

For personal use only

# Alumina Limited

## 2022 Half-Year Results

# Mike Ferraro

Managing Director and Chief Executive Officer

ALUMINA  
LIMITED

For personal use only



# Disclaimer

## **Summary Information**

This Presentation contains summary information about the current activities of Alumina Limited (ACN 004 820 419) (**Alumina**) and its subsidiaries as at the date of this Presentation. The information in this Presentation should not be considered to be comprehensive nor to comprise all the information that a reader may require in order to make an investment decision regarding Alumina securities. This Presentation should be read in conjunction with Alumina's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

## **No Offer, Recommendation or Advice**

This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian or any other law. It does not constitute an offer, invitation or recommendation to acquire Alumina securities in any jurisdiction and neither this Presentation nor anything contained in it will form the basis of any contract or commitment.

The information contained in this Presentation is not financial product advice, or any other advice, and has been prepared without taking into account any reader's investment objectives, financial circumstances or particular needs.

## **Forward-Looking Statements**

Neither Alumina nor any other person warrants or guarantees the future performance of Alumina or any return on any investment made in Alumina securities. This Presentation 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's future developments and the market outlook, are also forward-looking statements.

Any forward-looking statements contained in this Presentation are not guarantees of future performance. Such forward-looking statements involve known and unknown risks (including the key risks referred to below), uncertainties and other factors, many of which are beyond the control of Alumina and its directors, officers, employees and agents, that may cause actual results to differ materially from those expressed or implied in such statements. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina 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.

## **Key Risks**

Certain key risks that may affect Alumina, its financial and operating performance and the accuracy of any forward-looking statements contained in this Presentation 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, raw material and energy prices, 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's Annual Report 2021.

## **Past Performance**

Past performance information contained in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## **Financial Data**

All dollar values in this Presentation are in United States dollars (US\$) unless otherwise stated.

Certain financial data included in this Presentation is "non-IFRS financial information" under Australian Securities and Investments Commission Regulatory Guide 230: "Disclosing non-IFRS financial information". Alumina believes the non-IFRS financial information provides useful information to users in comparing prior periods and in assessing the financial performance and condition of Alumina. The non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should the information be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information contained in this Presentation. Where non-IFRS financial measures are contained in this Presentation, the definition of the relevant measure, its calculation method and/or a reconciliation to IFRS financial information is provided in this Presentation as appropriate or can be found in Alumina's ASX Half-Year Preliminary Report (Appendix 4D).

## **No Liability**

The information contained in this Presentation has been prepared in good faith and with due care but no representation or warranty, express or implied, is provided as to the currency, accuracy, reliability or completeness of that information. To the maximum extent permitted by law, Alumina and its directors, officers, employees and agents, and any other person involved in the preparation of this Presentation, exclude and disclaim all liability for any expenses, losses or costs incurred by any person arising out of or in connection with the information contained in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

# 2022 Half-Year – Solid Result and Increased Margin

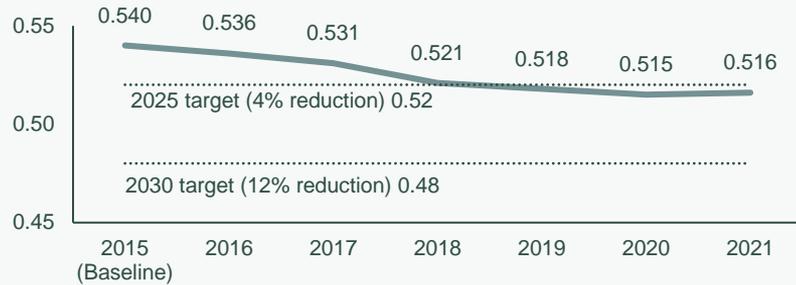


- NPAT 128% increase to \$168M
- NPAT excl significant items 73% increase to \$120M
- Higher margins driven by alumina prices despite global cost pressures
- Higher Interim Dividend of 4.2 US cps
- Decarbonisation supports strong demand fundamentals for the medium to long term

# Key Sustainability Metrics

First quartile on the global refinery emissions intensity curve

Refinery GHG<sup>1</sup> emissions intensity (t of CO<sub>2</sub>e / t of alumina<sup>2</sup>)



- Emissions intensity relatively flat
- Potential this decade for:
  - Fuel switch at Alumar
  - MVR<sup>3</sup> pilot
  - Electrical grid greening

Smelter GHG emissions intensity (t of CO<sub>2</sub>e / t of aluminium<sup>2</sup>)



- Electrical grid greening in Victoria
- Portland offshore wind farm MOU

<sup>1</sup>GHG (greenhouse gas)

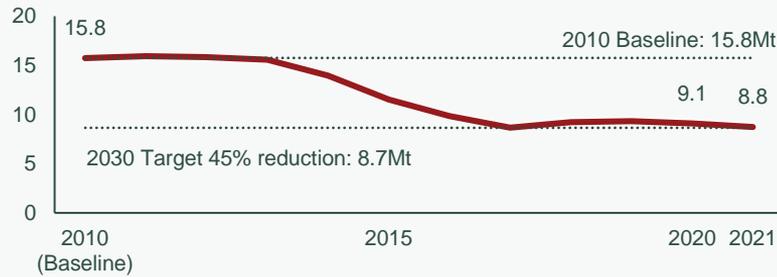
<sup>2</sup>AWAC full facility basis (scope 1 & 2)

<sup>3</sup>MVR (Mechanical Vapour Recompression)

# Key Sustainability Metrics

Reduced emissions and more renewable energy

AWAC GHG emissions (Mt of CO<sub>2</sub>e<sup>1</sup>)



- Improvements at Portland
- Decreased alumina production

Electricity (% sourced from renewable generation<sup>1</sup>)



- >5Gwh consumption<sup>1</sup>
- Electrical grid greening in Victoria

<sup>1</sup>AWAC full facility basis (scope 1 & 2)

For personal use only

# Biodiversity and Rehabilitation

A long history of stewardship

- Environmental stewardship for 60 years
- Shallow surface mining, progressive rehabilitation
- Biodiversity management
  - Individual site plans: pre-mining to rehabilitation
  - No mining of conservation reserves, old growth forests
  - 100% return of plant species at WA mines in 2020
  - Avoidance of threatened species critical habitat
  - Planted 550k native seedlings at WA mines in 2021



# Aluminium is a Key Part of the Carbon Transition

- Aluminium is a key material for solar, electric vehicles, and transmission
- Decarbonisation of the aluminium value chain requires investment in renewables
- Need policy clarity to support investment
- Government has a role in facilitating emissions reduction through:
  - Supporting a reduction in the delivered cost of clean energy
  - Scaling the breakthrough technologies



**Galina Kraeva**

Chief Financial Officer

**ALUMINA**  
LIMITED

For personal use only



**AWAC**  
2022 Half-Year Results

For personal use only



# 2022 AWAC Half-Year Results\*



## Financials



<b>\$836M</b> EBITDA	<b>\$439M</b> NPAT
(1H21: \$465M)	(1H21: \$202M)

## Alumina



<b>6.1M t@ \$304/t</b> Production/Cash Cost
(1H21: 6.4M t@\$230/t)

## Aluminium and Bauxite



<b>\$3,280/t</b> Aluminium Realised Price
(1H21: \$2,303/t)



<b>\$495M</b> CFO
(1H21: \$318M)



<b>\$398/t</b> Alumina Realised Price
(1H21: \$290/t)



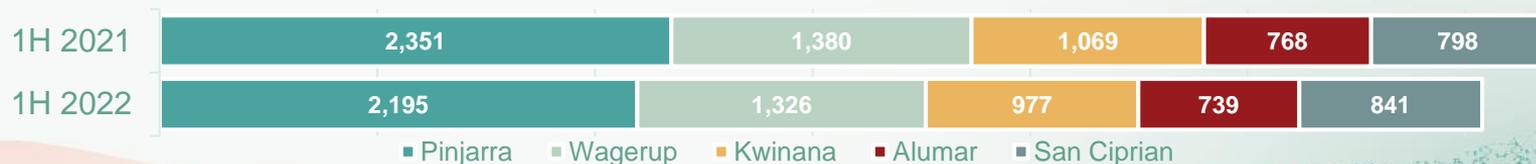
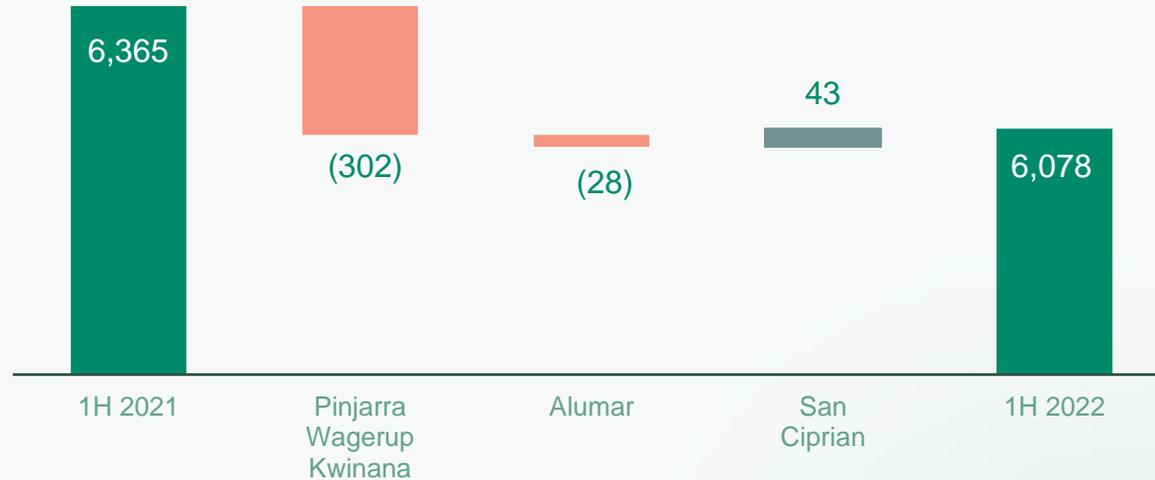
<b>18.0M t</b> Bauxite Production
(1H21: 20.6M t)

\* USGAAP

For personal use only

# AWAC Alumina Production (Kt)

For personal use only



# AWAC Alumina Realised Price

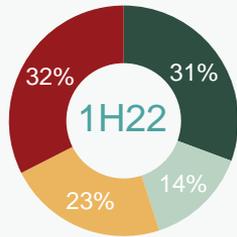
Realised price and API (1m lag) - (\$/t)



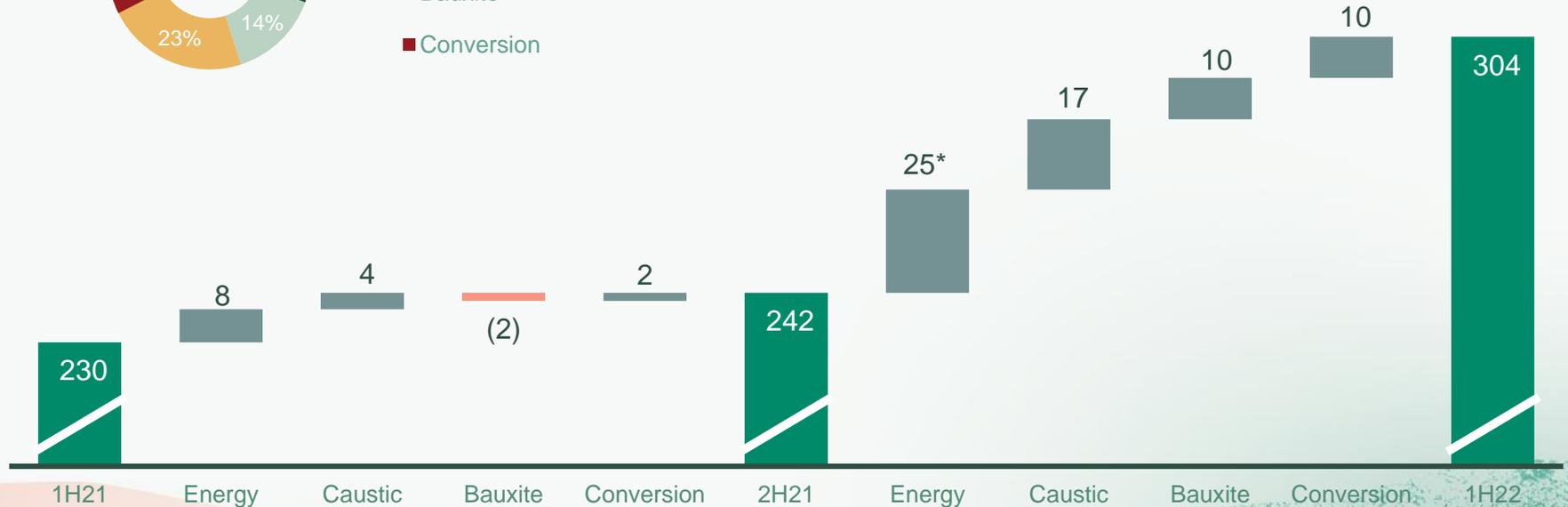
# 1H22 AWAC Alumina Cash Cost (\$/t)

Increased \$74/t from 1H2021

For personal use only



- Energy
- Caustic
- Bauxite
- Conversion



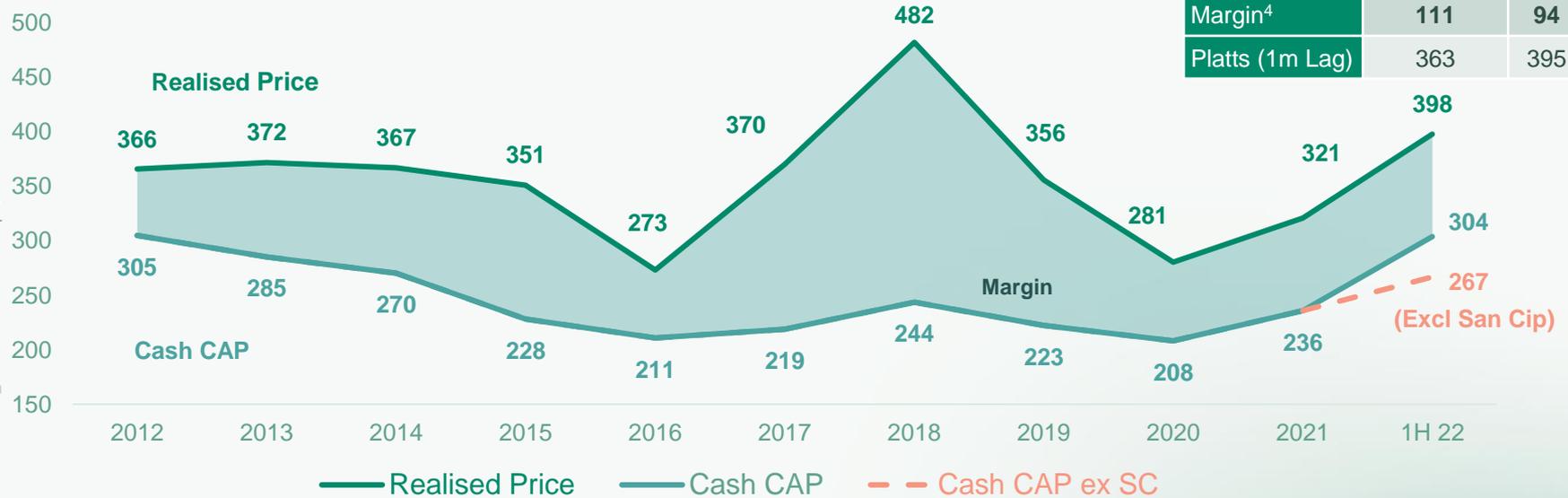
\*More than 80% is attributable to the increase in European gas prices

# AWAC Adjusted Margin



Adjusted<sup>1</sup> price, cash cost, and real prices<sup>2</sup>

	2012- 2021 <sup>3</sup>	1H22
Realised Price	354	398
CAP	243	304
Margin <sup>4</sup>	111	94
Platts (1m Lag)	363	395



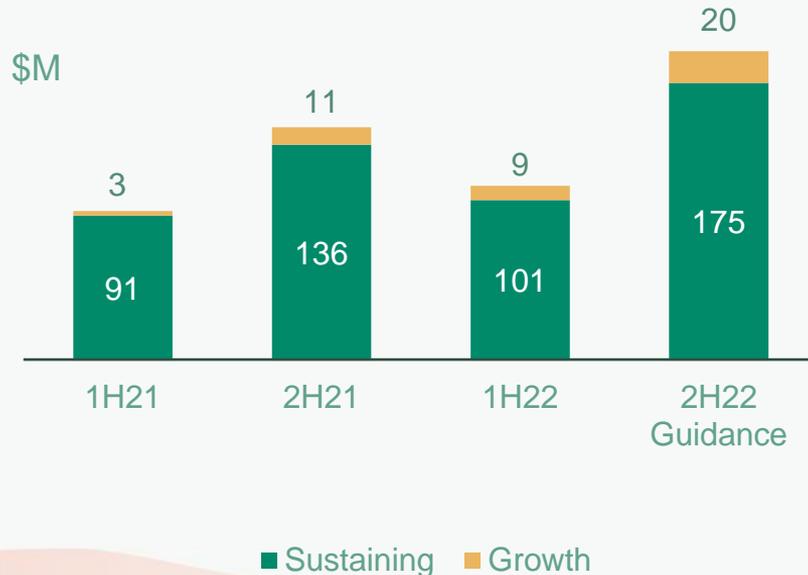
<sup>1</sup>Refer to slide 30 in the appendix for details on how adjustments have been made

<sup>2</sup>2012-2021 figures in real 2021 dollars

<sup>3</sup>Averages as calculated for 2012-2021. Median Margin for same period was \$92/t and if highest and lowest margin were excluded average would be \$101/t

<sup>4</sup>Margin calculated as realised price minus cash cost of production

# AWAC Capital Expenditure and Significant Projects



## CAPEX 1H 2022

- Tailings and residue storage areas – Juruti and Alumar
- Juruti mine move

## CAPEX 2H 2022 Forecast

- Tailings and residue storage areas – Juruti, Alumar and Pinjarra
- Juruti mine move
- Debottlenecking at Alumar
- Mechanical Vapour Recompression preliminary stage
- Favourable AUD FX effect on 2nd half guidance

# 2022 Full Year AWAC Outlook

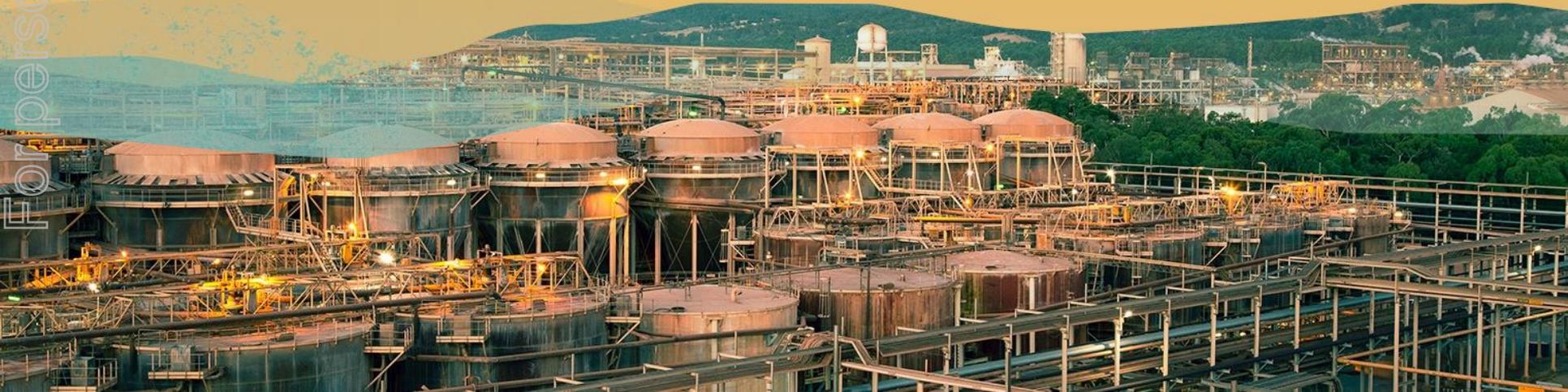


Item		1H Actual	2022 Outlook	Change from February Outlook
Production (Mt)	Alumina	6.1	12.1-12.2	↓ 0.6-0.7
Production (kt)	Aluminium	75	160	↓ 5
3 <sup>rd</sup> Party Shipments– Bone Dry Tonnes (M bdt)	Bauxite	1.4	3.0	↓ 2.3
Cash Items(\$M)	Sustaining Capex	101	~275	↓ 25
	Growth Capex	9	~30	↓ 10
	Restructuring Related Items	27	~70	-
	Tax Payments related to prior year	120	120	-

For personal use only

# Alumina Limited 2022 Half-Year Results

For personal use only



# Alumina Limited

2022 half-year results



For personal use only



- NPAT  
\$167.9M increasing 128%  
(1H21: \$73.6M)
- NPAT excl significant items  
\$119.6M increasing 73%  
(1H21: \$69.2M)
- Interim dividend:  
4.2 US cps, 5-year avg yield of 7.4%  
(1H21: 3.4 US cps)
- Gearing ratio: Cash positive in 1H22  
(2021: 3.2%)

# Market Review and Outlook

For personal use only



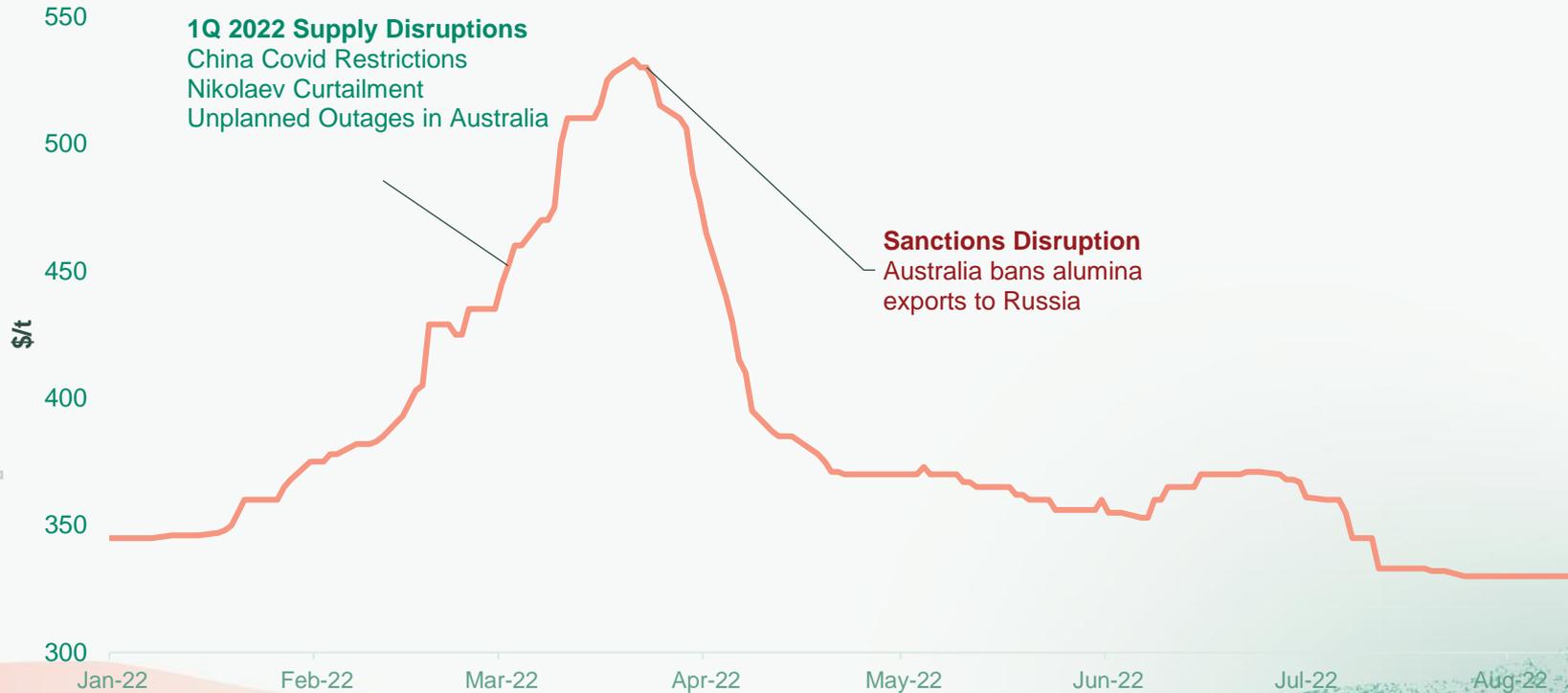
# Alumina Spot Prices (API) React Sharply and Promptly to Supply Disruptions



For personal use only

# Strong API During 1H 2022, Averaging \$396/t

For personal use only



# Supply Disruptions Reduced Ex-China SGA\* Surplus

For personal use only

## 2022 Ex-China SGA Balance Before Australian Ban (M t)



Estimated Surplus at Feb 22

Nikolaev Shutdown

Other Operational Issues & Project delays

Smelting Disruptions & Delays

Demand Disruption

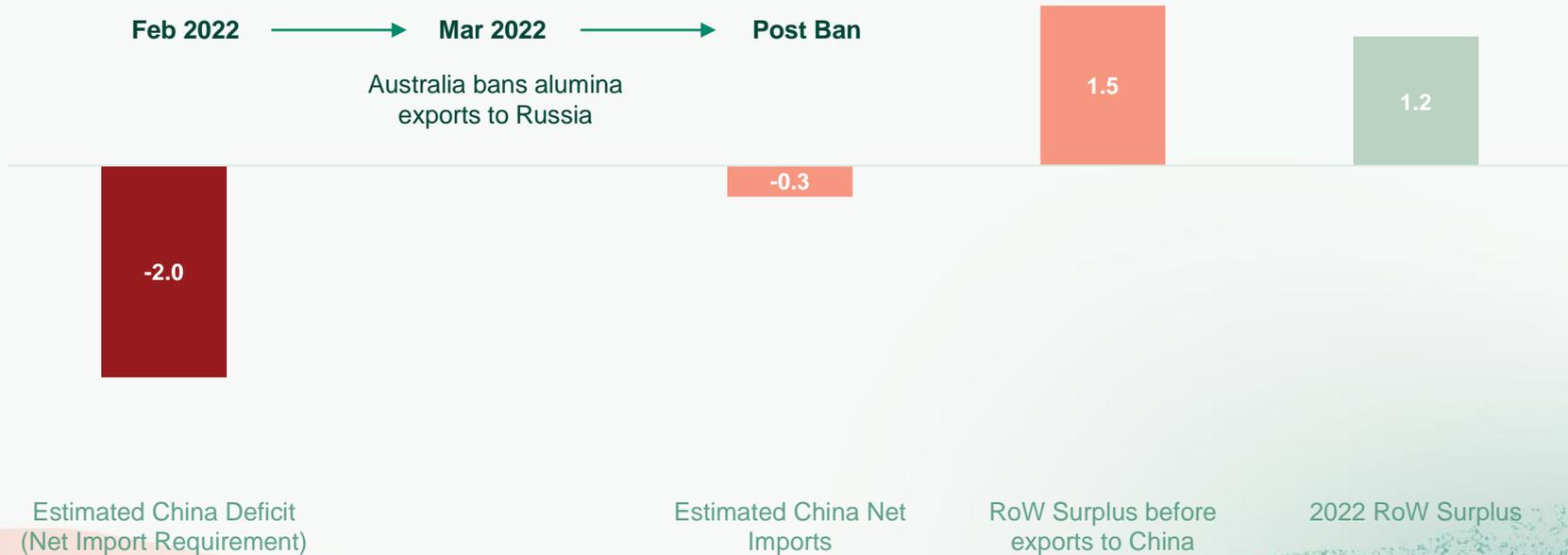
Surplus before exports to China

\*Smelter Grade Alumina

# Australian Ban on Alumina Exports to Russia Prompted Chinese Alumina Export and Regional Excess in the Pacific

For personal use only

2022 Ex-China SGA Balance Post Australian Ban (million t)



Estimated China Deficit (Net Import Requirement)

Estimated China Net Imports

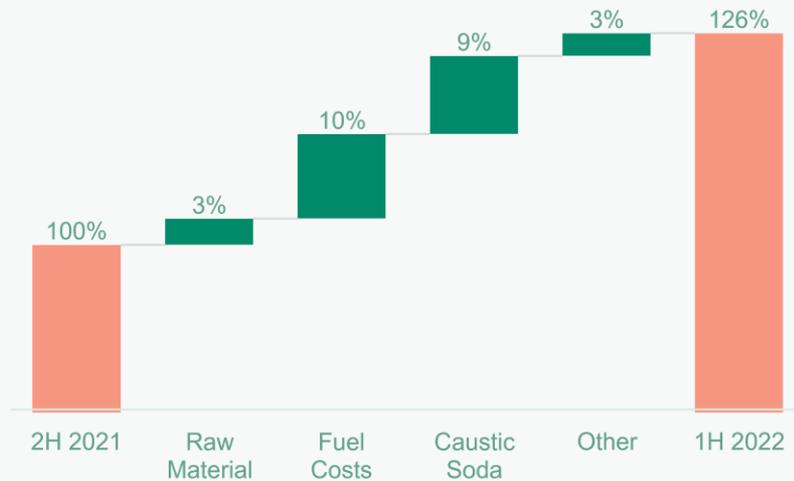
RoW Surplus before exports to China

2022 RoW Surplus

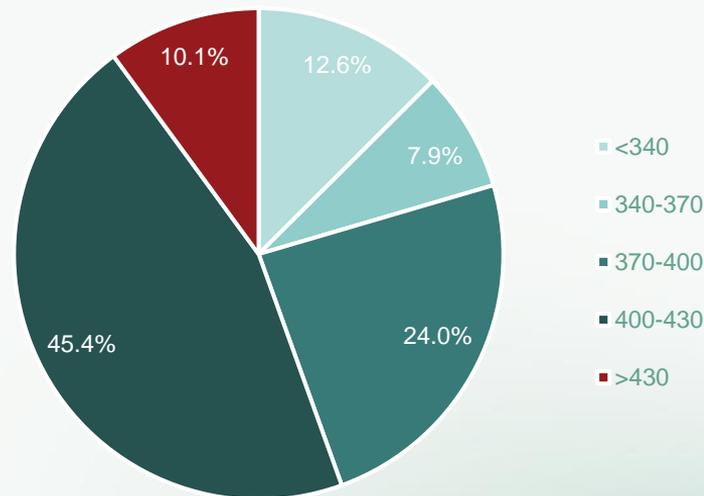
# RoW Alumina CAP up by 26% from Previous Half

For personal use only

**RoW alumina CAP**



**Jun 2022 Chinese Cash Cost (US\$/t, post VAT)**



Source: CRU -Site Costs, July 2022

Source: CM Group, July 2022

# Lower Australia to China Handysize Freight Lifting China Import Parity Price

For personal use only

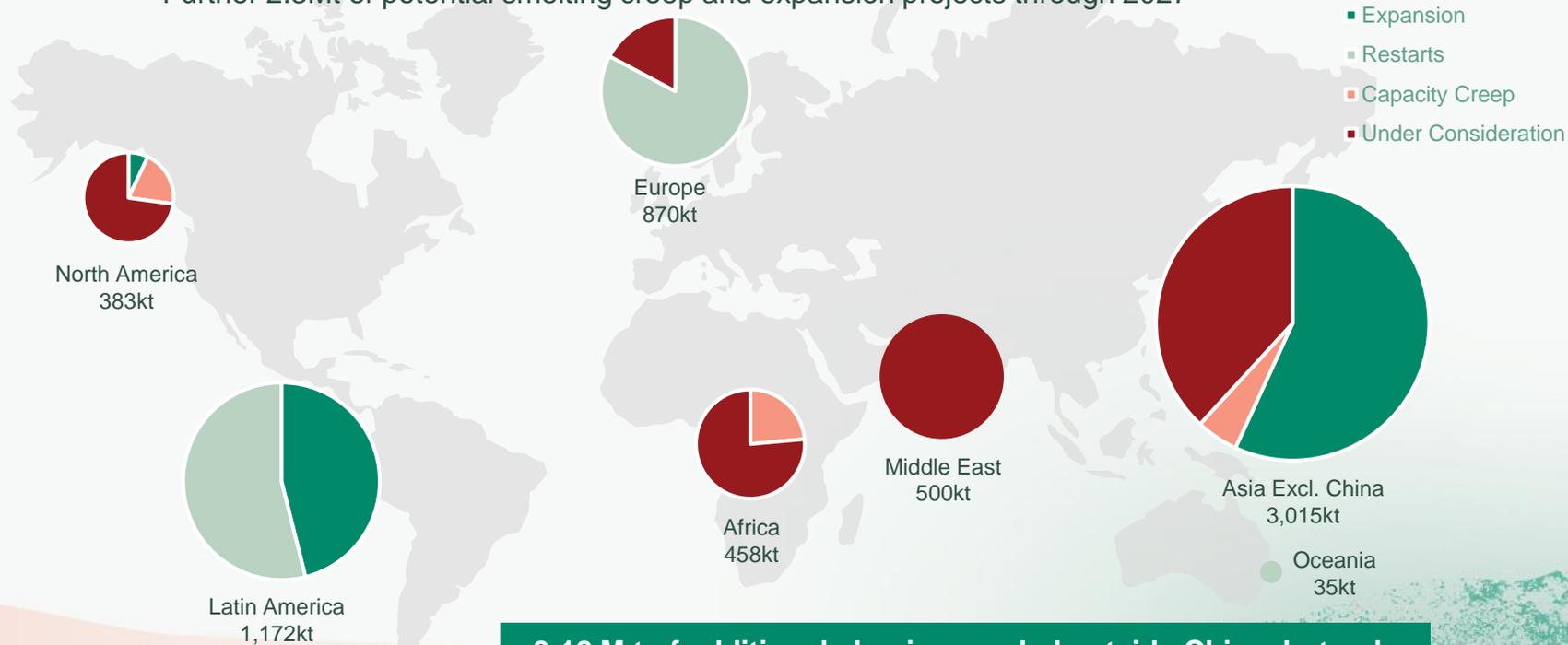
Handysize Freight (Australia – China)



# Strong Aluminium Production Growth Outside China (2022-2027) **ALUMINA** LIMITED

Looming deficit of alumina in this decade outside China

- 4Mt of expected smelting expansion and restarts in next 5 years
- Further 2.3Mt of potential smelting creep and expansion projects through 2027



**8-12 M t of additional alumina needed outside China, but only 3 M t of additional production committed**

# Market Summary and Outlook



## Alumina Market

- Supply disruptions underpinned high alumina prices in 1H 2022
- Russia-Ukraine conflict pushing up raw material and energy prices
- Australia ban on alumina exports to Russia prompted high-cost Chinese alumina export and excess alumina in the Pacific



## Market Outlook

- Price support expected through on-going high costs, particularly energy and bauxite
- Potential for bauxite supply constraints from Indonesia and Guinea in 2H could lead to Chinese alumina production curtailment
- On-going alumina production supply risks could result in spot shortages and price spikes

For personal use only

## Actions on Climate Change

- AWAC now derives 36% of its electricity from renewable generation
- In 2021, AWAC planted 550,000 native jarrah forest plants at the Huntly and Willowdale mines



# Appendix

For personal use only



# AWAC Margin – Unadjusted vs Adjusted

Margin over the past 10 years unadjusted in nominal prices (US\$/t)

Margin over the past 10 years adjusted in real prices in 2021<sup>1</sup> dollars (US\$/t)

For personal use only

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021 <sup>5</sup>
Realised Price	304	308	305	296	242	335	447	336	268	321	316
CAP	273	258	249	216	191	198	226	210	199	236	226
Margin <sup>4</sup>	31	50	56	80	51	137	221	126	69	85	91
Platts (1m Lag)	317	327	328	314	243	349	473	344	270	324	329

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021 <sup>5</sup>
Realised Price <sup>2</sup>	366	372	367	351	273	370	482	356	281	321	354
CAP <sup>3</sup>	305	285	270	228	211	219	244	223	208	236	243
Margin <sup>4</sup>	<b>61</b>	<b>87</b>	<b>97</b>	<b>123</b>	<b>62</b>	<b>151</b>	<b>238</b>	<b>134</b>	<b>72</b>	<b>85</b>	<b>111</b>
Platts (1m Lag)	374	380	375	359	274	385	510	364	282	324	363

<sup>1</sup>CAP and realised price have been adjusted and indexed and all figures converted to real 2021 dollars

<sup>2</sup>Realised price for 2012-2015 has been adjusted to replicate more recent percentage of API contracts

<sup>3</sup>Prior to 2016 the CAP included high-cost refineries that are no longer part of the portfolio and as such have been removed from the calculated CAP.

<sup>4</sup>Margin calculated as realised price minus cash cost of production

<sup>5</sup>Average as calculated for 2012-2021

# AWAC Sensitivities

For personal use only

Item		2022 Sensitivities
EBITDA Sensitivities	API +/- \$10/t	Approx. +/- \$110M
	Caustic +/- \$10/dmt	Approx. +/- \$10M
	AUD/USD +/- 1c	Approx. +/- \$23M
	USD/BRL +/- 10¢	Approx. +/- \$5-6M
	Brent Oil +/- \$1/bbl	Approx. +/- \$2M

# Alumina Ltd Share Price / Dividend History



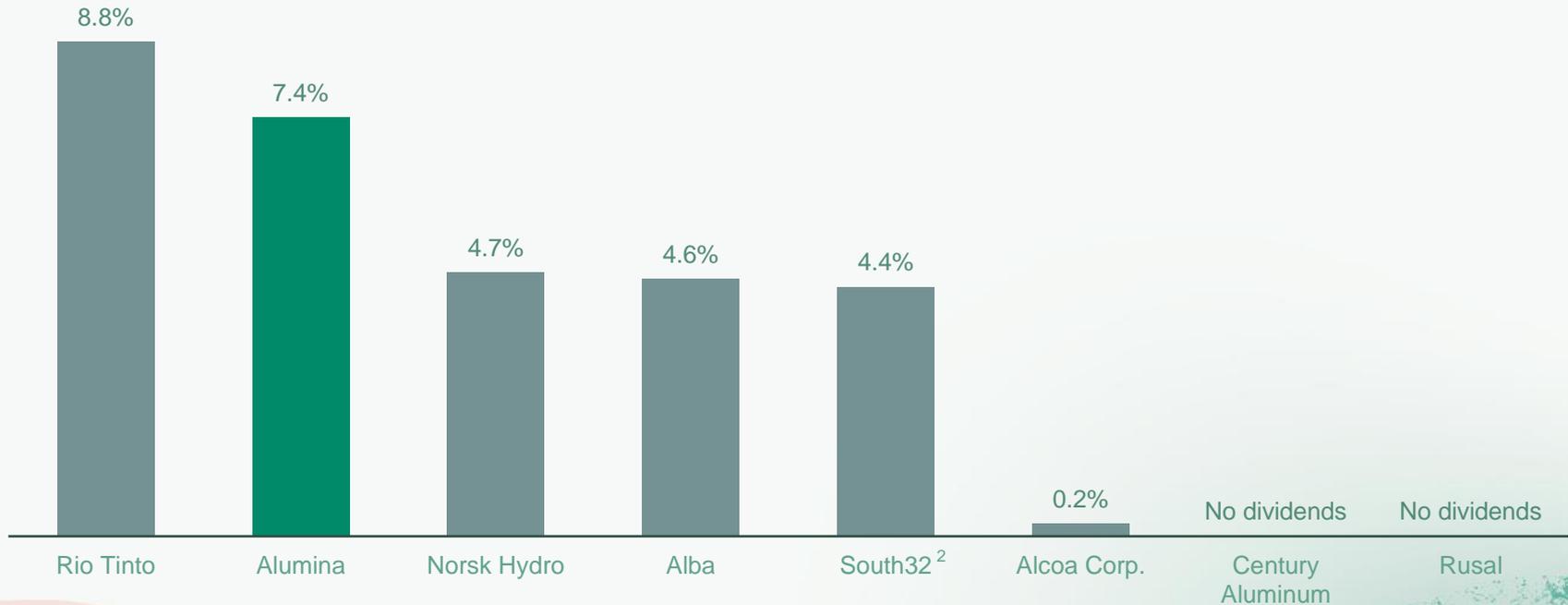
For personal use only



# Alumina Ltd vs Peers Avg Dividend Yield<sup>1</sup>

(Past five calendar years, excl franking credits)

For personal use only



Notes: <sup>1</sup> Dividend yield calculated as the average dividend declared from 24-Aug-17 to 11-Aug-22 divided by the average share price during that period

<sup>2</sup> South 32 FY22 dividend assumed to be US\$0.095 per share as per broker consensus

# Bauxite Production

## Third Party Shipments

**1H22: 1.4M bdt**  
(1H21: 2.6M bdt)

## Cash Cost of Mining

**1H22: \$13.1/bdt**  
(1H21: \$11.2/bdt)



\*The sale of AWAC share of MRN was completed in April 2022

# AWAC Significant Items (\$US million)

For personal use only

Net Profit after Tax	\$438.9	<u>Significant items:</u>	EBITDA	\$836.1
	\$(121.0)	Change in fair value of energy Contracts		\$(121.0)
	\$(44.1)	Reversal of derecognised VAT credits in Brazil		\$(53.0)
	\$35.5	Loss on MRN Sale		\$35.5
	\$8.7	Other		\$9.2
Net Profit after Tax Excluding Significant Items	\$318.0		EBITDA Excluding Significant Items	\$706.8

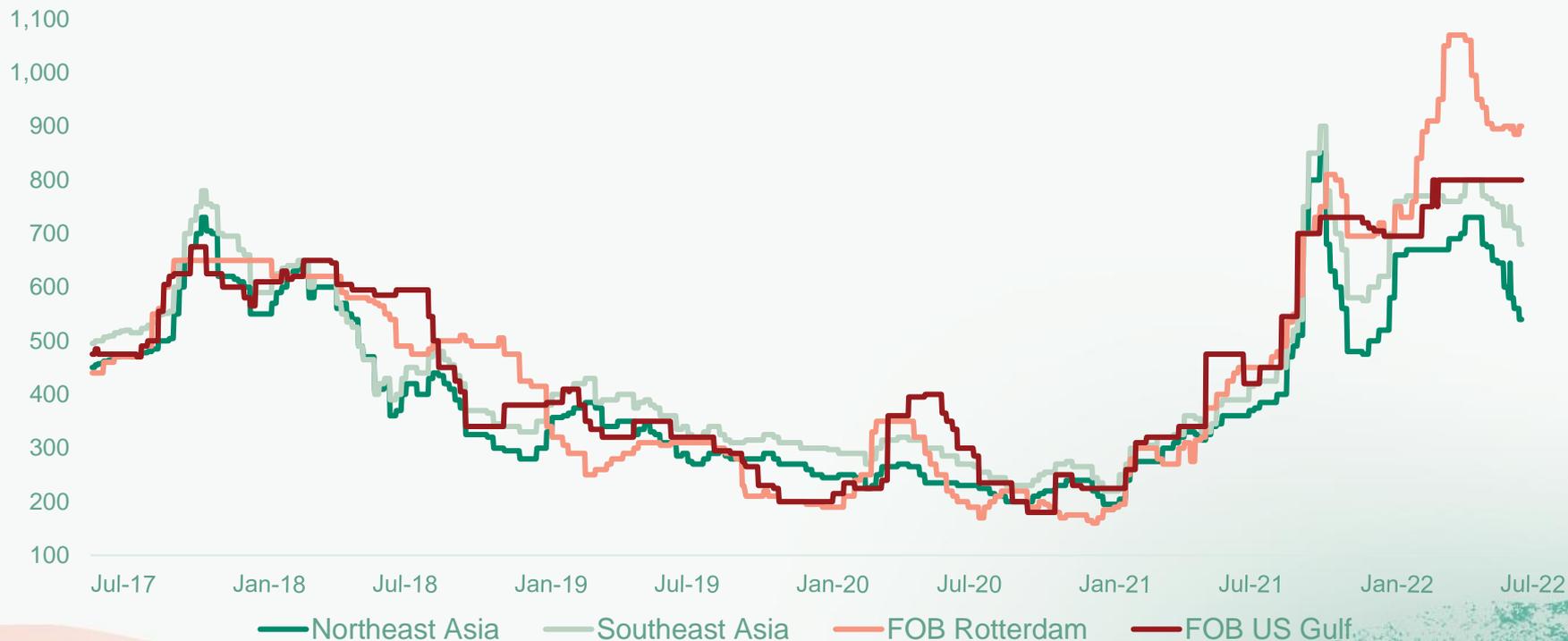
# Alumina Limited Significant Items (\$US million)

<b>Net Profit after Tax</b>	<b>\$167.8</b>
Significant Items:	
Change in fair value of energy Contracts	\$(48.4)
Reversal of derecognised VAT credits in Brazil	\$(17.6)
Loss on MRN Sale	\$14.2
Other	\$3.5
<b>Net Profit after Tax Excluding Significant Items</b>	<b>\$119.5</b>

# Caustic Soda Prices

Caustic price sensitivity +/- \$10/t: approximately +/- \$10M EBITDA - (US\$/t)

For personal use only



# Brent Oil Prices

US\$/bbl

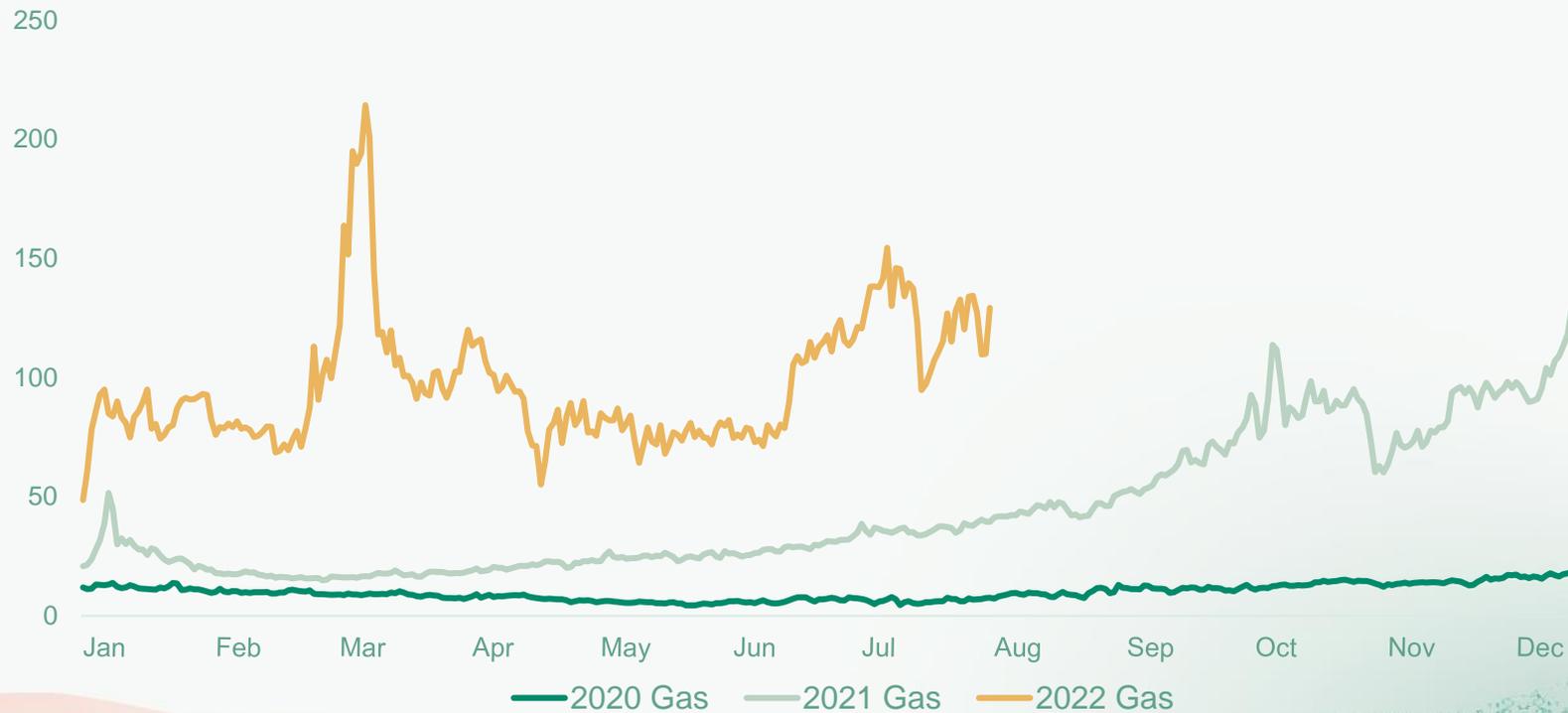


For personal use only

— Brent crude (spot)

# European Gas Prices

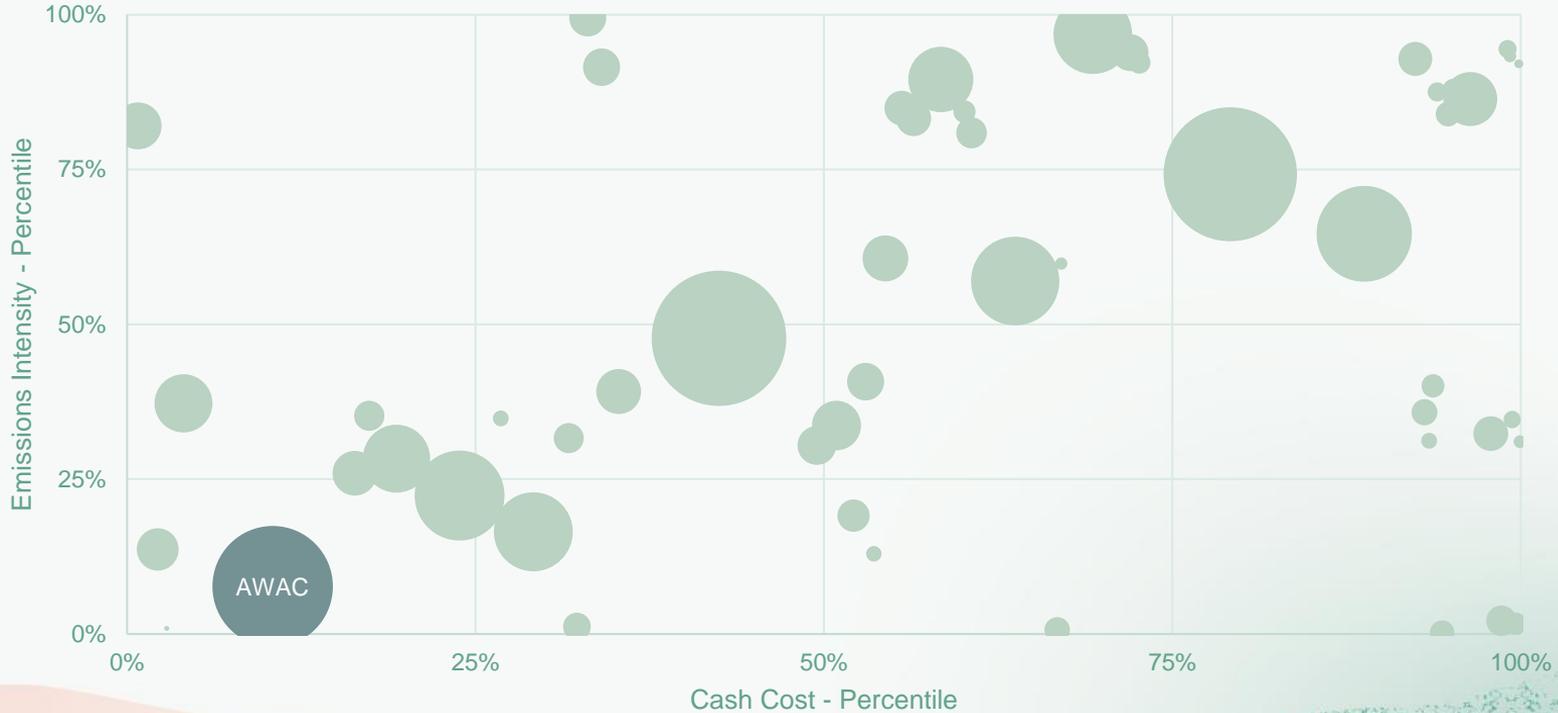
MIBGAS, Eur/Mwh



For personal use only

# AWAC Remains a Low-Cost, Low Emission Intensity Producer, Despite Cost Challenges in the First Half

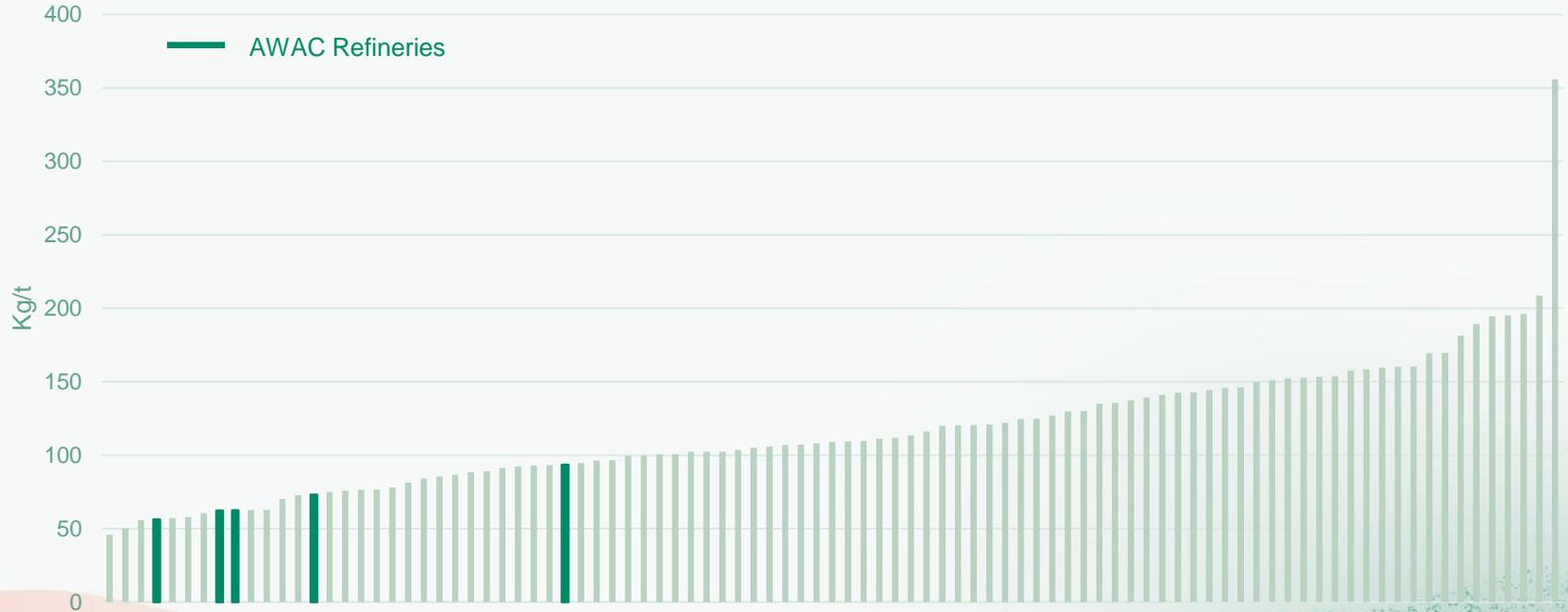
For personal use only



# AWAC Refineries are Less Exposed to High Caustic Prices due to Lower Usage

For personal use only

Caustic Soda Usage by Refinery 2022



# Chinese Alumina Production Increasingly Dependent on Imported Bauxite, Exposed to Higher Prices

For personal use only

