ALUMINA LIMITED

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Disciplined Performance In Weak Market

Summary:

- **Net Profit After Tax $6 million**
- **Underlying loss[1] of $15 million after tax**
- **Disciplined operational performance and substantial reduction in costs**
- **First output from Brazil projects**
- **Gearing 9%**
- **No interim dividend**

	H108	H208	H109
Profit after tax (A$m)	**44**	124	6
Underlying earnings after tax (A$m)	**152**	50	(15)

Alumina Limited today announced a net profit after tax of $6 million and an underlying loss of $15 million after tax. The result covers the most uncertain period of the market downturn. During this period, the average aluminium price was below $1,400 per tonne. This had a major impact on margins but was partially offset by a disciplined operating performance from AWAC's low cost refineries and a substantial reduction in average alumina production costs.

Alumina Limited CEO, John Bevan, commented, "The past six months have marked an extraordinarily difficult period for the aluminium industry. A strong performance from our lower cost refineries and our reduced cost base has enabled us to withstand this severe downturn in market conditions and gives us confidence in our position going forward. Total alumina production was reduced by 12% relative to the first half of 2008 and the cost reduction program has resulted in a substantial improvement in average alumina production costs. Although we remain cautious about the outlook for aluminium demand there is evidence that customer destocking is slowing and early positive signs of economic recovery in some key markets."

No interim dividend will be paid for 2009. The Board will continue to review the dividend at each half year in light of current and expected business conditions.

Alumina's debt at 30 June 2009, net of cash, was $280 million, compared with $981 million at the beginning of 2009. Cash held at 30 June 2009 was $193 million.

AWAC Operations

AWAC responded quickly to the deterioration in alumina demand by curtailing production and reducing costs to conserve cash.

Total AWAC alumina production for the first half of 2009 was 6.4 million tonnes, a reduction of 0.7 million tonnes over the second half of 2008. Production was rebalanced across AWAC's eight refineries with lower cost refineries operating at record production levels and the balance of the refineries operating at an average that is less than half capacity.

AWAC average alumina refining cash costs in the first half were more than US$50 per tonne lower than full year 2008. This was achieved primarily as a result of curtailing higher cost production, lower energy prices and efficiency improvements.

Sales revenue declined by 46% compared to the second half of 2008 due to lower alumina and aluminium prices and demand.

Aluminium production at AWAC's Victorian smelters in the first half was 188 thousand tonnes, 8 thousand tonnes lower than the second half of 2008. Aluminium margins were negatively impacted by costs incurred as a result of scheduled major maintenance at the Anglesea power station and lower aluminium prices and demand. Smelter restructuring and cost reduction initiatives previously announced as part of AWAC's broader cash conservation measures are expected to be implemented in the second half of the financial year.

Sustaining capital expenditure for the refineries in the half was reduced to US$81 million, compared to the expenditure of US$312 million for full year 2008. This is consistent with the Company's cash conservation program.

[1] Underlying earnings are calculated by removing the impact of the revaluation of retirement benefit obligations and embedded derivatives from net profit after tax.

First Output from Brazil Projects

The expanded Alumar alumina refinery and the new Juruti bauxite mine have commenced commissioning, with the first output from the Alumar refinery achieved. Mechanical completion of both operations is expected to be achieved in the third quarter of 2009, as previously advised. The projects remain within the advised budget.

The Brazilian operations are a low cash cost operation and once commissioned they are expected to further reduce AWAC's average cash cost of production. The Alumar refinery expansion will provide AWAC with an additional 1.1 million tonnes per annum, and the new Juruti bauxite mine will initially supply 2.6 million tonnes per annum of bauxite for AWAC's share of the Alumar refinery expansion.

Alumina has invested US$193 million in the AWAC growth projects in Brazil during the first half of 2009.

Prices and Exchange Rates

The LME aluminium price averaged US$0.66 cents per pound in the first half of 2009 (1H 2008: US$1.31; 2H 2008: US$1.07).

The AUD/USD exchange rate averaged 71 cents during the first half of 2009 (1H 2008: 92 cents, 2H 2008: 78 cents).

Alumina Limited Balance Sheet

Following the successful rights issue, Alumina has paid down outstanding US debt, and retained cash to assist with final capital contributions for the Brazil projects and other costs associated with the start up and commissioning of operations in Brazil. Cash held at period end was A$193 million.

Gearing was reduced to 8.6% from 29% at year end.

There are currently no net drawn debt facilities requiring repayment in 2009 or 2010.

Outlook

We remain cautious about the outlook for aluminium demand but there is evidence that customer de-stocking is slowing and early positive signs of economic recovery in some key markets.

The benefit of recent increases in LME aluminium prices will be realised in the second half of the financial year.

AWAC production levels will continue to be managed to respond to demand, optimise operating margins and conserve cash. AWAC alumina production costs remain on track to achieve the full year reduction of more than US$50 per tonne as previously advised.

Guidance relating to the impact of changes in LME prices and exchange rates have not changed.

Each one cent movement in the LME price is expected to impact 2009 underlying earnings by approximately A$13 million.

Underlying earnings will also reflect the impact of changes in the USD, with each one US cent movement in the average Australian dollar/US dollar exchange rate expected to impact 2009 underlying earnings by approximately A$7 million.

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