

# Alumina Limited

## 2008 Full Year Results

John Bevan  
Chief Executive Officer

Judith Downes  
Chief Financial Officer

3 February 2009



ALUMINA  
LIMITED

# 2008 Highlights

---

- Positive result in tough market environment
- Underlying earnings A\$241m before write off
- Growth projects on track and within advised cost
- Acted early and quickly on operations costs and capex for cash conservation
- No final dividend declared – full year payout ratio 82% of NPAT

# Alumina enters 2009 in a sound position

---

- Strong operational cash generation in 2008
- Strengthened balance sheet
- Flexible operations to deal with further market volatility
- AWAC remains largest, low cost producer of alumina



# Disclaimer

---

*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; (e) constraints on the availability of bauxite; and (f) the other risk factors summarised in Alumina’s Form 20-F for the year ended 31 December 2007*

*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.*

# Financial Results

Judith Downes

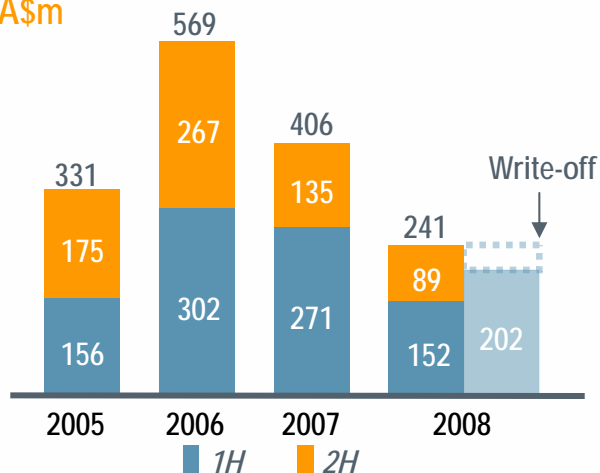
Chief Financial Officer



ALUMINA  
LIMITED

# 2008 A story of two halves

Underlying Earnings  
A\$m



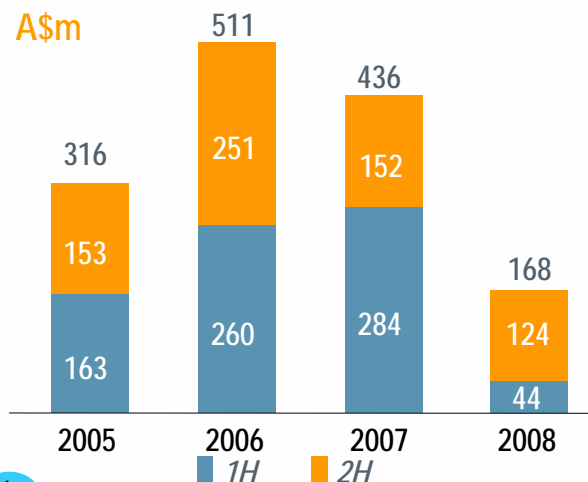
## First Half

- Alumina and metal prices stronger
- AUD stronger
- Sharp increase in input costs

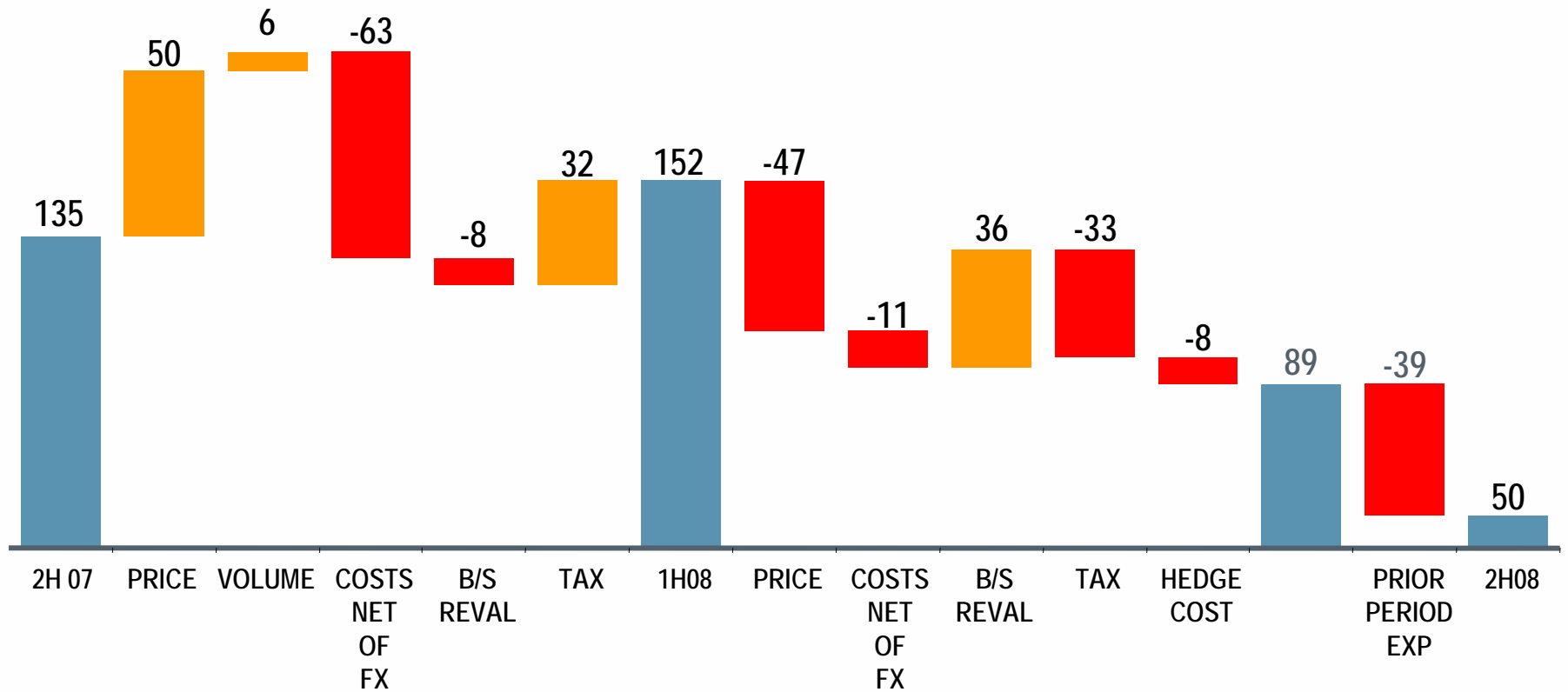
## Second Half

- Alumina and metal price slump
- Production curtailments announced
- AUD weakening
- Falling energy costs
- Reversal of 1H tax credit (A\$32m)
- NPAT A\$168m – impacted by pensions and embedded derivatives

Alumina NPAT  
A\$m



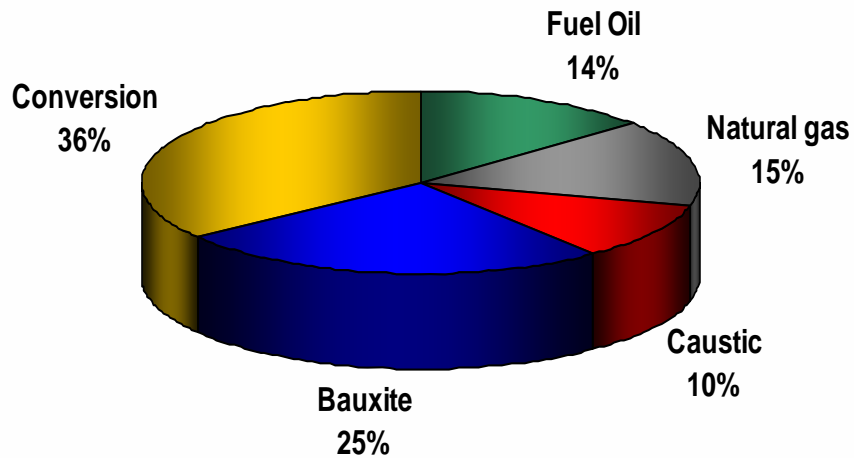
# Alumina Underlying Earnings



- Volatility in price and input costs across the halves

# Refining Cost Overview

COMPOSITION OF REFINING  
PRODUCTION COSTS



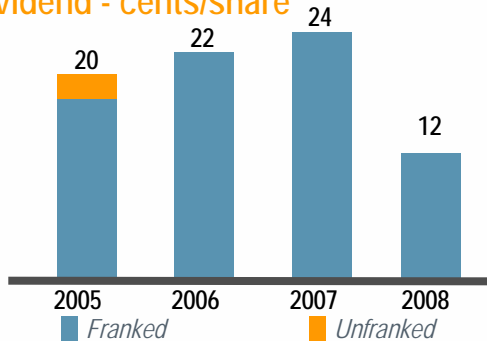
Input Cost	Inventory Flow	Pricing Convention
Fuel oil	1 – 2 mths	Prior month
Natural gas	1 – 2 mths	Rolling 16 quarters
Caustic soda	3 – 6 mths	Spot & semi-annual
Bauxite	2 – 3 mths	6 – 9 mth lag

Source: Alcoa 4Q 08 Results Presentation, January 2009



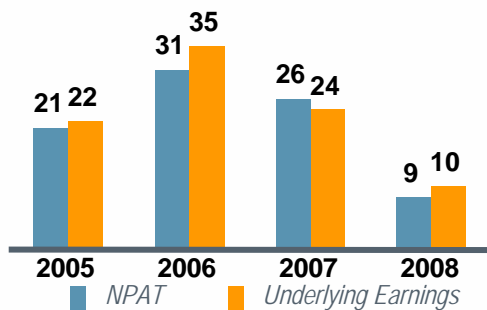
# EPS and Returns

Dividend - cents/share



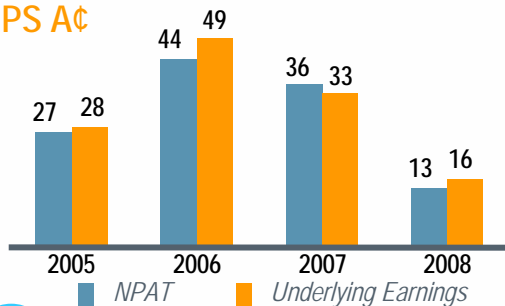
- No final dividend declared
- Interim dividend 12¢ fully franked
- Dividend payout ratio 82% of NPAT

Alumina ROE %



- ROE (underlying earnings) 10.2%
- Net assets up 150%
- ROE (underlying earnings) excluding capital invested but not yet contributing to earnings 20.0%

EPS A¢



- EPS decline reflects lower NPAT and rights issue

# Balance sheet strengthened in 2008

---

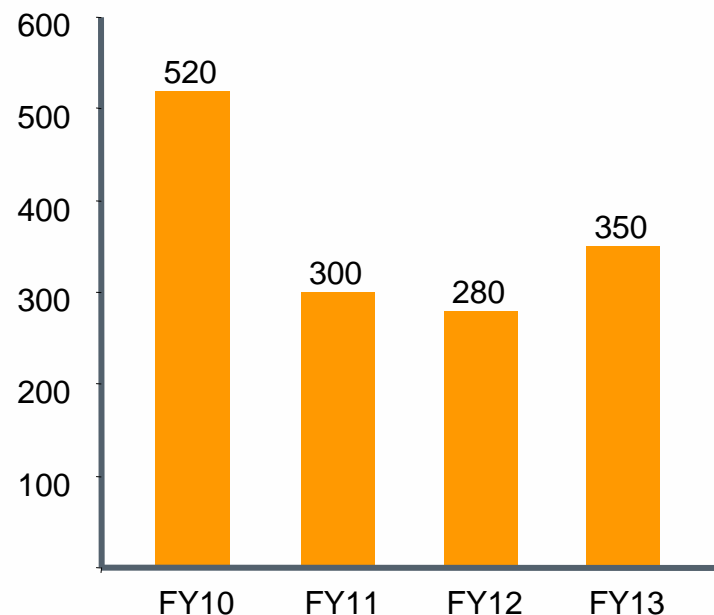
- A\$350m convertible bond May 2008 - attractively priced
- A\$910m rights issue - fully subscribed
- A\$356m AWAC cash dividends received
- Dividend Reinvestment Plan introduced
- Drawn facilities reduced by US\$110m compared to prior year end



# Conservative gearing

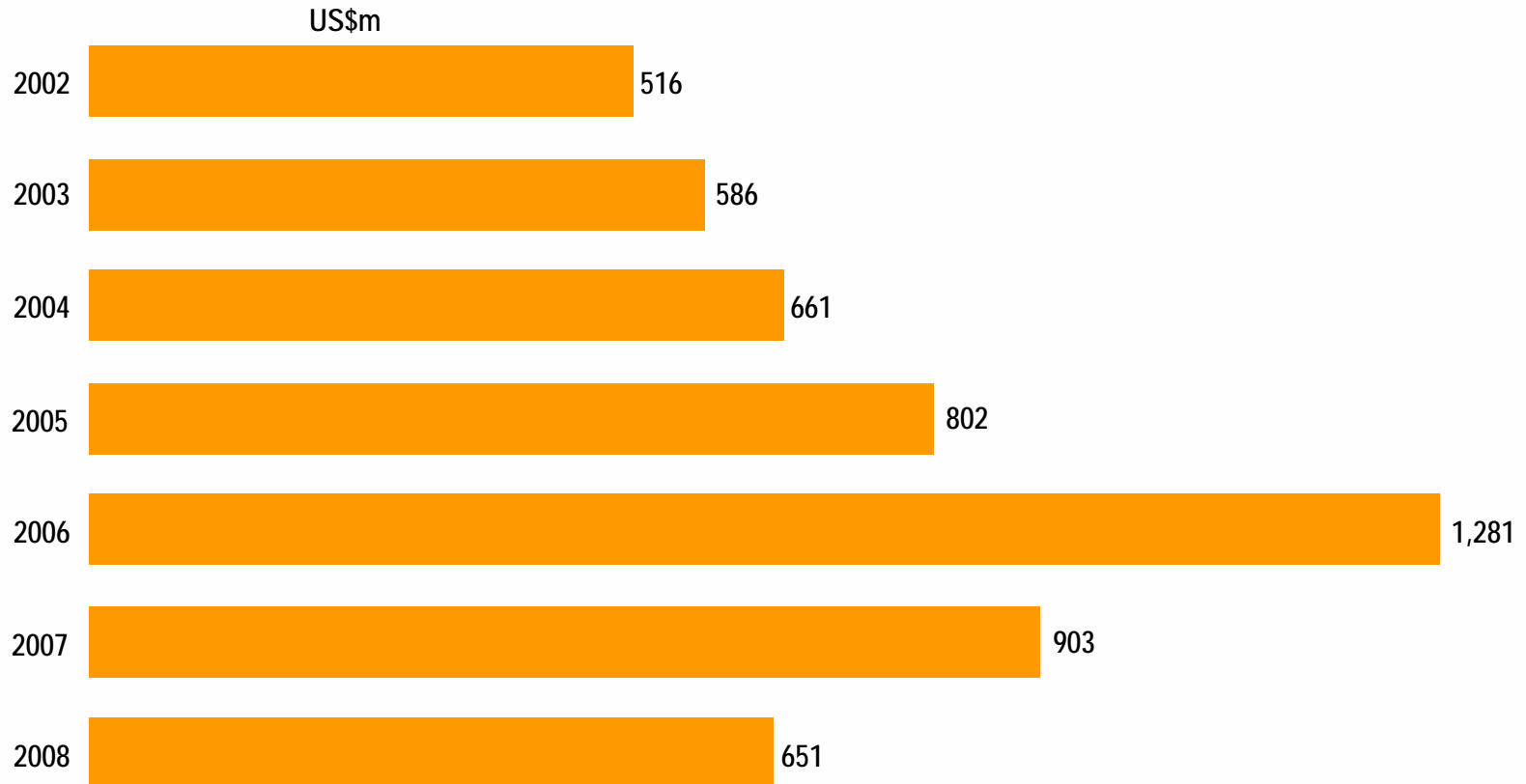
- Gearing 29%
- Total debt facilities US\$1.45bn  
Drawn facilities US\$771m
- Brazil project spend within budget – funding exposure to adverse BRL/USD movement capped with purchase of options in 2008
- 2009 maturities rolled forward, four syndicate banks continue to participate

FACILITY MATURITY PROFILE



# Resilient cash generating assets

## AWAC Cash from Operating Activities after Sustaining Capital Expenditure



# AWAC Performance, 2009 Outlook

John Bevan

Chief Executive Officer

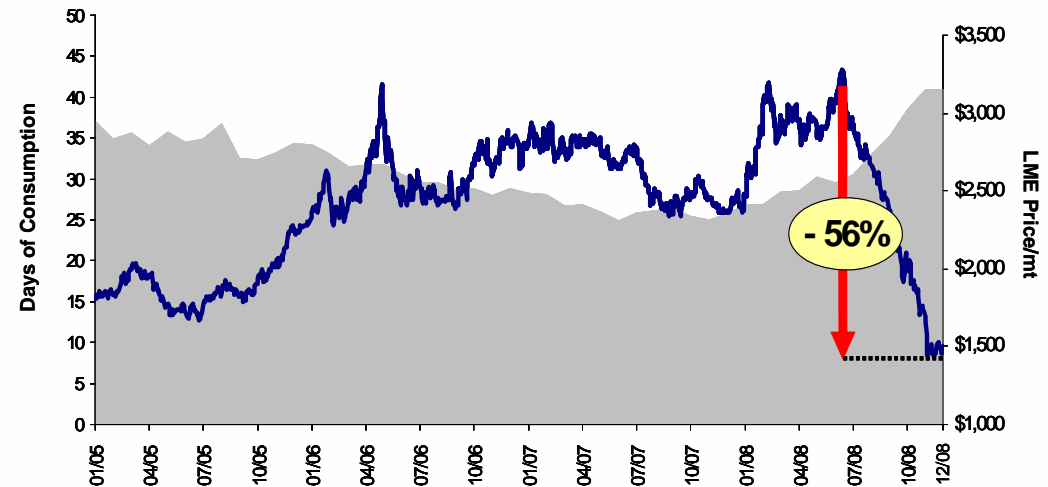


ALUMINA  
LIMITED

# Aluminium market changed dramatically in 2008

- Strong demand growth in first half receded rapidly in second half
- De-stocking of aluminium users' supply chains
- Price of aluminium has dropped over 50% from peak

LME cash price/ton, in US\$ and global inventory<sup>1</sup>, in days



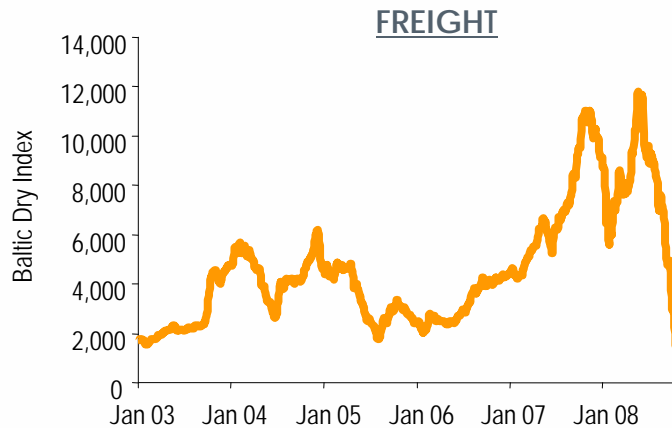
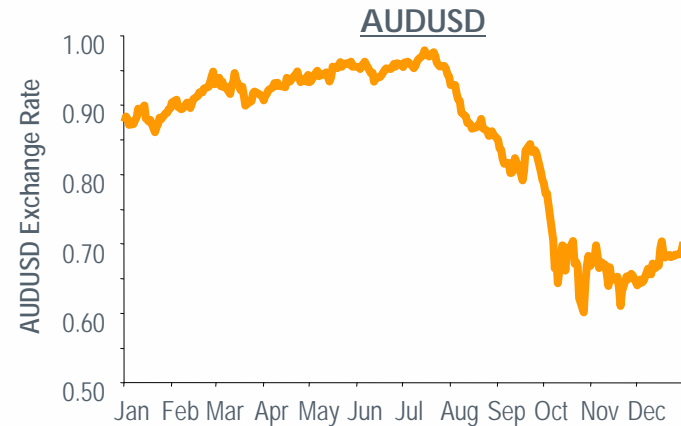
<sup>1</sup> Reported Stocks : Comex, IAI, Japan Port , LME, & SME



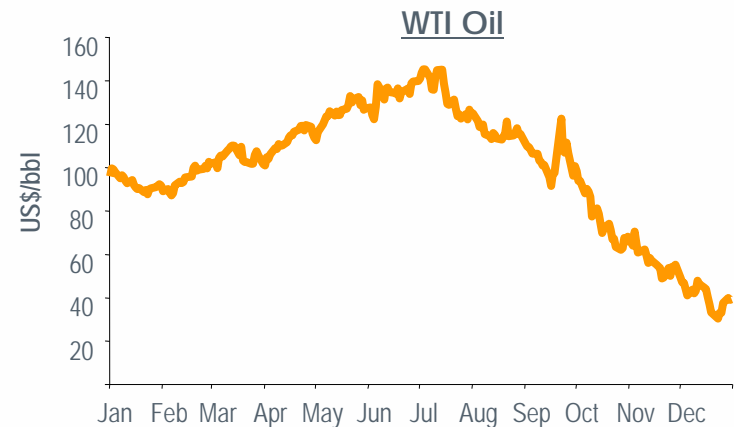
Source: IAI and Bloomberg

# Prices have fallen for alumina, but so have inputs

- Prices for key input costs fell in 2H
  - Exchange rates
  - Oil
  - Freight



Source: Bloomberg

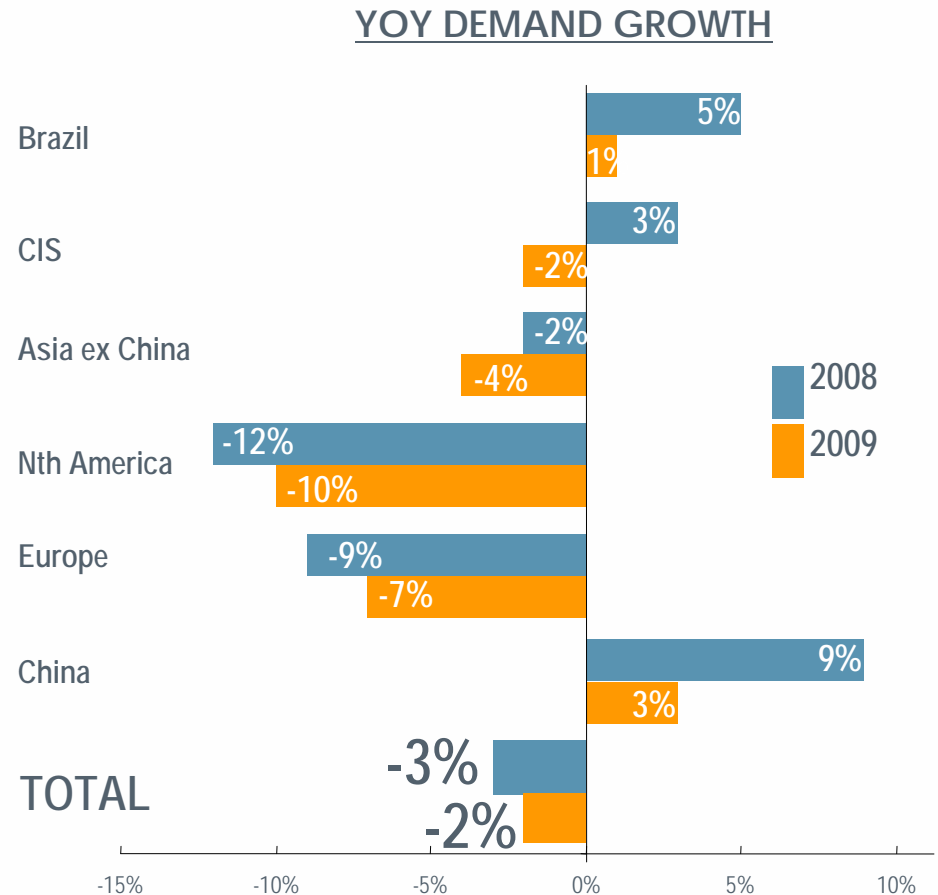


Source: IRISS

ALUMINA  
LIMITED

# 2009 – Modest fall in global aluminium demand

- 2008 demand fell 3% globally
- Consumption today is stronger than demand (-15%) due to de-stocking
- Global demand for aluminium 2% decline from 2008



Source: Alcoa 4Q 08 results presentation, January 2009



# Suppliers are responding to reduced demand

- Announced curtailments represent approx 14% of global capacity
- AWAC announced reductions are fully implemented

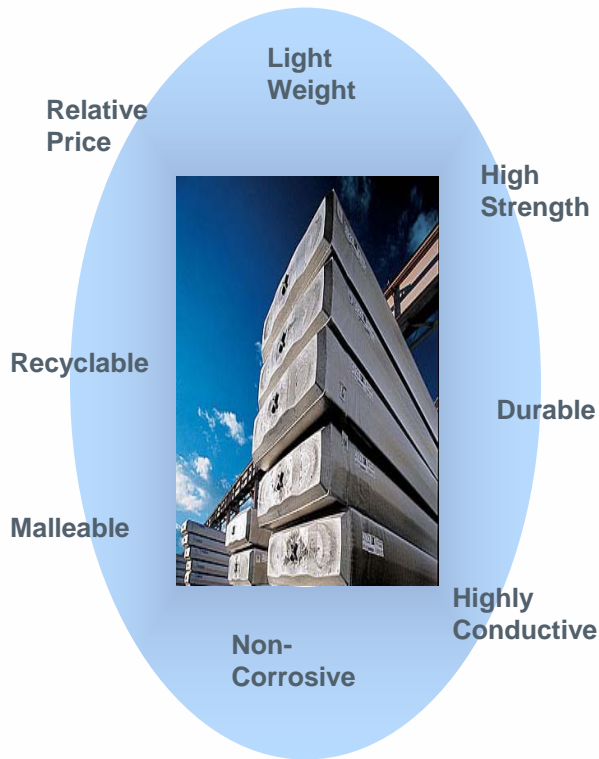
	Announced Curtailments		
	<u>Smelter</u>		<u>Refinery</u>
	mil mt	Alumina Equivalent	mil mt
China	2.448	4.725	7.710
Alcoa/AWAC	0.750	1.448	1.500
Rusal	0.281	0.542	1.253
Rio Alcan	0.450	0.868	0.541
Other	0.852	1.644	0.000
	4.781	9.227	11.004

Source: Alcoa & Public Data

# Long term fundamentals remain strong

## Aluminum Outlook

### Aluminum Benefits



Source: Alcoa 4Q Presentation

<sup>1</sup> Source: Alcoa analysis

### Mega Trends

#### Demographics

- Global population
- 2006: 6.6 billion
  - 2025: 7.9 billion
  - 2050: 9.1 billion

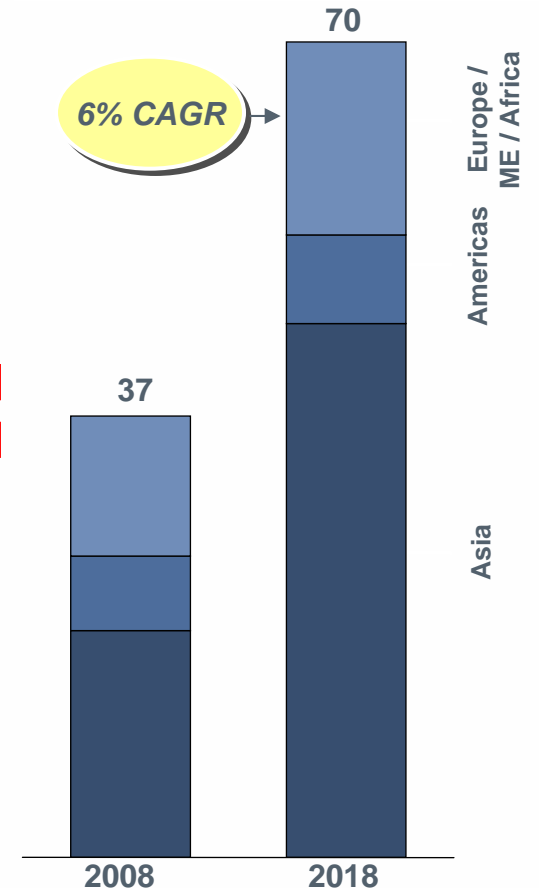
#### Urbanization

- Population living in cities
- 2006: > 50%
  - 2030: > 60%

#### Environment

- Total energy consumption to increase by 54% until 2025 – >60% from developing countries
- Person Transport rates +40% by 2030

### Aluminum Demand (million mt) <sup>1</sup>



ALUMINA LIMITED

# AWAC is conserving cash

---

## Operating Costs

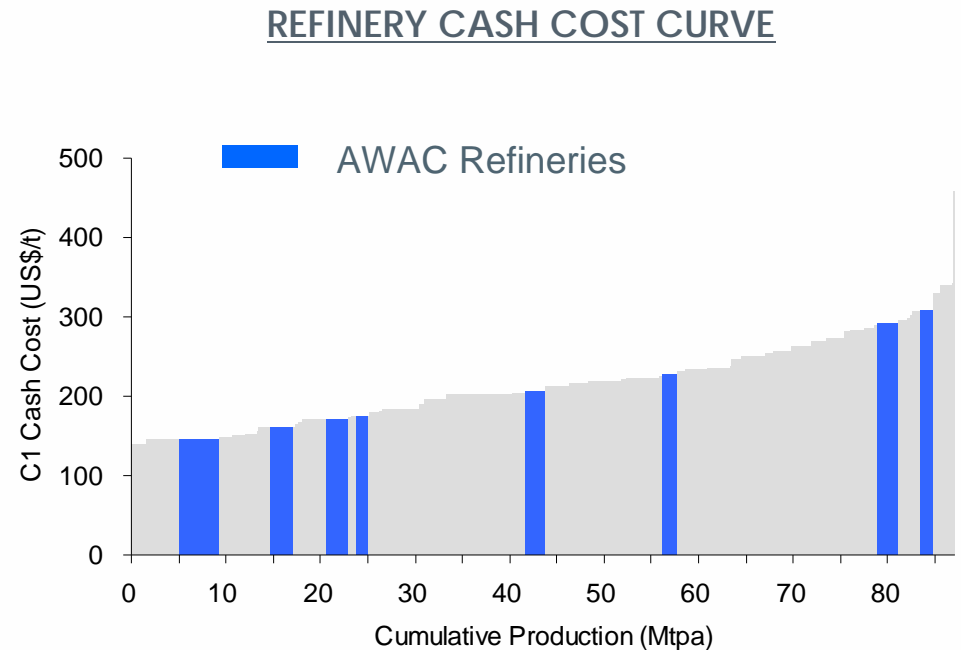
- Curtailing higher cost production to meet demand
- 20-25% reduction of purchased input costs
- Salary freeze
- Reduction of contractors
- Overhead cost reductions

## Capital Costs

- Completing Brazil expansions within advised budget
- Deferring all other growth projects
- Reducing sustaining capex by 30%

# AWAC remains the largest low cost producer of alumina

- Low cost, reliable production delivering capacity creep
- AWAC can adjust production to meet demand
- 70% of AWAC production in lowest cost quartile with Brazil expansion



Source: Brook Hunt Bauxite & Alumina Costs 2008 Edition  
Notes: chart shows the forecast C1 cash operating cost curve for 2008

# Alumina Limited has strengthened its balance sheet

---

- Equity and bond raising in 2008
- Strong cash flow in 2008 sees gearing at 29%
- Undrawn facilities being renewed
- Minimising cash outflows



# 2009 Guidance

---

- 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 – similar to 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.

# Summary

---

- Positive result in tough market
- Moved early to manage for the downturn
- Alumina enters 2009 with:
  - Capital projects on track
  - Low cost and flexible assets
  - Strengthened balance sheet
  - Low gearing levels
- Confidence in market fundamentals



# Questions



ALUMINA  
LIMITED