

For release 1 February 2007

Record Alumina Limited Profit and Dividend AWAC Production Record

- **Net profit after tax up 62% to \$511 million**
- **Underlying earnings after tax up 72% to \$569 million**
- **Fully franked final dividend increased to 12 cents per share**
- **Return on Equity based on underlying earnings 32% (2005: 22%)**
- **AWAC alumina production – a 4.4% increase to a record 14.3 million tonnes**
- **Share buy-back under consideration for first half 2007**

Alumina Limited today announced record annual earnings for 2006 reflecting higher AWAC net margins on alumina and aluminium, and increased production and sales volumes.

Recognising the Company's strong earnings and cash flow, Directors have declared an increased final dividend of 12 cents per share fully franked, payable 9 March 2007. This 20% increase in final dividend signals the Directors' intention, subject to business conditions, to maintain annual dividends at least at this new level of 24 cents per share, fully franked.

The Directors are currently considering undertaking an off-market share buy-back in the first half of 2007.

Alumina Limited CEO, John Marlay, commented: "This is a very strong result that clearly demonstrates the quality of the AWAC business. Cash dividends received by Alumina Limited during 2006 from AWAC totalled A\$521m.

"The strength of the AWAC operating cash flows, and the new funding agreement with our partner Alcoa has given us the flexibility to increase returns to shareholders with a higher fully franked dividend and also continue to invest in AWAC for long term growth".

"AWAC is well positioned to increase alumina production in 2007 as the global demand for aluminium and alumina continues to grow strongly.

"Progress on AWAC's growth projects during the year, with the completion of the Pinjarra refinery upgrade and significant advancement of all other projects, adds further low cash operating cost capacity. This underpins the sustainability of our long-term cash flows and returns."

Return on Equity rose to 29% (2005: 21%). Underlying earnings return on equity was 32% (2005: 22%). These increases reflect higher net margins on alumina and aluminium, and increased production and sales volumes during 2006.

Earnings per share rose to 43.8 cents per share (2005: 27.1 cents per share). Earnings per share on underlying earnings were 48.8 cents per share (2005: 28.4 cents per share).

AWAC capital expenditure increased to US\$836 million in 2006 (2005: US\$604 million). AWAC capital expenditure on bauxite and alumina refining growth projects is forecast to be approximately US\$1.2 billion in 2007.

AWAC's sales revenue increased by 26% compared with 2005, driven by both higher realised prices and increased alumina sales. Increased global demand for alumina and aluminium was largely attributable to growth in consumption in China, which rose more than 17% year-on-year.

AWAC's alumina production was a new record at 14.3 million tonnes (2005: 13.7 million tonnes). Most of the production increase came from the Pinjarra refinery following commissioning of the 657,000tpa capacity upgrade in the second quarter. Increased production levels at the Wagerup, Kwinana and Suralco refineries and capacity creep at other AWAC refineries accounted for the remainder of the production increase. The annualised production level at the Point Comfort refinery was reduced in November 2006 from 2.3 million mtpy to 1.9 million mtpy.

Aluminium production in 2006 was 377,351 tonnes (2005: 377,259 tonnes) and seven of AWAC's refineries achieved record annual production. This increase was achieved notwithstanding a power outage at the Portland smelter in November 2005 which affected potline capacity until the third quarter of 2006. The Point Henry smelter achieved record annual production.

AWAC alumina margins increased. Higher realised alumina prices were partially offset by production cost increases of US\$18/tonne, due to price increases for energy and raw materials including bauxite, and additional caustic soda usage. Costs were also impacted by maintenance and contractor cost increases.

Aluminium margins also increased and production costs rose due to higher alumina and power prices.

The **Pinjarra** refinery upgrade was completed during 2Q/2006. This upgrade adds 657,000 tonnes per annum of capacity with low cash operating costs. Full production from the expansion is expected to be stabilised at that level during 1Q/2007.

At the **Jamalco** refinery, a 100% AWAC capacity increase of 146,000 tonnes per annum will be completed in early 2007 and commissioned during second quarter.

Construction is under way in Brazil on the **Alumar** refinery expansion (AWAC share 1.1 million tonnes per annum) and development of the new AWAC **Juruti** bauxite mine (2.6 million tonnes per annum). The estimated capital costs of the projects, both scheduled to commence commissioning during 2008, have increased, principally due to the appreciation of the Brazilian currency and increased construction costs. AWAC's share of the Alumar refinery expansion and the Juruti mine, including the cost of infrastructure to support future capacity expansion, is now estimated to be approximately US\$1.7 billion. The main uncertainty on the cost of these projects continues to be the exchange rate.

In September 2006, the development of an expansion of the **Wagerup** refinery by up to 2 million tonnes per annum was approved by the Western Australia Government. Detailed design and engineering will continue in 2007 to complete the feasibility assessment and a capital expenditure estimate for the construction project.

Feasibility studies for potential development of new greenfield bauxite mining and alumina refining capacity in Guinea and Ghana in West Africa and Vietnam also continued.

AWAC's 2007 production will increase with Pinjarra operating at full expanded capacity, the commissioning of the Jamalco upgrade, and capacity creep at other refineries. The Point Comfort refinery is expected to operate at approximately 85% of capacity during 2007. AWAC's operating costs in 2007 are forecast to increase by approximately US\$4/tonne, due to higher average energy prices and bauxite and shipping costs.

Aluminium sales and production at Point Henry and Portland smelters are forecast to increase marginally in 2007.

Alumina Limited is a leading Australian company listed on the ASX and the NYSE. Our strategy is to invest 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.

	2006	2005
Profit after tax (\$m)	511.1	315.6
Underlying earnings after tax (\$m) ¹	569.4	331.3
Dividends declared (cents/share)	22	20

¹ See page 1 of the Company's December 2006 Preliminary Final ASX Report for a reconciliation of Net Profit After Tax to Underlying Earnings After Tax

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.

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