

# Alumina Limited

## 2008 Half Year Results

John Bevan  
Chief Executive Officer

Ken Dean  
Chief Financial Officer



31 July 2008

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# Highlights

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- Underlying earnings A\$152m
- NPAT is \$44m – impacted by non trading items
- Increased AWAC sales and prices, offset by stronger AUD, higher energy prices
- AWAC customer supply maintained, despite WA gas outage
- Planned 2008 funding completed in first half
- Interim dividend – 12¢ fully franked

# Disclaimer

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*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

Ken Dean

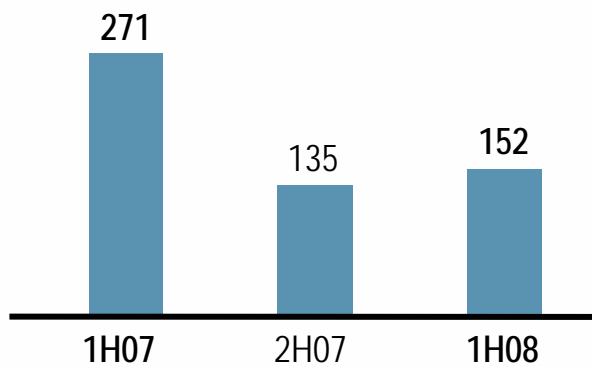
Chief Financial Officer



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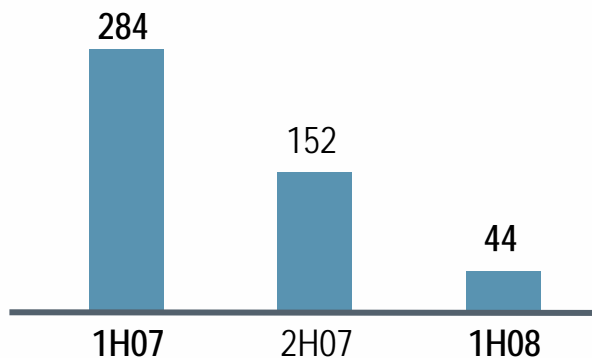
# Half Year Profit Reflects Strong Demand and Cost Pressures

Underlying Earnings  
A\$m



- Underlying Earnings of A\$152m – in line with 2H07
- AWAC alumina and metal prices stronger
- A\$ higher
- Increased AWAC energy prices

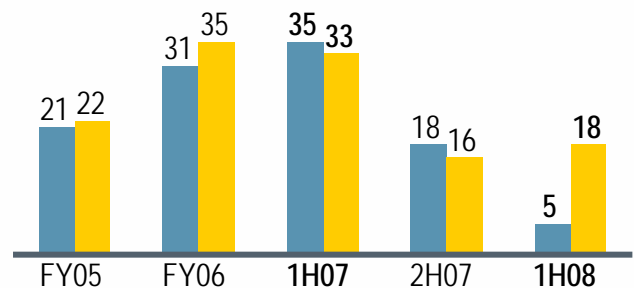
Alumina NPAT  
A\$m



- NPAT A\$44m – down 85% on 1H 2007 – embedded derivatives for energy contracts

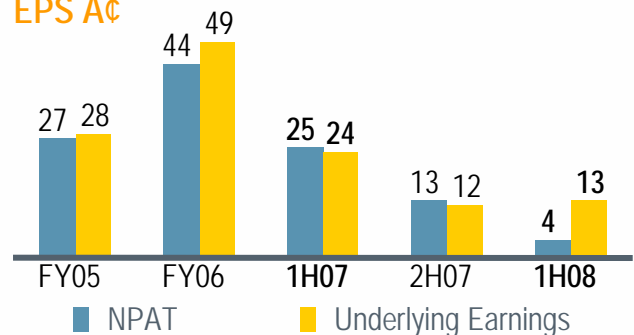
# Strong EPS and Returns

## Alumina ROE %



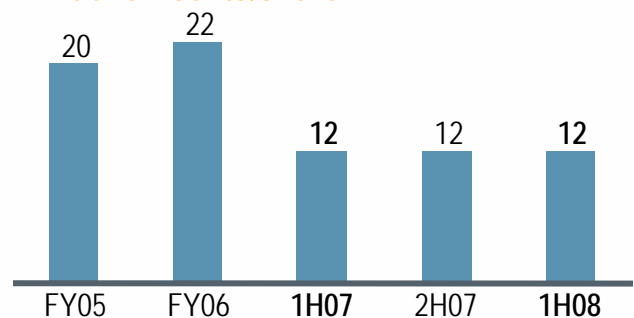
- ROE (underlying) – 18%

## EPS A¢



- Earnings constrained by cost pressures and weak US\$

## Dividend - cents/share



- Fully franked 12¢ interim dividend

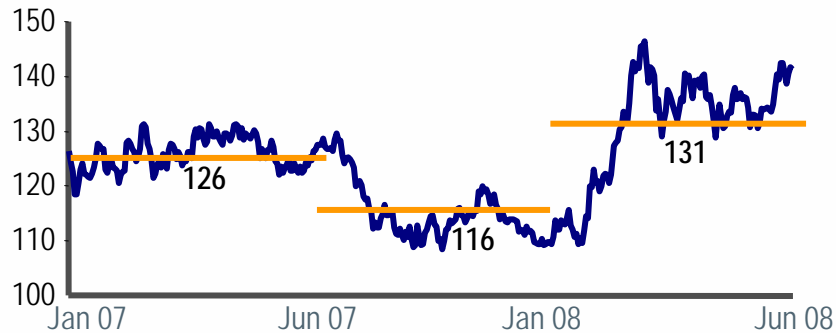
# NPAT – Underlying Earnings Reconciliation

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	1st Half 2008	2nd Half 2007	1st Half 2007
<b>Underlying Earnings</b>	<b>152</b>	<b>135</b>	<b>271</b>
Employee Retirement Benefit obligations	(33)	27	12
Embedded Derivatives	(75)	(10)	1
<b>NPAT (A\$m)</b>	<b>44</b>	<b>152</b>	<b>284</b>

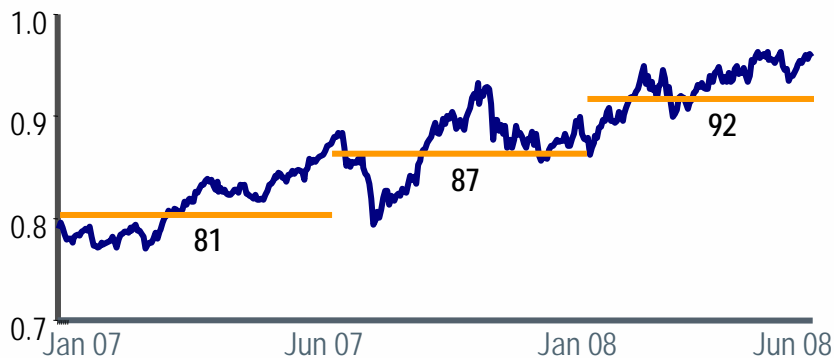
# Aluminium Price and Exchange Rate

## LME Aluminium Price



- First half LME 3 month price – US 131¢/lb
- 4% above 1H 2007 average

## A\$ Exchange Rate



- First half A\$/US\$ exchange rate – 92¢
- 14% rise on 1H 2007 average



# Capital Management

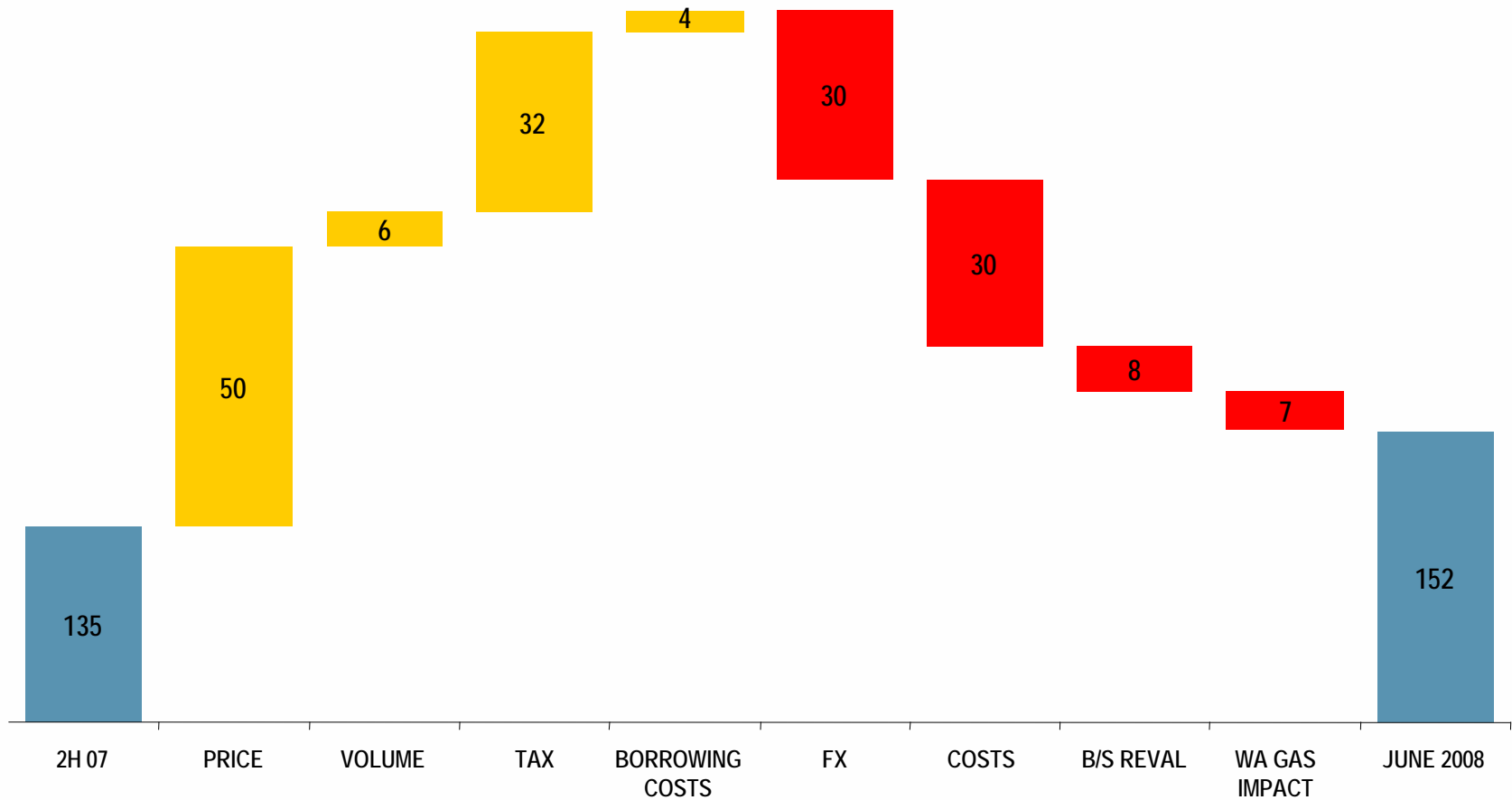
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## ■ Funding

- 2008 planned financing activity completed in first half
  - Extended committed bank facilities
  - \$350m convertible bond issue
- Dividend Reinvestment Plan introduced and underwritten for 2008
- Funding being developed to meet additional project requirements



# Alumina Underlying Earnings 2H 2007 to 1H 2008



# AWAC Performance, 2008 Outlook

John Bevan

Chief Executive Officer



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# AWAC Operations – 2008 First Half

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## Aluminium

- Production and sales up on last year
- Margins up, despite higher alumina costs

## Alumina

- AWAC production – 7.3mt
- Three refineries at record output levels
- WA gas supply disruption, Jamalco
- Operational costs were well managed



# WA Gas Outage

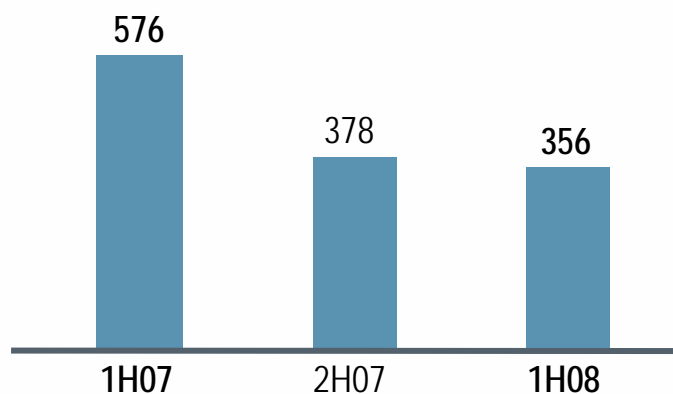
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- 7 June – Varanus Island fire
- Limited impact on volume of production
- \$7m impact in June 2008
- \$31m impact in the third quarter
- Gas should largely be restored by 15 August



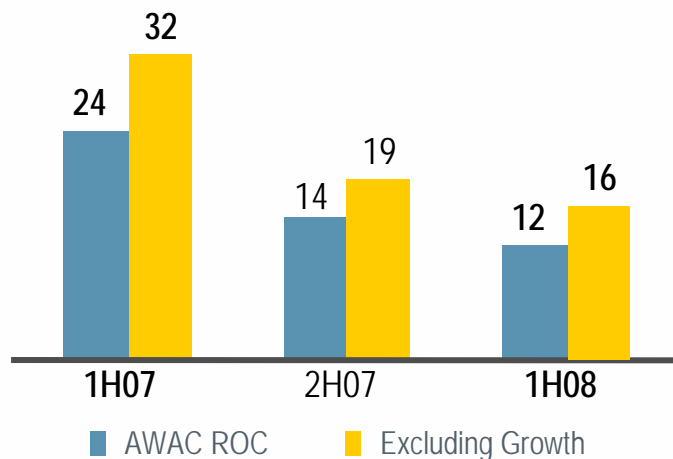
# AWAC Financials – 2008 First Half

## AWAC NPAT US\$m



- NPAT US\$356m
- Higher AWAC realised alumina and aluminium prices
- Alumina production and sales up
- Energy costs are also up

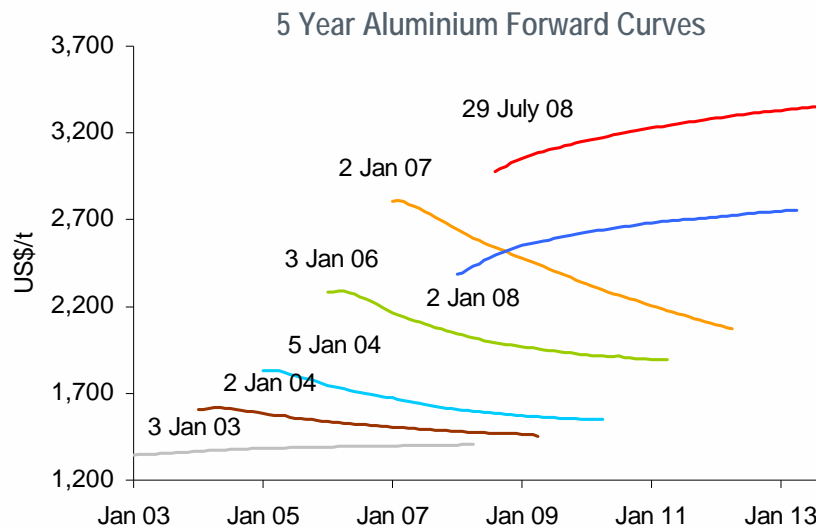
## AWAC ROC %



- ROC - 12% annualised  
- 16% excl growth capex
- US\$679m capex in first half

# Aluminium Market

- Aluminium market – balanced in 2008
- Production curtailments in China, USA, South Africa
- Global demand is robust
- LME prices up 28% in 1H 2008
  - Forward curve continues to strengthen



# Alumina Market

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- Alumina supply
  - Modest surplus forecast
  - Slower ramp up of brownfield capacity expansions
- China alumina imports remain robust – est 5mtpa
- Strong LME linkage in new contracts





# Brazil Growth Projects

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- July announcement on total project costs – AWAC \$3.7bn
- Alumar expansion (AWAC – 1.1mtpa)
  - Construction 60% completed
  - Project schedule – initial production now mid 2009
- Juruti bauxite – initial capacity 2.6mtpa
  - Initial shipments in 3Q 2009



# AWAC – 2008 Outlook

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- Alumina prices to follow approx 60 day lag
- Production and shipments higher in 2H
- Currency and energy prices continue to impact in second half 2008
- Alumina production costs to increase by US\$29/t above previous guidance
- Metal –production and shipments similar to first half

# Alumina – 2008 Underlying Earnings Guidance

- In addition to guidance on AWAC production and costs, Alumina Limited's 2008 underlying earnings to reflect:
  - US one cent movement in the average 3-month LME aluminium price is expected to impact underlying earnings by approximately A\$11 million
  - each one cent movement in the average Australian dollar/US dollar exchange rate is expected to impact underlying earnings by approximately A\$12 million
  - Alumina Limited borrowing costs are expected to be similar to 2007

Based on 2007 Alumina Limited underlying earnings of A\$406 million, 2007 average LME US\$1.21/lb and A\$/US\$ of 0.84

# Alumina Limited Fundamentals Are Positive

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- Underlying Earnings consistent with last half
- AWAC directly-controlled costs well managed
- Demand is robust, despite weak US economy
- LME prices are stronger, as are alumina prices
- Energy and US\$ outlook are major AWAC variables

# Questions



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