



pure kiwi mettle

NEW ZEALAND'S ALUMINIUM SMELTER

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MEDIA STATEMENT

Smelter's owners post a loss for 2019

Rio Tinto's wholly-owned subsidiary Pacific Aluminium (New Zealand) Limited has reported financial results relating to its interest in New Zealand's Aluminium Smelter Limited (NZAS), showing an underlying net loss of NZ\$46 million for 2019.

This is a NZ\$68 million decrease in earnings from the previous year's underlying net profit of NZ\$22 million.

The loss is a result of consistently lower and volatile aluminium prices, coupled with uncompetitive energy prices. In 2019, aluminium prices were 15% lower than the previous year, averaging US\$1,791 a tonne. While the New Zealand dollar was also lower, this was not enough to offset lower metal prices.

NZAS chief executive and general manager Stew Hamilton said "This result underscores why Rio Tinto is conducting a strategic review of our operation here at Tiwai."

"No matter how hard or efficiently the team here works, we can't consistently off-set the high price of power and transmission charges we face. This means we swing from delivering small profits to losses for our owners, making our financial viability uncertain."

Powered by renewable hydro-electricity, NZAS is well placed to provide low carbon aluminium to meet growing demand for the lightweight metal in the automotive and other industries.

Mr Hamilton said "If we can secure an internationally competitive power arrangement that enables us to be consistently profitable and a transmission charge that more accurately reflects the service we receive, NZAS will be well placed to continue to be a vibrant part of the New Zealand economy, providing primary metal to local kiwi businesses and remaining a major export to Japan."

"Our transmission costs are the highest of any smelter we are aware of in the world. Most smelters, especially those located close to generation like NZAS, pay considerably less."

“We want to be part of this country’s low-carbon future and, by producing some of the lowest-carbon aluminium in the world, we believe we have vital role to play in that future.”

The strategic review announced by Rio Tinto in October last year is considering all options, including curtailment and closure, with an update expected in the first quarter in 2020.

Reconciliation of Statutory Profit to Underlying Loss

| \$M | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------|-------|------|------|-------|------|-----------------|
| Statutory profit/(loss) after tax | (313) | 207 | (18) | 67 | 173 | 74 | 67 |
| 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 | 267 | (186) | 93 | (42) | (119) | (17) | (84) (1) |
| Underlying profit or (loss) after tax | (46) | 22 | 75 | 25 | 54 | 56 | (18) |

Editors’ notes:

About NZAS

The Tiwai Point smelter is a world-class facility which contributes millions of dollars to the Southland economy annually. In 2019 NZAS made NZ\$422 million in payments to New Zealand suppliers, including NZ\$58 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 for Pacific Aluminium’s interest.

Please note that the NZAS accounts reflect a tolling operation therefore:

- As a tolling entity, NZAS processes alumina owned and supplied to it by its owners (Pacific Aluminium New Zealand Ltd (PANZ) and SCC), who also own the finished goods (primary aluminium in its various forms) produced from their alumina.

- All responsibilities for alumina acquisition and ownership, delivery to the smelter and sale of finished goods sit with the smelter's owners (PANZ and SCC) not with NZAS.
- NZAS does not at any stage purchase or own the alumina or sell the finished goods, and hence its accounts do not reflect the profitability of converting alumina to aluminium, however the PANZ accounts do.
- PANZ's sole interest is in the New Zealand Aluminium Smelter.
- Pacific Aluminium is a business unit of Rio Tinto.

ENDS

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[PANZ 2019 Accounts](#)