ASX HALF-YEAR PRELIMINARY FINAL REPORT

Alumina Limited

ABN 85 004 820 419

30 June 2018

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 31 December 2017 Annual Report.

ALUMINA LIMITED

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

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

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

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Results for Announcement to the Market

NET PROFIT/(LOSS)

		CHANGE	US$ MILLION
Revenue from continuing operations	Up	600%	0.7
Net profit from continuing operations after tax attributable to members of Alumina Limited	Up	110%	286.4
Net profit for the half-year attributable to members of Alumina Limited	Up	110%	286.4

DETAILS RELATING TO DIVIDENDS

	AMOUNT PER SHARE[1] US CENTS	TOTAL AMOUNT PAID/PAYABLE US$ MILLION
2017 Final dividend (paid 15 March 2018)	9.3	267.8
2018 Interim dividend (declared on 23 August 2018)	8.6	247.7

[1] All dividends are fully franked at 30% tax rate. Interim dividend amount has not been recognised as a liability as at 30 June 2018.

	INTERIM DIVIDEND DATE
Record date	29 August 2018
Payment date	20 September 2018

Dividend Reinvestment Plan (DRP)

The Dividend Reinvestment Plan remains suspended.

	A$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	YEAR ENDED 31 DECEMBER 2017
Franking Account Balance	412.0	388.5

NET TANGIBLE ASSET BACKING PER SECURITY

	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Net assets (US$ million)	2,079.1	2,156.1
Less equity accounted intangible assets:		
Goodwill (US$ million)	175.8	175.8
Mineral rights and bauxite assets net of deferred tax liabilities (US$ million)	70.0	71.5
Net tangible assets (US$ million)	1,833.3	1,908.8
Number of issued ordinary shares (including treasury shares)	2,879,843,498	2,879,843,498
Net tangible asset backing per ordinary security (US$)	**0.64**	**0.66**

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/(loss) was negatively affected by its equity share of net charges relating to significant items contained within AWAC's results. For further details refer to page 23.

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 (the Group) at the end of, or during, the half-year ended 30 June 2018.

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 (appointed as Chairman on 1 April 2018)
G J Pizzey (retired as Chairman and Director on 31 March 2018)
E R Stein
C Zeng
D O'Toole (appointed on 1 December 2017)
J A Bevan (appointed on 1 January 2018)

EXECUTIVE

M P Ferraro (Non-Executive Director until 31 May 2017; appointed Managing Director and Chief Executive Officer 1 June 2017).

PRINCIPAL ACTIVITIES

The principal activities 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 these activities.

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 net profit after tax attributable to members of Alumina Limited was US$286.4 million (1H 2017: US$136.6 million).

For further information on the operations of the Group during the half-year ended 30 June 2018 and the results of these operations, refer to pages 18-26.

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 Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars, except where otherwise required.

This Report is made in accordance with a resolution of directors.

MIKE FERRARO
Director
Melbourne
23 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alumina Limited for the half-year ended 30 June 2018, 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.

JOHN O'DONOUGHUE
Partner
PricewaterhouseCoopers
23 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Revenue from continuing operations	0.7	0.1
Share of net profit of associates accounted for using the equity method	295.1	147.1
General and administrative expenses	(5.7)	(7.2)
Change in fair value of derivatives/foreign exchange losses	(0.5)	0.5
Finance costs	(3.2)	(3.9)
Profit/(loss) before income tax	**286.4**	**136.6**
Income tax expenses	–	–
Profit/(loss) for the year attributable to the owners of Alumina Limited	**286.4**	**136.6**
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Share of reserve movements accounted for using the equity method	(22.3)	32.1
Foreign exchange translation difference	(155.3)	73.8
Items that will not be reclassified to profit or loss		
Re-measurements of retirement benefit obligations accounted for using the equity method	4.9	(2.5)
Other comprehensive income/(loss) for the year, net of tax	**(172.7)**	**103.4**
Total comprehensive income for the year attributable to the owners of Alumina Limited	**113.7**	**240.0**

EARNINGS PER SHARE (EPS)[1]

	US CENTS	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Basic EPS	Positive 9.9	Positive 4.7
Diluted EPS	Positive 9.9	Positive 4.7

[1] For further details refer to page 14.

CONSOLIDATED BALANCE SHEET

	US$ MILLION	
	30 JUNE 2018	31 DECEMBER 2017
CURRENT ASSETS		
Cash and cash equivalents	37.9	40.0
Other assets	1.2	1.8
Total current assets	**39.1**	**41.8**
NON-CURRENT ASSETS		
Investment in associates	2,148.4	2,301.0
Property, plant and equipment	0.1	0.1
Total non-current assets	**2,148.5**	**2,301.1**
TOTAL ASSETS	**2,187.6**	**2,342.9**
CURRENT LIABILITIES		
Payables	1.3	1.3
Provisions	0.3	0.3
Other liabilities	-	0.1
Total current liabilities	**1.6**	**1.7**
NON-CURRENT LIABILITIES		
Borrowings	92.4	98.4
Derivative financial instruments	13.9	8.3
Provisions	0.6	0.5
Total non-current liabilities	**106.9**	**107.2**
TOTAL LIABILITIES	**108.5**	**108.9**
NET ASSETS	**2,079.1**	**2,234.0**
EQUITY		
Contributed equity	2,682.9	2,682.9
Treasury shares	(2.0)	(0.9)
Reserves	(1,212.0)	(1,034.7)
Retained earnings	610.2	586.7
TOTAL EQUITY	**2,079.1**	**2,234.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	US$ MILLION			
	CONTRIBUTED EQUITY[1]	RESERVES	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2017	**2,682.9**	**(1,125.3)**	**449.3**	**2,006.9**
Profit/(loss) for the half-year	–	–	136.6	136.6
Other comprehensive income/(loss) for the half-year	–	105.9	(2.5)	103.4
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(89.3)	(89.3)
Movement in treasury shares	(2.0)	–	–	(2.0)
Movement in share based payments reserve	–	0.5	–	0.5
Balance as at 30 June 2017	**2,680.9**	**(1,018.9)**	**494.1**	**2,156.1**
Balance as at 1 January 2018	**2,682.0**	**(1,034.7)**	**586.7**	**2,234.0**
Profit for the half-year	–	–	286.4	286.4
Other comprehensive income/(loss) for the half-year	–	(177.6)	4.9	(172.7)
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(267.8)	(267.8)
Movement in treasury shares	(1.1)	–	–	(1.1)
Movement in share based payments reserve	–	0.3	–	0.3
Balance as at 30 June 2018	**2,680.9**	**(1,212.0)**	**610.2**	**2,079.1**

[1]Treasury shares have been deducted from contributed equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(5.0)	(5.6)
GST refund received	0.2	0.3
Dividends received from associates	310.1	129.9
Distributions received from associates	0.1	0.5
Finance costs paid	(4.5)	(4.8)
Interest paid under cross currency interest rate swap	(2.7)	(2.8)
Interest received under cross currency interest rate swap	3.2	3.4
Other	0.8	0.1
Net cash (outflow)/inflow from operating activities	**302.2**	**121.0**
Cash flows from investing activities		
Payments for investments in associates	(68.8)	(56.0)
Proceeds from return of invested capital	34.5	24.8
Net cash (outflow)/inflow from investing activities	**(34.3)**	**(31.2)**
Cash flows from financing activities		
Proceeds from borrowings	40.0	65.0
Repayment of borrowings	(40.0)	(50.0)
Payment for shares acquired by the Alumina Employee Share Plan	(1.2)	(2.0)
Dividends paid	(267.8)	(89.3)
Net cash (outflow)/inflow from financing activities	**(269.0)**	**(76.3)**
Net increase/(decrease) in cash and cash equivalents	**(1.1)**	**13.5**
Cash and cash equivalents at the beginning of the half-year	40.0	8.6
Effects of exchange rate changes on cash and cash equivalents	(1.0)	0.4
Cash and cash equivalents at the end of the half-year	**37.9**	**22.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This condensed interim consolidated financial report for the half-year ended 30 June 2018 has been prepared in accordance with 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 2017 and any public announcements made by Alumina Limited during the interim 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 and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

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

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

IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

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

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of AUD $461,588. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

SEGMENT INFORMATION

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

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

HALF-YEAR ENDED 30 JUNE 2018	US$ MILLION			
	AUSTRALIA	BRAZIL	OTHER	TOTAL
Investments in Associates	1,194.7	738.8	214.9	2,148.4
Assets	38.3	0.6	0.3	39.2
Liabilities	(108.5)	–	–	(108.5)
Consolidated net assets	**1,124.5**	**739.4**	**215.2**	**2,079.1**

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

RECONCILIATION OF CASH

	US$ MILLION	
	30 JUNE 2018	30 JUNE 2017
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	2.9	5.3
Money market deposits (with maturities on investment three months or less)	35.0	17.2
Total cash and cash equivalents at the end of the half-year	**37.9**	**22.5**

NON-CASH FINANCING AND INVESTING ACTIVITIES

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

INCOME TAX

Income tax expense is recognised based on an estimate of the weighted average effective annual income tax rate expected for the full financial year.

The significant majority of the Group's expected taxable income relates to Australian dividend income from the Group's investments in AWAC. Under Australian income tax law, the Group 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 2018 is 0% (for the half-year to 30 June 2017: 0%).

DIVIDENDS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Dividends provided for or paid during half-year	267.8	89.3
Dividends not recognised at the end of the half-year	247.7	120.9

EQUITY SECURITIES ISSUED

There were no issues of ordinary shares during the half-years ended 30 June 2018 and 30 June 2017.

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 2018	HALF-YEAR ENDED 30 JUNE 2017	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Balance brought forward	700,445	1,856	906,873	1,905
Shares acquired by Alumina Employee Share Plan Pty Ltd	684,500	1,484,568	1,241,548	2,040,374
Employee performance rights vested	(122,164)	–	(155,781)	–
Total treasury shares	**1,262,781**	**1,486,424**	**1,992,640**	**2,042,279**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EARNINGS PER SHARE

	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Profit/(loss) attributable to the ordinary equity holders of the Company in the calculation of basic and diluted EPS (US$ million)	286.4	136.6
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted EPS	2,878,735,085	2,879,186,056
Basic EPS (US cents)	**Positive 9.9**	**Positive 4.7**
Diluted EPS (US cents)	**Positive 9.9**	**Positive 4.7**

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 2018 and 30 June 2017.

MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OWNERSHIP	
			30 JUNE 2018	30 JUNE 2017
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading & production	America	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltd.	Bauxite and alumina production	Hong Kong	40	40
Enterprise Partnership	Finance lender	Australia	40	40

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

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Revenues	3,189.6	2,393.5
Profit from continuing operations	739.6	369.7
Profit for the half-year[1]	**739.6**	**369.7**
Other comprehensive income/(loss) for the half-year	(429.3)	258.6
Total comprehensive income for the half-year	**310.3**	**628.3**
Group Share of profit for the half-year as a percentage	40%	40%
Group Share of profit for the half-year in dollars	295.8	147.8
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 profit from associate accounted for using equity method	**295.1**	**147.1**
Dividends and distributions received from AWAC[2]	**344.7**	**155.2**

[1] The profit for the half-years ended 30 June 2018 and 30 June 2017 include net charges relating to significant items that have affected AWAC's net profit after tax. For further details refer to the reconciliation on page 23.

[2] In addition to dividends and distributions, Alumina Limited also received $34.5 million being return of invested capital in 1H 2018 (1H 2017: $24.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BORROWINGS

	US$ MILLION	
	30 JUNE 2018	31 DECEMBER 2017
Bank loans	-	-
Fixed rate note	92.4	98.4
Total borrowings	**92.4**	**98.4**

Bank loans

Alumina Limited has a US$250 million syndicated bank facility with tranches maturing in July 2020 (US$150 million) and October 2022 (US$100 million). As at 30 June 2018 there were no amounts drawn against the syndicated facility so the undrawn available facility amount as at 30 June 2018 was $250 million.

Fixed rate note

On 12 November 2014, Alumina Limited issued an A$125 million face value 5.5% fixed rate note at a discount of A$0.7 million. A change in the credit rating of Alumina Limited triggered a 1.75% step up in coupon from 5.5% to 7.25%, effective 20 November 2016. A subsequent change in credit rating in April 2017 reduced the coupon from 7.25% to 6.75%, effective from 19 May 2017. A further change in the credit rating triggered a 1.25% step down in coupon rate from 6.75% to the original coupon rate of 5.5%, effective 21 May 2018. The note matures on 19 November 2019.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

	US$ MILLION			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
30 JUNE 2018				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	13.9	–	13.9
Total financial liabilities at fair value through profit or loss	**–**	**13.9**	**–**	**13.9**
31 DECEMBER 2017				
Cross-currency interest rate swap (CCIRS AUD/USD)	–	8.3	–	8.3
Total financial liabilities at fair value through profit or loss	**–**	**8.3**	**–**	**8.3**

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

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

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

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Refer to page 13 for dividends recommended by Directors since the end of the reporting period.

There have been no other significant events occurring since 30 June 2018.

DIRECTORS' DECLARATION

In the directors' opinion:

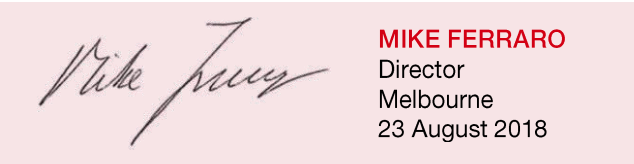
a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB134 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 2018 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
Director
Melbourne
23 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALUMINA LIMITED

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Alumina Limited (the Company) as set out on pages 8 to 16, which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Alumina Limited Group. The Group comprises the Company and the entities it controlled during that half-year.

DIRECTORS' RESPONSIBILITY 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 is free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2018 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*. As the auditor of Alumina Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

CONCLUSION

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

1. giving a true and fair view of the Group's financial position as at 30 June 2018 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*.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

JOHN O'DONOUGHUE
Partner
Melbourne
23 August 2018

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

ABOUT ALUMINA LIMITED

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

The Company provides a reflection of AWAC's underlying performance. This is possible because the financial policies of both Alumina Limited and AWAC ensure there is modest leverage in both the Company and AWAC, the Company's own costs are minimal and the distribution policies of Alumina Limited and AWAC require free cash flows to be paid to their respective shareholders.

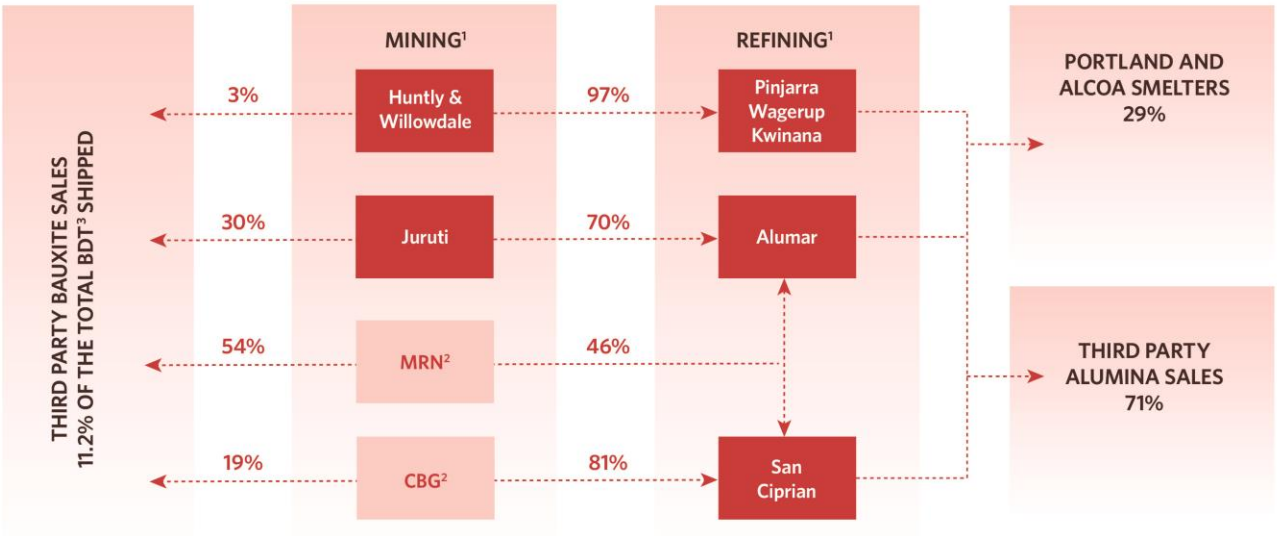
REVIEW OF AWAC OPERATIONS

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

The significant improvement in AWAC's 1H 2018 earnings and cash generation was mainly due to higher realised prices for alumina, which were supported by alumina supply disruptions in the Atlantic, US trade sanctions against one alumina producer and the impact of China's supply-side reforms.

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

DIAGRAM OF AWAC VALUE CHAIN



MINING HIGHLIGHTS:

- Near completion of Juruti's expansion to 6.5 million BDT
- WA infrastructure expansion underway
- CBG's Phase 1 expansion underway

REFINING HIGHLIGHTS:

- Average realised price of $424 per tonne
- 91% of smelter grade alumina shipments on a spot or index basis
- Pinjarra press filtration project underway

AWAC operated asset Non-AWAC operated asset

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

MINING

The 1H 2018 EBITDA margin for AWAC's bauxite unit, which includes sales to AWAC refineries but excludes $28.7 million freight revenue was 37.1% (1H 2017: 38.2%). The margin decline reflects higher operating costs at AWAC's mines, and lower third party prices. Third party revenue declined by 18% compared to 1H 2017, caused by lower volume and average realised prices.

	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017	CHANGE	CHANGE (%)
AWAC OPERATED MINES				
Production (million BDT)	19.1	18.8	0.3	1.6
Cash cost ($/BDT of bauxite produced)	11.7	10.9	0.8	7.3
NON-AWAC OPERATED MINES				
AWAC equity share of production (million BDT)[1]	2.2	2.2	-	-
THIRD PARTY SALES				
Shipments to third parties (million BDT)	2.6	3.0	(0.4)	(13.3)
Total third party revenue, inclusive of freight ($ million)	122.9	150.7	(27.8)	(18.4)

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

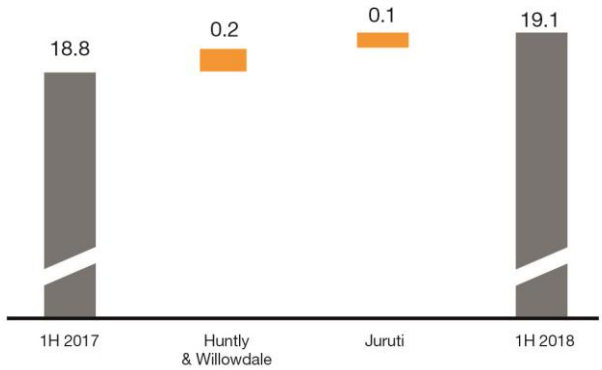
AWAC Operated Mines

AWAC operated mines increased production by 1.6%. The growth was facilitated by creep at the Huntly and Willowdale mines in Western Australia, and a capacity increase of the Juruti mine to 5.7 million BDT per annum which was undertaken in 2017.

During 1H 2018, the Juruti mine was undergoing a further capacity increase to 6.5 million BDT per annum. The scope of the increase included the addition of another locomotive and wagons to transport bauxite from the mine to the port, and an expansion of the stockpile yard at the Juruti port. This capacity increase is expected to be completed during the early part of 2H 2018.

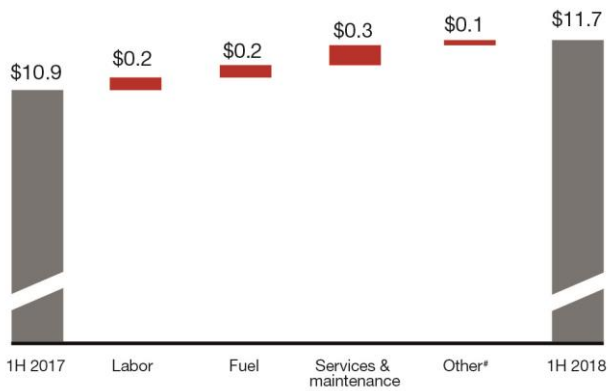
Capital expenditure on the Western Australia bauxite export infrastructure project continues, albeit at a slower pace than originally planned.

BAUXITE PRODUCTION: CHANGE BY MINE (MILLION BDT)



AWAC's cash cost per BDT of bauxite produced increased by 7.3% to $11.7. Contributors to this increase included higher royalties and higher diesel costs particularly at the Juruti mine. Maintenance costs were higher at all mines, with the most notable increase at the Juruti mine where a drought in the second half of 2017 affected tailing pond water levels and required a second dredge to be installed.

CASH COST PER BDT OF BAUXITE PRODUCED



Other includes energy, supplies, PAE, royalties and other

Non-AWAC Operated Mines

AWAC's equity share of production at the CBG mine in Guinea and the MRN mine in Brazil was 2.2 million BDT, in line with 1H 2017.

The MRN mine decreased its production in response to a partial curtailment of a third party alumina refinery in Brazil and in order to rectify issues with MRN's tailing ponds caused by a severe dry season in 2017.

The CBG mine's production increased in 1H 2018 compared to 1H 2017 when the mine's operations were affected by civil unrest. CBG continues to progress an expansion project which is expected to increase AWAC's equity share of production by approximately 1.1 million BDT per annum and be completed during 2H 2018.

The equity income derived from CBG and MRN was $11.9 million (1H 2017: $9.3 million).

Third Party Bauxite Sales

AWAC's shipments to third party customers decreased by 13.3% to 2.6 million BDT in 1H 2018. Shipments increased for the Huntly, Willowdale and Juruti mines, but decreased for CBG and MRN. The largest decline in third party shipments occurred at the CBG mine, as intersegment shipments to the San Ciprian refinery were increased to replenish stock piles.

Third party revenue declined by 18% compared to 1H 2017, caused by the lower shipments and a decrease of 5.8% in the average realised price due to both changes in shipments mix and average FOB prices.

The full year forecast for third party bauxite sales is expected to be 6.0 million BDT for 2018.

REFINING

The refining operations achieved a significant increase in earnings, mainly through higher prices and shipments, despite a number of operational issues particularly in the first quarter, increases in input costs and the weaker US dollar.

Production improved particularly in May and June allowing Western Australia, Alumar and San Ciprian refineries to achieve record shipment in June.

	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017	CHANGE	CHANGE (%)
AWAC OPERATED REFINERIES				
Shipments (million tonnes)	6.5	6.4	0.1	1.6
Production (million tonnes)	6.1	6.1	-	-
Average realised alumina price ($/tonne)	424	315	109	34.6
Platts FOB Australia - one month lag ($/tonne)	445	325	120	36.9
Cash cost per tonne of alumina produced	224	202	22	10.9
Margin[1] ($/tonne)	200	113	87	77.0
SGA shipments on spot or index basis (%)	91	85	6	7.1
MA'ADEN JOINT VENTURE				
Production (million tonnes)	0.8	0.7	0.1	14.3
AWAC's share of production (million tonnes)	0.2	0.2	-	-

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

AWAC operated refineries

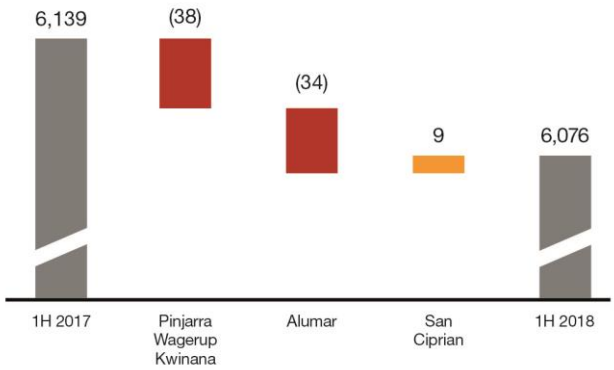
Production from AWAC operated refineries was 6.1 million tonnes which is consistent with 1H 2017.

Whilst production improved slightly at Wagerup, with the refinery achieving a production record during May, production was less than expected at Alumar and Pinjarra due to operational challenges and equipment issues.

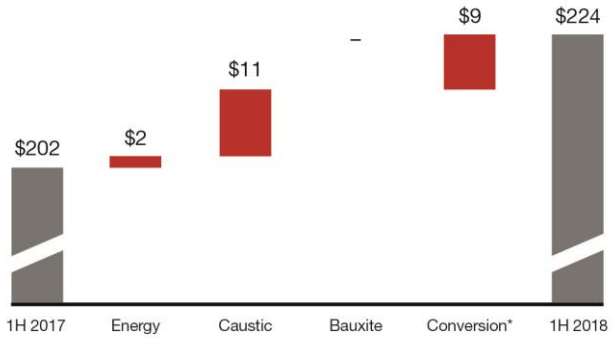
The anticipated full-year production has been revised to 12.4 million tonnes.

Alumina shipments for 1H 2018 were slightly higher at 6.5 million tonnes (1H 2017: 6.4 million tonnes). Shipments included 0.1 million tonnes delayed from December 2017 at the Bunbury and San Ciprian ports.

ALUMINA PRODUCTION: CHANGE BY REFINERY (KT)



CASH COST PER TONNE OF ALUMINA PRODUCED^



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

The 1H 2018 average realised price was $424 per tonne, an improvement of $109 per tonne over the previous corresponding period. As approximately 91% of AWAC's alumina shipments were priced on a spot or index basis, AWAC was able to benefit from the 37% increase in Alumina Price Index ("API"), which was supported by a tight alumina market. The average realised price was $21 lower than the index price (one-month lag), which reflects the impact of legacy contracts and lower priced chemical grade alumina.

The cash cost per tonne of alumina produced increased by 10.9% over 1H 2017 to $224 per tonne due to unfavourable variances attributable to energy, caustic soda and conversion costs.

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

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

The cost of bauxite was consistent with 1H 2017.

Conversion costs were higher at all refineries due to an increase in planned maintenance, the impact of operational challenges and equipment issues which also affected production and the weaker US dollar against the Australian dollar.

Ma'aden Joint Venture

During 1H 2018, the Ma'aden refinery produced 0.8 million tonnes of alumina (AWAC's share of production was 0.2 million tonnes), representing a 14.3% improvement compared to 1H 2017. The Ma'aden refinery operated at 95% of nameplate capacity during 1H 2018.

The equity profit relating to the Ma'aden joint venture was $12.9 million during 1H 2018 (1H 2017: $4.8 million equity loss). The improvement in performance was mainly as a result of higher alumina prices and production.

PORTLAND

The Portland smelter is AWAC's only smelting operation.

	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017	CHANGE	CHANGE (%)
AWAC'S 55% EQUITY SHARE				
Production (thousand tonnes)	82	33	49	148.5
LME aluminium cash - 15 day lag ($/tonne)	2,206	1,866	340	18.2
EBITDA ($ million)	(3.6)	(23.0)	19.4	84.3

Aluminium production increased by 148.5%, compare to 1H 2017, when production was significantly affected by a power outage in December 2016. The smelter reached the pre-outage capacity of approximately 167 thousand tonnes per year (AWAC equity share) in October 2017. The improvement in earnings was primarily as a result of an improved production rate, favourable metal prices and power costs, offset by higher alumina and carbon input prices.

AWAC FINANCIAL REVIEW

The improvement in AWAC's net profit was largely due to higher realised alumina prices and shipments during 1H 2018 which more than offset AWAC's higher charges for significant items, higher input costs and the impact of operational issues.

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

AWAC PROFIT AND LOSS (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Net profit after tax	737.0	367.1
Add back: Income tax charge	320.4	175.3
Add back: Depreciation and amortisation	149.0	140.7
Add back: Net interest expense/(net interest income)	1.6	(0.7)
EBITDA	**1,208.0**	**682.4**
Add back total significant items (pre-tax)	55.9	33.3
EBITDA excluding significant items	**1,263.9**	**715.7**

AWAC's net profit included the following significant items:

SIGNIFICANT ITEMS (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Suralco restructuring charges	(4.9)	(6.3)
Point Comfort restructuring charges	(16.7)	(23.7)
Bauxite mining service contract final arbitration[1]	(29.0)	-
Other[2]	(5.3)	(3.3)
Total significant items (pre-tax)	**(55.9)**	**(33.3)**
Total significant items (after-tax)	**(54.4)**	**(32.6)**

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

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

AWAC BALANCE SHEET (US GAAP)	US$ MILLION	
	30 JUNE 2018	31 DECEMBER 2017
Cash and cash equivalents	602.9	631.9
Receivables	608.1	560.3
Inventories	602.5	530.8
Property, plant & equipment	3,414.9	3,753.9
Other assets	2,097.8	2,372.9
Total Assets	**7,326.2**	**7,849.8**
Short term borrowings	0.4	4.6
Accounts payable	659.6	715.1
Taxes payable and deferred	404.4	401.1
Capital lease obligations & long term debt	77.3	17.5
Other liabilities	1,092.6	1,261.0
Total Liabilities	**2,234.3**	**2,399.3**
Equity	**5,091.9**	**5,450.5**

The decrease in the value of assets and liabilities includes the effect of the weaker Australian dollar and Brazilian real against the US dollar as at 30 June 2018.

The higher alumina prices resulted in increased receivables and higher inventory as at 30 June 2018. The increase in inventory also includes the effect of the higher input costs (particularly caustic soda).

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

Other assets and other liabilities decreased mainly due to changes in the fair value of derivative assets associated with Portland's hedging arrangements. The decrease in other liabilities is also due to the payment for the Alba settlement of $74 million.

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

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

AWAC CASH FLOW (US GAAP)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Cash from operations	656.0	424.8
Capital contributions arising from the allocation agreement[1]	74.0	74.0
Capital contributions from partners	271.9	140.0
Net movement in borrowings	55.9	0.3
Capital expenditure	(97.6)	(57.9)
Proceeds from sale of assets	6.7	3.6
Effects of exchange rate changes on cash and cash equivalents	(34.5)	18.8
Cash flow before distributions	**932.4**	**603.6**
Distributions paid to partners	(961.4)	(387.2)
Net change in cash and cash equivalents	**(29.0)**	**216.4**

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

The increase in cash from operations over 1H 2017 was primarily due to higher average realised alumina prices.

Distributions paid to partners increased to $961.4 million. In the first two months of 2H 2018, and in accordance with the distribution policy, AWAC has distributed a further $180.7 million.

Cash from operations includes the payment for the Alba settlement of $74 million (1H 2017: $74 million) and the $29 million payment relating to the arbitration settlement of Suralco's mining services contract.

In 1H 2018, sustaining capital expenditure was $84.1 million (1H 2017: $39.2 million). The most significant expenditure was for the Pinjarra refinery where press filtration is currently being implemented.

Growth capital expenditure was $13.5 million.

ALUMINA LIMITED FINANCIAL REVIEW

ALUMINA LIMITED PROFIT AND LOSS	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Share of net profit of associates accounted for using the equity method	295.1	147.1
General and administrative expenses	(5.7)	(7.2)
Finance costs	(3.2)	(3.9)
Foreign exchange losses, tax and other	0.2	0.6
Profit/(loss) for the year after tax	**286.4**	**136.6**
Add back total significant items after tax	19.4	12.1
Net profit after tax excluding significant items	**305.8**	**148.7**

SIGNIFICANT ITEMS (IFRS, AFTER-TAX)	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Suralco restructuring charges and deferred tax assets adjustment	(0.6)	(2.5)
Point Comfort restructuring charges	(6.7)	(9.5)
Bauxite mining service contract final arbitration	(11.6)	-
Other[1]	(0.5)	(0.1)
Total significant items	**(19.4)**	**(12.1)**

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

Alumina Limited recorded a net profit after tax of $286.4 million compared to $136.6 million in 1H 2017.

The increase in net profit was largely due to AWAC's higher average realised alumina price, and partially offset by higher net charges for significant items, AWAC's higher production costs and an unfavourable movement in the US dollar against the Australian dollar.

Excluding significant items, net profit would have been $305.8 million (1H 2017: $148.7 million).

Alumina Limited's general and administrative expenses in 1H 2017 included $1.2 million associated with the previous CEO's retirement (effective 31 May 2017) and $0.3 million of costs from the Company's actions in relation to Alcoa's corporate separation.

Excluding these costs, the 1H 2018 general and administrative expenses were in line with 1H 2017.

The Company's finance costs reduced mainly due to changes in the fixed interest rate note's coupon from 7.25% to 6.75% and then further to 5.5% per annum, which were triggered by changes in the credit rating of Alumina Limited.

ALUMINA LIMITED BALANCE SHEET	US$ MILLION	
	30 JUNE 2018	31 DECEMBER 2017
Cash and cash equivalents	37.9	40.0
Investment in associates	2,148.4	2,301.0
Other assets	1.3	1.9
Total assets	**2,187.6**	**2,342.9**
Payables	1.3	1.3
Interest bearing liabilities – non-current	92.4	98.4
Other liabilities	14.8	9.2
Total Liabilities	**108.5**	**108.9**
Net Assets	**2,079.1**	**2,234.0**

The decrease in investments in associates was due to foreign currency balance sheet revaluations and AWAC's increased distributions, partially offset by AWAC's higher operating performance.

Alumina Limited's net debt as at 30 June 2018 was $54.5 million and gearing remained at 2.5%.

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

- $150 million in July 2020 (no amounts drawn under these facilities as at 30 June 2018).
- $100 million in October 2022 (no amounts drawn under these facilities as at 30 June 2018).

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

ALUMINA LIMITED CASH FLOW	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Dividends received	310.1	129.9
Distributions received	0.1	0.5
Net finance costs paid	(4.0)	(4.2)
Payments to suppliers and employees	(5.0)	(5.6)
GST refund, interest received & other	1.0	0.4
Cash from operations	**302.2**	**121.0**
Net (payments)/receipts – investments in associates	(34.3)	(31.2)
Free cash flow[1]	**267.9**	**89.8**

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

Alumina Limited's free cash flow is comprised of the net capital, dividends and income distributions received from the AWAC entities offset by the Company's general administrative and finance costs.

The $0.2 million decrease in finance costs was largely due to lower interest margins and commitment fees resulting from upgrades of the Company's credit rating in September 2017 and May 2018.

Alumina Limited's total receipts from AWAC during 1H 2018 were $344.7 million, compared to $155.2 million in 1H 2017.

There were $68.8 million of cash contributions to AWAC during 1H 2018 (1H 2017: $56.0 million). Contributions were mainly to support one AWAC entity's purchases of alumina on a spot basis from other AWAC entities in order to meet its long term customer supply commitments which are on different pricing mechanisms.

As a result, free cash flow was $178.1 million higher compared to 1H 2017.

Alumina Limited's dividend policy is based on distributing the free cash up until the date of declaration by the Directors of the Company. Since 30 June 2018, the Company's net receipts from AWAC were $180.7 million which are included in the 8.6 cents per share 2018 interim dividend to be paid on 20 September 2018.

MARKET OUTLOOK AND GUIDANCE

ALUMINA

Two factors had a significant impact on the alumina market in the first half of 2018. First, at the end of February 2018 a Brazilian court ordered a 50% reduction in alumina production at the Alunorte refinery due to alleged breaches of environmental regulations. The order remains in place. The upcoming Brazilian State and Federal elections due in October may facilitate a resolution.

The second was the imposition of sanctions in April 2018 on UC Rusal and others by the U.S. Whilst Rusal is usually balanced in its net alumina production and consumption, from time to time Rusal sells alumina to the third party market. Supply of bauxite to, and supply of alumina from, Rusal severely disrupted global supply chains until the U.S. relaxed the sanctions (until 23 October 2018). It is expected that the Rusal sanctions will be resolved without medium to long term impacts on bauxite or alumina markets.

The Australian alumina index price reached a 2018 low of $357 per tonne and a high in the first half of $710 per tonne. The average alumina index prices in the first and second quarters respectively were $383 and $523 per tonne. The index price was $565 per tonne as at 20 August 2018.

There was a large deficit of alumina supply outside China, with little opportunity for non-Chinese refineries to increase production quickly or at reasonable cost. At the same time the Chinese domestic alumina price was significantly below the international price. Some smelters outside China chose to buy Chinese alumina rather than curtail production. Chinese refiners were financially incentivised to export alumina. Chinese refiners exported an estimated 239,000 tonnes of alumina in the first half of 2018, before the market re-balanced and the price arbitrage ended. If similar circumstances arise, where there is a serious alumina shortfall outside China, and there is a favourable price arbitrage, there may be more Chinese alumina exports from time to time.

Alumina supply outside China is expected to be in deficit over 2018. Demand should continue to grow and, with an eventual return of Alunorte and new production, remain reasonably balanced over the next 2 years, although possibly with increased alumina supply lagging alumina demand growth, which should underpin alumina price support.

Greenfields alumina refining capacity of up to 2.8 million tonnes is expected to start ramping-up in the United Arab Emirates and Iran in 2019 for backward integration from smelting. In June 2018 Rusal announced the re-start of its curtailed Friguia refinery in Guinea; expected to ramp up to 600,000 tonnes over 12 months.

Separately on-going Chinese Government environmental audits have led to reduced bauxite and alumina production. China's supply-side reforms to consolidate and reduce inefficient or obsolete capacity in the aluminium and other industries are continuing. As a result, only a limited volume of Chinese smelting capacity is expected to come online during the remainder of 2018 and in 2019. China's captive power reform and plans to move from coal to gas are expected to drive costs higher and delay or limit growth in the China's aluminium industry.

ALUMINIUM

The U.S. imposition in March 2018 of a 10% tariff on aluminium products had a dramatic effect on aluminium product flows and the aluminium price. Overall demand for alumina has not been adversely affected by the tariffs.

Chinese Central and some regional Governments have disclosed policies to reduce pollution by again mandating significant curtailments of alumina, aluminium and carbon anode production in selected areas during the 2018/19 winter heating season. The curtailments are due to start in November 2018 and continue until the end of April 2019 (longer than the last winter heating season). More details are due to be released. However, it appears likely that the overall measures will be stricter and cuts to energy-intensive plants will be across a wider range. In some cases, a facility meeting low emission limits may not need to cut by as much, depending on the prevailing levels of air quality. In any event, it is expected that there will be a net deficit within China of alumina supply compared with demand, as alumina cuts in affected provinces will impact on supply to smelters in provinces not covered by the cuts.

BAUXITE

Third party bauxite has remained well-supplied in 2018 and this is expected to continue into 2019, as more production comes on in Guinea and Australia. It is estimated that China imported in total over 40 million tonnes of bauxite in the first half of 2018, at a higher annualised run-rate than the 68.8 million tonnes imported into China in 2017.

There have been bauxite supply disruptions in China, which are expected to continue from on-going audits for environmental, safety, licensing and tax reasons. More inland refiners in China are actively seeking alternative supply from overseas. This has increased imports to an estimated 6.9 million tonnes of bauxite being imported into China in June 2018.

China's depleting domestic bauxite quality and strong environmental focus is expected to continue to cause refiners to consider locating new capacity in relatively decentralised provinces and use imported bauxite. Locations on the coast would avoid inland bauxite transport costs. However there have been recent environmental pressures building in coastal areas. These factors are expected, in the short to medium term, to accelerate the increase in demand for imported bauxite (or alumina) into China and to increase Chinese alumina production costs.

AWAC GUIDANCE

The following 2018 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	2018 GUIDANCE
Production – alumina	Approximately 12.4 million tonnes
Production – aluminium	Approximately 164,000 tonnes
Third party bauxite sales	Approximately 6.0 million BD tonnes
Alumina Price Index sensitivity[1]: +$10/t	Approximately +$110 million EBITDA
Caustic price sensitivity: +$100/dry metric tonne	Approximately -$90 million EBITDA
Australian $ Sensitivity: + 1¢ USD/AUD	Approximately -$20 million EBITDA
Brazilian $ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 92% for the year
AWAC sustaining capital expenditure	Approximately $205 million
AWAC growth capital expenditure	Approximately $45 million
AWAC Point Comfort after tax restructuring[2] Charges (IFRS) Cash Flows	 Approximately $40 million Approximately $40 million
AWAC Suralco after tax restructuring[2] Charges (IFRS) Cash Flows	 Approximately $10 million Approximately $40 million
AWAC Point Henry and Anglesea after tax restructuring[2] Charges (IFRS) Cash Flows	 Approximately $1 million Approximately $20 million

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

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

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 2018	HALF-YEAR ENDED 30 JUNE 2017
Sales	2,273.2	1,696.4
Sales to related parties	916.4	697.1
Total revenue	**3,189.6**	**2,393.5**
Cost of goods sold	1,969.5	1,646.8
Selling, general administrative, and research and development expenses	49.6	41.8
Provision for depreciation, depletion and amortisation	149.0	140.7
Restructuring and other expenses/(income)	(35.9)	21.8
Total expenses	**2,132.2**	**1,851.1**
Net profit before income taxes	**1,057.4**	**542.4**
Provision for taxes on income	320.4	175.3
Net profit after taxes	**737.0**	**367.1**
Members' equity		
Opening balance at start of period	**5,450.5**	**4,799.7**
Net profit	737.0	367.1
Capital contribution	345.9	214.0
Dividends paid and return of capital to partners	(961.4)	(387.2)
Common stock issued for compensation plans	2.3	2.1
Other comprehensive income/(loss)	(482.4)	386.1
Closing balance at end of period	**5,091.9**	**5,381.8**

AWAC BALANCE SHEET

	US$ MILLION	
	30 JUNE 2018	31 DECEMBER 2017
Current assets		
Cash and cash equivalents	602.9	631.9
Receivables	608.1	560.3
Inventories	602.5	530.8
Prepaid expenses and other current assets	111.9	175.6
Total current assets	**1,925.4**	**1,898.6**
Non-current assets		
Property, plant and equipment	3,414.9	3,753.9
Investments	413.5	399.1
Other assets and deferred charges	1,572.4	1,798.2
Total non-current assets	**5,400.8**	**5,951.2**
Total assets	**7,326.2**	**7,849.8**
Current liabilities		
Short term borrowings	0.4	4.6
Accounts payable	659.6	715.1
Taxes payable	233.4	190.1
Accrued compensation and retirement costs	187.6	204.3
Other current liabilities	178.7	247.7
Total current liabilities	**1,259.7**	**1,361.8**
Non-current liabilities		
Capital lease obligations and long term debt	77.3	17.5
Deferred income taxes	171.4	211.0
Other long term liabilities	725.9	809.0
Total non-current liabilities	**974.6**	**1,037.5**
Total liabilities	**2,234.3**	**2,399.3**
Net assets	**5,091.9**	**5,450.5**
Equity		
Members' equity	7,226.9	7,103.1
Accumulated other comprehensive loss	(2,135.0)	(1,652.6)
Total members' equity	**5,091.9**	**5,450.5**

AWAC STATEMENT OF CASH FLOWS

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
Cash flows from operations		
Net profit	737.0	367.1
Adjustments to reconcile net income to cash from operations		
Depreciation, depletion and amortisation	149.0	140.7
Other items[1]	(230.0)	(83.0)
Cash provided/(used) from operations	**656.0**	**424.8**
Cash flows from financing activities		
Dividends paid and return of capital to partners	(961.4)	(387.2)
Net change in debt	55.9	0.3
Capital contributions	345.9	214.0
Cash used for financing activities	**(559.6)**	**(172.9)**
Cash flows from investing activities		
Capital expenditures	(97.6)	(57.9)
Other items	6.7	3.6
Cash (used)/provided from investing activities	**(90.9)**	**(54.3)**
Effect of exchange rate changes on cash and cash equivalents	(34.5)	18.8
Cash generated/(used)	**(29.0)**	**216.4**
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	631.9	251.2
Cash and cash equivalents at the end of the period	602.9	467.6
Net change in cash and cash equivalents	**(29.0)**	**216.4**

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

RECONCILIATION OF AWAC'S US GAAP TO IFRS PROFIT

	US$ MILLION	
	HALF-YEAR ENDED 30 JUNE 2018	HALF-YEAR ENDED 30 JUNE 2017
AWAC profit before tax (US GAAP)	**1,057.4**	**542.4**
Adjustments made to align with IFRS		
Derivatives	2.6	(3.6)
Asset Retirement Obligations and Defined Benefits Plans	(8.8)	(1.4)
Other	9.9	7.5
AWAC profit before tax (IFRS)	**1,061.1**	**544.9**
AWAC provision for taxes on income (USGAAP)	**(320.4)**	**(175.3)**
Adjustments made to align with IFRS	(1.1)	0.1
AWAC provision for taxes on income (IFRS)	**(321.5)**	**(175.2)**
AWAC profit before tax (IFRS)	1,061.1	544.9
AWAC provision for taxes on income (IFRS)	(321.5)	(175.2)
AWAC profit after tax (IFRS)	**739.6**	**369.7**