

# ALUMINA NEWS

HALF YEAR RESULTS + BUSINESS UPDATE

SEPTEMBER 2007

## HALF YEAR RESULTS

Alumina Limited reported 2007 first half Net Profit After Tax of \$284.3 million, a 9% increase compared to the first half of 2006. Alumina's Underlying Earnings after tax declined 10% to \$271.0 million. Return on Equity for the half year, based on Underlying Earnings, was 33%.

Underlying Earnings are calculated by deducting from Net Profit after Tax an amount of \$13.3 million, representing the net total of non-cash charges in the half year for the revaluation of embedded derivatives and retirement benefit plans, which do not reflect operations in the current half year.

The Directors declared an increased interim dividend of 12 cents per share, fully franked, paid on 5 September 2007. This 20% increase over the interim dividend for 2006 is consistent with the Directors' intention, subject to business conditions, to maintain annual dividends at least at 24 cents per share, fully franked.

## FACTORS IMPACTING HALF YEAR EARNINGS

Alumina Limited's half year result benefited from higher alumina and aluminium prices. LME aluminium prices averaged US\$1.26 per pound in the first half of 2007, a 9% increase on the first half of 2006. The outlook for aluminium and alumina prices remains positive.

The Australian dollar also strengthened significantly in 2007 with an average A\$/US\$ exchange rate of 81 cents for the half (2006: 74 cents). This was a major factor in the reduction to Alumina Limited's underlying earnings for the six months to 30 June 2007, compared to the corresponding period.

AWAC refining costs in US dollars in the first half increased from 2006, adversely impacting the half year results. This was due to the exchange rate impact of a lower US dollar in 2007 and:

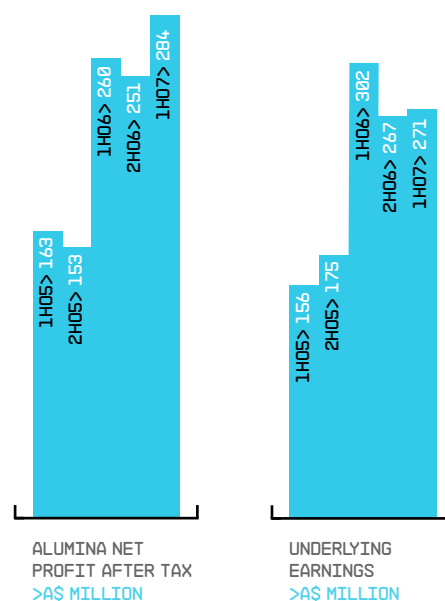
- > higher purchased bauxite costs required to meet shortfalls caused by strikes at Compagnie des Bauxites de Guinée bauxite operations;
- > power outages at the Kwinana and Pinjarra alumina refineries; and
- > higher freight, maintenance and contractor costs.

These factors are expected to increase AWAC's 2007 alumina production costs by approximately US\$24 per tonne over 2006 levels.

Based on an estimated average 2007 LME aluminium price of US\$1.24 per pound, and an average 2007 USD/AUD exchange rate of 0.83, estimated full year 2007 Underlying Earnings would be approximately A\$490 million.

## OUTLOOK

Global demand for aluminium and alumina is forecast to continue to grow strongly at approximately 10% year on year in 2007, with Chinese domestic demand for aluminium projected to grow by at least 30% year on year. In 2007, aluminium markets are expected to be in a modest surplus of up to approximately 300,000 tonnes by year end. Market demand for alumina is also strong. The alumina market is forecast to be essentially balanced, with any surplus not expected to be greater than 1 million tonnes, dependent on the pace of construction and ramp up of new brownfield capacity expansions.



## GROWTH PROJECTS

At the Jamalco refinery, a 100% AWAC project to increase capacity by 146,000 tonnes per annum, was completed in the first quarter of 2007 and commissioned during the second quarter.

Construction is underway in Brazil on the Alumar refinery expansion (AWAC share 1.1 million tonnes per annum) and development of the new AWAC Juruti bauxite mine (initially to 2.6 million tonnes per annum). The estimated capital costs of AWAC's investment projects in Brazil have increased to US\$2.3 billion, principally due to the appreciation of the Brazilian currency and, for the Juruti project, increased construction costs, expanded scope of construction and additional energy supply and community infrastructure. The development of the Juruti mine includes the cost of rail, port and infrastructure investment to support future capacity expansion.

## CAPITAL MANAGEMENT

Alumina's debt at 30 June 2007, net of cash, was A\$768 million, A\$349 million higher than at the beginning of 2007. During the period, Alumina successfully completed a \$250 million off market share buy back, resulting in the repurchase and retirement of approximately 3.3% of issued capital.

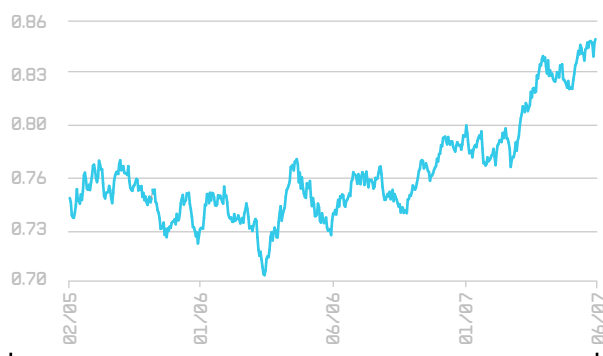
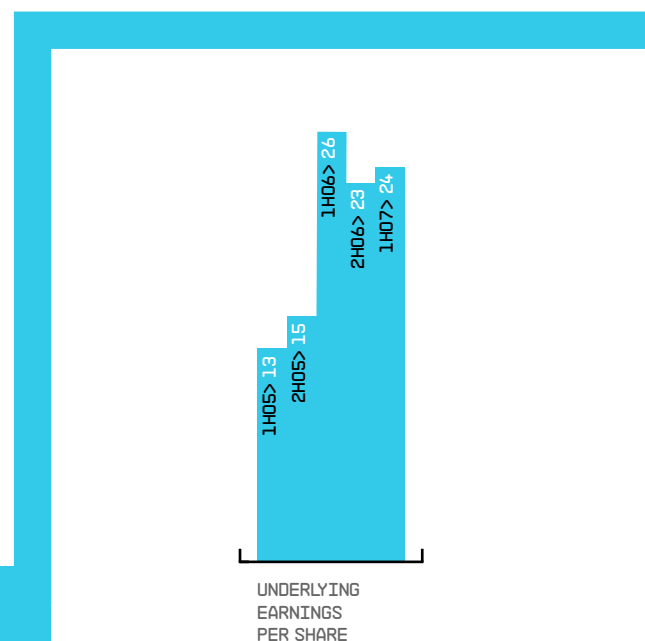
AWAC held net cash at 30 June 2007 amounting to US\$98 million (2006: net debt of US\$172 million). Cash dividends received by Alumina Limited during the half year were A\$240 million, compared to A\$264 million in the corresponding 2006 period.

**DON MORLEY**  
>CHAIRMAN

**JOHN MARLAY**  
>CHIEF EXECUTIVE OFFICER

## PERFORMANCE HIGHLIGHTS

- > Net Profit after Tax (NPAT) – \$284.3 million
- > Underlying Earnings after tax – \$271 million
- > Return on Equity on Underlying Earnings – 33%
- > Earnings per share on Underlying Earnings – 23.5 cents per share
- > Interim fully franked dividend of 12 cents per share
- > AWAC alumina production - 7 million tonnes
- > AWAC aluminium production - 192,000 tonnes



US EXCHANGE RATE  
>A\$/US\$



LME ALUMINIUM PRICE  
>US\$/TONNE

## ANNUAL REPORT ELECTION

The Australian Government recently introduced legislation enabling Annual Reports to be received via the Company website in the absence of any election. This means shareholders will have access to timely, cost effective and paperless online Annual Reports unless a printed copy is requested. All other communications will continue to be sent by post.

If shareholders wish to receive the Annual Report or the short-form Shareholder Review by mail, the election form included with this Newsletter needs to be completed and returned.

Your email can help save the environment. Register your email address for electronic shareholder communications at [www.eTree.com.au/alumina](http://www.eTree.com.au/alumina). For every email address registered to a holding via the eTree website, we will donate \$2 to Landcare Australia to support reforestation projects in your home state or territory.

**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 2006.