

Improved Profit and Underlying Earnings Cautious Outlook for 2012

Summary:

- Stronger first half saw full year underlying earnings¹ rise to US\$128 million, up from US\$37 million in 2010
- NPAT US\$127 million up from US\$35 million in 2010
- Fully franked final dividend US 3 cents per share
- Shift of alumina contract pricing towards index/spot basis improved margins
- AWAC alumina production a record 15.7 million tonnes up from 15.2 million tonnes
- New Brazil assets operating at or above design capacity
- Market conditions deteriorated in second half and prices remain volatile

Key Financials and Metrics:

US\$	FY11	FY10
Underlying Earnings	US\$128 million	US\$37 million
Net Profit after Tax	US\$127 million	US\$35 million
Total Dividend to AWC Shareholders	US 6 cents	US 6 cents
AWAC Dividends Received by Alumina Limited	US\$232 million	US\$234 million

Alumina CEO, John Bevan, commented: “2011 saw profits improve as aluminium and alumina prices increased and production reached a record. The initial conversion of some of the alumina pricing to an index/spot basis saw margins expand. This has enabled the Board to maintain its annual dividend at 6 cents per share.

“However, towards the end of 2011, conditions deteriorated with significantly reduced aluminium and alumina prices and the Australian dollar remaining at high levels against the US dollar.

“We are cautious on the outlook for 2012. This reflects volatile pricing conditions coupled with a strong Australian dollar and high input costs.

“Despite this, the underlying long-term fundamentals remain positive, favouring AWAC’s large, low-cost assets and substantial bauxite footprint.”

AWAC Improved Profit and Revenue

Higher prices in the first half saw profitability improve over the year, while revenues increased by more than 22 per cent. Price movements accounted for 90 per cent of the revenue increase with volume increase driving the remaining 10 per cent.

Realised alumina prices rose 22% over the year, reflecting both the transition to index pricing and the increase in aluminium prices during the first half. AWAC’s alumina production was a record 15.7 million tonnes in 2011 helped by the improved performance from Brazil.

Brazil operated effectively with the newly-commissioned Juruti mine operating above its initial capacity, while the Alumar refinery operated at expanded nameplate capacity.

¹ Underlying earnings exclude the non-cash impact of mark to market valuation for embedded derivatives in energy contracts and certain actuarial adjustments to defined benefit pension plans.

AWAC's share of production from the two Australian based smelters was 357,000 tonnes of aluminium. Costs were impacted by increased alumina and coke prices and were also impacted by the rising Australian dollar.

A review of the Point Henry smelter was announced following significant deterioration in market conditions in the second half putting it into losses.

Positive Change to Alumina Pricing Structure Continues

The shift to index pricing continued during the period, with AWAC converting approximately 20% of third party smelter grade alumina sales to pricing based on index or spot basis.

By the end of 2012, approximately 40% of AWAC's third party smelter grade alumina prices are expected to be set on index or spot prices.

"This is a very important structural change that, over time, should see margins move upstream to the bauxite and alumina producers," Mr Bevan said.

Alumina Limited has re-issued guidance for 2012 (refer announcement to ASX)

Some statements in this public announcement 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 2010.

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