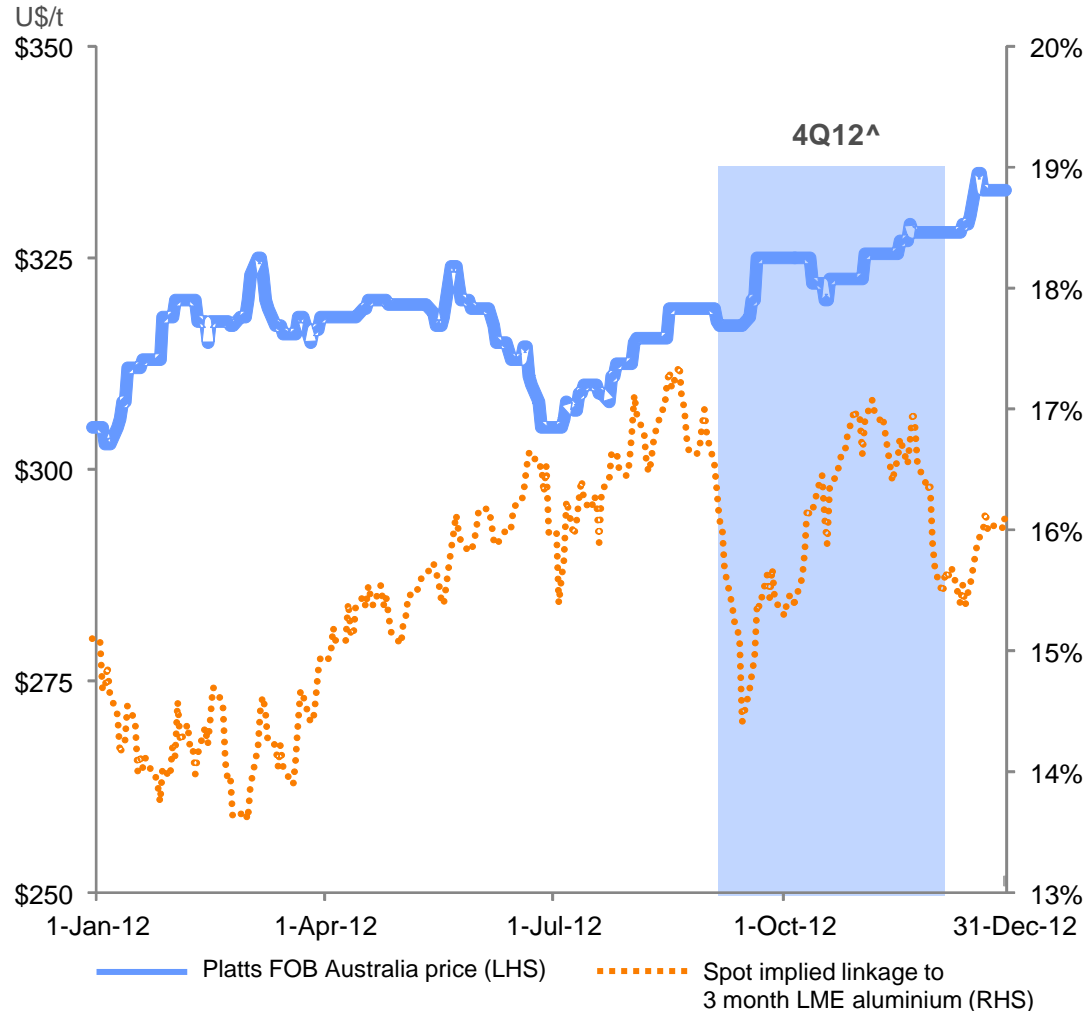
**Quarterly Average 3-Month LME  
Aluminium (2 month lag, US\$/t)**





# Platts alumina spot index & implied LME linkage

Spot reflects physical supply and demand dynamics and other alumina fundamentals



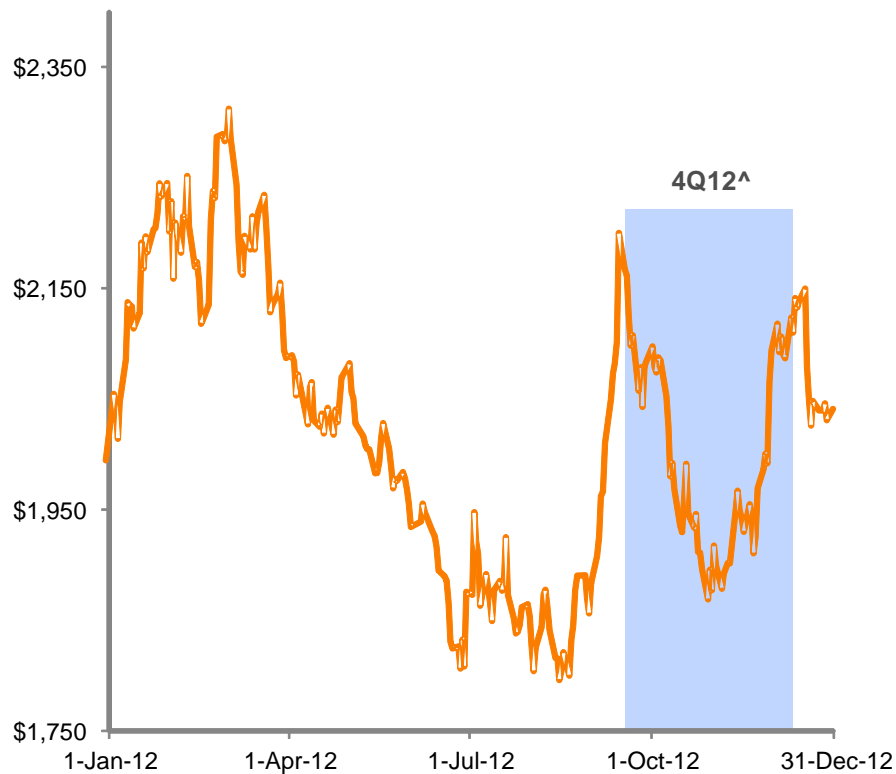
^ Alumina spot index pricing relevant to AWAC 4Q sales due to 1 month lag

- During 2012 LME aluminium prices have been more volatile compared to alumina spot based prices
- ~40% of AWAC SGA shipments were on spot or index based pricing at the end of 2012

# LME aluminium (spot) and regional premiums

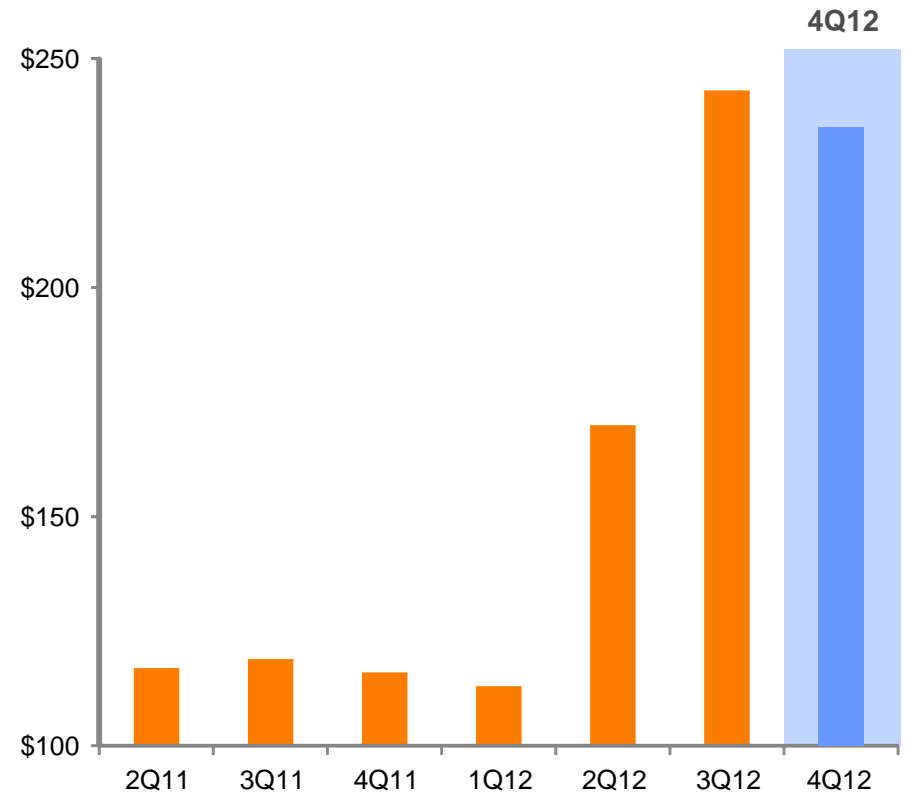
Aluminium price stronger in late 2012, accentuated by continued elevated regional premiums

**LME Aluminium Spot  
(US\$/t)**



^ Pricing relevant to AWAC 4Q sales due to lag

**Aluminium Japan Regional Premium\*  
(US\$/t)**

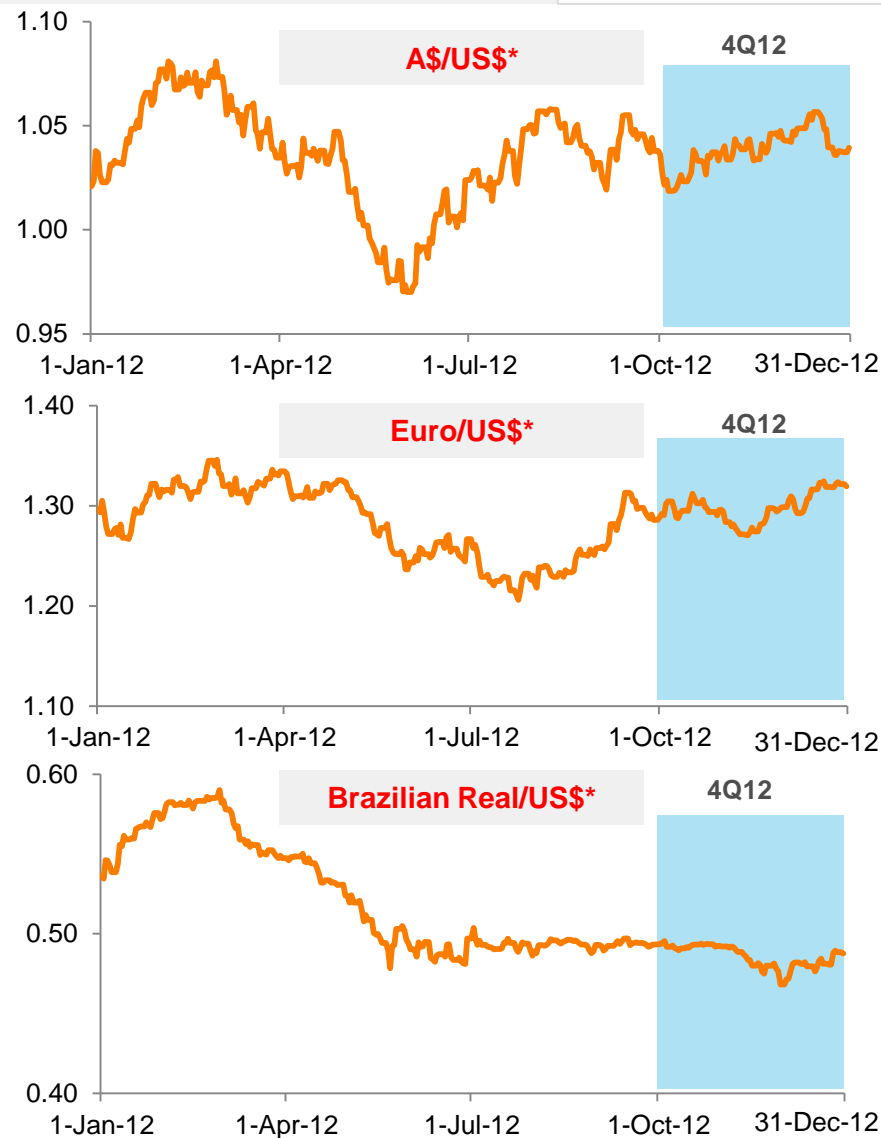
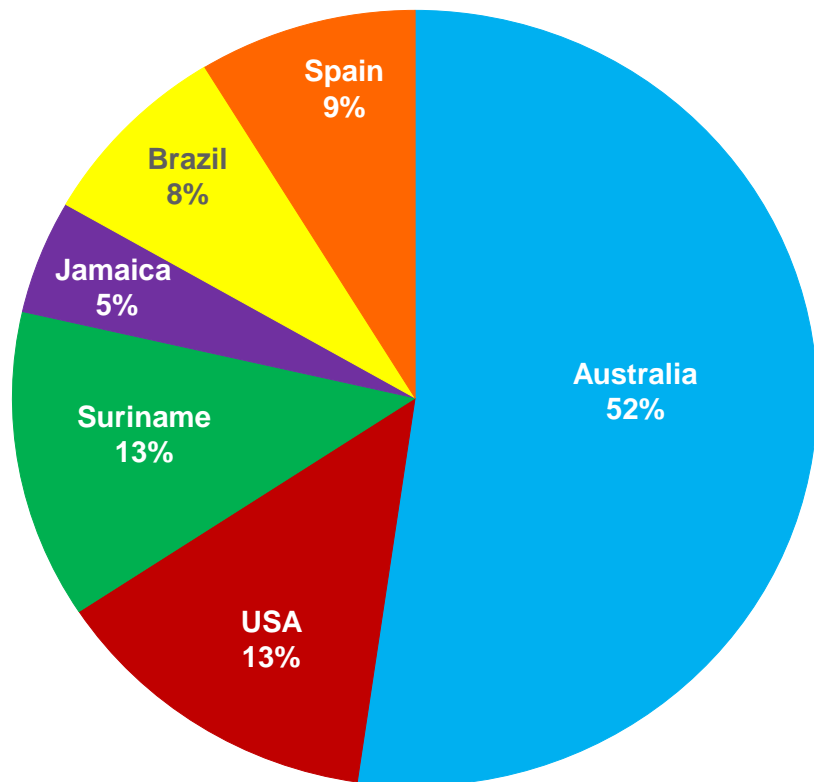


\* Japan Merchant Spot Premium – Ingot, CIF, Western.  
Note: Aluminium regional premium impacts AWAC smelter revenue

# Foreign Exchange

AWAC is exposed to foreign currency fluctuations

Refinery Nameplate Capacity

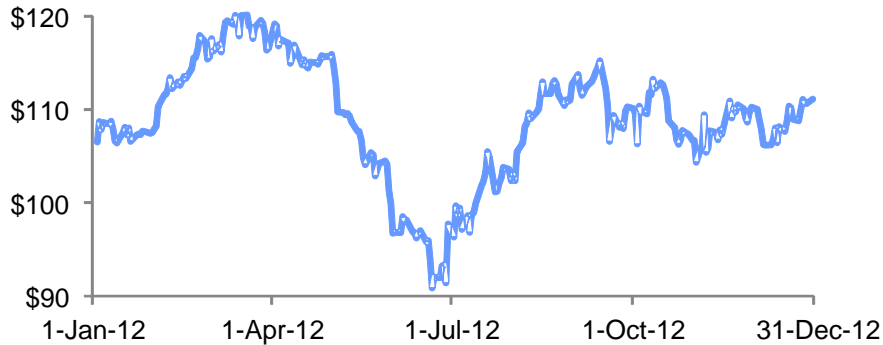


Source: Thomson Reuters, January 2013

Commodity and FX prices in this slide pack are based on published market prices and may not equate to actual pricing under AWAC contracts

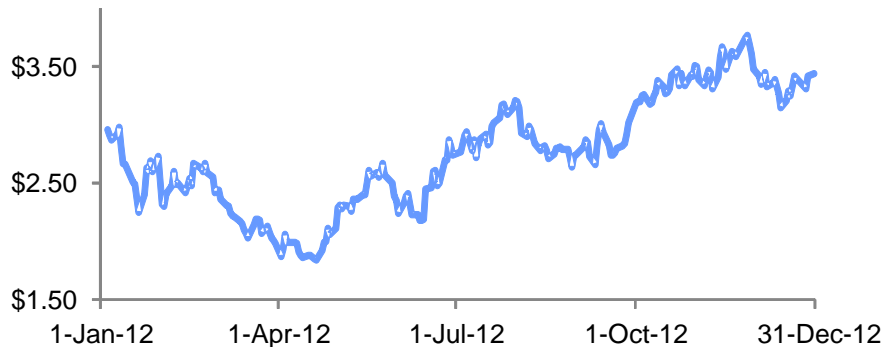
Energy costs are an important component of alumina production costs

**Brent Crude (US\$/bbl)\***



- AWAC refineries using oil:
  - Spain
  - Suriname
  - Jamaica
  - Note: Brent Crude is used as an indicative proxy for movements in energy prices

**Henry Hub (US\$/MMBtu)\***

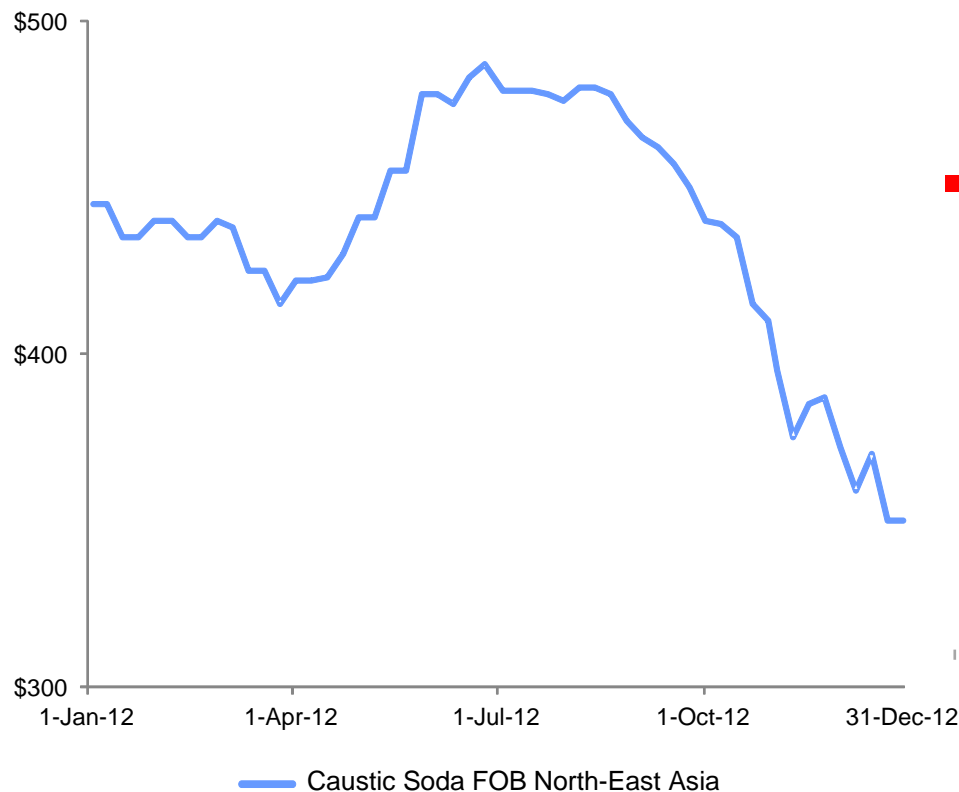


- Point Comfort refinery on Henry Hub Gas

# Caustic Soda

Caustic soda prices fluctuate with chlorine demand and seasonal factors

Caustic Soda: (US\$/t)



- AWAC pricing convention is based on spot and semi-annual reviews. AWAC inventory reflects 3-6 month price lag
- AWAC sources caustic soda from multiple markets, including North-East Asia