

# Alumina Limited 2009 Half Year Results

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Chief Executive Officer

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# Disclaimer

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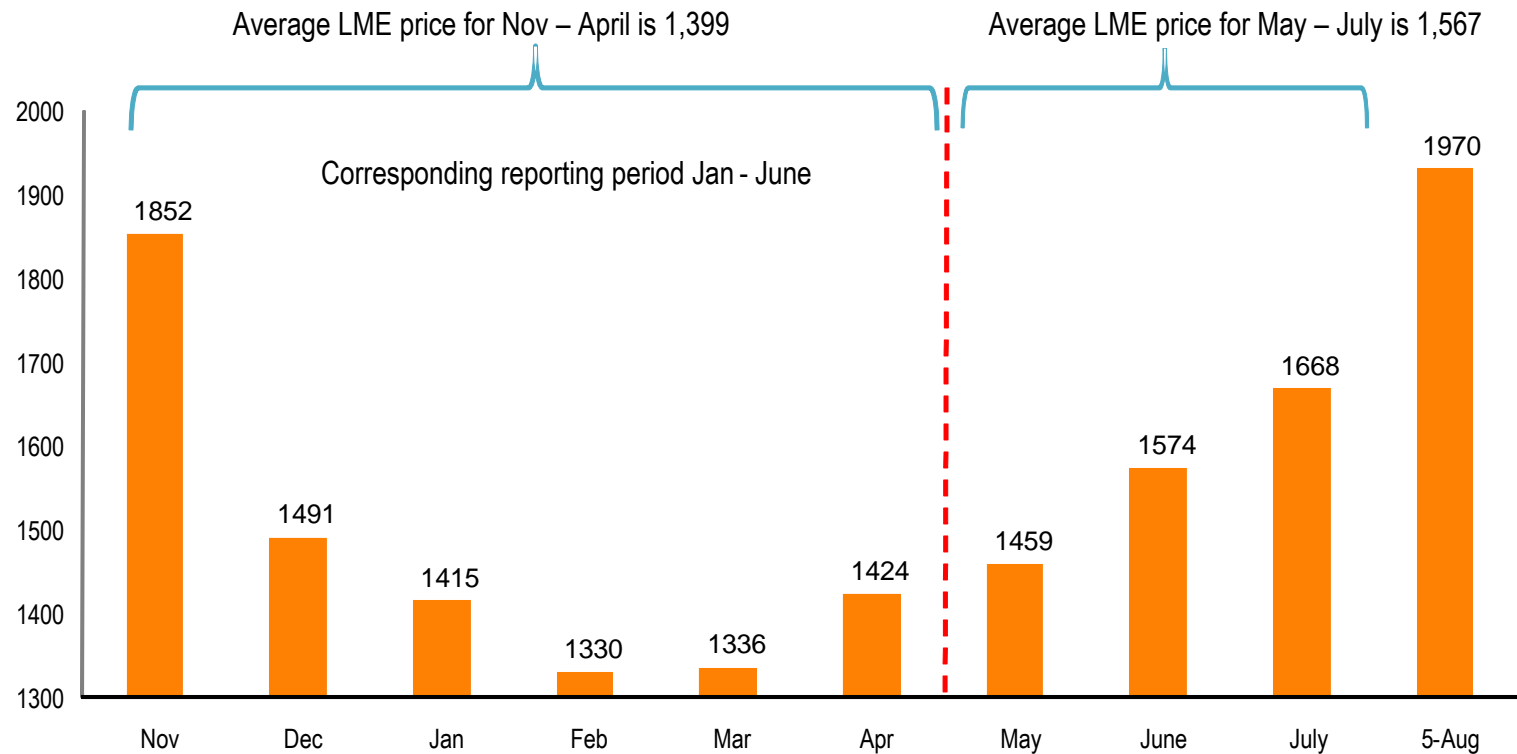
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# Highlights

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- Profit of \$6 million
- Underlying earnings loss of \$15 million
- Disciplined AWAC response to industry conditions
  - Curtailed early and curtailed hard
  - Production capacity managed to meet demand
  - Operations run for cash
  - Safety remains paramount
- Balance sheet strengthened
- No interim dividend declared

# AWAC Revenue Has Two Month Lag to LME

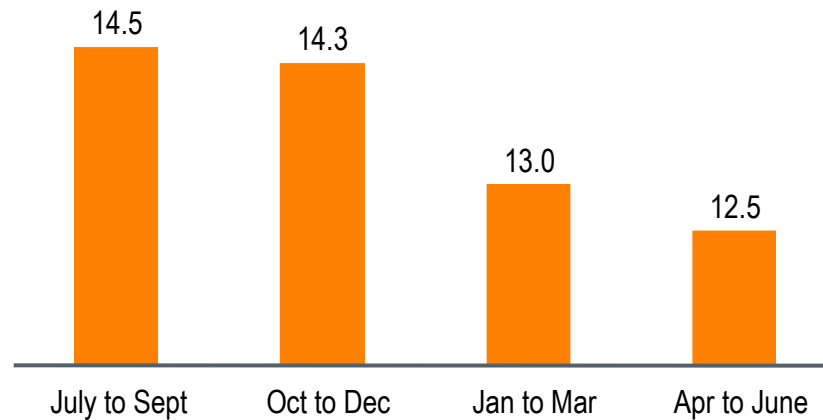


*Note: Monthly average price is calculated using the daily spot LME prices*

# AWAC Production Adjusted for Demand

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AWAC Production (Annualised Rate)



- Curtailed early and aggressively
- System curtailed 17%

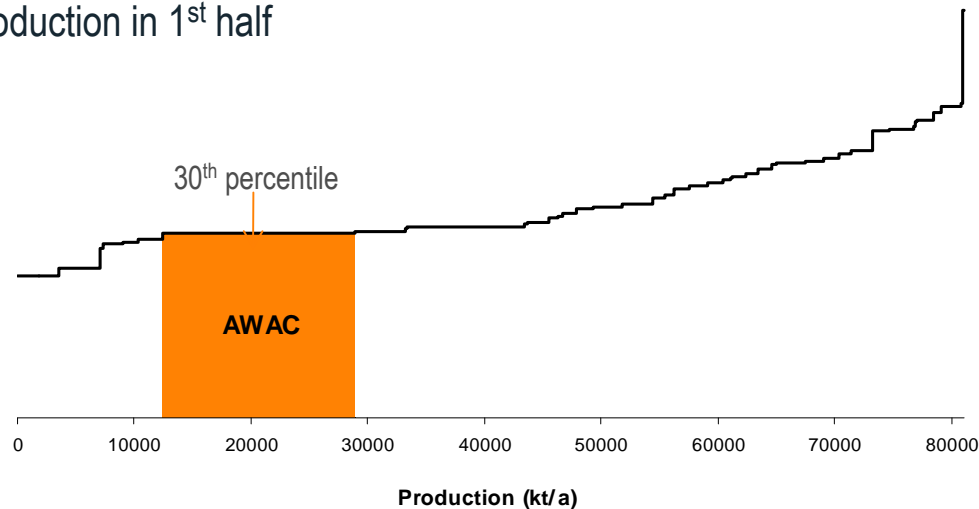
# AWAC Production Strategy

## ■ Key Assets

- Operating at 104% of last year
- 80% of production in 1<sup>st</sup> half

## ■ Adjust production to meet demand

- Flex plants operating at 49% of capacity

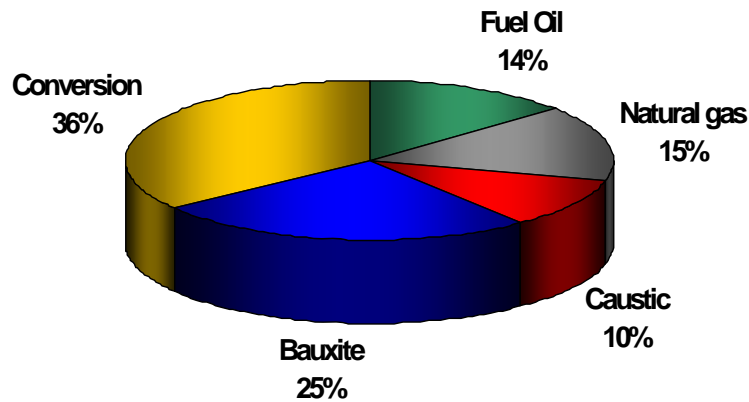


Source: © Brook Hunt and Associates Ltd 2009

- First Tier assets drive production
- AWAC system at 30<sup>th</sup> percentile of cost curve
- Sao Luis will take AWAC to 25<sup>th</sup> percentile of cost curve

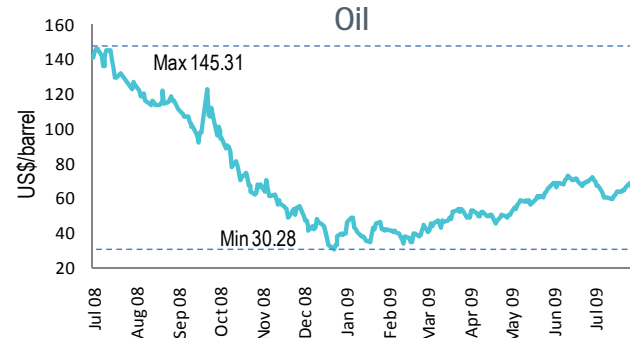
# Production Costs Have Changed

- Overhead Reduction
- Wage freeze
- Reduced staffing
- Reduced contractors

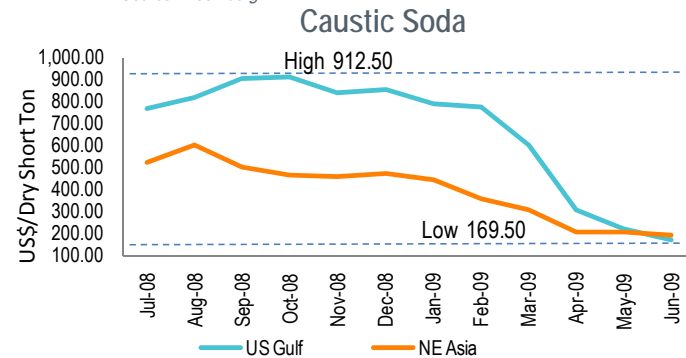


Input Cost	Inventory Flow	Pricing Convention
Fuel oil	1 – 2 mths	Prior month
Natural gas	1 – 2 mths	Rolling 16 quarters
Caustic soda	3 – 6 mths	Spot & semi-annual
Bauxite	2 – 3 mths	6 – 9 mth lag

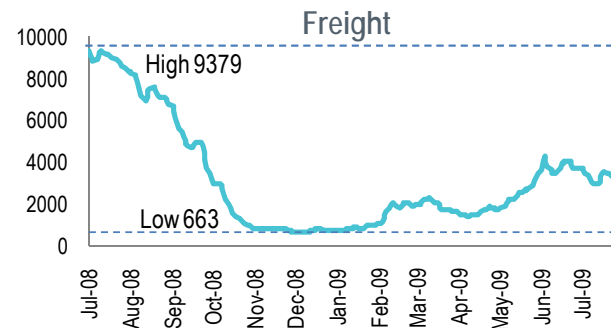
Source: Alcoa 1Q 09 Results Presentation, April 2009



Source: Bloomberg



Source: CMAI



Source: Bloomberg

# Brazil

- Juruti – first bauxite to port
- Sao Luis first output achieved
- Capital cost within estimates



*Port*



*Washed Bauxite  
Stockpile*



*Railroad*

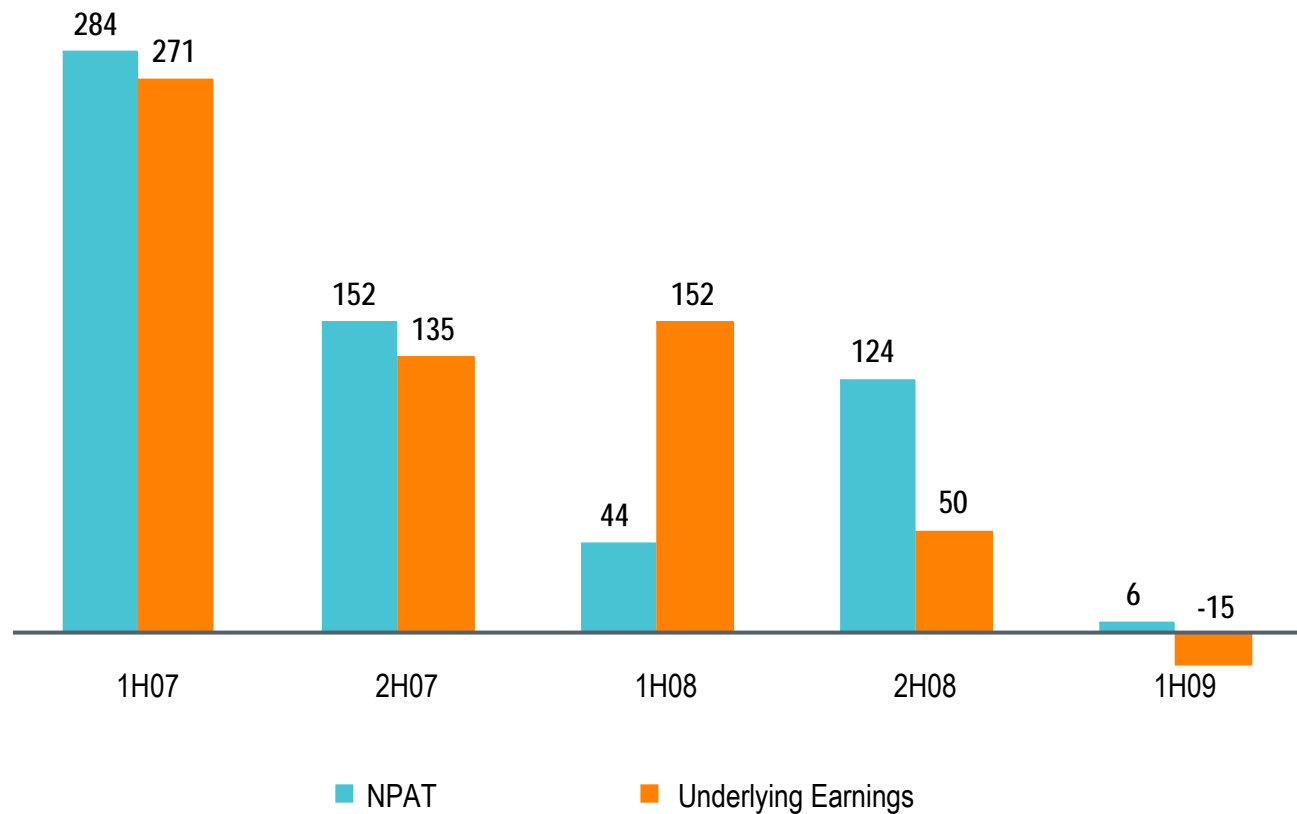


# Financial Results

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Judith Downes  
Chief Financial Officer

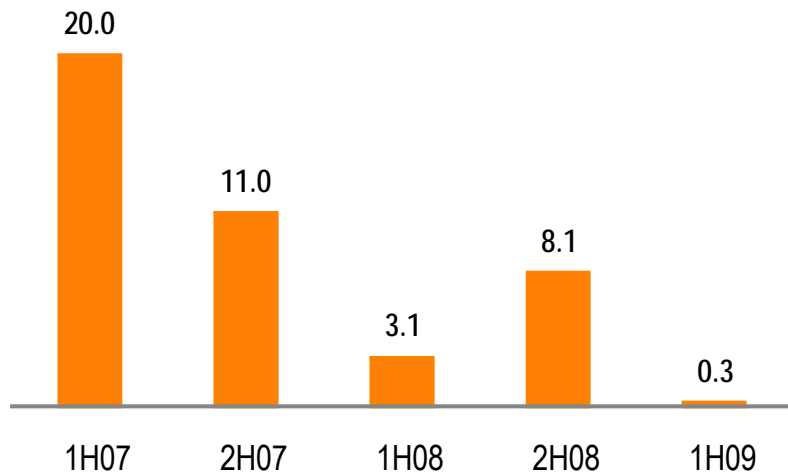
# Alumina NPAT and Underlying Earnings



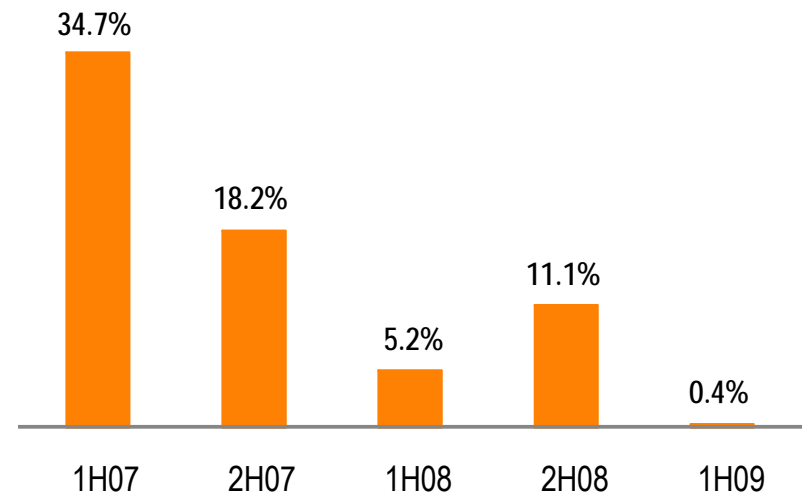
*Note: 2H08 Underlying earnings of \$50m post restructure cost of A\$39m*

# Alumina EPS and ROE

Earnings Per Share  
(cents)



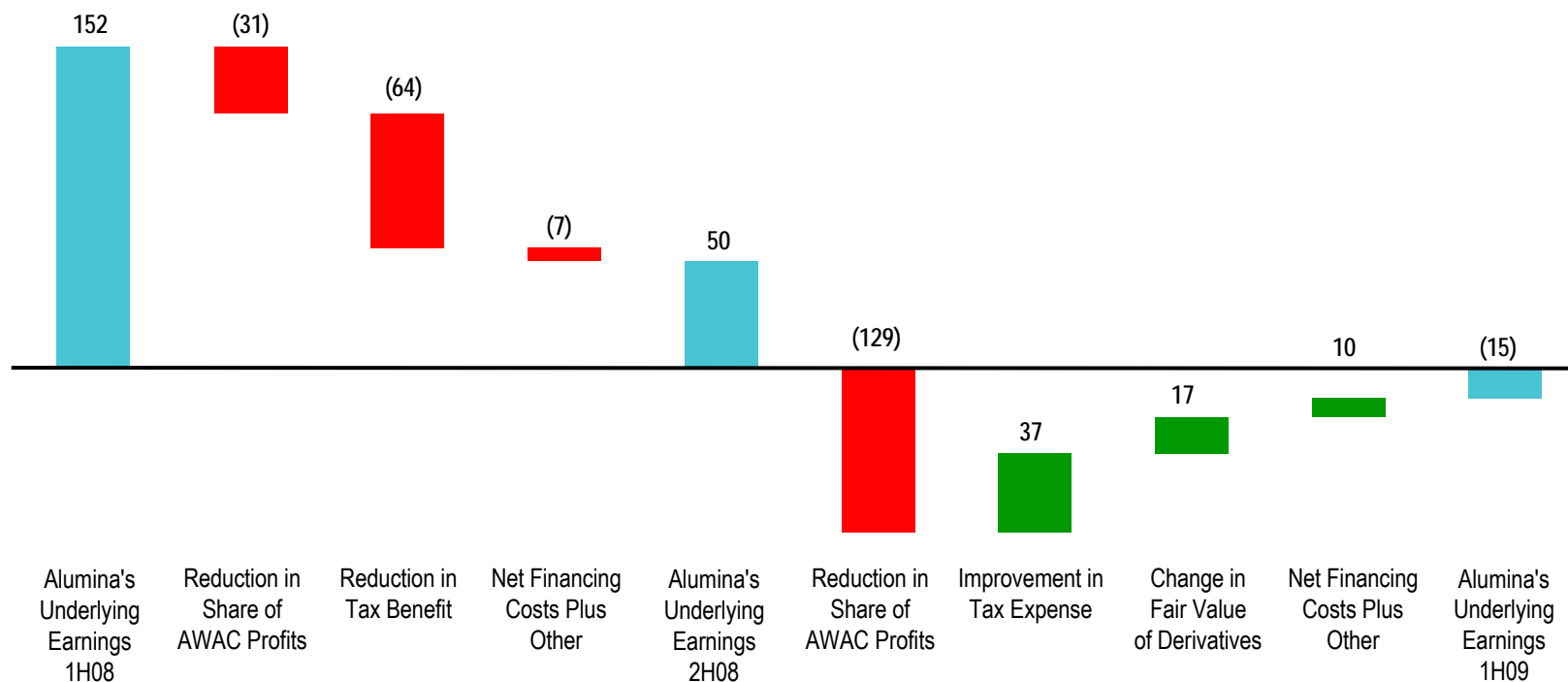
Return on Equity  
(annualised)



- No interim dividend declared
- Prior period EPS adjusted for rights issues

# Alumina Underlying Earnings

	1H08	2H08	1H09
Alumina's reported share of equity accounted profit	46	197	15
Impact of embedded derivatives and pension obligations included in that figure	(108)	74	21
Alumina's share of underlying AWAC profit under IFRS	154	123	(6)
Movement in underlying AWAC profit under IFRS		(31)	(129)



# Alumina Balance Sheet

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- Gearing at 30 June 8.6%
- Net debt A\$280 million\*
- No net drawn debt due for repayment in 2009 or 2010
- Committed facilities of US\$187 million maturing in 2011, partially drawn
- Undrawn committed facilities maturing in 2012 of US\$300 million

*\* Excludes component of convertible bond in equity*

# Alumina Rights Issue

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- Non-renounceable rights issue launched 30 April 2009
- Funds used to repay bank debt
- Combined with facility roll over, removed 2010 refinancing risk
- Net funds of A\$954 million raised

# AWAC Working Capital

	Dec 2008 (A\$m)	Jun 2009 (A\$m)	Movement (A\$m)	Movement (%)
Accounts receivable	708	420	(288)	(40.7%)
Accounts Payable	790	620	(170)	(21.5%)
Inventory	674	747	73	10.8%

- Caustic in inventory at previous high prices
- Oil no longer on consignment
- Movement in certain non-current assets also included in operating cash flows

# AWAC Brazil Investment

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- Expected growth capital investment for 2009 year of US\$300 million
- Capital contribution to June of US\$193 million YTD
- Total capital cost continues, as previously advised, to be below US\$1.4 billion



# Alumina Guidance

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- Guidance provided in February is confirmed
- The following impacts on underlying earnings are expected
  - one US cent move in average 3-month LME aluminium price – approx A\$13m
  - one US cent move in average A\$/US\$ FX rate – approx A\$7m
  - AWAC alumina production costs – reduced by more than US\$50/tonne, about 20% due to FX
  - Alumina Limited's administration costs – marginally lower, borrowing costs – slightly lower than 2008

Based on 2008 Alumina Limited underlying earnings of A\$202 million, plus A\$39 million asset write-off; 2008 average LME of US\$1.19/lb; and A\$/US\$ of 0.85.

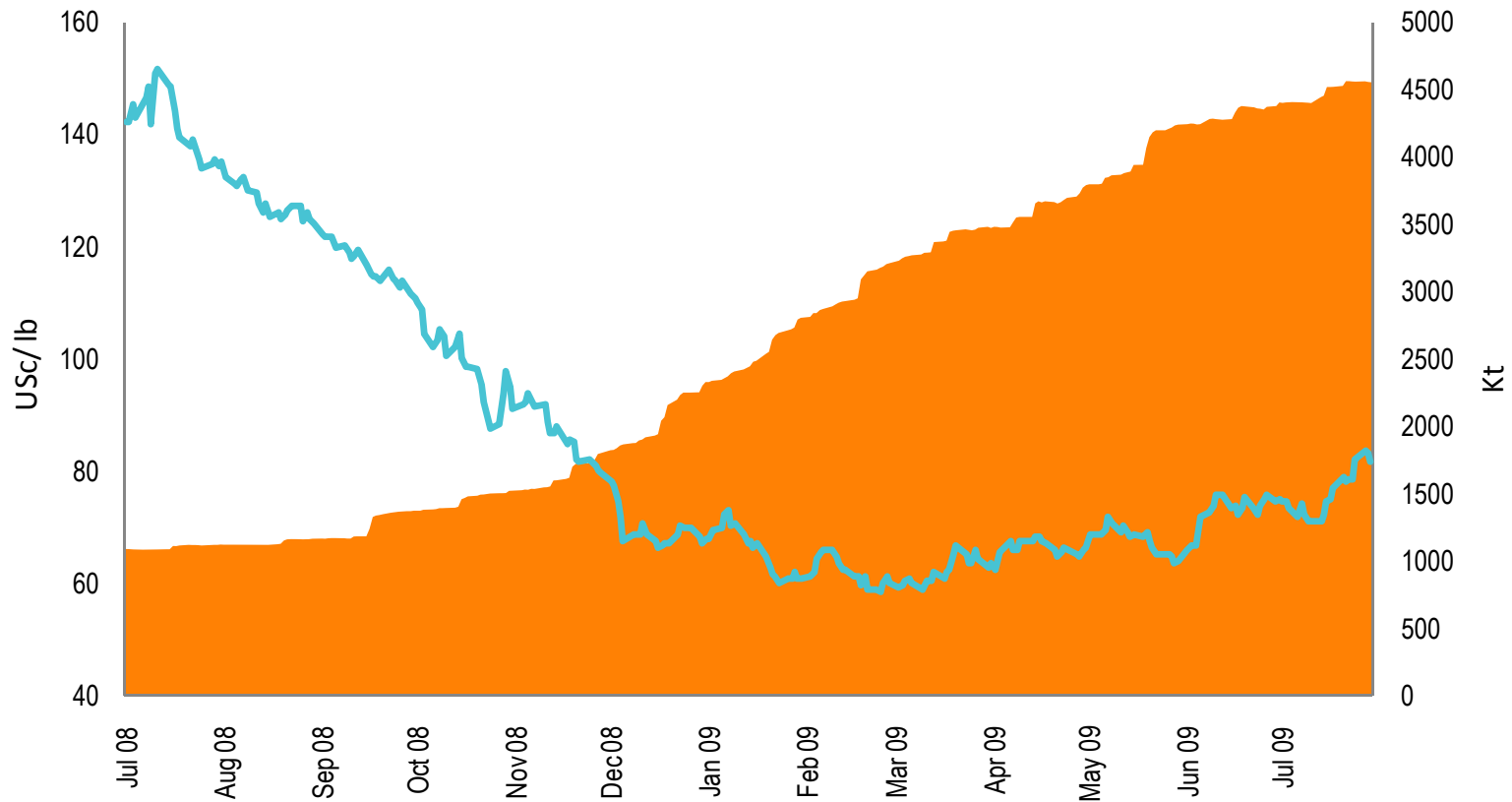
# Market Outlook

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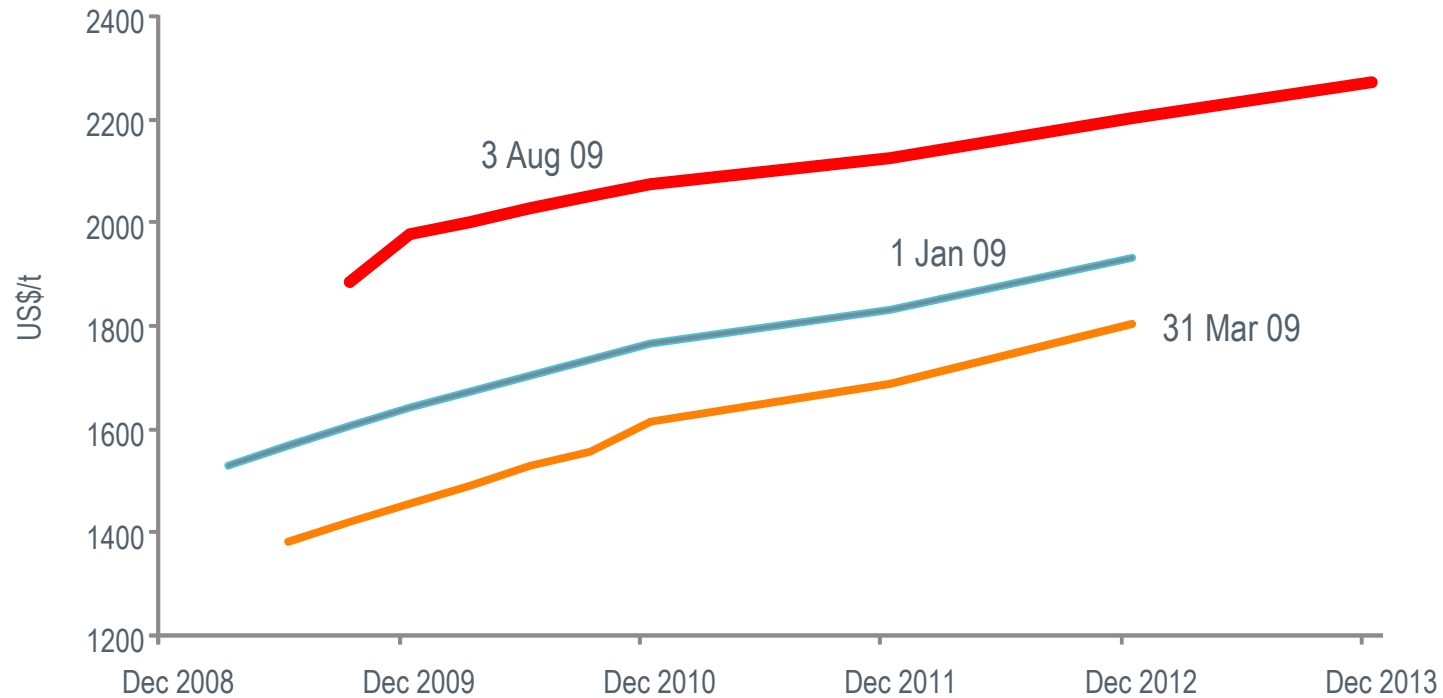
John Bevan  
Chief Executive Officer

# Aluminium Price – A Reflection of Weak Demand and High LME Stocks

Aluminium Price (Last 12 Months)



# Aluminium Forward Prices



Source: Bloomberg as at 4 August 2009

# Aluminium: China Deficit – West Surplus

2009E Aluminium Supply / Demand Balance (in kmt)

## China in Deficit

Jan-May 09 Primary production Run Rate (annualised)	10,900
Announced restarts to be implemented Jun-Dec 09	1,300
<b>Supply</b>	<b>12,200</b>
Demand (0% yoy change)	(13,100)
<b>Deficit</b>	<b>(900)</b>
Imports from Western World	900
<b>Net Deficit</b>	<b>(0)</b>

## Western World in Surplus

Jan-May 09 Primary production Run Rate (annualised)	23,800
Announced curtailment to be implemented Jun-Dec 09	(300)
<b>Supply</b>	<b>23,500</b>
Demand (-10% yoy change)	(21,400)
<b>Surplus</b>	<b>2,100</b>
Exports to China	(900)
<b>Net Surplus</b>	<b>1,200</b>



# Looking Forward

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- LME on upward curve
- Cash management and supply management impact flows through into second half
- Balance sheet in strong position
- AUD and USD exchange rate important

# Questions

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