

San Ciprian alumina refinery output reduction

Attached is a release by Alcoa Corporation regarding a reduction in the alumina production rate at the San Ciprián alumina refinery in Spain.

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

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Press release:

San Ciprian alumina refinery plans to further reduce output to partially offset losses caused by natural gas prices

Madrid, July 28, 2022 – The Alcoa San Ciprián alumina refinery will make further reductions to its production rates, beginning on August 1, to reduce some of the losses caused by high natural gas prices that continue to escalate in Spain.

The refinery will be adjusting production to 50 to 60 percent of its 1.6 million tons of annual capacity over the next two months. The change to the operating rate is inclusive of a 15 percent reduction announced earlier this month.

The production plan will not impact customer agreements, employment levels at the plant, or any planned maintenance or investment. The refinery will take advantage of this reduction in production flow to carry out additional work in the facility, primarily maintenance.

At the current costs for natural gas, the refinery realizes a negative margin, or loss, for each metric ton of alumina produced. After considering the initial 15 percent reduction to production, Alcoa expected the refinery to lose approximately \$75 million in the third quarter. Operating at 50 percent of its capacity, the refinery's losses would be reduced by approximately one third, based on the current natural gas prices in Spain.

Natural gas prices in Spain have increased more than fivefold since early 2021. As a result, the refinery has experienced a significant increase in its natural gas cost, which has climbed from approximately \$45 per ton of alumina produced in early 2021 to an expected price of about \$245 per ton in the third quarter of 2022.

The refinery has the technical flexibility to adjust its output, which it has done on other occasions, for either operational or market-based reasons.