

30 May 2016

Smelter remains exposed to external economic factors

Pacific Aluminium (New Zealand) Limited (PacAl NZ) has reported its interest in New Zealand's Aluminium Smelter (NZAS), showing underlying earnings of NZ\$54 million for 2015, a decrease of NZ\$2 million on the previous year.

A moderate uplift in the aluminium price during the first quarter of 2015, coupled with a weaker NZ dollar throughout the year, delivered this result. However, over the course of the entire 2015 financial year, the cash price for aluminium on the London Metal Exchange (LME) averaged US\$1,661 per tonne - a 12% reduction on 2014. Reflecting these worsening conditions, only NZ\$4 million of the NZ\$54 million earnings was delivered in the second half of 2015, with the smelter facing even tougher conditions in 2016.

NZAS also continues to pay one of the highest power and transmission prices of any smelter in the world outside China, making it harder to compete in the highly competitive aluminium market.

"Smelters have to compete on operating costs and in that regard, NZAS is world class. While maintaining our plant through ongoing prudent investment, we are also continuing to shave every cent from our operating costs," says NZAS Chief Executive and site General Manager Gretta Stephens.

"One of the costs we can't control is our very high transmission costs comparative to other smelters internationally," Ms Stephens says.

Last year NZAS paid NZ\$64 million in transmission costs alone. Most smelters, especially those located close to generation like NZAS, pay considerably less.

"We believe in a 'user pays' approach to allocating transmission costs—those who use infrastructure should pay for it. This isn't happening now," says Ms Stephens.

"However our current tough operating environment has not stopped the team at NZAS, I am proud to say we broke a tonnage record in 2015," she says.

In 2015 NZAS produced a hot metal record from its three P69 potlines of 333,292 tonnes; this is 5,897 tonnes more than the previous record.

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Reconciliation of Statutory Profit to Underlying Loss

\$M	2015	2014	2013	2012
Statutory profit/(loss) after tax	173	74	67	(549)
Adjust for the following after tax items				
<ul style="list-style-type: none"> • Changes in fair value of financial instruments relating to the energy contract with Meridian Energy • Impairment charge 	(119)	(17)	(84) (1)	(28) 528
Underlying profit or (loss) after tax	54	56	(18)	(49)

The Pacific Aluminium (New Zealand) Limited and Subsidiaries Annual Financial Report 2015 can be accessed via the following link:

<http://www.pacificaluminium.com.au/210/News>

ENDS

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Editors' notes:

About NZAS

The Tiwai Point smelter is a world class facility which contributes NZ\$525 million to the Southland economy annually (10.5% of Southland's GDP) and supports more than 3,200 direct and indirect jobs in the region (Infometrics Report to Venture Southland 2012).

In 2015 NZAS made NZ\$383 million in payments to New Zealand suppliers, including NZ\$48 million to suppliers in Southland. It is one of two smelters in the world producing ultra-high purity aluminium and the only one producing this using electricity generated from renewable sources.

NZAS is a tolling company

NZAS is 79.36% owned by Pacific Aluminium (New Zealand) Limited, part of the Pacific Aluminium business unit of Rio Tinto, and 20.64% by Japanese company, Sumitomo Chemical Company Limited.

The NZAS financial results have been released at the same time as the results for Pacific Aluminium (New Zealand) Limited (PacAl NZ). NZAS is a tolling company that converts alumina into aluminium on behalf of its owners. It is PacAl NZ's results that

reflect the full costs of the raw material, production costs and revenue from the sale of aluminium.

As a tolling company, NZAS charges a fee to its owners, PacAl NZ and Sumitomo Chemical Company Limited, for converting alumina into aluminium. A tolling entity typically has an underlying profit or loss of close to \$ nil.

Pacific Aluminium

Pacific Aluminium is a business unit of Rio Tinto.