December 2012 ASX Report

Alumina Limited - ABN 85 004 820 419
Financial Year ended 31 December 2012 ("Current Period")
Results for Announcement to the Market

		Change	$US million
Net loss from ordinary activities after tax attributable to members of Alumina Limited	Down	149%	62.1
Net loss for the period attributable to members of Alumina Limited (Refer Note below)	Down	149%	62.1

Dividends

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Final dividend per share	Nil	US 3¢
Franked amount per share	n/a	100%
Interim dividend per share	Nil	US 3¢
Franked amount per share	n/a	100%

Note on Underlying Earnings Within Net Profit For The Period

Included in the calculation of net (loss)/profit for the period is the Company's equity share of non-cash entries related to the revaluation, under current market conditions, of AWAC's future benefits and obligations arising from certain energy purchase contracts and retirement benefit obligations. In order to analyse the Company's net (loss)/profit it is important to understand those entries and the reasons for them. Calculation of underlying earnings is undertaken on a consistent basis with previous years.

Some AWAC long term energy purchase contracts include an aluminium price component in the energy price so that costs are partially linked to the price of aluminium. This results in an embedded derivative, which is revalued at period end. This is a non-cash entry and does not relate to operations during the current reporting period, and accordingly is removed from net (loss)/profit after tax to arrive at underlying earnings.

AWAC has a number of defined benefit schemes. Certain non-cash actuarial adjustments do not relate to operations during the current reporting period, and accordingly are removed from net (loss)/profit after tax to arrive at underlying earnings.

The impact of these items in the Company's result for the twelve months to 31 December 2012 has been to increase net loss after tax by net US$9.6 million (2011: decrease of net profit after tax of US$1.4 million) as shown in the following table. Net (loss)/profit after tax before these items is referred to as 'Underlying Earnings'.

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Net (loss)/profit for the period, after tax	(62.1)	126.6
Non-operating non-cash items:		
Equity share of AWAC retirement benefit obligations	16.0	61.5
Equity share of AWAC embedded derivatives	(6.4)	(60.1)
Underlying (loss)/earnings for the period, after tax	**(52.5)**	**128.0**

This year-end report is to be read in conjunction with the most recent annual financial report.

Condensed Consolidated Statement of Comprehensive Income

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Revenue from continuing operations	0.1	0.2
General and administrative expenses	(19.0)	(17.3)
Change in fair value of derivatives/foreign exchange gains/(losses)	0.6	0.1
Finance costs	(29.4)	(28.5)
Share of net (loss)/profit of associates accounted for using the equity method	(14.0)	173.1
(Loss)/profit before income tax	**(61.7)**	**127.6**
Income tax expense from continuing operations	(0.4)	(1.0)
(Loss)/profit for the year	**(62.1)**	**126.6**
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Share of reserve movements accounted for using the equity method	(0.9)	(5.0)
Foreign exchange translation difference	(89.9)	(168.9)
Other comprehensive loss for the year, net of tax	**(90.8)**	**(173.9)**
Total comprehensive loss for the year attributable to the owners of Alumina Limited	**(152.9)**	**(47.3)**

Earnings Per Share (EPS)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Basic EPS	Negative US cents 2.5¢	Positive US cents 5.2¢
Diluted EPS	Negative US cents 2.5¢	Positive US cents 5.2¢

Condensed Consolidated Statement of Financial Position

	31 Dec 2012 US$ million	31 Dec 2011 US$ million
Current Assets		
Cash and cash equivalents	10.1	19.0
Receivables	0.1	0.2
Other assets	4.9	6.2
Total current assets	**15.1**	**25.4**
Non-current Assets		
Investments accounted for using the equity method	3,296.1	3,324.8
Property, plant and equipment	0.2	0.2
Total non-current assets	**3,296.3**	**3,325.0**
Total assets	**3,311.4**	**3,350.4**
Current Liabilities		
Payables	2.7	3.1
Interest bearing liabilities	52.0	52.9
Derivative financial instruments	4.6	1.3
Provisions	0.3	0.2
Other	0.2	0.7
Total current liabilities	**59.8**	**58.2**
Non-current Liabilities		
Interest bearing liabilities	622.5	437.7
Provisions	0.6	0.5
Total non-current liabilities	**623.1**	**438.2**
Total liabilities	**682.9**	**496.4**
Net assets	**2,628.5**	**2,854.0**
Equity		
Contributed equity	2,154.1	2,154.1
Treasury shares	(1.5)	(1.5)
Reserves:		
- Group	(255.6)	(166.3)
- Associates	(3.4)	(2.5)
Retained profits:		
- Group	902.3	928.5
- Associates	(167.4)	(58.3)
Total equity	**2,628.5**	**2,854.0**

Condensed Consolidated Statement of Changes in Equity

	Contributed Equity [1] US$ million	Reserves US$ million	Retained Profits US$ million	Total US$ million
Balance as at 1 January 2011	**2,152.6**	**6.8**	**912.1**	**3,071.5**
Profit for the year	-	-	126.6	126.6
Other comprehensive loss for the year	-	(173.9)	-	(173.9)
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(170.8)	(170.8)
Transfer capital reserve to retained earnings [2]	-	(2.3)	2.3	-
Movement in share based payments reserve	-	0.6	-	0.6
Balance at 31 December 2011	**2,152.6**	**(168.8)**	**870.2**	**2,854.0**
Balance as at 1 January 2012	**2,152.6**	**(168.8)**	**870.2**	**2,854.0**
Loss for the year	-	-	(62.1)	(62.1)
Other comprehensive loss for the year	-	(90.8)	-	(90.8)
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(73.2)	(73.2)
Movement in share based payments reserve	-	0.6	-	0.6
Balance at 31 December 2012	**2,152.6**	**(259.0)**	**734.9**	**2,628.5**

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

[2] Westminer International (U.K.) Limited, a wholly owned subsidiary of the group, was dissolved on the 10th May 2011.

Condensed Consolidated Statement of Cash Flows

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Cash Flows Related to Operating Activities		
Payments to suppliers and employees (inclusive of goods and service tax)	(18.9)	(17.6)
GST refund received	0.8	0.8
Dividends received from associates	86.0	232.2
Distributions received from associates	9.1	7.7
Interest received	0.1	0.2
Interest paid	(28.2)	(26.8)
Other	(0.3)	(0.4)
Net cash inflow from operating activities	**48.6**	**196.1**
Cash Flows Related to Investing Activities		
Payments for investment in associates	(171.0)	(166.6)
Proceeds from return of invested capital	-	17.3
Net cash outflow from investing activities	**(171.0)**	**(149.3)**
Cash Flows Related to Financing Activities		
Repurchase of convertible bond	-	(167.6)
Proceeds from borrowings	240.0	285.0
Repayment of borrowings	(52.5)	(86.0)
Dividends paid	(73.2)	(170.6)
Net cash inflow/(outflow) from financing activities	**114.3**	**(139.2)**
Net Decrease in Cash and cash equivalents	**(8.1)**	**(92.4)**
Cash and cash equivalents at the beginning of the reporting period	19.0	112.1
Effects of exchange rate changes on cash and cash equivalents	(0.8)	(0.7)
Cash and cash equivalents at the end of the reporting period	**10.1**	**19.0**

Reconciliation of Cash

	As at 31 Dec 2012 US$ million	As at 31 Dec 2011 US$ million
Reconciliation of cash at the end of the reporting period (as shown in the condensed consolidated statement of cash flows) to the related items in the accounts is as follows:		
Cash on hand and at bank	3.1	5.5
Money market deposits (with maturity on investment three months or less)	7.0	13.5
Cash assets	10.1	19.0
Total cash and cash equivalents at the end of the reporting period	**10.1**	**19.0**

1. Basis of Preparation

This financial report for the year ended 31 December 2012 has been prepared in accordance with the Australian Stock Exchange Listing Rules as they relate to Appendix 4E and in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

This 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 2011 and any public announcements made by Alumina Limited during the 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 year.

2. Consolidated Retained Profits

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Retained profits at the beginning of the reporting period	870.2	912.1
Net (loss)/profit attributable to members of Alumina Limited	(62.1)	126.6
Transfer from capital reserve	-	2.3
Dividends paid	(73.2)	(170.8)
Retained profits at the end of the reporting period	**734.9**	**870.2**

3. Income Tax

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
(Loss)/profit from ordinary activities before income tax	(61.7)	127.6
Prima facie tax credit/(expense) for the period at the rate of 30%	18.5	(38.3)
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted loss/(profit) not assessable for tax	14.0	(173.1)
Foreign income subject to accruals tax	1.5	1.1
Share of partnership income assessable for tax	9.1	7.7
Amounts non- assessable for tax	-	(0.2)
Timing differences not recognised	(0.1)	(1.7)
Tax losses not recognised	36.8	40.9
Non-deductible expenses	2.3	2.2
Previously unrecognised tax losses now recouped to reduce current tax expense	(0.5)	(1.2)
Net movement	63.1	(124.3)
Consequent (increase)/reduction in charge for income tax	(18.9)	37.3
Aggregate income tax expense for the reporting period	**(0.4)**	**(1.0)**

4. Earnings Per Share (EPS)

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Calculation of basic and fully diluted EPS in accordance with AASB 133: *Earnings per Share*		
Earnings in cents per ordinary share (cps)		
Basic EPS	Negative US cents 2.5¢	Positive US cents 5.2¢
Diluted EPS	Negative US cents 2.5¢	Positive US cents 5.2¢
Weighted average number of shares outstanding during the year used in the calculation of earnings per share		
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	2,439,526,913	2,439,526,913

5. Net Tangible Asset Backing Per Security

Net tangible asset backing per ordinary security	US$0.97	US$1.06

6. Details of Entities Over Which Control Has Been Lost or Gained

There was no loss or increased control of entities for the year ended 31 December 2012.

7. Dividend Per Share

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Final dividend per share (US cents)		
Amount per share	Nil	3¢
Franked amount per share at 30% tax rate	n/a	100%

8. Total Dividend Paid on All Shares During 2012

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Final dividend paid on ordinary shares	73.2	97.6
Interim dividend paid on ordinary shares	-	73.2
Total	**73.2**	**170.8**

The franking account balance, which is maintained in Australian dollars, was A$364.1 million as at 31 December 2012 (2011: A$357.8 million).

9. Details of Aggregate Share of Results of Associates

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Alumina Limited's share of associates:		
(Loss)/profit from ordinary activities before income tax	(63.5)[1]	247.6
Income tax credit/(expense) on ordinary activities	49.5	(74.5)
Equity share of (loss)/profit	**(14.0)**	**173.1**
Dividends received by Alumina Limited	(86.0)	(232.2)
Distributions received by Alumina Limited	(9.1)	(7.7)
Surplus of dividends/distributions received over equity share of profits	**(109.1)**	**(66.8)**

[1] The loss for the 12 months to 31 December 2012 includes a cost of $34 million in relation to the settlement of the Alba civil proceedings.

Contingent Liability of Associate

On 27 February 2008, Aluminium Bahrain BSC (“Alba”) filed a lawsuit against Alcoa Inc and Alcoa World Alumina LLC (“AWA”), and others, in the United States District Court for the Western District of Pennsylvania (the “Alba Proceeding”, which is further described on page 73 of Alumina Limited’s Annual Report 2011).

The Alba Proceeding was settled in relation to Alcoa Inc and AWA in October 2012 without any admission of liability, by a cash settlement payment of US$85 million, to be paid by AWA in two equal instalments by the first anniversary of the settlement. In addition, AWA entered into a long term alumina supply agreement with Alba.

Alcoa Inc has reported that the US Department of Justice’s (DOJ) and the US Securities and Exchange Commission’s (SEC) investigations into the subject matter of the Alba Proceeding are ongoing and that it has been actively negotiating with the DOJ and SEC to reach a resolution of those investigations. However, Alcoa Inc has stated that it has not reached any agreement with either agency. Alcoa Inc has stated that, given the uncertainty regarding whether a settlement can be reached and, if reached, on what terms, it is not able to estimate a range of reasonably possible loss with regard to any such settlement. If a settlement of the DOJ and SEC investigations is reached, Alcoa Inc has stated that it believes that the settlement amount would be material to Alcoa Inc’s results of operations for the relevant fiscal period. In the event that a settlement is reached in relation to the DOJ and SEC investigations of the Alba matter, Alcoa Inc and Alumina Limited have agreed that the cash costs of the settlement of the Alba Proceeding and the DOJ and SEC investigations will be allocated between them such that 62.5% will be borne by Alcoa Inc and 37.5% by AWAC. If a settlement cannot be reached, Alcoa Inc has stated that it will proceed to trial with the DOJ and the SEC and under those circumstances, it is unable to predict an outcome or to estimate its reasonably possible loss. Alcoa Inc has stated that. in those circumstances, there can be no assurance that the final outcome of the DOJ's and SEC's investigations will not have a material adverse effect on Alcoa Inc. Accordingly, in those circumstances, there can be no assurance that such final outcome may not have a material adverse effect on AWA.

10. Material Interests in Entities which are Not Controlled Entities

Alumina Limited has an interest in the following entities:

	Percentage of ownership interest held at end of period or date of disposal		Contribution to net (loss)/profit	
	As at 31 Dec 2012	As at 31 Dec 2011	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
Equity accounted associates				
Alcoa World Alumina and Chemicals	40%	40%	(14.0)	173.1

11. Ratios

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Profit after tax/equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of average members' equity	Negative 2.2%	Positive 4.1%

12. Issued and Quoted Securities at End of Current Reporting Period

Category of Securities	Number issued	Number quoted
Ordinary shares		
Fully paid[1]	2,440,196,187	2,440,196,187
Partly paid	Nil	Nil
Ordinary Shares -		
Changes during current reporting period:	Nil	

[1] Includes Treasury shares purchased through the Employee Share Plan Trust for Alumina Limited's long term incentive plan.

13. Financing Facilities

	Year ended 31 Dec 2012 US$ million	Year ended 31 Dec 2011 US$ million
The facilities available at end of reporting period were as follows:		
Total loan facilities	929.5	785.6
Used at end of reporting period	674.5	490.6
Available at end of reporting period	255.0	295.0

Funding facilities include bilateral bank facilities, a syndicated facility and a development bank loan. All bilateral bank facilities are available in US dollars, of which two are also available in Australian dollars and one is also available in EURO. The syndicated facility is available in US dollars. The development bank loan is fully drawn in US dollars and Brazilian Reais and amortises at approximately $52 million per annum. Funding facilities in currencies other than US dollars have been converted to US dollar equivalents at period end exchange rates.

During the year, Alumina Limited added $200 million in new committed debt facilities with terms of two to five years and successfully refinanced the $107 million committed bank facility due for maturity in November 2013 to December 2017.

14. Segment Information

Business Segment

Alumina Limited's primary assets are its 40% interest in the series of operating entities forming Alcoa World Alumina & Chemicals (AWAC). Alumina Limited has one reportable segment, namely the investment in the alumina/aluminium business through its equity interest in AWAC.

15. Contingent Liabilities

There are no contingent liabilities of Alumina Limited as at 31 December 2012.

16. Events Occurring After the Balance Sheet Date

On 14 February 2013, CITIC* unconditionally subscribed, in aggregate, for 366,029,428 fully paid ordinary shares in Alumina Limited, being 15% of Alumina Limited's then current capital base, representing 13.04% of Alumina Limited's capital base following completion (the "Placement").

The Placement raised approximately A$452 million based on an issue price of A$1.235 per share, which reflected a premium of approximately 3% to the closing price of Alumina Limited shares on 13 February 2013 and a premium of 11% to the volume weighted average price of Alumina Limited shares for the month ending 13 February 2013.

The new shares issued under the Placement rank equally from allotment in all respects with existing Alumina Limited shares.

* The subscribers are CITIC Resources Australia Pty Ltd, an indirect wholly-owned subsidiary of CITIC Resources Holdings Limited, and Bestbuy Overseas Co., Ltd, an indirect wholly-owned subsidiary of CITIC Limited.

Compliance Statement

1. This financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.
2. This report gives a true and fair view of the matters disclosed.
3. This report is based on accounts which are in the process of being audited.
4. Alumina Limited has a formally constituted Audit Committee.
5. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

John Bevan

Director

Melbourne

21 February 2013

Alumina Limited Highlights

Net loss after tax was $62.1 million compared to a profit of $126.6 million in 2011.

Underlying earnings was a loss of $52.5 million compared to a $128.0 million profit in 2011. Underlying earnings exclude the equity share of AWAC retirement benefit obligations ($16.0 million) and AWAC embedded derivatives ($6.4 million).

Alumina Limited received $86.0 million of fully franked dividends and $9.1 million of distributions (total $95.1 million) compared to $232.2 million of dividends and $7.7 million of distributions (total $239.9 million) in 2011.

No Final Dividend Declared by Alumina Limited

Generally the Board intends, on an annual basis, to distribute cash from operations after debt servicing and corporate costs commitments have been met. The Board will also consider the capital structure of Alumina Limited, the capital requirements for the AWAC business and market conditions. Dividends paid will be fully franked for the foreseeable future.

No dividend was declared by the Directors for 2012. The decision to not pay a dividend for 2012 is based on the above policy and will conserve cash, given the current market conditions.

For 2011 the Directors declared total 6 cents per share fully franked dividends.

AWAC Highlights (US GAAP)

As at the end of 2012, approximately 40% of AWAC's third party smelter grade alumina shipments were priced on spot or alumina indexed basis. Revenue per tonne from alumina sales priced by reference to indices and spot continued to be higher than that from the existing LME-linked contracts.

Nevertheless, total revenue of $5,815.3 million declined by 13% on 2011, primarily reflecting the overall lower aluminium and alumina prices.

Cash expenses were down by 1.6% aided by productivity improvements which offset the impact of the weak US dollar and rise of some input costs.

Alumina production was 15.6 million tonnes, down 0.1 million tonnes compared to 2011. The decline against 2011 was largely due to lower production in higher unit cost refineries as a result of a planned reduction to align with Alcoa Inc's smelter curtailments. Australian refineries continued to operate at near or above nameplate capacity.

EBITDA for 2012 was $335.5 million, down by $738.7 million or 69% compared to 2011.

Alumina Limited Key Financials

Alumina Limited's functional currency is US dollars.

	2012	2011
NPAT US$m	(62.1)	126.6
Underlying earnings US$m[1]	(52.5)	128.0
Average AUD/USD	1.04	1.03
Average 3-month LME aluminium price US$ per tonne[2]	2,052	2,422
Average alumina price US$ per tonne[3]	319	375
Net Debt US$m	664	472
Gearing[4]	20.1%	14.1%
EPS (US cps)	(2.5)	5.2
Underlying EPS (US cps)	(2.2)	5.2
Return on Equity (ROE)	(2.2)%	4.1%
ROE based on underlying earnings	(1.9)%	4.2%
Total dividend declared	Nil	US 6¢

Definitions and notes

1. Underlying earnings calculated by adjusting net profit after tax by $9.6 million from reported net profit after tax, being the impact of non-cash embedded derivatives for energy contracts and adjustments for certain actuarial movements in defined benefit pension plans. Calculation of underlying earnings is undertaken on a consistent basis with previous years.
2. Pricing data sourced from Thomson Reuters.
3. Based on Platts index, FOB Australia average.
4. Calculated as (debt - cash)/(debt + equity).

AWAC Business Review (US GAAP)

Bauxite: Significant Deposits Meeting AWAC's Needs

AWAC owns, or partly owns, bauxite mines operating in five countries, which meet the production needs of the AWAC refineries.

The Juruti mine in Brazil, which has an initial design capacity of 2.6 million tonnes per annum, has been operating well, with production at levels as high as 4.0 million tonnes on an annualised basis. The Juruti mine continues to reduce operating costs.

Work continued on moving the crusher facility at the Huntly mine in Australia. This is a significant project to improve mine productivity that occurs every eight to ten years.

Alumina: Production and Shipments in Line with 2011

Production of alumina was 15.6 million tonnes in 2012, down 0.6% on 2011. The reduction largely resulted from planned reduced annual production of approximately 390,000 metric tonnes in the higher unit cost refineries, offset by production creep in the lower unit cost Australian refineries that continued to operate at near or above nameplate capacity during 2012. AWAC's nameplate production capacity is 17.2 million tonnes per annum.

Alumina shipments were 15.6 million tonnes in 2012, 0.1 million tonnes or 0.6% higher than 2011.

Alumina: Price, Revenue & Margin Decline

Realised alumina prices were 13% lower than 2011, with LME-linked contract prices declining by a greater extent than contracts based on spot or alumina index.

Alumina revenue declined by 13% compared to 2011. Price movements were the principal reason for the revenue decrease.

The 2012 cash cost of alumina per tonne produced increased by 1% over 2011. This increase mainly reflected a rise in the cost of caustic soda, partially offset by a reduction in other costs.

EBITDA margin was $31 per tonne, a decline of $39 per tonne on 2011. Lower margins were predominantly as a result of weaker realised prices and higher input costs partially offset by productivity improvements.

Ma'aden Investment

The joint venture between AWAC and Ma'aden Bauxite and Alumina Company for the construction of a 4 million tonnes per annum initial capacity greenfield mine and a 1.8 million tonnes per annum capacity refinery at Ras Al Khair in Saudi Arabia (AWAC interest of 25.1%) is AWAC's major growth project and is due to come on stream in 2014.

All the project financing (for approximately 60% of the project capital) is in place and construction continues to be on time and on budget.

As at 31 December 2012, Alumina Limited contributed $103 million of its expected pro-rata share of $140 million of equity capital, and expects to contribute the balance during 2013. The Ma'aden refinery investment will assist AWAC in reducing its low cash cost position.

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AWAC Production and Shipments

	2012	2011
Alumina production	15.6 mt	15.7mt
Aluminium production	358kt	357kt
Alumina shipments	15.6 mt	15.5mt

AWAC Profit and Loss (US GAAP)

	2012 US$m	2011 US$m
Sales revenue	3,645.0	4,144.6
Related party revenue	2,170.3	2,522.4
Total Revenue	**5,815.3**	**6,667.0**
COGS and operating expenses	(5,369.8)	(5,459.0)
Selling, Admin, R&D	(132.9)	(134.8)
Net interest	(2.2)	0.9
Depreciation and Amortisation	(478.9)	(465.8)
Other	22.9	1.0
Total Expenses	**(5,960.9)**	**(6,057.7)**
(Loss)/profit before tax	**(145.6)**	**609.3**
Income Tax	53.7	(139.6)
Net (loss)/profit after tax	**(91.9)**	**469.7**
EBITDA [1]	335.5	1,074.2

1 Earnings before interest, tax, depreciation and amortisation. Includes the AWAC settlement for the Alba civil proceeding.

Smelters: Challenges Remain

AWAC produces aluminium at two smelters in Australia. The smelters incurred operating losses for the year. Production of approximately 358,000 tonnes was in line with 2011.

During first half of the year Alcoa of Australia Limited conducted a review of the future viability of the Point Henry aluminium smelter because of continuing difficult economic conditions. On 29 June 2012, Alcoa of Australia announced that it expects to operate the Point Henry aluminium smelter until at least mid-2014.

Australian Carbon Pricing Scheme

The refineries and smelters in Australia are subject to carbon pricing effective from 1 July 2012 relating to greenhouse gas emissions.

Shipping

Shipping operations contributed a small profit.

One-off Items

The 2012 AWAC US GAAP loss pre-tax included the following one-off items:

- $85 million charge relating to Aluminium Bahrain BSC (Alba) lawsuit;
- $9 million increase in long service leave adjustments due to lower discount rates;
- $18 million loss due to asset write-offs.

AWAC Cash Flow (US GAAP)

Cash from operations declined by $448.1 million from 2011, primarily due to significantly lower realised prices for alumina and aluminium.

Capital expenditure totalled $375.3 million, 4.3% down on 2011.

Sustaining capital expenditure was $347 million, with the majority of this incurred in Australia. The Australian expenditure included residue storage areas and the relocation of the crusher facilities at the Huntly mine, which reduces haul road distance and improves mine productivity.

Growth capital expenditure mainly related to completion works of the Juruti mine infrastructure in Brazil.

Equity contributions to the Ma'aden mine and refinery joint venture in Saudi Arabia are not included in the growth capital expenditure.

AWAC Cash Flow (US GAAP)

	2012 US$m	2011 US$m
Net income	(91.9)	469.7
Depreciation	478.9	465.8
Decrease (increase) in receivables	80.6	(111.6)
Increase in inventories	(22.0)	(72.5)
Increase in accounts payable	250.0	102.7
Other [1]	(453.7)	(164.1)
Cash from operations	241.9	690.0
Capital expenditure	(375.3)	(392.0)
Free cash flow [2]	(133.4)	298.0

[1] Includes cumulative translation adjustment
[2] Free cash flow defined as cash from operations less capital expenditure.

AWAC Balance Sheet (US GAAP)

Property plant and equipment decreased mainly due to the depreciation of the Brazilian Reais against the US dollar.

AWAC continued to operate with minimal borrowings. With the exception of minor working capital facilities at individual sites, any borrowing required by an AWAC entity is provided by Alumina Limited and Alcoa Inc.

On 2 July 2012 Alcoa of Australia modified the terms of the existing power contracts for its smelters. This modification caused the recognition of embedded derivative assets and offsetting liability, classified as "other assets" and "other liabilities" in the AWAC's balance sheet.

AWAC Balance Sheet (US GAAP)

	2012 US$m	2011 US$m
Cash, cash equivalents	126.0	204.0
Receivables	457.6	535.2
Related party note receivable	88.7	82.9
Inventories	808.0	777.3
Property plant & equipment	6,909.2	7,133.8
Other assets	3,028.5	2,189.4
Total Assets	**11,418.0**	**10,922.6**
Short term borrowings	69.6	38.5
Payables	841.0	886.2
Taxes payable and deferred	398.6	441.7
Other liabilities	1,865.1	1,213.1
Total Liabilities	**3,174.3**	**2,579.5**
Equity	**8,243.7**	**8,343.1**

GAAP Adjustments

The AWAC results are adjusted for differences between US GAAP and Australian Accounting Standards prior to incorporation into the Alumina Limited results. These adjustments are non-cash book entries. The total adjustments amounted to a reduction of AWAC's loss after tax by approximately $57 million.

The main adjustments for 2012 were:

- recognition of $69 million Brazil deferred tax credit adjustment;
- recognition of $8 million debit after tax for defined benefit pensions;
- recognition of $3 million credit after tax for movements in embedded derivatives.

Alumina Limited's results include 40% of these adjustments.

AWAC Dividends Paid

	2012 US$m	2011 US$m
Dividends paid	216.0	579.3

Alumina Limited Reported Profit

Most of Alumina Limited's general and administrative expenses are incurred in Australian dollars, which totalled $19 million in 2012. The increase over 2011 reflects one-off expenses that exceeded other expense reductions.

Finance costs increased to $29.4 million from $28.5 million in 2011. The increase of $0.9 million arose from a higher average balance of drawn facilities and an increase in the amortisation of prepaid commitment fees as bank facilities with pending maturities were replaced by longer term facilities.

Note on calculation of underlying earnings

Alumina Limited shows underlying earnings in addition to profit after tax to provide a better understanding of the performance of the underlying operations. Underlying earnings are calculated by excluding the impact of mark to market valuations for embedded derivatives contained in AWAC energy contracts that are linked to the LME price of aluminium and actuarial gains and losses on AWAC pension plans that reflect the net result of expected returns on assets, employee costs and changes in the discount rate of return. Calculation of underlying earnings is undertaken on a consistent basis with previous years.

In 2012, the revaluation of the embedded derivatives decreased Alumina Limited's net loss after tax by $6.4 million. Actuarial movements in defined benefit plans resulted in an increase to net loss after tax of $16.0 million.

Alumina Limited Reported Profit

	2012 US$m	2011 US$m
Share of AWAC underlying profit	(4.4)	174.5
General and administrative expenses	(19.0)	(17.3)
Finance costs	(29.4)	(28.5)
Other & tax	0.3	(0.7)
Underlying (loss)/earnings	(52.5)	128.0
Retirement benefit obligations, AWAC	(16.0)	(61.5)
Embedded derivative, AWAC	6.4	60.1
Net (loss)/profit after tax	(62.1)	126.6

Alumina Limited Balance Sheet

Alumina Limited's net debt as at 31 December 2012 was $664 million, up from $472 million as at 31 December 2011. Gearing[1] also increased to 20.1% (2011: 14.1%).

Alumina Limited had $255 million of undrawn committed facilities as at 31 December 2012, a decrease of $40 million from 31 December 2011.

During the year Alumina Limited added $200 million in new committed debt facilities with terms of two and five years and successfully refinanced the $107 million committed bank facility due for maturity in November 2013 to December 2017.

The Company has a fully drawn debt facility from the Brazil National Development Bank (BNDES). This facility amortises at approximately $52 million per annum. Amounts outstanding at 31 December 2012 under the BNDES loan were $184 million.

Excluding the BNDES amortisation, there is no debt maturing in 2013, with the $745 million of committed bank facilities expiring as follows:

- $175 million in 2014 (drawn to $160 million)
- $213 million in 2015 (no amounts were drawn under this facility as at 31 December 2012)
- $225 million in 2016 (drawn to $225 million)
- $132 million in 2017 (drawn to $105 million)

Current Liabilities include $52 million of repayments on the facility from the BNDES that are due before 31 December 2013. Current liabilities of $59.8 million exceed current assets of $15.1 million, however Directors are confident that the liabilities can be met using available cash and undrawn committed facilities whose maturities extend beyond 31 December 2013.

On 14 February 2013, Alumina Limited announced a placement of approximately 366 million fully paid ordinary shares, which raised approximately A$452 million (as described in Note 16). These proceeds will be used primarily to repay drawn debt.

Alumina Limited Cash Flows

Alumina Limited's cash receipts from operations principally comprise the dividends received from AWAC entities. Fully franked dividends of $86.0 million were received during 2012 ($232.2 million on 2011).

Net payment for investments in associates included: growth capital for the Juruti mine in Brazil, Ma'aden join venture equity contributions as well as contributions to working capital for AWAC entities.

Alumina Limited Balance Sheet

	2012 US$m	2011 US$m
Cash and equivalents	10.1	19.0
Investments	3,296.1	3,324.8
Other	5.2	6.6
Total Assets	**3,311.4**	**3,350.4**
Payables	2.7	3.1
Interest bearing liabilities – current	52.0	52.9
Interest bearing liabilities – non-current	622.5	437.7
Other	5.7	2.7
Total Liabilities	**682.9**	**496.4**
Net Assets	**2,628.5**	**2,854.0**

Alumina Limited Cash Flow

	2012 US$m	2011 US$m
Dividends received	86.0	232.2
Distributions received	9.1	7.7
Interest paid	(28.2)	(26.8)
Payments to suppliers and employees	(18.9)	(17.6)
GST refund, interest received & other	0.6	0.6
Cash from operations	**48.6**	**196.1**
Net payments for investment in associates	(171.0)	(149.3)
Free cash flow[2]	(122.4)	46.8

Definitions and notes

1. Calculated as (debt - cash)/(debt + equity)
2. Free cash flow defined as cash from operations less net investments in associates.

AWAC Guidance

The following 2013 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 profit before tax of movements around a given base figure. Actual results will vary from those computed using the guidance. Guidance is not linear, hence significant movement away from the base rates used may result in different sensitivities. No attempt has been made to correlate sensitivity to one element of the guidance with movements in other elements of the guidance.

Item	2013 Guidance
Production - alumina	Approximately 15.6 million tonnes
Production - aluminium	Approximately 358,000 tonnes
Sensitivities: +$100 LME aluminium price per tonne[1]	Approximately +$187 million profit before tax
Sensitivities: +1¢ in US$/A$[2]	Approximately -$30 million profit before tax
Third party smelter grade alumina shipments expected to be based on alumina price indices or spot[3]	Approximately 48% for the year
AWAC sustaining capital expenditure	Approximately $350 million
AWAC growth capital expenditure[4]	Approximately $50 million

[1] Equates to aluminium sales and smelter grade alumina sales priced at a contracted percentage of LME aluminium and sales that are based on spot or alumina index, referenced against LME aluminium. It also includes exposure to LME aluminium in the pricing formula mechanisms in a number of long term contracts for the purchase of energy.

[2] AWAC's profit and asset valuation is also exposed to fluctuations in other currencies such as the Brazilian Reais and Euro. However no sensitivity is provided.

[3] AWAC commenced 2013 with approximately 40% of its third party smelter grade alumina sales volume based on alumina price indices or available for spot sales.

[4] Does not include investment in the Ma'aden growth project. Alumina Limited expects to contribute approximately $37 million of equity capital during 2013.

Market Outlook

The 2012 year was characterised by significant volatility in pricing whilst demand remained reasonably firm and productivity initiatives were implemented to control any rise in the costs of production.

In 2012, the average 3-month LME aluminium price declined by approximately 15% over 2011, which also affected LME-linked alumina prices. By the end of the 2012 year, LME prices recovered from their lowest point. Volatility in LME prices was largely driven by the continued concern over the performance of the global economy, most notably the Euro-zone, USA and China.

In comparison, spot or index priced alumina traded within a relatively narrow range of between $303 per tonne and $335 per tonne, finishing 2012 at approximately 9% above the closing price for the 2011 year.

Whilst there have been significant smelting production curtailments, the continued expansion of new low cost smelters in Western China and the Middle East will ensure global aluminium production remains solid and supports alumina demand. Global demand for aluminium is expected to grow between 5 and 8% in 2013.

Chinese alumina refineries use domestic and imported bauxite. Historically, significant volumes of bauxite have been imported from Indonesia. In May, Indonesia introduced new export taxes and restricted exports of bauxite. Chinese production of alumina using imported bauxite is increasing. The cost of supplying bauxite to China is also rising and this is expected to impact Chinese alumina costs.

Even though the 2013 year has started with a positive tone, as reflected in prices, Alumina Limited remains cautious on the outlook for 2013, with prices expected to remain uncertain. Macro-economic conditions, particularly in Europe remain uncertain.

AWAC remains the largest and a low cash cost alumina producer, which will benefit in the medium term as the alumina market grows. It will also benefit from the trend towards alumina pricing on spot based indices, which reflects the fundamentals of the alumina industry. The focus of AWAC is to continue to drive productivity and supply chain improvements.

John Bevan
Director

Melbourne

21 February 2013

Forward Looking Statements

Some statements in this report are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements also include those containing such words as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual outcomes to be different from the forward-looking statements. Important factors that could cause actual results to differ from the forward-looking statements include: (a) material adverse changes in global economic, alumina or aluminium industry conditions and the markets served by AWAC; (b) changes in production and development costs and production levels or to sales agreements; (c) changes in laws or regulations or policies; (d) changes in alumina and aluminium prices and currency exchange rates; (e) constraints on the availability of bauxite; and (f) the risk factors and other factors summarised in Alumina's Form 20-F for the year ended 31 December 2011. Forward-looking statements that reference past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. Alumina Limited does not undertake any obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements which speak only as of the date of the relevant document.