For release 3 February 2009

Alumina Limited – Resilience Through the Cycle

Summary:

- **Underlying earnings $241 million before $39 million write-off**
- **NPAT $168 million**
- **Low cost assets continued to generate cash**
- **Strengthened balance sheet with successful capital management**
- **Growth projects near completion**
- **Total dividend paid at interim represents 82% payout of NPAT (no final dividend)**

Alumina Limited today announced underlying earnings of $241 million before the previously advised $39 million write-off of prior year expenditure. This reduction from 2007 is largely as a result of the reduced alumina price in the second half of the financial year and higher average production costs. Underlying earnings are calculated by removing the impact of the revaluation of retirement benefit obligations and embedded derivatives from net profit after tax.

Underlying earnings after the non-cash charge of $39 million were $202 million.

Net profit after tax (NPAT) declined from $436 million to $168 million.

Return on equity was 8.5% (2007: 25.5%). Return on equity based on underlying earnings was 10.2% (2007: 23.7%).

Earnings per share were 12.9 cents (2007: 35.7 cents). Earnings per share based on underlying earnings were 15.5 cents per share (2007: 33.2 cents).

Alumina Limited CEO, John Bevan, commented, “The result was achieved in difficult market conditions in 2008.” The first half of 2008 was characterised by strong demand and a corresponding increase in input costs. The second half saw a rapid fall in metal prices as demand declined in response to the global economic contraction. “AWAC moved fast and early in response to the deterioration in global markets. Higher cost production has been curtailed and growth projects deferred to conserve cash. Alumina Limited’s equity raising in the second half of the year has enabled us to invest in our share of the substantial completion of AWAC’s existing growth projects, and further strengthened our balance sheet so that we enter 2009 in a stronger position than we commenced 2008”, Mr Bevan said.

“We have implemented measures to respond to the deterioration in external market conditions. The overall focus of these measures is to conserve cash and reduce costs of production.”

No final dividend will be paid for 2008. The total dividend of 12 cents per share, which was paid as an Interim Dividend in October, represents a dividend payout of 82 per cent of 2008 NPAT. Alumina’s CEO, John Bevan, explained: “This decision not to declare additional dividends in respect of 2008 has been taken to conserve cash and is consistent with other cash conservation measures, including curtailment of high cost production and the deferral of growth projects already announced. The Board will continue to review the dividend at each half year in light of current and expected business conditions”.

Alumina’s debt at 31 December 2008, net of cash, was $981 million, compared with $977 million at the beginning of 2008. Cash held at 31 December 2008 was $67 million. Undrawn committed facilities as at 31 December 2008 were $1,091 million. US$304 million of these facilities mature during 2009, and Alumina Limited has obtained agreement on the extension of US$229 million of these maturing facilities, the majority until July 2012. Alumina’s CFO, Judith Downes, observed: “All four of the banks involved have extended their facilities, although one overseas based bank has reduced its level of participation. We are very pleased to have the ongoing support of these long-standing relationship banks”.

Prices and Exchange Rates

The LME aluminium price averaged US$1.19 per pound in 2008 (2007: US$1.21) after fluctuating from a high of US$1.50 per pound in July to a low of US$0.66 in December 2008 following significant customer downturn, particularly in the automotive and construction industries, leading to increased inventories of aluminium.

The AUD/USD exchange rate averaged 85 cents in 2008 (84 cents in 2007). The first half 2008 rate was 92 cents and in the second half-year the A$ weakened considerably. The movement in the A$ to a year-end rate of US69 cents, and the movement in the Brazilian Real, resulted in balance sheet revaluations and an increase in Alumina Limited's profit of $24 million.

Alumina Limited's first half 2008 underlying earnings included a tax credit of $32 million as a result of exchange gains on Alumina's foreign currency debt. That amount was reversed in the second half of 2008 due to a weaker Australian dollar in the second half.

AWAC Operations

AWAC's alumina production was 14.4 million tonnes (2007: 14.3 million tonnes). Sales revenue increased by 9%, with demand for alumina and aluminium increasing strongly in the first half before a rapid decline in the second half. Responding to this reduced demand, AWAC announced the curtailment of 1.5 million tonnes per annum of alumina production. AWAC's average cost of production increased by US$43/tonne year on year, with the major contributors to the cost increases being the higher energy prices, caustic soda and shipping freight rates, with most of those cost increases being experienced in the first half.

AWAC Growth

The current AWAC growth strategy is focused on the completion of existing projects while preserving options for medium and longer term growth.

The expansion of the Alumar alumina refinery in Sao Luis and development of the new Juruti bauxite mine, both in Brazil, are expected to be completed and start up in mid 2009. 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. These are long term investments in facilities which are well placed to meet future market conditions.

AWAC announced in October that further work on the expansion of the Wagerup refinery in Western Australia had been suspended until market conditions improve. Other non-critical capital expenditure has also been deferred until economic conditions improve.

Outlook

The recent weakening in the aluminium price has resulted in curtailment of higher cost production, and the prospect of continuing low global demand in 2009 is expected to result in further worldwide global alumina and aluminium curtailments while the aluminium market remains in surplus. Following the 3% decline in aluminium demand over 2008, demand is forecast to decline by a further 2% in 2009. The decline in demand has resulted in increased inventory stock piles.

Although the near term outlook for alumina and aluminium markets is one of reduced demand, longer term expectations are for the market to return to growth to meet the demand from global urbanisation and population growth.

Alumina Limited's 2009 underlying earnings are expected to reflect the impact of the following factors, based on 2008 underlying earnings:

- a US one cent movement in the average 3-month LME aluminium price is expected to impact 2009 underlying earnings by approximately A$13 million. The sensitivity of underlying earnings to the LME aluminium price is not linear, as it reflects the mix of AWAC sales contracts on varying terms and may vary with significant changes to the LME aluminium price;
- each one US cent movement in the average Australian dollar/US dollar exchange rate is expected to impact 2009 underlying earnings by approximately A$7 million;
- Alumina Limited borrowing costs are expected to be similar to 2008, as expected lower interest rates are offset by a higher level of company debt.

Alcoa Inc has announced aluminium smelting output reductions of more than 750,000 mtpy, or 18 per cent of annualised output. AWAC's alumina production has been reduced accordingly across the global refining system by a total of 1.5 mtpy in response to market conditions. The Alumar refinery, on schedule for completion mid 2009, will add to alumina production capacity in 2009. AWAC will continue to monitor demand and optimise its global production to match demand, reduce production costs and conserve cash.

AWAC's alumina production costs in 2009 are expected to reduce by more than US$50 per tonne, due to energy price declines and a weaker AUD. The actual alumina operating costs for 2009 will be impacted by the commodity and foreign exchange rates and AWAC production levels.

	2008	**2007**
Profit after tax (A$m)	**168.0**	436.4
Underlying earnings after tax (A$m)	**201.6**	405.6
Dividends declared (cents/share)	**12**	24

Alumina Limited is a leading Australian company listed on the ASX and the NYSE. Our strategy is to profitably grow, solely through investing world-wide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40% ownership of AWAC, the world's largest alumina business. Our partner, Alcoa, owns 60% of AWAC, and is the manager.

Some statements in this release 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; and (e) the other risk factors summarised in Alumina's Form 20-F for the year ended 31 December 2007.

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