

2021 Half-Year Result

- Alumina NPAT US\$73.6 million
- Interim dividend 3.4 US cents per share
- Significant shipping disruptions and higher freight costs constrained alumina prices
- Alumina generates solid returns through half

Alumina Limited (ASX:AWC) (“Alumina” or “Company”) today reported a statutory net profit after tax of US\$73.6 million for the half-year to 30 June 2021. The Company declared an interim, fully franked dividend of 3.4 US cents per share.

Alumina’s Chief Executive Officer, Mike Ferraro, said, “In challenging market conditions, Alumina Limited has been able to increase its dividend to shareholders by 21 percent.

“AWAC’s low-cost assets were able to produce record bauxite and alumina outputs for a half year. Realised alumina prices were higher but API was constrained by significantly higher freight costs contributed to by global shipping disruptions. In addition, returns were offset by higher costs due to currency movements and unplanned outages. However, AWAC’s cash costs continue to remain in the lowest quartile of the global cost curve and our alumina refinery portfolio has the lowest CO₂ emissions intensity amongst major refiners. Securing new energy contracts for the Portland smelter to underpin its operations has been positive for the employees, community and the Company.

“Primary aluminium demand has recovered in 2021 and prices are at multi-year highs. We expect ex-China aluminium production to increase in the second half to meet demand and this will be positive for alumina prices. In addition, we expect to see the non-China alumina surplus to contract which should further positively impact alumina prices.

“With virtually no debt and a very strong balance sheet Alumina Limited is well-positioned to maintain consistent returns to shareholders,”

AWAC² HIGHLIGHTS

- Record bauxite and alumina production for a half
- EBITDA of US\$464.8 million, a decrease of US\$42.3 million from the previous corresponding period
- Margin for alumina refineries was US\$60 per tonne, a decrease of US\$13 per tonne compared to the previous corresponding period – impacted by higher freight charges
- Net cash inflows¹ of US\$222.1 million, an increase of US\$22.0 million

KEY FINANCIALS

ALUMINA LIMITED KEY FINANCIALS	US\$ MILLION			AWAC KEY FINANCIALS (US GAAP)	US\$ MILLION		
	HY2021	HY2020	Change		HY2021	HY2020	Change
Net profit after tax	73.6	90.5	Down 19%	Net profit after tax	201.7	246.0	Down 18%
Net profit after tax excluding significant items	69.2	87.5	Down 21%	EBITDA ³	464.8	507.1	Down 8%
Net receipts from AWAC	137.0	89.9	Up 52%	EBITDA excluding Significant Items	448.2	493.5	Down 9%
Free cash flow available for dividends	98.0	81.1	Up 21%	Net cash inflow ¹	222.1	200.1	Up 11%
Closing net debt	5.7	77.4			US\$ / TONNE		
Interim dividend (US cps)	3.4	2.8	Up 21%	Average realised price of alumina	290	266	Up 9%
				Cash cost per tonne of alumina produced	230	193	Up 19%

DEFINITIONS AND NOTES

1. AWAC net cash inflow is defined as cash flow before distributions less capital contributions from partners
2. AWAC is Alcoa World Alumina & Chemicals, which is 40% owned by Alumina Limited and 60% owned by Alcoa Corp.
3. Earnings before interest, tax, depreciation and amortisation consistent with previous periods

This ASX announcement was approved and authorised for release by Mike Ferraro, Chief Executive Officer.

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 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 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 2020. 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.



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Company Secretary

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ASX Half-Year Report

Alumina Limited ABN 85 004 820 419

30 JUNE 2021

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction
with the 31 December 2020 Annual Report.

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 half-year report covers the consolidated entity consisting of Alumina Limited and its subsidiaries (the Group). 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	Down	100%	–
Profit from continuing operations after tax attributable to members of Alumina Limited	Down	19%	73.6
Net profit for the half-year attributable to members of Alumina Limited	Down	19%	73.6

Details Relating to Dividends

	AMOUNT PER SHARE ¹ US CENTS	TOTAL AMOUNT PAID/PAYABLE US\$ MILLION
2020 Final dividend (paid 16 March 2021)	2.9	84.1
2021 Interim dividend (declared on 24 August 2021)	3.4	98.7

¹ All dividends are fully franked at 30% tax rate. The interim dividend amount was not recognised as a liability as at 30 June 2021.

	INTERIM DIVIDEND DATE
Record date	30 August 2021
Payment date	15 September 2021

Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan remains suspended in 2021.

	A\$ MILLION	
	HALF YEAR ENDED 30 JUNE 2021	YEAR ENDED 31 DEC 2020
Franking Account Balance	396.9	376.6

Net Tangible Assets per Security

	HALF YEAR ENDED 30 JUNE 2021	HALF YEAR ENDED 30 JUNE 2020
Net assets (US\$ million)	1,741.4	1,596.4
Less equity accounted intangible assets:		
Goodwill (US\$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US\$ million)	65.4	66.9
Net tangible assets (US\$ million)	1,500.2	1,353.7
Number of issued ordinary shares (including treasury shares)	2,901,681,417	2,879,843,498
Net tangible assets per ordinary security (US\$)	0.52	0.47

Significant Items Affecting Net Profit or Loss

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

Condensed Interim Consolidated Financial Report

Directors' Report

The Directors of Alumina Limited present their report on the consolidated entity consisting of Alumina Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

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

Non-Executive

W P Day (Chairman)
E R Stein (retired 25 May 2021)
C Zeng
D O'Toole
J A Bevan
S E In't Veld (appointed 3 August 2020)

Executive

M P Ferraro

Principal Activities

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

Review Of Operations

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

The Group's half-year profit after tax attributable to members of Alumina Limited was US\$73.6 million (1H 2020: US\$90.5 million).

For further information on the operations of the Group during the half-year ended 30 June 2021 and the results of these operations, refer to pages 19-25.

Auditor's Independence Declaration

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

Rounding Of Amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. Amounts in this Directors' Report and Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with the instrument, except where otherwise required.

This Report is made in accordance with a resolution of the Directors.



Mike Ferraro
Managing Director and
Chief Executive Officer
Melbourne
24 August 2021



Auditor's Independence Declaration

As lead auditor for the review of Alumina Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'John O'Donoghue', is written over a light green rectangular background.

John O'Donoghue
Partner
PricewaterhouseCoopers
24 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Revenue from continuing operations	-	0.1
Share of net profit of associates accounted for using the equity method	82.4	98.5
General and administrative expenses	(6.9)	(5.9)
Foreign exchange gains/(losses)	-	-
Finance costs	(1.9)	(2.2)
Profit before income tax	73.6	90.5
Income tax expense	-	-
Profit for the half-year attributable to the owners of Alumina Limited	73.6	90.5
Other comprehensive(loss)/ income		
<i>Items that may be reclassified to profit or loss</i>		
Share of reserve movements accounted for using the equity method	2.7	(14.0)
Foreign exchange translation difference	(10.5)	(145.6)
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of post-employment benefit obligations accounted for using the equity method	25.4	(12.5)
Other comprehensive income/(loss) for the half-year, net of tax	17.6	(172.1)
Total comprehensive income/(loss) for the half-year attributable to the owners of Alumina Limited	91.2	(81.6)

Earnings per share (EPS)¹

	US CENTS	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Basic EPS	Positive 2.5	Positive 3.1
Diluted EPS	Positive 2.5	Positive 3.1

¹ For further details refer page 14.

Consolidated Balance Sheet

	US\$ MILLION	
	30 JUNE 2021	31 DEC 2020
CURRENT ASSETS		
Cash and cash equivalents	14.3	10.4
Other assets	1.3	1.8
Total current assets	15.6	12.2
NON-CURRENT ASSETS		
Right of use asset	2.5	–
Investment in associates	1,747.4	1,784.5
Total non-current assets	1,749.9	1,784.5
TOTAL ASSETS	1,765.5	1,796.7
CURRENT LIABILITIES		
Payables	0.4	0.7
Provisions and other liabilities	1.0	0.6
Tax payable	–	0.1
Total current liabilities	1.4	1.4
NON-CURRENT LIABILITIES		
Borrowings	20.0	60.0
Lease liability	1.9	–
Provisions	0.8	0.7
Total non-current liabilities	22.7	60.7
TOTAL LIABILITIES	24.1	62.1
NET ASSETS	1,741.4	1,734.6
EQUITY		
Contributed equity	2,706.7	2,706.7
Treasury shares	(1.2)	(0.8)
Reserves	(1,317.7)	(1,310.0)
Retained earnings	353.6	338.7
TOTAL EQUITY	1,741.4	1,734.6

Consolidated Statement of Changes in Equity

	US\$ MILLION			
	CONTRIBUTED AND OTHER EQUITY ¹	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2020	2,682.1	(1,283.9)	383.9	1,782.1
Profit for the half-year	–	–	90.5	90.5
Other comprehensive income/(loss) for the half-year	–	(159.6)	(12.5)	(172.1)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(103.7)	(103.7)
Movement in treasury shares	(0.4)	–	–	(0.4)
Movement in share-based payments reserve	–	–	–	–
Balance as at 30 June 2020	2,681.7	(1,443.5)	358.2	1,596.4
Balance as at 1 January 2021	2,705.9	(1,310.0)	338.7	1,734.6
Profit for the half-year	–	–	73.6	73.6
Other comprehensive income/(loss) for the half-year	–	(7.8)	25.4	17.6
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(84.1)	(84.1)
Movement in treasury shares	(0.4)	–	–	(0.4)
Movement in share-based payments reserve	–	0.1	–	0.1
Balance as at 30 June 2021	2,705.5	(1,317.7)	353.6	1,741.4

¹ Comprises contributed equity and treasury shares.

Consolidated Statement of Cash Flows

	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(6.7)	(5.9)
GST refund received	0.3	0.3
Dividends received from associates	121.4	103.7
Finance costs paid	(1.7)	(2.1)
Tax paid	(0.1)	–
Other	–	0.1
Net cash inflow/(outflow) from operating activities	113.2	96.1
Cash flows from investing activities		
Payments for investments in associates	–	(16.4)
Proceeds from return of invested capital	15.6	2.6
Net cash inflow/(outflow) from investing activities	15.6	(13.8)
Cash flows from financing activities		
Proceeds from borrowings	80.0	165.0
Repayment of borrowings	(120.0)	(125.0)
Payment for shares acquired by the Alumina Employee Share Plan	(0.8)	(0.9)
Dividends paid	(84.1)	(103.7)
Net cash inflow/(outflow) from financing activities	(124.9)	(64.6)
Net increase/(decrease) in cash and cash equivalents	3.9	17.7
Cash and cash equivalents at the beginning of the half-year	10.4	15.2
Effects of exchange rate changes on cash and cash equivalents	–	(0.3)
Cash and cash equivalents at the end of the half-year	14.3	32.6

Notes to the Consolidated Financial Statements

Basis of Preparation

This condensed interim consolidated financial report for the half-year ended 30 June 2021 has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4D and in accordance with Australian Accounting Standard ("AASB") 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim consolidated financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 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 amendments to accounting standards, such as AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* [AASB 16] and AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* [AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139] became applicable for the current reporting period.

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

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. The total assets other than investments in associates and total liabilities are broken down by location.

HALF-YEAR ENDED 30 JUNE 2021	US\$ MILLION				
	AUSTRALIA	BRAZIL	SPAIN	OTHER	TOTAL
Investments in associates	1,131.3	470.2	126.4	19.5	1,747.4
Assets	12.7	5.1	–	0.3	18.1
Liabilities	(24.1)	–	–	–	(24.1)
Consolidated net assets	1,119.9	475.3	126.4	19.8	1,741.4

YEAR ENDED 31 DECEMBER 2020	US\$ MILLION				
	AUSTRALIA	BRAZIL	SPAIN	OTHER	TOTAL
Investments in associates	1,188.0	448.0	133.5	15.0	1,784.5
Assets	11.6	0.3	–	0.3	12.2
Liabilities	(61.9)	–	–	(0.2)	(62.1)
Consolidated net assets	1,137.7	448.3	133.5	15.1	1,734.6

Reconciliation of Cash

	US\$ MILLION	
	30 JUNE 2021	31 DEC 2020
Reconciliation of cash at the end of the half-year (as shown in the consolidated statement of cash flows) as follows:		
Cash on hand and at bank	14.3	9.1
Money market deposits (with maturities on investment three months or less)	-	1.3
Total cash and cash equivalents at the end of the half-year	14.3	10.4

Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities during the half-year ended 30 June 2021.

Dividends

	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Dividends provided for or paid during half-year	84.1	103.7
Dividends not recognised at the year end of the half-year	98.7	80.6

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.

Based on the above, the estimated average annual tax rate used for the half-year to 30 June 2021 is 0% (for the half-year to 30 June 2020: 0%).

Equity Securities Issued

There were no issues of ordinary shares during the half-years ended 30 June 2021 and 30 June 2020.

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\$	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Balance brought forward	788,702	435,368	781,180	786,253
Shares acquired by Alumina Employee Share Plan Pty Ltd	637,500	944,500	832,242	928,073
Employee performance rights vested	(432,572)	(306,401)	(414,586)	(553,047)
Total treasury shares	993,630	1,073,467	1,198,836	1,161,279

Earnings Per Share

	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Profit attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US\$ million)	73.6	90.5
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,900,919,333	2,879,257,155
Basic EPS (US cents)	Positive 2.5	Positive 3.1
Diluted EPS (US cents)	Positive 2.5	Positive 3.1

Details of Entities Over Which Control Has Been Lost or Gained

There was no loss or gain of control for the half-years ended 30 June 2021 and 30 June 2020.

Material Interests in Entities Which Are Not Controlled Entities

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			30 JUNE 2021	30 JUNE 2020
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	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Revenues	2,376.3	2,149.3
Profit from continuing operations	207.7	248.0
Profit for the half-year¹	207.7	248.0
Other comprehensive income/(loss) for the half-year	43.8	(415.9)
Total comprehensive income/(loss) for the half-year	251.5	(167.9)
Reconciliation to share of net profit of associates		
Group share of profit for the half-year as a percentage	40	40
Group share of profit for the half-year in dollars	83.1	99.2
Mineral rights and bauxite amortisation	(1.1)	(1.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.4	0.4
Share of net profit of associates accounted for using the equity accounting method	82.4	98.5
Dividends and distributions received from AWAC²	121.4	103.7

¹ The profit for the half-years ended 30 June 2021 and 30 June 2020 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 \$15.6 million being return of invested capital in 1H 2021 (1H 2020: \$2.6 million).

Commitments and Contingent Liabilities for AWAC

As previously reported, the Australian Taxation Office (ATO) has undertaken a transfer pricing examination in respect of certain historical third-party alumina sales made by Alcoa of Australia Limited (AoA) over a 20-year period. As a result of that examination, the ATO had issued a statement of audit position (SOAP) to AoA. The SOAP was the subject of an internal review process within the ATO. The ATO completed that process, and on 7 July 2020 issued AoA with Notices of Assessment (the Notices) in respect of this matter. The Notices assert claims for additional income tax payable by AoA of approximately A\$214 million.

The Notices also include claims for compounded interest on the primary tax amount totalling approximately A\$707 million. AoA has made submissions to the ATO that the interest amount should be remitted (i.e. should not be fully payable).

In accordance with the ATO's dispute resolution practices, on 30 July 2020, AoA paid 50% of the assessed primary income tax amount (exclusive of interest and any penalties), being approximately A\$107 million, out of cash

flows. In exchange, the ATO will not seek further payment prior to final resolution of the matter.

AoA's obligation to make any further payment of this primary tax amount, or payment of any penalty or interest amount advised by the ATO, will be determined through the objection and court processes available to AoA. If AoA is ultimately fully successful, the 50% part-payment to the ATO would be refunded. Further interest on the unpaid amounts will continue to accrue during the dispute.

The ATO has issued to AoA its preliminary position on the penalties the ATO proposes to impose in relation to the AoA amended assessments. The ATO proposes penalties of approximately A\$128 million. AoA has made submissions to the ATO that no penalties and interest charges should be payable in respect of this matter.

The Company understands that AoA will defend its position in respect of the ATO's Notices and any penalties imposed, and pursue all available dispute resolution methods, up to and including the filing of court proceedings.

Borrowings

	US\$ MILLION	
	30 JUNE 2021	31 DEC 2020
Bank loans	20.0	60.0
Total borrowings	20.0	60.0

Alumina Limited 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 30 June 2021 there was US\$20 million drawn against the syndicated facility.

Events Occurring After the Balance Sheet Date

There have been no significant events occurring since 30 June 2021.

Please refer to Note "Dividends" on page 13 for the final dividend recommended by the Directors.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Alumina Limited will be able to pay its debts as and when they become due and payable.

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



Mike Ferraro
Managing Director and
Chief Executive Officer
Melbourne
24 August 2021



Independent Auditor's Review Report to the Members of Alumina Limited

Report on half-year financial report

Conclusion

We have reviewed the half-year financial report of Alumina Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2021, the consolidated balance sheet as at 30 June 2021, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PRICEWATERHOUSECOOPERS

John O'Donoghue
Partner
Melbourne
24 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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Supplementary Appendix 4D 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 2020. 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 refining portfolio is comprised mostly of tier one assets that enables AWAC to generate strong returns throughout the commodity cycle. Having long life bauxite mines located in close proximity to most AWAC refineries is a key competitive advantage in terms of driving a low position on the cost curve.

AWAC operates in locations throughout the world that have experienced significant health, economic, and logistical impacts as a result of the COVID-19 pandemic. AWAC acted early to focus on the health and safety of its workforce, and to bolster the stability of operations.

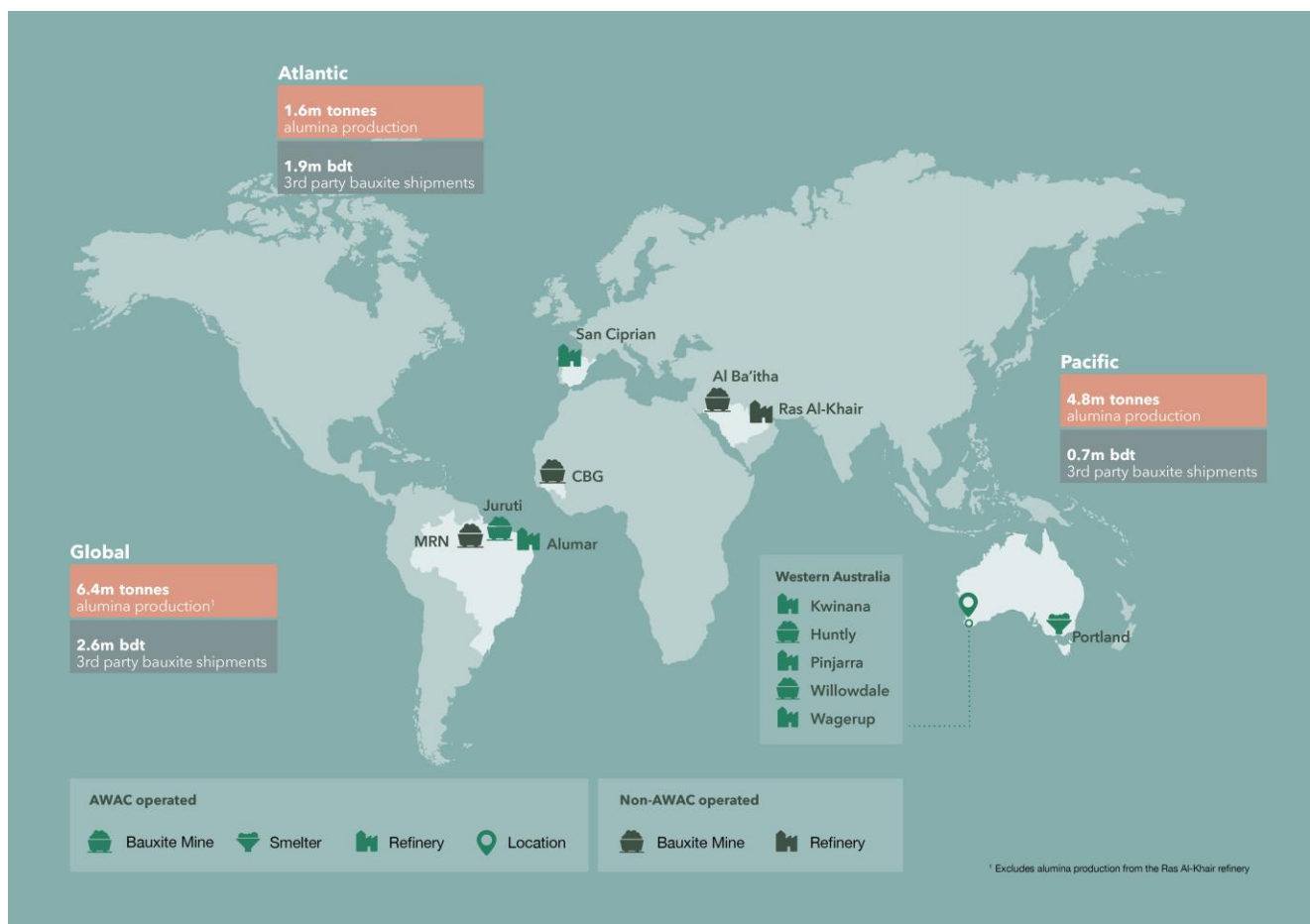
AWAC's refineries continue to perform strongly, achieving a first half production record for AWAC's current portfolio of refineries of 6.4 million tonnes. Cash costs of alumina production have increased half on half due to a combination of currency movements, new energy contracts,

the planned Willowdale crusher move, some unplanned maintenance events as well as higher raw material costs, which was partially offset by the increase in the average realised alumina price. In 1H 2021 we saw aluminium prices rising and consumer confidence returning with the alumina price also increasing. However, higher freight costs have had a negative impact on the Chinese alumina import parity price, which has caused a decline in API over the latter part of the first half. When the factors such as disrupted shipping schedules, COVID protocols and low availability of ships are resolved, this is likely to contribute to higher API prices.

As well as impacting commodity prices, the COVID-19 pandemic has also increased uncertainty. To combat this, in 2020, AWAC undertook a number of prudent cash preservation actions. These initiatives, stable production, a focus on health and safety, and AWAC's low position on the cost curve promoted a strong operational performance in 2021.

AWAC continues to return cash to its joint venture partners, despite COVID and associated market uncertainty.

DIAGRAM OF AWAC GLOBAL OPERATIONS



Bauxite Mining

	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020	CHANGE		CHANGE (%)
AWAC OPERATED MINES					
Production (million bone dry tonnes ("BDT"))	20.6	20.3	0.3	▲	1.5
Cash cost (\$/BDT of bauxite produced)	11.2	9.6	1.6	▲	16.7
NON-AWAC OPERATED MINES					
AWAC equity share of production (million BDT) ¹	2.2	2.4	(0.2)	▼	(8.3)
THIRD PARTY SALES					
Shipments to third parties (million BDT)	2.6	3.0	(0.4)	▼	(13.3)
Total third-party revenue, inclusive of freight ² (\$ million)	85.8	119.6	(33.8)	▼	(28.3)

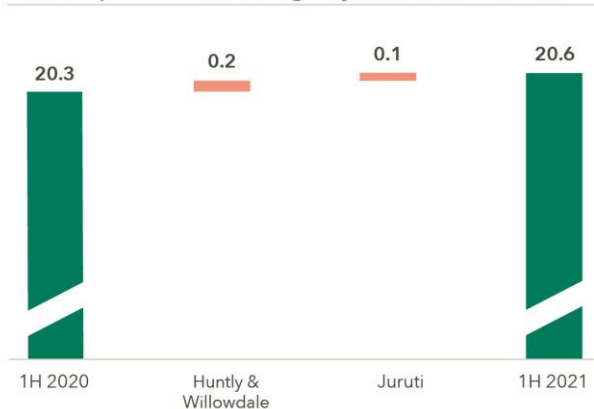
¹ Based on the terms of its bauxite supply contracts, AWAC's bauxite purchases from the Mineração Rio do Norte S.A. ("MRN") mine in Brazil, and Compagnie des Bauxites de Guinée (CBG) mine in Guinea, differ from their proportional equity in those mines.

² Includes freight revenue of \$17.8 million for 1H2021 (1H2020: \$18.8 million).

AWAC Operated Mines

AWAC operated mines increased production by 1.5% driven by increased demand from AWAC owned refineries to achieve a first half-yearly production record for the current portfolio of assets.

Bauxite production: change by mine (million bdt)

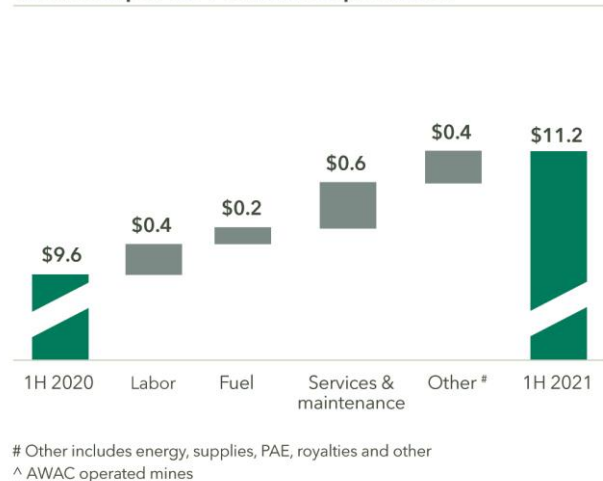


Production at Huntly increased to meet demand from the Pinjarra and Kwinana refineries to achieve facility production records for the first half year. Juruti's production was increased in order to meet greater production from Alumar.

In Western Australia, relocation of the Willowdale crusher to a new reserve area has almost been completed. The move is expected to be completed by the end of 2021 and involve total capital expenditure of approximately \$135 million, of which approximately \$100 million was spent in 2019 and 2020. Most of the remaining spend took place in the first half of this year.

AWAC's cash cost per BDT of bauxite produced increased by approximately 17% to \$11.2 per tonne, mostly due to a stronger AUD dollar as well as increased refinery demand on Huntly as a result of the Willowdale crusher move.

Cash cost per BDT of bauxite produced[^]



Non-AWAC Operated Mines

AWAC's equity share of production at MRN and CBG decreased by 0.2 million BDT (8.3%) in 1H2021.

CBG's production decreased by 0.2 million BDT to 1.7 million BDT, in line with the lower demand and shipment constraints. MRN's production was relatively stable, resulting in AWAC's equity share of production of 0.5 million BDT.

AWAC's equity accounted share of profit after tax from CBG and MRN was \$9.7 million (1H2020: \$10.4 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers decreased by 0.4 million BDT to 2.6 million BDT with a decrease in shipments from Huntly and CBG caused by port congestion and shipping delays, partially offset by an increase in shipments from Juruti.

Third party revenue decreased by 28%, due to lower shipments (some expected to be recovered in 2H21) and lower average realised bauxite price.

Refining

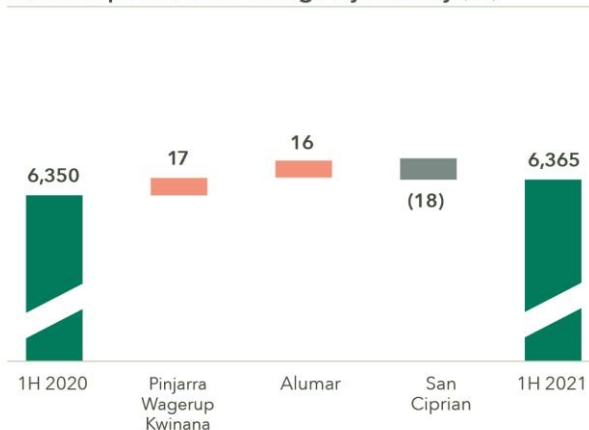
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020	CHANGE		CHANGE (%)
AWAC OPERATED REFINERIES					
Shipments (million tonnes)	6.7	6.6	0.1	▲	1.5
Production (million tonnes)	6.4	6.4	0.0	▲	0.0
Average realised alumina price (\$/tonne)	290	266	24	▲	9.0
Cash cost per tonne of alumina produced	230	193	37	▲	19.2
Margin ¹ (\$/tonne)	60	73	(13)	▼	(17.8)
Platts FOB Australia – one month lag (\$/tonne)	290	268	22	▲	8.2
MA'ADEN JOINT VENTURE					
AWAC's share of production (million tonnes)	0.232	0.219	0.013	▲	5.9

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

AWAC operated refineries

Production from AWAC operated refineries was 6.4 million tonnes, a first half production record for the current portfolio of assets. Pinjarra, Kwinana and Alumar also achieved first half production records. Wagerup's production decreased slightly as a result of unplanned maintenance. San Ciprian production was lower due to the production ramp up after the industrial action at the San Ciprian facility in the last quarter of 2020.

Alumina production: change by refinery (kt)



Average realised price in 1H 2020 reflected the impact of COVID-19 on demand for aluminium products and aluminium inventories as well as additional alumina supply following the restart of Alunorte and ramp up of Al Taweelah.

The first half of 2021 saw an overall increase in alumina prices as demand and consumer confidence were restored and aluminium price continued to rise. However, at the end of the 1Q 2021 freight costs begin to climb to unseen levels impacting the Chinese import parity price, and in turn constraining the API. AWAC's average realised price of \$290 per tonne, up \$24 per tonne compared to the previous corresponding period reflecting an average alumina price increase of 8%.

The average cash cost per tonne of alumina increased by 19% to \$230 per tonne. The main contributing factors to this included the transition onto the previously announced WA new gas contracts in the second half of 2020. In 1H 2021 we observed stronger Australian Dollar and Brazilian Real, higher energy costs from increased power and oil prices which were offset slightly by favourable caustic prices as well as a higher bauxite costs due to the Willowdale crusher move, which is almost completed.

Cash cost per tonne of alumina produced[^]



[^] Includes the mining business unit at cost

* Conversion includes: employee costs, indirect costs and other raw materials costs

Ma'aden Joint Venture

AWAC's share of production from the Ma'aden refinery increased by 5.9% in 1H2021 to 0.232million tonnes of alumina, operating at 103% of nameplate capacity.

The equity accounted loss relating to the Ma'aden joint venture for AWAC was \$5.7 million during 1H2021 (1H2020: \$16.9 million equity loss). The improvement was predominantly driven by higher realised alumina prices.

Portland

	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020	CHANGE	CHANGE (%)
AWAC'S 55% EQUITY SHARE				
Production (thousand tonnes)	78	78	0 ▼	0.0
EBITDA (\$ million)	36.9	12.7	24.2 ▲	190.6
Realised price	2,303	1,654	649 ▲	39.2
LME aluminium cash – 15 day lag (\$/tonne)	2,209	1,612	597 ▲	37.0

Portland's aluminium 1H2021 production remained stable compared to 1H2020.

The improvement in EBITDA was primarily as a result of higher realised aluminium prices. It also includes approximately \$20 million of final revenue recognition relating to Government assistance arrangements established in 2017 for Portland restart. (1H 2020: approximately \$30 million). This was partially offset by an increase in CAP year on year mainly due to the increase in alumina prices.

AWAC Financial Review

The decline in AWAC's 1H 2021 net profit was largely as a result of higher cash cost of production partially offset by higher realised alumina prices and positive significant items.

The decrease in the income tax charge was driven by lower taxable income, particularly in AWAC's Australian operations as well as the effect of the tax shield arising from the ATO transfer price matter.

AWAC PROFIT AND LOSS (US GAAP)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Net profit after tax	201.7	246.0
Add back: Income tax charge	90.0	121.4
Add back: Depreciation and amortisation	172.6	139.9
Add back: Net interest expense/(income)	0.5	(0.2)
EBITDA	464.8	507.1
Add back/(Less): Significant items (pre-tax)	(16.6)	(13.6)
EBITDA excluding significant items	448.2	493.5

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Suralco restructuring related charges ¹	3.3	(6.5)
Point Comfort restructuring related charges ¹	(4.8)	(5.6)
Other ²	18.1	25.7
Total significant items (pre-tax)	16.6	13.6
Total significant items (after-tax)	10.9	5.8

¹ Including holding costs

² Other significant items include net of the Portland government facility forgiveness and the charges related to restructuring, severance and other payments

AWAC BALANCE SHEET (US GAAP)	US\$ MILLION	
	30 JUNE 2021	31 DEC 2020
Cash and cash equivalents	320.0	440.2
Receivables	330.2	307.0
Inventories	561.7	567.1
Deferred income taxes	186.5	190.3
Property, plant & equipment	3,031.0	3,151.7
Other assets	1,730.2	1,753.4
Total Assets	6,159.6	6,409.7
Borrowings & capital lease obligations	78.4	78.5
Accounts payable	593.5	590.0
Taxes payable and deferred	163.7	174.7
Assets retirement obligations	463.7	500.2
Other liabilities	900.6	951.9
Total Liabilities	2,199.9	2,295.3
Equity	3,959.7	4,114.4

The decline in the value of assets and liabilities includes the effect of the weaker Australian dollar offset by a stronger Brazilian Real against the US dollar as at 30 June 2021.

The decline in property, plant and equipment was as a result of depreciation and amortisation and unfavourable exchange rate.

The reduction in taxes is mainly attributable to a decrease in taxable income, particularly for Australian operations.

The slight decrease in other assets comprises of changes in fair value of derivatives and lower prepayments.

Other liabilities decreased mainly due to lower accrued compensation and retirement costs as well as lower accrued pension benefits.

AWAC CASH FLOW (US GAAP)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Cash from operations	318.4	319.4
Capital contributions from partners	–	40.0
Net movement in borrowings	(0.5)	0.3
Capital expenditure	(93.9)	(98.3)
Other financing and investing activities ¹	2.4	–
Effects of exchange rate changes on cash and cash equivalents	(4.3)	(21.3)
Cash flow before distributions	222.1	240.1
Distributions paid to partners	(342.3)	(265.5)
Net change in cash and cash equivalents	(120.2)	(25.4)

¹ Includes of proceeds from sales of assets, and other.

Cash from operations in 1H 2021 was marginally lower compared to 1H 2020. The decrease was primarily due to higher average cash cost of production offset by higher average realised alumina prices and lower tax payment due to the impact of the tax shield arising from the ATO transfer price matter.

Gross distributions paid to partners increased to \$342.3 million (1H 2020: \$265.5 million).

In 1H 2021, sustaining capital expenditure was \$90.5 million (1H 2020: \$89.8 million) with the most significant expenditure relating to Willowdale's mine crusher move, the construction of a new residue storage area at Alumar and additional tailing ponds at Juruti.

Growth capital expenditure was \$3.4million (1H 2020: \$8.5 million).

Alumina Limited Financial Review

ALUMINA LIMITED PROFIT AND LOSS	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Share of net profit of associates accounted for using the equity method	82.4	98.5
General and administrative expenses	(6.9)	(5.9)
Finance costs	(1.9)	(2.2)
Foreign exchange losses, tax and other	–	0.1
Profit for the year after tax	73.6	90.5
Total significant items after tax	(4.4)	(3.0)
Net profit after tax excluding significant items	69.2	87.5

SIGNIFICANT ITEMS (IFRS, POST-TAX)	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Suralco restructuring charges ¹	1.3	(2.6)
Point Comfort restructure-related charges ¹	(1.9)	(2.2)
Other ²	5.0	7.8
Total significant items	4.4	3.0

¹ Including holding costs

² Other significant items include net of the Portland government facility forgiveness and the charges related to restructuring, severance and other payments

Alumina Limited recorded a net profit after tax of \$73.6 million (1H 2020: \$90.5 million).

Excluding significant items, net profit would have been \$69.2 million (1H 2020: \$87.5 million).

The decrease in net profit was primarily due to decreased share of net profit of associates, which in turn reflects AWAC performance for 1H 2021 compared to 1H 2020.

1H 2021 general and administrative expenses were higher compared to 1H 2020 due to the stronger Australian dollar. General administration expenses expressed in AUD remained consistent to the comparative period.

The Company's finance costs in 1H 2021 are lower than 1H 2020 as a result of lower debt levels.

ALUMINA LIMITED BALANCE SHEET	US\$ MILLION	
	30 JUNE 2021	31 DEC 2020
Cash and cash equivalents	14.3	10.4
Investment in associates	1,747.4	1,784.5
Other assets	3.8	1.8
Total Assets	1,765.5	1,796.7
Payables	0.4	0.7
Interest bearing liabilities	20.0	60.0
Provisions and other liabilities	3.7	1.4
Total Liabilities	24.1	62.1
Net Assets	1,741.4	1,734.6

The decrease in investments in associates was principally due to foreign currency balance sheet valuations as well as distributions paid.

Alumina Limited's net debt as at 30 June 2021 was \$5.7 million and gearing was 0.3% (1H 2020: \$77.4 million and 4.5% respectively).

Alumina Limited 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 30 June 2021 there was US\$20 million drawn against the syndicated facility.

ALUMINA LIMITED CASH FLOW	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Dividends received	121.4	103.7
Net finance costs paid	(1.7)	(2.1)
Payments to suppliers and employees	(6.7)	(5.9)
GST refund, interest received & other	0.2	0.4
Cash from operations	113.2	96.1
Receipts – capital returns from associates	15.6	2.6
Payments – investment in associates	-	(16.4)
Payment for shares acquired by the Alumina Employee Share Plan	(0.8)	(0.9)
Effects of exchange rate changes on cash and cash equivalents	-	(0.3)
"One off" quarantine of approximate tax shield cash benefit ¹	(30.0)	-
Free cash flow available for dividends	98.0	81.1
Interim dividends²	3.4 cps	2.8 cps

¹ Tax shield cash benefit is an AWC's share of the net estimated amount of tax benefit in relation to the compounded interest on the primary tax amount partially offset by the payment of 50% of the primary tax amount arising from the Notices of Assessment issued by ATO in relation to the transfer pricing matter (please refer page 15 for further details). This amount is being retained by AWC until the matter is fully resolved.

² Calculated as free cash flow available for dividends divided by the number of issued ordinary shares as at 30 June, rounded to the nearest decimal point.

Net receipts from AWAC totalled \$137.0 million (1H 2020: \$89.9 million).

The increase in distributions received from AWAC reflects "excess" cash benefits received in 1H 2021 due to the impact of the tax shield arising from the ATO transfer price matter.

Alumina Limited's dividend policy is to distribute free cash flow derived from net AWAC distributions less the Company's corporate and finance costs, whilst taking into

consideration its capital structure, any capital requirements for AWAC and market conditions.

Based on the free cash flow of \$98.0 million for the half-year period ended 30 June 2021, on 24 August 2021 Alumina Limited declared an interim dividend of 3.4 US cents per share.

The Dividend Reinvestment Plan that applied to the 2020 interim dividend has been suspended and will not apply to the 2021 interim dividend.

Market, Outlook and Guidance

Aluminium

Global aluminium demand is now back to pre-virus levels, largely due to economies recovering post-COVID, helped by Government stimulus packages. This is expected to grow with further economic recovery and greater demand for aluminium in a decarbonising world, largely due to its lightweight properties and recyclability. Primary aluminium production outside China in the first half of 2021 totalled just over 14 million tonnes, slightly up on production in the second half of 2020. Primary production is expected to ramp up in the second half by an extra 0.9 million t, as expansions and announced restarts come on line.

LME aluminium price and premiums were high in the first half, based on the stronger demand, supply tightness, higher delivery costs and some production restrictions in China. The announced Russian export tax on aluminium, due to be imposed from 1 August to the end of December 2021, and possibly longer, is supporting aluminium prices also. Low carbon aluminium premiums are developing, at this stage mainly for value-added-products under term contracts for aluminium with no more than 4kg of Co2 per kg of aluminium.

Decarbonisation-led control on energy intensity and consumption was the focus of the Chinese aluminium industry during the first half of 2021. Coal-based smelting capacity came under growing scrutiny, especially in the northern province of Inner Mongolia, where approximately 0.3 million tonnes of annual capacity were curtailed. Meanwhile, the relocation of smelting capacity to hydro-based south-western provinces was slowed down by seasonal drought and lack of hydro power during the second quarter. Production in the region was impacted too, but this is expected to return to normal levels in the third quarter after the dry season.

The temporary supply shock, together with favourable monetary policies, robust demand recovery and destocking of visible inventory, saw Chinese primary aluminium prices reach their highest level since 2008, over RMB 20,420 per tonne in May. In an effort to prevent an “overheated” market, the Chinese government released 50,000 tonnes of inventory from the State Reserve Bureau in June, which had a limited impact on prices. A second release of inventory is expected in the second half.

High prices have incentivised restarts of previously idled capacity in China – around 0.3 million tonnes of annual capacity were restarted during the first half of 2021. At the end of June, China’s primary aluminium capacity was estimated to be 43 million tonnes per annum, with a utilisation rate of 93%. China’s primary aluminium production was estimated to be 19.7 million tonnes in the first half of 2021, a 9% increase compared to the first half of 2020.

Despite signs of slowing manufacturing growth towards the end of the first half, demand for primary aluminium in China is forecast to grow in 2021, particularly in the packaging sector, the auto sector (when the supply of computer chips

improves) and in renewable sectors, as China accelerates the construction of wind and solar farms. Overall demand for primary aluminium in China in 2021 is expected to increase by 8% compared to 2020.

New primary capacity rollout is forecast to accelerate in the second half, mostly through hydro-based capacity in Yunnan province. A total of 1.8 million tonnes per annum of new capacity is expected in 2021, of which 1.3 million tonnes is expected in the second half. Resumption of temporarily idled capacity in the first half, and profit-driven restarts, will also drive-up production in the second half. Chinese primary aluminium production in 2021 is expected to grow by 5% year-on-year to 39.2 million tonnes.

Recycled aluminium, which only requires only 5% of the energy needed to make primary aluminium, is forecast to grow substantially in the coming years in China.

Alumina

Metallurgical alumina production outside China increased by around 1% in the first half of 2021, while non-metallurgical alumina production increased by nearly 7%, reflecting the respective increases in demand for those products. The alumina surplus in the first half of 2021 outside China of around 1.5 million tonnes is at a lower rate than the 2020 surplus of 3.8 million tonnes. New alumina production has just commenced at the greenfields Bintan refinery in Indonesia and this is expected to be added to later this year by new production from the expansion of WHW’s Kendawangan refinery, also in Indonesia, and also from an expansion at Utkal in India. The latter is expected to be offset by reduced production at the higher-cost Renukoot refinery. However, the new alumina production outside China in 2021 is expected to be lower than the increased demand for alumina expected in the second half.

In China, a COVID-relapse during the Chinese New Year in Hebei province temporarily boosted Chinese alumina prices, but they reverted back to marginal cost level in March. A surge in input costs since May, including bauxite, caustic soda and particularly coal, together with a weak dollar, have seen average Chinese alumina production costs increasing by 11% from February to \$308 per tonne (excluding VAT) by the end of the first half. The average alumina price increased accordingly, from RMB 2,328 per tonne at the beginning of the year to end the half at close to RMB 2,470 per tonne.

Alumina production in China was disrupted in March and April due to subdued prices, lack of domestic bauxite supply and higher imported bauxite prices, but has since balanced by the new capacity rollout in the south-west, as well as restarts in Shanxi and Henan. At the end of June, around 89% of China’s total installed refining capacity was operating. Chinese metallurgical alumina production in the first half of 2021 registered a 12% year-on-year increase, totalling 36 million tonnes, driven by increasing demand from the primary aluminium sector. Alumina imports in the

first 6 months totalled 1.4 million tonnes, a 27% drop year on year, given less available volume outside of China, as well as the abnormally high Handysize freight rates. It is expected that China will import around 3 million tonnes of alumina this year.

Around 2 million tonnes per annum of new Chinese alumina capacity is expected in the remainder of 2021. China's metallurgical alumina production in 2021 is forecast to increase by 6% from 2020 to 71.7 million tonnes, resulting in a small supply-demand deficit of 0.5 million tonnes after imports.

Over the medium to long term, several new coastal alumina projects in China have either been delayed or cancelled, due to growing environmental requirements, particularly around red mud storage challenges. China is expected in the medium term to produce sufficient alumina towards meeting its internal demand, while importing surplus alumina from outside China when the arbitrage window is open.

Global refining business costs averaged \$254 per tonne in the first half of 2021, compared with \$231 per tonne in the second half of last year. The increase was largely due to higher oil and caustic soda prices. From the first to the second quarters in 2021, outside China refining business costs increased 1% and site costs were up by 3%. In the second quarter, around 8% of refining outside China was loss-making, with an average profit of \$54 per tonne.

The alumina price outside China averaged \$299 per tonne in the first quarter and \$277 per tonne in the second quarter of 2021. The price did however increase by \$11 over May and June.

The main reason for the lower alumina prices in the second quarter was the abnormally high Handysize freight rates to China. These reduced the Chinese import price at a time where there was a material surplus of alumina outside China. A number of factors which led to the higher freight costs remain today, such as disrupted shipping schedules due to COVID-related measures and trade disputes, leading to longer freight legs and slower unloading and loading, meaning less availability of small ships, a lack of container increasing demand for small ships and higher oil

prices. When freight rates fall, they are expected to correspondingly increase the Chinese import parity price and hence the alumina price index (in times of surplus alumina outside China).

Following the reduced alumina production due to a bauxite unloader incident at the Alumar refinery in Brazil in July, the alumina price jumped to \$300 per tonne. In June and July, supply disruptions caused by flood and environmental checks in Northern China have provided support to higher Chinese prices too.

Bauxite

Driven by high freight rates, normalised average bauxite prices landed in China increased from \$43.80 per tonne in March to \$48.50 per tonne in June, forcing some high-cost alumina producers to either curtail production or switch to domestic bauxite.

China imported 55 million tonnes of bauxite in the first six months of 2021, 5% less than the same period in 2020 mostly due to higher freight costs. 56% was from Guinea, 30% from Australia and 13% from Indonesia. Bauxite imports into China are expected to increase to higher levels in the second half of 2021, with full year imports forecast to be 113 million tonnes.

In May 2020, Indonesia extended its bauxite export window through to June 2023. In April 2021, citing the impact of COVID-19, Indonesia relaxed its requirements for granting quotas, opening the possibility for higher export volume this year.

China's demand for imported bauxite is expected to grow steadily in the coming years, as domestic bauxite depletes, both in volume and quality. Around 60% of China's bauxite consumption is based on imported bauxite in 2021. Guinea will continue to be the main bauxite supplier to China, followed by Australia and Indonesia. A few bauxite beneficiation technologies have been trialled in China in recent years but have been proven to be technically unviable, uneconomic or limited to small scale. If there is a breakthrough in this area, it could reverse the expected growth in imported bauxite.

AWAC Guidance

The following 2021 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	2021 GUIDANCE
Production – alumina	Approximately 12.8 million tonnes
Production – aluminium	Approximately 156,000 tonnes
Third party bauxite shipments	Approximately 7.4 million BD tonnes
SGA shipments expected to be based on alumina price indices or spot	Approximately 97% for the year
AWAC sustaining capital expenditure	Approximately \$240 million
AWAC growth capital expenditure	Approximately \$25 million
AWAC Point Comfort after tax restructuring ¹	
Charges (IFRS)	Approximately \$10 million
Cash Flows	Approximately \$25 million
AWAC Suralco after tax restructuring ¹	
Charges (IFRS)	Approximately \$5 million
Cash Flows	Approximately \$35 million
AWAC Point Henry and Anglesea after tax restructuring ¹	
Charges (IFRS)	Approximately \$5 million
Cash Flows	Approximately \$5 million

¹ Ongoing costs will be recognised in future financial years relating to the curtailments and closures.

SENSITIVITY	2021 GUIDANCE
Alumina Price Index ¹ : +\$10/t	Approximately +\$115 million EBITDA
Australian \$: + 1¢ AUD/USD	Approximately -\$21 million EBITDA
Brazilian R\$: + 10 ¢ USD/BRL	Approximately +\$5 million EBITDA
Caustic price ² : +\$10/dry metric tonne	Approximately -\$9-10 million EBITDA
Brent : +\$1/barrel	Approximately -\$2-3 million EBITDA

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

² Caustic inventory flow is 5-6 month.

Extract from AWAC's Unaudited Combined Financial Statements

Note Regarding Non-IFRS Financial Information

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

AWAC Profit & Loss

	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Sales	1,698.9	1,554.0
Sales to related parties	677.4	595.3
Total revenue	2,376.3	2,149.3
Cost of goods sold	1,869.4	1,591.0
Selling, general administrative, and research and development expenses	36.4	37.1
Provision for depreciation, depletion and amortisation	172.6	139.9
Restructuring charges and other (income)/expenses	6.2	13.9
Total expenses	2,084.6	1,781.9
Net profit before income taxes	291.7	367.4
Provision for taxes on income	(90.0)	(121.4)
Net profit after taxes	201.7	246.0
Members' equity		
Opening balance at start of period	4,114.4	4,275.1
Net profit	201.7	246.0
Capital contribution	–	40.0
Dividends paid and return of capital to partners	(342.3)	(265.5)
Common stock issued for compensation plans	1.2	1.3
Other comprehensive income/(loss)	(15.3)	(429.0)
Closing balance at end of period	3,959.7	3,867.9

AWAC Balance Sheet

	US\$ MILLION	
	30 JUNE 2021	31 DECEMBER 2020
Current assets		
Cash and cash equivalents	320.0	440.2
Receivables	330.2	307.0
Inventories	561.7	567.1
Prepaid expenses and other current assets	116.2	116.9
Total current assets	1,328.1	1,431.2
Non-current assets		
Property, plant and equipment	3,031.0	3,151.7
Investments	450.4	448.4
Deferred income taxes	186.5	190.3
Other non-current assets	1,163.6	1,188.1
Total non-current assets	4,831.5	4,978.5
Total assets	6,159.6	6,409.7
Current liabilities		
Short term borrowings	77.2	77.7
Accounts payable	593.5	590.0
Taxes payable	23.6	26.9
Accrued compensation and retirement costs	194.6	201.8
Other current liabilities	205.9	213.5
Total current liabilities	1,094.8	1,109.9
Non-current liabilities		
Capital lease obligations and long-term debt	1.2	0.8
Deferred income taxes	140.1	147.8
Accrued pension and other postretirement benefits	113.9	128.0
Assets retirement obligations	463.7	500.2
Other long-term liabilities and deferred credits	386.2	408.6
Total non-current liabilities	1,105.1	1,185.4
Total liabilities	2,199.9	2,295.3
Net assets	3,959.7	4,114.4
Equity		
Members' equity	6,448.9	6,588.3
Accumulated other comprehensive loss	(2,489.2)	(2,473.9)
Total members' equity	3,959.7	4,114.4

AWAC Statement of Cash Flows

	US\$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
Cash flows from operating activities		
Net profit	201.7	246.0
<i>Adjustments to reconcile net income to cash from operations</i>		
Depreciation, depletion and amortisation	172.6	139.9
Other items ¹	(55.9)	(66.5)
Net cash inflow from operating activities	318.4	319.4
Cash flows from financing activities		
Dividends paid and return of capital to partners	(342.3)	(265.5)
Net change in debt	(0.5)	0.3
Capital contributions	–	40.0
Net cash inflow/(outflow) from financing activities	(342.8)	(225.2)
Cash flows from investing activities		
Capital expenditures	(93.9)	(98.3)
Other items	2.4	–
Net cash inflow/(outflow) from investing activities	(91.5)	(98.3)
Effect of exchange rate changes on cash and cash equivalents	(4.3)	(21.3)
Cash generated/(used)	(120.2)	(25.4)
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	440.2	418.7
Cash and cash equivalents at the end of the period	320.0	393.3
Net change in cash and cash equivalents	(120.2)	(25.4)

¹Other 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	
	HALF-YEAR ENDED 30 JUNE 2021	HALF-YEAR ENDED 30 JUNE 2020
AWAC profit before tax (US GAAP)	291.7	367.4
<i>Adjustments made to align with IFRS</i>		
Asset Retirement Obligations and Defined Benefit Plan	(1.9)	(8.6)
Restructuring related charges	3.4	–
Other	4.5	7.4
AWAC profit before tax (IFRS)	297.7	366.2
AWAC provision for taxes on income (USGAAP)	(90.0)	(121.4)
Adjustments made to align with IFRS	–	3.2
AWAC provision for taxes on income (IFRS)	(90.0)	(118.2)
AWAC profit before tax (IFRS)	297.7	366.2
AWAC provision for taxes on income (IFRS)	(90.0)	(118.2)
AWAC profit after tax (IFRS)	207.7	248.0