

# Alcoa Corporation

## Second Quarter 2026 Earnings Presentation and Conference Call

July 16, 2026, 5:00 PM EDT

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## PRESENTATION

### Operator

Good afternoon and welcome to the Alcoa Corporation Second Quarter 2026 Earnings Presentation and Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Louis Langlois, Senior Vice President of Treasury and Capital Markets. Please go ahead.

### Louis Langlois

Thank you, and good day everyone. I'm joined today by William Oplinger, Alcoa Corporation President and Chief Executive Officer, and Molly Beerman, Executive Vice President and Chief Financial Officer. We will take your questions after comments by Bill and Molly.

As a reminder, today's discussion will contain forward-looking statements relating to future events and expectations that are subject to various assumptions and caveats. Factors that may cause the company's actual results to differ materially from these statements are included in today's presentation and in our SEC filings.

In addition, we have included some non-GAAP financial measures in this presentation. For historical non-GAAP financial measures, reconciliations to the most directly comparable GAAP financial measures can be found in the appendix to today's presentation. We have not presented quantitative reconciliations of certain forward-looking non-GAAP financial measures for reasons noted on this slide. Any reference in our discussion today to EBITDA means Adjusted EBITDA.

Finally, as previously announced, the earnings press release and slide presentation are available on our website.

Now I'd like to turn over the call to Bill.

### William Oplinger

Thank you, Louis, and welcome to our second quarter 2026 earnings conference call. Today, we'll review our second quarter performance, discuss our markets, and provide an update on strategic initiatives, including the previously announced acquisition of South32's upstream aluminum value chain assets.

Starting with safety, our top priority, our performance remains stable and we continue to see improving trends with key injury metrics declining on a 12-month rolling basis. We are maintaining a strong focus on operational discipline, leadership presence in the field, and fatality risk management to sustain our progress. We have initiated an effort to eliminate fatality risks associated with live work from our operations and expanded our global fatality prevention team to further strengthen our safety culture and risk management capabilities.

Operationally, we delivered another quarter of stable and reliable performance across most of our system. Our focus on operational excellence resulted in year-to-date production records at four smelters and one refinery. Sequentially, we increased primary aluminum production by 30,000 metric tons, including the completion of several restarts and achieved the highest year-to-date shipment volume at the Alumar smelter since its 2022 restart. This allowed us to fully benefit from higher metal prices during the quarter. We also achieved significant labor relations milestones in the quarter, securing multi-year collective agreements through 2030 with the AWU in Western Australia and with the United Steelworkers for our two US smelters and the ABI smelter in Québec.

We also successfully concluded negotiations in Norway and at Alumar in Brazil. These agreements provide important workforce stability and support our long-term operating plans.

Strategically, we continue to advance initiatives that strengthen and grow our business. In May, we announced a \$65 million investment to expand the Mosjøen casthouse in Norway. The project will increase annual production capacity by up to 75,000 metric tons while adding the capability to incorporate post-consumer recycled aluminum into the casting process, further enhancing our value-added product portfolio.

Just a few days ago, we announced the final investment decision to construct a gallium production facility to be co-located at our Wagerup alumina refinery in Western Australia. Largely funded by the governments of Australia, Japan, and the United States, this facility will create a new Western-aligned source of a critical mineral which supports semiconductor, advanced manufacturing, and defense supply chains. It also reinforces the strategic importance of Alcoa's Australian refining assets beyond aluminum production alone.

Last and most importantly, we announced the largest transaction for Alcoa Corporation, the strategic acquisition of South32's interest in bauxite, alumina, and aluminum assets, which we will refer to as AliGroup. This acquisition is about creating long-term shareholder value. First, the strategic fit is compelling. We're bringing together highly complementary assets that are mostly in close geographic proximity to our existing portfolio. This creates opportunities to improve performance by leveraging our combined expertise and scale.

Second, the acquisition unlocks significant value through synergies. We have identified approximately \$900 million of net present value synergies, including roughly \$50 million of run rate cost savings starting in the first year following closing. These synergies are backed by numerous

initiatives identified during due diligence by our subject matter experts. The estimates are not high-level consultant projections. They're each highly actionable and based on areas where Alcoa has a demonstrated track record of execution.

Third, the acquisition delivers compelling financial results. These assets enhance our ability to generate stronger cash flow through the cycle and improve our position on the global alumina and aluminum cost curves. We expect the acquisition to be accretive to our earnings per share and cash flow metrics immediately after close with additional upside as synergies are captured over time.

Let me provide some additional context on the transaction based on questions we have received from investors. About our rationale for the mix of cash and equity considerations, \$3.1 billion and \$1 billion, respectively, in our view, the stock consideration as well as the contingent value right provides for risk-sharing between the buyer and seller. Commodity prices can and will change, and we believe this structure adapts to that dynamic, mitigating Alcoa's exposure to those market-driven value changes.

This results in a fair transaction, one that is appreciated by both sets of shareholders. In addition, Alcoa shares not distributed to South32 shareholders must be liquidated in an orderly manner to mitigate volatility from South32's liquidation. The agreement prevents South32 from selling shares in excess of 20% of our average daily trading volume on any one trading day for three months following completion. Considering our leverage post close, we set the cash consideration to a level that allows us to limit debt and not exceed a leverage ratio of 2.0 times, based on recent pricing. Both Moody's and S&P recently affirmed Alcoa's current credit ratings and outlook based on the pro forma transaction. Additionally, we want to clarify certain elements of the transaction structure, which includes three important components: the locked box, the ticking fee, and the contingent value right or CVR.

Starting with the locked box, this structure allows Alcoa to benefit from the cash flow generated by the acquired assets going back to April 1, 2026. As the assets generate cash, those amounts accrue to Alcoa and offset the cash consideration to be paid at closing. Based on publicly available information, we estimate the locked box to hold more than \$200 million as of June 30, 2026. This value will fluctuate until closing, but it gives a sense of the magnitude this mechanism could generate for Alcoa.

Second, there is a ticking fee. Beginning after South32 shareholder approval in October or November, we will pay a negotiated 5% annualized fee on the \$3.1 billion cash consideration to compensate

South32 for its cost of capital. We estimate approximately \$80 million to \$100 million in ticking fees to be paid at closing.

Third, there is a CVR that aligns revenue-sharing with market performance. If alumina or aluminum prices exceed agreed thresholds, South32 can participate in a portion of that upside, up to a maximum of \$750 million over four years. Between July 1 and closing of the transaction, market prices will impact the calculation of both the locked box and the CVR. If markets remain strong, Alcoa benefits through higher earnings and cash flow from these assets in the locked box. And if markets are exceptionally strong, we will retain most of the value for our shareholders while a portion of that value will be shared with South32 through the CVR that is capped at \$750 million.

The acquisition strengthens our leadership position in the upstream value chain. We expect to increase our annual production capacity by approximately 5.2 million metric tons of alumina, a pro forma 53% increase, and approximately 900,000 metric tons of primary aluminum, a pro forma 37% increase. The transaction represents a meaningful expansion of our portfolio in markets where we continue to see attractive long-term fundamentals.

At our Investor Day last year, we outlined our long-term view that the world will need more alumina and more aluminum driven by electrification, grid investment, transportation, packaging, and broader industrial growth. That thesis has not changed. Over the next decade, we expect primary aluminum demand outside of China to grow by approximately 7 million metric tons while alumina demand is expected to increase by approximately 18 million metric tons. These are significant growth opportunities, particularly in regions where customers increasingly value secure, reliable, and sustainable supply.

The challenge is that new supply will be difficult and expensive to bring online. While we expect additional capacity to be built through restarts and expansions, the capital required to develop new refining and smelting capacity today is substantially higher than historical costs, especially when you compare with past expansions in China. That's where the acquisition of the AliGroup assets is particularly attractive. Rather than spending years developing new assets, we are acquiring high-quality, large-scale operations that are already producing and integrated into the value chain.

Importantly, we are acquiring that capacity to a valuation that is well below replacement cost. Simply put, the acquisition allows Alcoa to participate more fully in the long-term growth of the aluminum industry

through acquiring assets that would be difficult, time-consuming and more costly to replicate today.

Now, I'll turn it over to Molly to take us through the financial results.

**Molly Beerman**

Thank you, Bill. Revenue increased by 24% to \$4 billion, which is the highest quarterly revenue in Alcoa Corporation's almost 10-year history. In the Alumina segment, third-party revenue decreased by 3% to \$637 million on lower volumes and price from bauxite offtake and supply agreements. Alumina shipping volumes were flat sequentially as higher shipments from Wagerup were mostly offset by lower trading activity and operational stability issues at the Pinjarra refinery in the second quarter.

In the Aluminum segment, third-party revenue increased by 31% to \$3.3 billion due to higher shipments, an increase in average realized third-party price, and higher value-add product premiums. Aluminum shipments increased 113,000 metric tons sequentially, reflecting higher production from capacity restarts at San Ciprian, Alumar, Lista, and Portland; volumes repositioned in the first quarter and sold in the second quarter, improving shipment performance and typical seasonal uplift after the first quarter low point.

Second quarter net income attributable to Alcoa was \$407 million versus the prior quarter of \$425 million, with earnings per common share decreasing to \$1.53 per share. On an adjusted basis, net income attributable to Alcoa was \$562 million, up \$189 million from the first quarter. This increase resulted primarily from higher aluminum prices and shipments, partially offset by unfavorable currency impacts due to the absence of gains recognized in the first quarter, unfavorable energy impacts, and unfavorable production costs in the Alumina segment. These impacts exclude \$155 million of special items primarily related to mark-to-market changes on the Ma'aden shares.

Adjusted EBITDA was \$901 million. We delivered a strong quarter operationally and financially. While our reported results were modestly below consensus, the variance was driven by lower than expected aluminum price realization late in the quarter as LME prices declined sharply in the final two weeks of June.

Our annual pricing sensitivities, which are based on a 15-day lag for simplicity, do not account for the steep changes near quarter end. Importantly, this does not change the underlying strength of the business or the quality of our operational execution. We remain focused on providing transparent insight, especially in periods of heightened price volatility.

Now, let's look at the key drivers of EBITDA. Adjusted EBITDA increased \$306 million sequentially to \$901 million on record results in the Aluminum segment. The Alumina segment adjusted EBITDA decreased \$56 million on higher production costs and unfavorable cost absorption mainly at the Pinjarra refinery due to operational instability experienced during the quarter and higher fuel oil and diesel prices. The Aluminum segment adjusted EBITDA increased \$379 million primarily due to metal prices, including LME and regional premiums, higher aluminum shipping volumes, and improved margins from higher value-add product mix and premiums.

We delivered on opportunities as customers in North America and Europe sought alternate supply after disruptions to Middle East suppliers. In the second quarter, the Aluminum segment delivered record segment adjusted EBITDA of \$1.1 billion and EBITDA margin of 32.3%. This reflects not only the benefit of higher metal prices, but also our ability to convert strong market conditions into bottom line performance. Key contributors to the sequential performance were stable operations and disciplined cost management; effective production ramp up adding approximately 25,000 metric tons; flexible casting capacity, which converted approximately 30,000 metric tons of prime metal into value-add product shipments with the added product premium; and overall strong shipping performance with 726,000 metric tons delivered.

Moving on to cash flow activities for the second quarter, we ended June with a strong cash balance of \$1.4 billion, supported by \$422 million of free cash flow generation. Cash from operations was \$608 million, anchored by strong EBITDA, partially offset by an increase in working capital, mostly from higher metal prices and accounts receivable. This enabled the company to redeem the remaining \$219 million of our 2028 notes on May 15 at par value. This is aligned with our previously stated goal to delever and further strengthen our balance sheet. Cash tax payments of \$152 million primarily related to payment of prior period income taxes in Australia. Net payments on debt also included payments on short-term borrowings associated with inventory repositioning in the first quarter.

During the second quarter, the company contributed \$24 million to the gallium joint venture as a final investment decision was reached between the partners. This is Alcoa's only expected contribution to the joint venture.

Turning to our key financial metrics for the second quarter and the first half of 2026, return on equity through the first half of the year was 26.4%. Through the first half, we have returned \$53 million in cash to

shareholders through our regular quarterly dividend. Supported by strong free cash flow generation in the first half of 2026, we ended June with a cash balance of \$1.4 billion and adjusted net debt of \$1.4 billion, within the top end of our adjusted net debt target range. This the result of consistent, stable operational and commercial performance and disciplined capital allocation. It positions us well to optimize the financing mix for the AliGroup acquisition.

Turning to the outlook, we are lowering our full year alumina production and shipment expectations to 9.5 million metric tons to 9.6 million metric tons and 11.5 million metric tons to 11.6 million metric tons, respectively, due primarily to challenges at the Pinjarra refinery during the second quarter. The operation was experiencing instability in late March, which was further complicated when the supply of natural gas was disrupted by Cyclone Narelle, forcing the site to reduce process flow. While the refinery has since returned to stable operations and is performing well, we do not expect to fully recover the production and shipment volumes that were lost during the second quarter. We are increasing our full year outlook for other corporate expenses to approximately \$180 million primarily reflecting unfavorable currency impacts and costs related to certain strategic initiatives. We are also increasing our full year depreciation expense to approximately \$660 million primarily due to currency impacts and changes in asset lives at certain bauxite mining operations.

For the third quarter at the segment level, Alumina segment performance is expected to be net favorable by approximately \$10 million due to recovered stability at the Pinjarra refinery, lower energy prices primarily diesel and fuel oil, partially offset by planned maintenance at the Alumar refinery and Juruti mine. Aluminum segment performance is expected to be flat as improved productivity from the higher production levels and operating efficiencies fully offset higher carbon prices and seasonally lower third-party energy sales in Brazil. Based on recent pricing and expected lower shipments, which exclude the 30,000 tons repositioned in the first quarter and sold in the second quarter, Section 232 tariff costs on US imports of aluminum from Canada are expected to decrease by approximately \$10 million.

Alumina costs in the Aluminum segment are expected to be unfavorable by \$10 million. Below EBITDA, other expenses in the second quarter included unfavorable currency impacts of approximately \$5 million, which may not recur. Based on recent pricing, the company expects third quarter operational tax expense to approximate \$80 million to \$90 million.

Now, I'll turn it back to Bill.



**William Oplinger**

Thanks, Molly. During the quarter, alumina prices remained relatively stable despite ongoing geopolitical disruptions in the Middle East. We continue to see a divergence between China and ex-China markets. In China, higher consumption and refinery disruptions kept the market relatively tight. Demand outpaced supply growth, supporting domestic alumina prices driving imports. At the same time, SHFE prices remained elevated amid continued uncertainty around Guinea's bauxite exports.

Outside China, conditions remain more challenging. Middle East disruptions have reduced demand and weighed on refinery margins while supply adjustments have not yet fully rebalanced the market. Looking ahead, new smelting capacity in Indonesia and anticipated smelter restarts in the Middle East should increase alumina demand and move the ex-China market toward a better balance in the second half of the year. For Alcoa, our focus remains on what we can control: operating reliably, serving our customers, and remaining well-positioned to capture value when markets improve.

During the quarter, the Pinjarra refinery returned to stable operating rates following the challenges experienced earlier this year and Alumar continued to deliver strong operational performance. Importantly, the disruptions in the Middle East have not impacted our long-term alumina sales contracts as volumes continue to move and we maintain our strong customer relationships.

Moving on to aluminum, while LME has returned to pre-Middle East conflict levels following a macro-driven correction, aluminum fundamentals remain strong. The market remains tight, inventories are low, the global market is still expected to be in deficit this year, and a meaningful amount of Middle East production remains offline with uncertain restart timelines. Demand continues to be resilient, particularly in North America and Europe where markets remain structurally short of metal. We are also seeing continued efforts by customers to localize supply chains and reduce reliance on imported metal, particularly in value-added products such as billet, foundry alloy, and rod. As a result, regional and value-added product premiums continued to strengthen during the quarter even as LME prices moved lower.

Our global footprint and strong regional presence position us well in markets where reliable supply is increasingly valued. As a result, our value-added product volumes increased 30,000 metric tons sequentially and our 2026 order book is stronger than it was at this time last year across all major regions and product categories.

As we wrap up, I'd like to leave you with three key messages. First, Alcoa delivered a strong second quarter. We executed well across the business,

and those efforts translated directly into stronger operational and financial results. Second, we executed on strategic initiatives. Third, we have momentum entering the second half of the year. We remain focused on the things we can control: safety, operational stability, cost discipline, and execution. At the same time, we will progress the milestones related to the acquisition of AliGroup, advance our Australia mine approvals, and unlock value from our transformation assets. We are proud of what we accomplished in the second quarter, excited about the opportunities ahead and confident in our ability to deliver value for our shareholders. With that, let's open the floor for questions.

Operator, please begin the Q&A session.

**Operator**

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from the line of Katja Jancic with BMO Capital Markets. Please go ahead.

**Katja Jancic**

Hi. Thank you for taking my questions. Maybe starting on 3Q outlook, you mentioned that you expect energy prices to be lower. Can you maybe talk about what diesel and fuel cost are you assuming or prices you're assuming in in that, especially relative to current environment?

[Audio disconnected]

**Molly Beerman**

So, thanks, Katja. If you think about how we guided for the second quarter on energy costs, we guided diesel down unfavorable \$5 million and fuel oil unfavorable \$15 million. As we turn to the third quarter, we see some improvement and diesel and fuel oil now are \$5 million favorable in the third quarter. Our outlook is based on \$90 per barrel fuel oil. So, you could see some upside if prices moderate.

**Katja Jancic**

Okay. Thank you and maybe my second question is on the asset monetization. Can you provide an update what the status there is? Thank you.

**William Oplinger**

Sure. So, we're still targeting \$500 million to \$1 billion over the next – between now and 2030. We have substantially completed the negotiations on the Massena East transaction and we continue to work through the – papering that up at this point. So, we feel that we are confident that we'll get that one done and then there will be others to follow after that.

**Katja Jancic**

Thank you.

**Operator**

The next question will come from Bill Peterson with JPMorgan. Please go ahead.

**Bennett Moore**

Good afternoon. This is Bennett on for Bill. Thank you for taking my questions. Considering the resiliency in the value-add premiums, what sort of additional opportunities are you seeing to flex further capacity on that front? On the casting side, that is.

**William Oplinger**

So, we still have some capacity in North America. It is fairly small. I would say an estimate would be that we're about 95% full-on capacity between Europe and North America. If I step back and look at the order books, the order book for value-add products, as you said, has remained solid and demand trends are varying by region and segment. We've been able to increase our order books based in Europe and North America on the uncertainty of supply in the Middle East. Foundry and billet markets are experiencing an uptick in North America as spot demand customers look to backfill the Middle East supply. Slab continues to be strong in North America. In Europe, packaging is the most robust. Rod is solid while automotive slab demand is still soft. Foundry and slab demand are rising in Europe, supported by the Middle East disruptions with foundry strength concentrated around the Mediterranean.

We are seeing some weakness in the B&C market due to the overall high billet prices and demand outlook for extruders is short. That's in – largely in Europe. So, that's the view of the order book at this point.

**Bennett Moore**

Thanks for that. And then within aluminum, you guys restarted about a quarter of your curtailed capacity quarter over-quarter. So, outside of Warrick, how should we think about the trajectory of further restarts moving forward there? Could we see these fully restarted by the end of this year even?

**William Oplinger**

We'll continue to get benefit from restarting Alumar. Alumar sits at around – as of today, around 95% restarted. So, they still have some room for restart there. You also get the full quarter benefit associated from the ramp-up at Alumar. In addition to that, there's still some opportunity to ramp some small volume in Portland. Portland is running at about the highest level it's run. Well, it is the highest level its run since becoming an independent company. So, Portland's doing great. There's still some capacity there. Those are really the two areas that will get the benefit going into the third quarter.

**Bennett Moore**

Thank you.

**Operator**

The next question will come from Nick Giles with B. Riley Securities. Please go ahead.

**Henry Hearle**

Thank you, operator. This is Henry Hearle on for Nick. I want to follow-up on the Massena East sale. So, with New York's moratorium on data centers announced this past week, will that have any impact on negotiations or closing going forward? Thanks.

**William Oplinger**

So, we and the developer are assessing the executive order that was signed by the governor. At this point, we don't have a complete assessment of it, but we're moving forward and as we said, the transaction is largely negotiated at this point. It's just working through the final contracts.

**Henry Hearle**

Got you. And then on Pinjarra, just wondering if the lower bauxite grade had any impact or was the 2Q shortfall and then the full year revision purely

based on the operational instability you saw in March and then also the cyclone.

**William Oplinger**

So, there was really two things that occurred at Pinjarra. The first was that we had what's called an oxalate outbreak, and that's due to organic compounds in the bauxite. Normally, we will be able to handle that pretty effectively. That was compounded by the curtailment related to the cyclone and so the combination of those two had the negative impact. Pinjarra struggled significantly in April and May, came back up in June and as of today is running very well. So, it was a combination of those two factors.

**Molly Beerman**

Can I just clarify that it was the natural gas supply that was interrupted that caused that curtailment.

**William Oplinger**

Yeah. Thank you, the curtailment due to the natural gas interruption.

**Henry Hearle**

Got it. Thanks for the color, Bill and Molly, and continued best of luck.

**Molly Beerman**

Thank you.

**Operator**

The next question will come from Timna Tanners with Wells Fargo. Please go ahead.

**Timna Tanners**

Yeah. Hey, good evening. I wanted to take a step back and ask a little bit about – I know you referred to the aluminum price retreat, of course, of late and attribute it to macro factors. But your last slide deck talked extensively about the disruptions in the Middle East and you talked about – you allude to them again this time, but yet the aluminum price, as you point out, has gone to pre-Iran conflict levels. So, what do you attribute that to? And along those same lines, some people are worried about China contributing to that retreat and overproducing. What do you think is happening in China?

**William Oplinger**

So, I'll address both, Timna. The first answer is sentiment. The fundamentals from when the Iran conflict started have not fundamentally changed. So, we believe at this point, there's between 3 million metric tons and 3.5 million metric tons of capacity offline within the Strait of Hormuz. And that caused prices to run up. Subsequently, when the conflict resolution was announced, that caused prices to run down. The fundamentals haven't really changed at this point. That capacity is still offline. As the Strait stays closed for longer, it becomes more difficult for the existing capacity, which is still another 3 million metric tons to 4 million metric tons in the region to continue to operate. So, we believe it's sentiment-driven.

Within China, we are now projecting that China will run between 45 million metric tons and 46 million metric tons of production during the course of the year. Yes, that is higher than the 45 million metric ton cap. We don't believe that's a signal of a change in philosophy within China. They have not okayed capacity increases. This is just creeping the assets that they have given the high metal price.

**Timna Tanners** Okay. Super helpful. Thank you. And I guess if I could, just one more on the comment on exporting less from China to the U.S. contributing to the lower tariff amount paid. Just curious how you're envisioning that going forward. Is it still just about the right price and are you counting on or contemplating any change in tariff policy anytime soon? Thanks.

**William Oplinger** Can you restate that one, Timna? You said exporting, I thought, from China to the U.S.

**Timna Tanners** I meant Canada. Sorry. Yeah, Canada to the U.S. I was talking about your Canadian exports to the US and how you're mentioning a tariff change being a little smaller just because of lower volume. So, just curious why that was the case and how you're thinking about the tariff going forward.

**Molly Beerman** Timna, that is all just volume-related and remember, we had repositioned those tons from the first quarter that then were sold in the second. So, we had a higher tariff rate in the second than we expect into the third. So, no change in the rate, simply volume.

**Timna Tanners** Okay. Thank you.

**Operator** The next question will come from Glyn Lawcock with Barrenjoey. Please go ahead.

**Glyn Lawcock** Afternoon, Bill and Molly. Firstly, Bill, one for you. Obviously, you spent the month of June here in Australia obviously negotiating with South32, but you obviously probably caught up with the EPA and other government agencies. Just any thoughts on how things are progressing here now with regard to the permitting side, anything you'd want to call out or is it all still going well?

**William Oplinger** Yeah. So, Glyn, thanks for asking the question and I spent five weeks in Australia and I enjoyed it tremendously, I should say. It is a wonderful place. Great coffee and even in the winter, the weather was really, really nice.

So, as far as the approvals go, our approvals are continuing on the current path and are progressing well. When I was in Australia, I met with many of the key stakeholders of the process directly. My meetings reaffirmed my confidence in ultimately securing the mining approvals. That said, they also highlighted the number of important steps remaining in the process. As a result, while my confidence in the outcome remains unchanged, the timing could extend beyond our original expectations. You recall that we had said we would have our ministerial approval by the end of the year. If the approvals are delayed beyond that, we have contingency plans in place for various scenarios that would support the operations. We've built a contingency of six months delay where there will be no impact on supply, no expected impact on quality or cost.

And if it goes beyond that, we have secondary contingency plans where we would consider modifying mining operations and flow rate at the refineries to avoid an ore gap. And so, nothing has fundamentally changed regarding our confidence in securing the approvals through our recent

engagement with the stakeholders in Australia. We did gain additional insight into the work that remains to be completed before approvals can be finalized. Importantly, this is a matter of timing rather than outcome and I am confident in ultimately securing the necessary approvals.

**Glyn Lawcock**

All right, great. Thanks, Bill, and my second question's for Molly. Molly, you gave a response earlier just to what's happening on the Alumina business and its costs. Just on the Ali side, obviously your Q3 guide says efficiencies. Production growth will offset some of the cost pressure from I think it was carbon. If you think about where we are now, but with those input costs the majority already ones which are on a one- to two-month lag coke pitch, et cetera, are they now becoming a tailwind as we head into Q4 then or are they still elevated? Thanks.

**Molly Beerman**

So, Glyn, when we talked about the carbon costs, purchase prices being elevated during the second quarter, we indicated with the lag that that would show up in the third quarter. So, part of our outlook in the third quarter, we mentioned those higher carbon costs. That's about \$15 million unfavorable.

**Glyn Lawcock**

And so, Molly, then what does that look like now? Is that – are the carbon costs coming down such that you'll now gain that back as a tailwind, you think, after Q3?

**Molly Beerman**

Carbon prices, our purchase prices are remaining high right now. So, we're continuing to watch that and look into the fourth quarter, but I don't have any – again, they're holding steady at the higher rate. I will – just on caustic, I'm going to add this one since you opened the door, Glyn, we had talked about caustic spiking as well during the second quarter. Now, caustic did have a price correction. Now, that's about a six-month lag for us. So, you'll see some impact in the fourth quarter on that although again, we're seeing a rapid price correction there. So, whatever we pass through in the fourth quarter shouldn't hang around for long. We're already seeing caustic coming back down.

**Glyn Lawcock**

All right. Thanks very much.

**Operator**

The next question will come from Chris LaFemina with Jefferies. Please go ahead.

**Chris LaFemina**

Thanks, operator. Hi. Thanks for taking my questions. First, I wanted to ask, I think, Molly, you mentioned that the change in the depreciation guidance was due to shorter assumed mine lives. I was just wondering what's going on there, which mines and why have you changed your mine life assumptions to lead to a higher depreciation charge.

**Molly Beerman**

It's lives of certain assets. Some of it is pre-mining, the accretion there and there was one more that is now escaping me. But it's not the mine life itself that's shorter.

**Chris LaFemina**

Okay. Understood. Thanks. And then just secondly, so in the first half of the year, you typically have cash outflow for working capital. But this was

obviously a pretty unusual year with the conflict and I think in the first half of the year, working capital was about \$700 million of a cash drain. And I'm wondering how much of that we should expect to reverse in the second half of the year. Could that be material reversal in that working capital build and lead to a significant increase in cash flow in the second half of the year? Thanks.

**Molly Beerman**

So, Chris, if you look at our historical pattern on working capital, we do consume a lot of working capital cash in the first quarter and then it comes down. We generated significant amount of cash in the second quarter, \$600 million – over \$600 million from operations. Our free cash flow was \$422 million. We did have a little bit of working capital build related to high metal prices and accounts receivable, but when you look at it on a days basis, we're two days better than we were in the first quarter of 2026 and one day better than we were a year ago quarter. And you can use those year ago quarters and watch it come down. We've been pretty closely tracking through 2026 as we did to 2025 and in history, you'll see that the days tracking holds up across the whole year. So, yes, you'll see working capital come down as prices move and you look at versus sales.

**Chris LaFemina**

Great. Thank you for that. Good luck.

**Operator**

The next question comes from Carlos de Alba with Morgan Stanley. Please go ahead.

**Carlos de Alba**

Yeah. Hello, Bill and Molly. Just wanted to – on alumina in the second quarter, the sequential guidance for the second quarter was something around the adjusted sequential guidance on the business consideration was something of around \$60 million unfavorable. And the guidance for the third quarter is about \$10 million net favorable. So, those \$50 million that were lost, is that – how much of that is related to the alumina, the lower alumina shipments and how much maybe is perhaps because the Pinjarra costs have not fully normalized? And if it is the second part, or that second component, when would you expect those to normalize, maybe in the fourth quarter?

**Molly Beerman**

So, Carlos, when we increased the guidance during the second quarter to \$55 million, that included \$30 million for Pinjarra and when we gave the update now in the third quarter and we have a net favorable of \$10 million, we do have within that the full \$30 million recovery on Pinjarra. We also have the lower energy prices of about \$5 million, but that is offset by the planned maintenance at both the Alumar refinery and Juruti mine for the net of \$10 million.

**Carlos de Alba**

All right, great. Thanks. And maybe, Bill, you discussed the – during the alumina market update the fact that Guinea is restricting exports of bauxite, but they are also trying to attract investments in alumina refinery. And I remember this has been going on for 30, 40 years, but now maybe the Chinese will build that capacity. How do you see that impacting the outlook for alumina in the coming years?

- William Oplinger** I don't see it having a major impact on the alumina outlook over the next few years, Carlos. You got to remember, as you well know, the alumina market's around 150 million metric tons. There are a number of projects that are being discussed in Guinea, but they're not huge volumes at this point. Where we are seeing some volume increase, as you well know, is Indonesia, but we believe that's also manageable to be absorbed into the market.
- Carlos de Alba** All right. Thank you very much. Good luck in the quarter. Thank you.
- William Oplinger** Thanks.
- Operator** The next question will come from Lawson Winder with Bank of America Securities. Please go ahead.
- Lawson Winder** Thank you, operator. Thank you, Bill and Molly, for taking my questions. Could you speak to U.S. demand? I mean, it does seem there's been some modest softness in U.S. aluminum demand, but it also appears that it could just be destocking. Are you seeing that? And then do you have any sense of how long that might persist? And then similarly, I mean, did you see any contrary indicators that, I mean, there could actually be any true demand destruction at this point? Thanks for your comments.
- William Oplinger** So, I'll go back to what I had said on another – on a prior question. In North America foundry and billet markets we see are strong and it's very hard to bifurcate whether that's good underlying strength in demand or whether it's more customers that are looking to backfill Middle Eastern supply. But we have seen notably strong foundry demand into Mexico where we've been able to book large volumes alongside smaller but steady billet requests across the customer base. We think that end market conditions are largely consistent in slab and packaging is leading the way on slab demand. We've had, in the building and construction market both in Europe and in North America, we are seeing a little bit softness in building and construction. And especially in the case of Europe, we are actually seeing a shortening up of the order books as far as being able to see how far out customers are looking on orders.
- So, we're not seeing weakness in North America at this point. In fact, it's been a strong second quarter and projecting a strong third quarter.
- Lawson Winder** Okay. That's extremely helpful. And if I could ask one follow-up on San Ciprián. Congratulations on the ramp in Q2. With respect to the ramp, would you describe it as being on schedule for your plans, in particular profitability by year-end 2027? And could you help guide us to where the EBITDA would have been in Q2 2026?
- William Oplinger** Let me take it qualitatively and Molly will give you some numbers. The ramp-up, once we restarted the ramp-up after the power outage that occurred with last year, the ramp-up was, first of all, safe and that's the most important. Second of all, on time and on budget. So, we were very pleased with the ramp-up performance of the San Ciprián smelter. We're also seeing that in today's environment, that's a competitive smelter.



Ultimately, we need to have a power supply that solves there and as you know, we have power through 2027, but it was very – I was very pleased with the ramp-up in San Ciprián.

**Molly Beerman**

During the second quarter, the EBITDA of the smelter did fully cover the refinery losses. So, that's on an EBITDA basis. However, when you look at the whole site, it continues to consume cash with the refinery, cash losses as well as the CapEx needed there for the residue storage area and the smelter has consumed cash for working capital build in connection with the restart. So, doing well on EBITDA, at least from the complex as a whole, but we still have work on cash.

**Lawson Winder**

Thank you very much.

**Operator**

The next question will come from John Tumazos with John Tumazos Very Independent Research. Please go ahead.

**John Tumazos**

Thank you. Looking ahead five or so years to the renewal of the power contract in South Africa, some of the literature concerning it discusses that power rates in South Africa for other customers average 6 times what the smelter pays. Clearly, you're not going to want to pay 6 times more. Do you expect to build a solar or wind capacity or provide some of your own power when the contract expires, at least in part?

**William Oplinger**

John, five years out on a transaction that we haven't closed yet is difficult to speculate. What I can tell you is that South Africa's electricity market reforms have been supporting a more competitive and reliable power system. They do have growing renewable generation and increased participation from independent power producers, government regulatory support for energy-intensive industries combined with some internationally competitive power pricing are encouraging developments for industrial users like aluminum smelters. As you probably know, South32 has begun discussions with Eskom and we would expect to continue advancing those conversations as soon as we get it closed, as soon as we get the deal closed, I should say.

**John Tumazos**

Thank you.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Oplinger for closing remarks.

**William Oplinger**

Thank you for joining our call. Molly and I look forward to sharing further progress when we speak again in October. And that concludes the call. Thank you.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.