ALUMINA LIMITED

For release 31 January 2008

Alumina Limited – Investing for Growth

Highlights:

- **Net profit after tax down 15% to $436 million**
- **Underlying Earnings down 29% to $406 million**
- **Fully franked final dividend maintained – 12 cents per share**
- **Return on Equity - 26% (2006: 31%)**
- **Dividend Reinvestment Plan – new DRP for 2008**
- **Aluminium and alumina consumption growing strongly**

Alumina Limited today announced a reduced Net Profit After Tax of $436.4 million for 2007, reflecting higher AWAC operating costs for alumina and aluminium production and the impact of a stronger Australian dollar.

Underlying Earnings after tax declined 29% to $405.6 million, which is calculated by deducting from Net Profit after Tax an amount of $30.8 million, representing the net total of non-cash items for the revaluation of embedded derivatives and retirement benefit obligations, which do not reflect the year's operations.

Directors have declared a final dividend of 12 cents per share, fully franked, payable 31 March 2008. Dividends paid in respect of 2007 will total 24 cents per share (2006: 22 cents per share).

Alumina Limited CEO, John Marlay, commented, "2007 earnings and cash generation declined from the record levels in 2006. 2007 was a year of substantial reinvestment to grow the AWAC joint venture through expansion projects in bauxite mining and alumina refining. These are long term investments in a market in which worldwide growth in demand for aluminium is expected to continue at the strongest level for decades".

Return on Equity was 25.5% (2006: 31.1%). Return on Equity based on Underlying Earnings was 23.7% (2006: 34.7%).

Earnings per share were 38.2 cents per share (2006: 43.8 cents per share). Earnings per share on underlying earnings were 35.5 cents per share (2006: 48.8 cents per share).

The Directors have also announced the introduction of a new Dividend Reinvestment Plan (new DRP). Under the new DRP shareholders may elect to have their dividends invested in new shares issued by the Company. New shares will be issued under the new DRP at an undiscounted price relative to the market price during the pricing period. The Company has contracted with UBS for the underwriting of the issue of shares for the dividend payable on 31 March 2008, and intends that the 2008 Interim Dividend, expected to be paid in September 2008, would also be underwritten. The introduction of the new DRP, and underwriting of the issue of shares in relation to the two dividend payments, recognises the substantial investment the Company is currently making in new AWAC production capacity, and will assist in maintaining the Company's financial position while continuing our policy to promptly distribute franking credits.

Alumina's debt at 31 December 2007, net of cash, was A$977 million, A$558 million higher than at the beginning of 2007. The increase in debt at year-end mainly reflects our equity contributions to fund the two AWAC growth projects in Brazil. Cash dividends received from AWAC during the year were A$445 million, compared to A$521 million in 2006.

Prices and Exchange Rates

Global demand for aluminium and alumina continued to grow strongly, increasing by approximately 10% year on year in 2007. LME aluminium prices averaged US$1.21 per pound in 2007, a 3.4% increase on the corresponding period. The outlook for aluminium and alumina prices remains positive.

The AUD/USD exchange rate averaged 84 cents in 2007 (75 cents in 2006). The first half 2007 rate was 81 cents and in the second half-year the A$ strengthened considerably, averaging 87 cents. The appreciation of the A$ to a year end rate of 88 cents resulted in Alcoa of Australia balance sheet revaluations, which decreased Alumina Limited's reported profit by $16 million.

AWAC Operations

AWAC's alumina production of 14.3 million tonnes in 2007 was in line with the prior year. Production was impacted in Q1 by power outages at two Western Australian refineries, and by a general strike in Guinea which curtailed bauxite mining and exports. Production was further disrupted in Q3 by severe hurricane damage to the Jamalco refinery, preventing shipping movements for approximately 11 weeks. These disruptions were offset by additional production at other AWAC refineries. The Pinjarra refinery established a new production level at a rate of 4.2mtpy in Q4, and Wagerup, Sao Luis and Suralco refineries also established annual production records.

AWAC's average cost of alumina production increased by US$32/tonne year-on-year. The substantial weakening of the US dollar against the currencies of major AWAC production locations, particularly Australia, contributed about 30% of this increase. Major operating cost increases which impacted on the alumina refining industry, including AWAC, were higher energy prices, which rose approximately 15% year-on-year and shipping freight rates, which, on average, have more than doubled on 2006 as a result of the growth in demand for global bulk commodities. Maintenance and contractor costs were higher, mainly in the Australian operations, to enable higher production at a time of strong demand.

Mr Marlay noted "higher operating and capital costs are being experienced throughout the alumina and aluminium industries, particularly the impact of significant increases in energy prices, shipping freight rates, as well as continued strong currency cost pressures".

2007 aluminium production was a record 387,350 tonnes (2006: 377,351 tonnes). Aluminium production costs at AWAC's two smelters increased, principally due to higher alumina and power prices.

AWAC capital expenditure increased by 51% to US$1,289 million in 2007 (2006: US$855 million), including sustaining capital expenditure of US$350 million (US$326million). The majority of the expenditure increase related to construction costs for the growth projects in Brazil at Juruti and Alumar.

AWAC Growth

A 146,000 tonnes per annum production capacity increase (100% AWAC) at the **Jamalco** refinery was completed in early 2007, and commissioned during the second quarter.

Construction advanced on the **Alumar** refinery expansion project (AWAC share 1.1 million tonnes per annum) and the development of the new **Juruti** bauxite mine, which will initially supply 2.6 million tonnes per annum of bauxite for AWAC's share of the Alumar refinery expansion. The Juruti project is scheduled to commence commissioning by end 2008, and Alumar early in 2009.

The estimated capital costs of AWAC's current investment projects in Brazil have increased during the construction phase, principally due to the appreciation of the Brazilian currency, and also due to increased construction costs. The contracting market for major projects in Brazil is experiencing substantial increases for project engineering fees, construction equipment and labour costs. AWAC's share of the Alumar refinery expansion and development of the new Juruti mine, including the cost of infrastructure to support future capacity expansion, is now estimated to be approximately US$2.5 billion. The increase in estimated project costs, of US$200 million above the US$2.3 billion forecast advised in mid-2007, arises solely from the appreciation of the Brazilian currency. The Brazilian currency exchange rate continues to be a major uncertainty on these project construction costs.

Preliminary engineering for an expansion of the **Wagerup** refinery in Western Australia, of approximately 2 million tonnes per annum, continued in 2007. The pre-feasibility phase of the project has been extended into 2008. This potential project is a highly attractive capacity expansion opportunity for AWAC.

Outlook

Global demand for aluminium is forecast to grow strongly at approximately 10% through 2008. China is the world's largest aluminium market and domestic demand for aluminium is projected to grow by approximately 24%. In 2008, aluminium markets are projected to be in a small surplus of less than 1% of global consumption. Alumina markets are forecast to be in modest oversupply of up to 1 million tonnes, dependent on the pace of construction and ongoing operation of new alumina refining capacity, particularly in China.

General weakness of the US$ against currencies of the major countries in which AWAC operates will continue to generate pressure on US$ operating costs.

AWAC's 2008 alumina production and sales are forecast to increase by half a million tonnes to 14.8 million tonnes, with the Pinjarra refinery operating at full capacity, and capacity creep at other refineries. The alumina industry is expected to continue to experience significant increases in energy prices, shipping freight rates and caustic soda prices during 2008, as well as continued strong currency pressures. AWAC's operating costs in 2008 are forecast to increase by approximately US$24/tonne, due to a weaker average US$, higher average energy and caustic prices, and increased bauxite shipping costs.

Aluminium production at Point Henry and Portland smelters is forecast to increase marginally in 2008.

AWAC 2008 capital expenditure is forecast to be approximately US$1.6 billion.

In addition to the guidance above on forecast AWAC production and costs, Alumina Limited's 2008 underlying earnings are expected to reflect the impact of the following factors, based on 2007 underlying earnings:

- a US one cent movement in the average 3-month LME aluminium price is expected to impact 2008 underlying earnings by approximately A$11 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 2008 underlying earnings by approximately A$12 million. This sensitivity excludes any effect of revaluing US dollar balance sheet items at period end;
- additional Alumina Limited borrowing costs, reflecting higher debt at mainly US$ interest rates, of approximately A$25-30 million. In addition, the mark-to-market effect on incremental US$ borrowings of changes in A$/US$ exchange rates over the year will be reflected in underlying earnings.

	2007	**2006**
Profit after tax (A$m)	**436.4**	511.1
Underlying earnings after tax (A$m) [1]	**405.6**	569.4
Dividends declared (cents/share)	**24**	22

[1] See page 1 of the 2007 Preliminary Final ASX Report for a reconciliation of Net Profit After Tax to Underlying Earnings After Tax

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 2006.

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