

To: The Manager  
Announcements  
Company Announcements Office  
Australian Stock Exchange Limited



### **Public Announcement 2007 – 3AWC**

Attached is a presentation relating to Alumina Limited's Full Year Results for the 12 months ended 31 December 2006:

A handwritten signature in black ink, appearing to read "Stephen Foster".

**Stephen Foster**  
**Company Secretary**

1 February 2007

Alumina Limited

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# Alumina Limited

## 2006 Full Year Results

1 February 2007

John Marlay  
Chief Executive Officer

Ken Dean  
Chief Financial Officer

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- Record profit
  - NPAT up 62% to A\$511m
  - Underlying earnings up 72% to A\$569m
  - Underpinned by aluminium and alumina margin increases
- Record AWAC alumina production
- Increased dividends, share buy-back being considered
- Investing for long term growth
  - Profitable growth, low cash operating cost
  - AWAC expansions on track
  - Expansions funded primarily from AWAC cashflow
- Business fundamentals are strong

## ➤ Financial Results

- Record profit in 2006
- Strong returns and EPS growth
- Dividend increased

## ➤ Outlook

- 2007 update
- AWAC growth
- Capital management

# 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; and (e) the other risk factors summarised in Alumina’s Form 20-F for the year ended 31 December 2005*

# Alumina Limited 2006 Scorecard

Increase

➤ Underlying earnings – A\$569m

↑ 72%

➤ EPS – 48.8cps\*

↑ 20.4cps

➤ Alumina ROE – 32%\*

↑ 50%

➤ Final dividend – 12cps fully franked

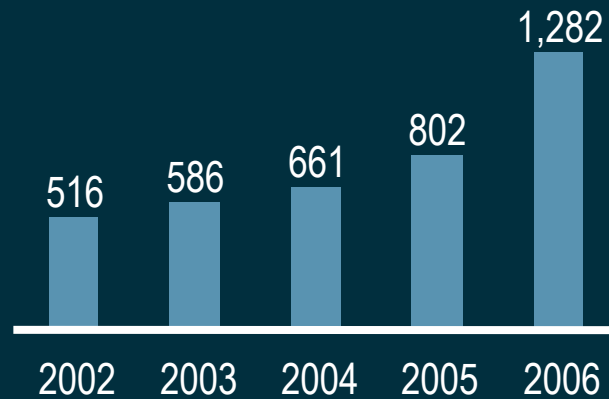
↑ 20%

\* Based on Underlying Earnings

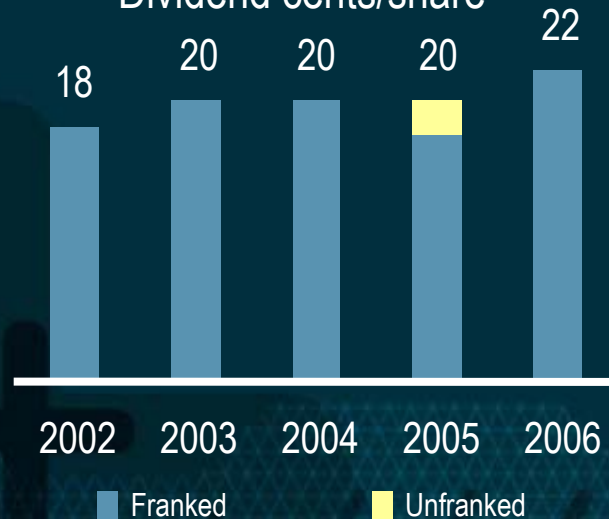
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# Strong operating cash flows

AWAC Operating Cash Flow

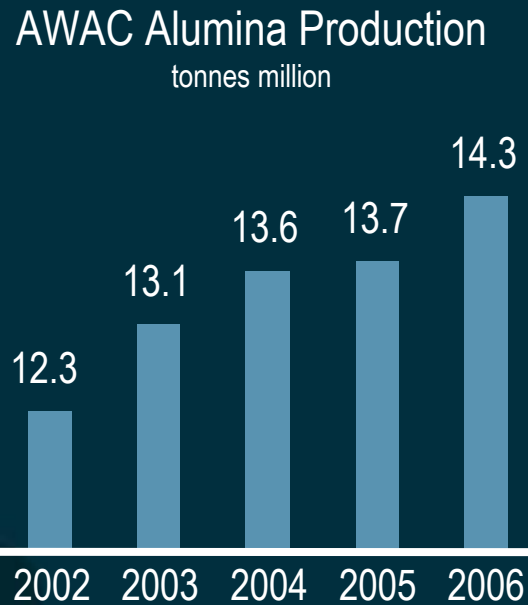


Dividend cents/share



- Strong operating cash flows underpin
  - final fully franked dividend 12cps – up 20%
  - gearing remains prudent after 3 years of growth capex
- Considering off-market share buy-back 1H 2007
- AWAC Funding Agreement provides Alumina and Alcoa with additional future dividends to fund AWAC growth projects

# Record AWAC alumina production

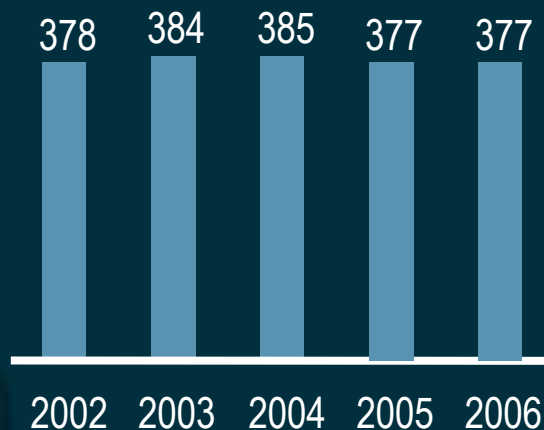


- Higher realised alumina prices and alumina sales
- Alumina margins increased
- Record AWAC production – 14.3mt, up 4.4%
- Pinjarra ramp up to upgrade capacity production, offset by Point Comfort reduction
- YOY increased production at Suralco and strong AWAC capacity creep
- Unit costs – US\$18/tonne higher due to energy/raw materials prices and maintenance costs



# Record AWAC aluminium profit

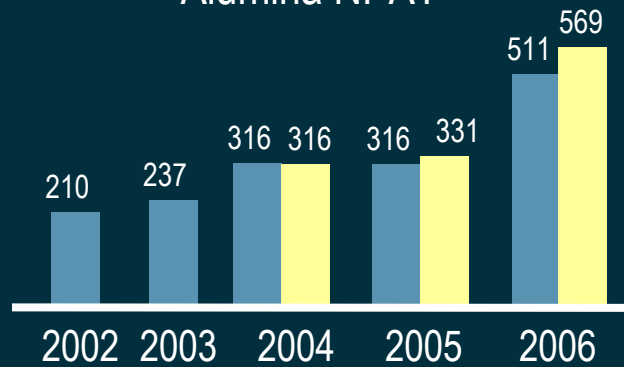
AWAC Aluminium Production  
tonnes '000



- Significant contribution to AWAC profit
- Point Henry – record metal production
- Portland at full potline capacity in 4Q
- Aluminium production 377k tonnes, (2005 – 377k tonnes)
- Aluminium margins increased – unit costs higher due to alumina price and power costs

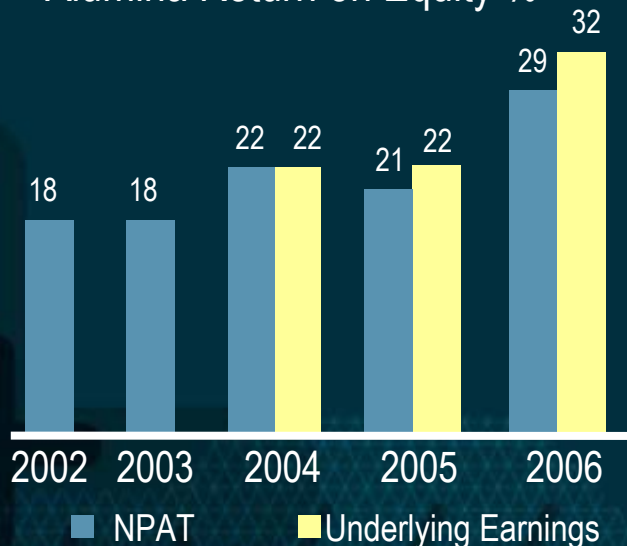
# Record profit, strong cash flow and ROE

## Alumina NPAT



\* 2002 and 2003 profit based on AGAAP

## Alumina Return on Equity %



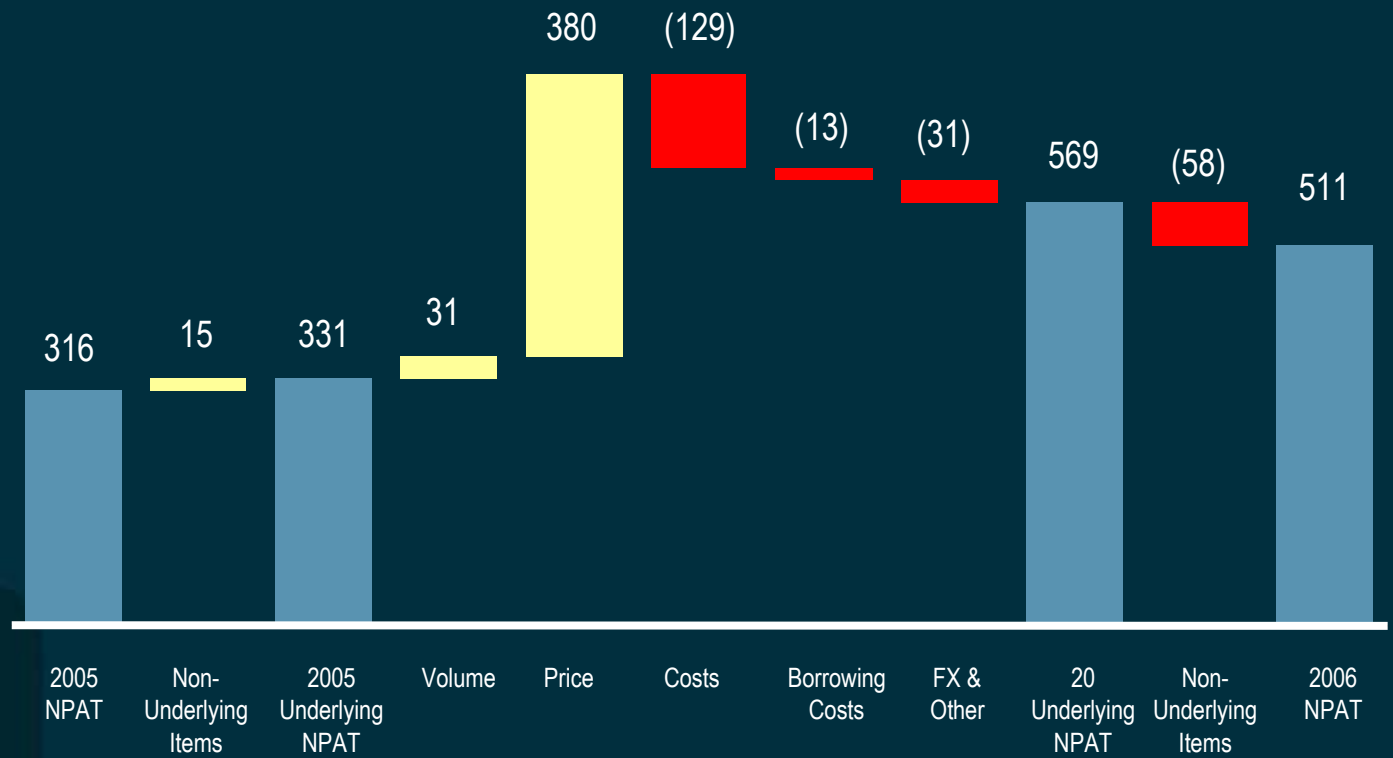
- Record NPAT – A\$511m
- Underlying earnings – A\$569m, up 72% YOY
- ROE 29% (32% on underlying earnings)
- Increased operating cash generation and investment in AWAC growth projects
- EPS growth to 43.8cps (48.8cps on underlying earnings)

# Underlying Earnings

	2006	2005
NPAT * (A\$m)	511	316
Employee Retirement Benefit Obligations	(6)	(7)
Embedded Derivatives	64	22
<b>Underlying Earnings</b>	<b>569</b>	<b>331</b>

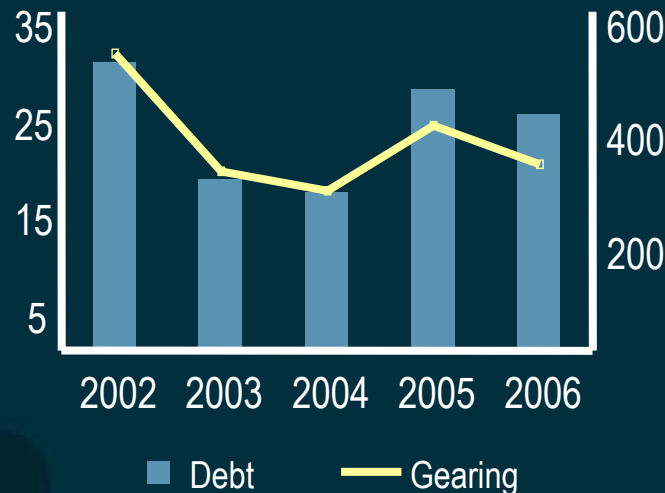
\* Net profit After Tax calculated according to AIFRS

# Alumina Underlying 2005 to 2006 NPAT



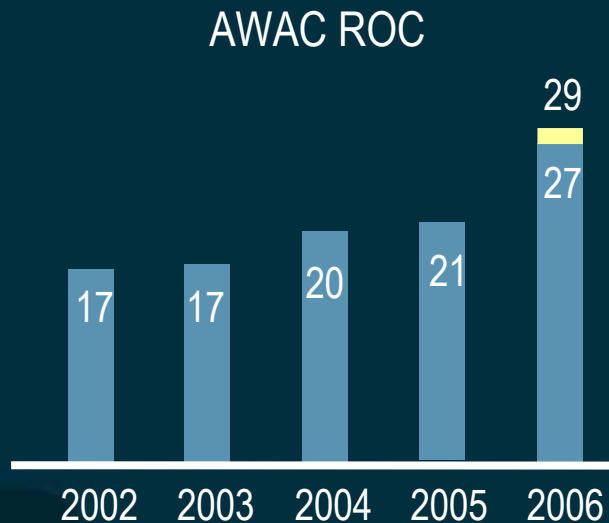
# Alumina funding

Alumina Limited Debt & Gearing



- Funding Agreement
  - Additional dividends to meet capex cash calls
  - AofA dividends fully franked
- US\$700m bank debt facility
- S&P “A- stable” rating
- Dividend Policy – at least 24cps fully franked

# AWAC Return on Capital



- AWAC ROC 27% (29% excluding investment in growth projects)
- Investment in low cash operating cost capacity to underpin long term returns
- AWAC remains debt free

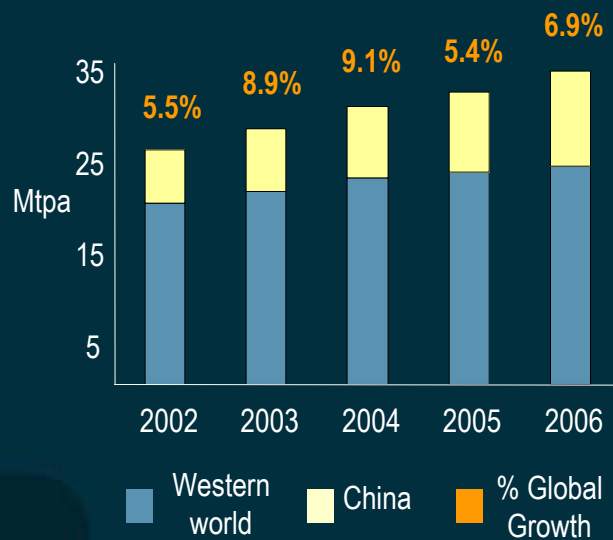


# Outlook

- 2007 Update
- AWAC Growth
- Capital Management

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World Primary  
Aluminium Consumption



Source: 2006 Brook Hunt

## Aluminium

- Strong global demand continues
- Expected growth 2007
  - China 14+%, western world 3%
- Markets forecast to be balanced to short
- Inventories at 6 weeks of demand

## Alumina

- New Chinese capacity and western world curtailment is key supply uncertainty
- 1Q demand remains strong, inventories tight
- AWAC sales under long term supply agreements



# AWAC – 2007 Outlook

- Increased alumina sales – Alcoa Iceland smelter from 2Q
- AWAC alumina prices strong in 1Q
- Increased alumina production at Pinjarra and Jamalco
- Point Comfort – approx 85% production rate
- Costs – US\$4/tonne higher – energy prices, freight, bauxite costs
- Metal – marginal increase in sales and production
- 2007 growth capex – approx US\$1.2 billion

# Pinjarra Refinery



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# AWAC Growth Projects

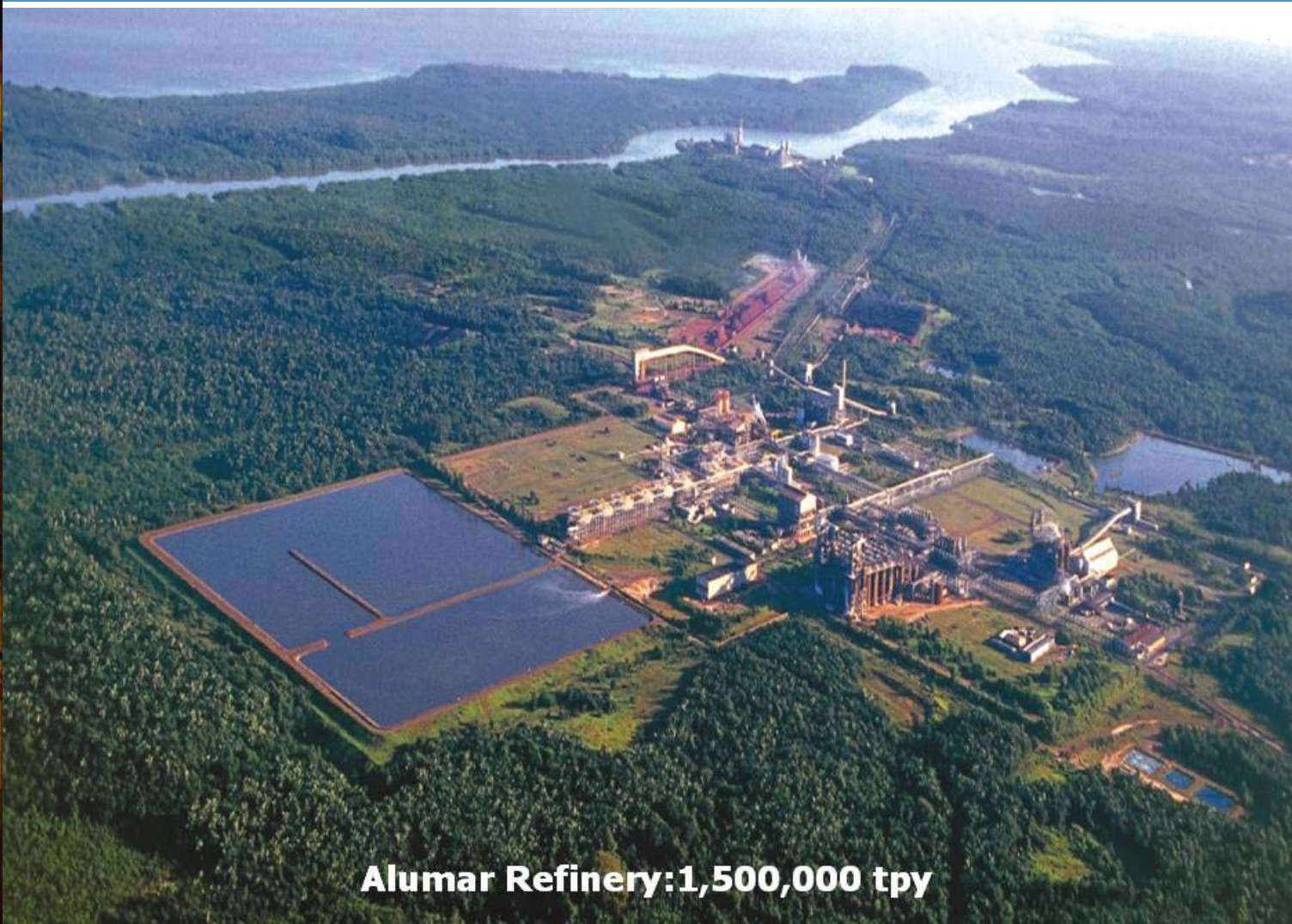
- Pinjarra upgrade (657ktpa)
  - 100% production from February
  - Low cost capacity, lower energy consumption with co-generation facility
- Jamalco capacity increase (AWAC – 146ktpa)
  - Completion 1Q, commissioning 2Q
  - Deferral of second phase expansion, pending govt to govt negotiation on gas supply

# Juruti Bauxite Mine



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# Alumar Refinery




**Alumar Refinery: 1,500,000 tpy**

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# AWAC Growth Projects – Brazil

- 
- Alumar expansion (AWAC – 1.1mtpa)
    - This growth, with strategically positioned Juruti bauxite, creates long term AWAC advantage
    - Initial production – 4Q 2008
  - Juruti bauxite mine (2.6mtpa)
    - Port and mine processing facilities under construction
    - Bauxite production scheduled for 2Q 2008
    - Project capex includes infrastructure for future capacity expansion
  - Brazil projects – capex estimate
    - revised to approx US\$1.7 billion
    - currency is major project variable

- 
- Wagerup expansion (approx 2.0mtpa)
    - Detailed design and engineering in progress
    - Construction feasibility assessment – completion early 2008
  - New AWAC bauxite and alumina developments
    - Feasibility studies continue in Guinea, Vietnam and Ghana

# Alumina – capital management

- Dividends at least 24cps fully franked
- Alumina Limited off-market share buy-back under consideration – 1H 2007
- AWAC Funding Agreement provides additional future dividends to fund AWAC growth projects
- Alumina's gearing is conservative and we are investing in AWAC growth projects
- S&P A- debt rating



# Alumina – 2007 earnings guidance

- Alumina Limited's 2007 underlying earnings
  - US one cent movement in the average 3-month LME aluminium price is expected to impact underlying earnings by approximately A\$10 million
  - each one cent movement in the average Australian dollar/US dollar exchange rate is expected to impact underlying earnings by approximately A\$7 million

Based on 2006 Alumina Limited underlying earnings of A\$569 million, 2006 Average LME US\$1.17/lb and A\$/US\$ of 0.75

- 2006 record earnings, AWAC record production
- Strong, sustainable cash flows
- Growth projects adding capacity at low cash operating cost
- Strong financial position
- Increased dividends
- Off-market share buy-back being considered
- Outlook for aluminium remains strong

