ENTERPRISE FUNDING AGREEMENT SUMMARY

Introduction

The following is a brief overview of the key provisions of the Enterprise Funding Agreement. It should not be relied upon as an exhaustive guide to all provisions of the Enterprise Funding Agreement.

Under the Enterprise Funding Agreement, Alcoa of Australia pays dividends in excess of 30% of its net income, to the extent required, to fund capital requirements of the AWAC joint venture (including Alcoa of Australia's own capital funding requirements). This arrangement was initially in effect for 2006 to 2010. During 2010, the Enterprise Funding Agreement was extended on the basis that two years' notice is required to terminate the agreement.

Dividends

The Enterprise Funding Agreement requires Alcoa of Australia to pay the following dividends:

(i) a minimum dividend of 30% of Alcoa of Australia's net income for the previous financial year; and

(ii) quarterly dividends that are calculated and payable by reference to Valid Calls made under the agreement.

The amount of each quarterly dividend will be equal to the amount of all Valid Calls made by AWAC enterprise companies for the related funding period (plus the amount of any "shortfall" in previous quarterly dividends), subject to limitations, including:

- no quarterly dividend will be paid to the extent it would, together with the 30% minimum dividends and all prior quarterly and other dividends for that period:

  (a) from 1 January 2006 until 31 December 2008, exceed 100% of Alcoa of Australia's cumulative interim net income from 1 January 2006 to the end of the last completed quarter; and

  (b) from 1 January 2009 to 31 December 2010 exceed 85% of Alcoa of Australia's cumulative net income from 1 January 2009 to the end of the last completed quarter;

- no quarterly dividend will be paid to the extent it would exceed Alcoa of Australia's Available Cash (as defined in the agreement) on the relevant declaration date.

The obligation to pay the minimum dividend and quarterly dividends are also subject to a number of other limitations set out in the Enterprise Funding Agreement.

It is also possible that Alcoa and Alumina by mutual agreement, approve Alcoa of Australia paying dividends in excess of that provided for under the Enterprise Funding Agreement.

Valid Calls

The Enterprise Funding Agreement obliges Alcoa to require the enterprise companies (including Alcoa of Australia) to make calls for their funding needs on a quarterly basis. To the extent there are Valid Calls made under the agreement, Alcoa of Australia must pay quarterly dividends equal to the amount of those Valid Calls subject to the limitations referred to above. Whether or not Alcoa of Australia pays a quarterly dividend, however, Alcoa and Alumina are required to fund their respective shares of Valid Calls made.

Alcoa of Australia will generally be required to fund its capital funding requirements by making Valid Calls under the agreement and not from its own cash resources or from other sources. However, Alcoa of Australia may also fund its capital funding requirements from external borrowings rather than through Valid Calls under the agreement.

Enterprise companies (other than Alcoa of Australia) will not be required to make Valid Calls where the relevant enterprise company's own cash flow or an external borrowing are contemplated for the capital funding requirements of that enterprise company.

Funding Mechanisms

In general, the funding of Valid Calls made by Alcoa of Australia will be by way of a loan from the Enterprise Funding Partnership to Alcoa of Australia, subject to certain limitations. If these limitations apply, funding will be by equity contribution or another funding mechanism as agreed between Alcoa and Alumina or, failing agreement, as determined by Alcoa.

The funding of Valid Calls made by enterprise companies other than Alcoa of Australia will be by partnership loan, equity contribution or another funding mechanism as agreed between Alcoa and Alumina or, failing agreement, as determined by Alcoa.

The funding mechanisms (i.e. partnership loans, equity funding and other funding mechanisms) may be first suspended, then unwound, if a "Tax Event" (as defined in the agreement) occurs.