

1 March 2010



## ASX STATEMENT

### LOY YANG A POWER STATION SIGNS HISTORIC LONG TERM HEDGE CONTRACTS WITH ALCOA

Transfield Services Infrastructure Fund (TSI Fund) today welcomed the finalisation of 22 year base load electricity supply contracts between Alcoa and Loy Yang A Power Station (Loy Yang A), in which it has a 14.03 per cent stake. The electricity supply contracts are among the largest ever signed in Australia.

Loy Yang A will provide power to two of Alcoa Australia's Victorian Aluminium Smelters until 2036. The contracts will come into effect in 2014 for Alcoa of Australia's Point Henry (Geelong) operations and 2016 for its Portland operations. The hedge contracts will utilise approximately 820 MW of Loy Yang A's generation capacity and with future smelter expansion options, could represent more than half of Loy Yang A's generation output.

TSI Fund Chief Executive Officer, Mr Steve MacDonald, said today: "TSI Fund's investment in Loy Yang A is a key component of our portfolio of essential infrastructure assets. These landmark contracts reduce Loy Yang A's exposure to pool pricing, which further enhances TSI Fund's overall investment risk profile by increasing the long term contracted revenues of TSI Fund assets, measured on a proportional basis, by 50 per cent to over 15 times annual revenue."

The contracts hedge the energy component of Loy Yang A's power production and arrangements associated with the potential introduction of carbon trading.

The contracts create long term certainty of electricity revenues to levels consistent with competitive forward market electricity pricing. The contracts underpin TSI Fund's confidence in Loy Yang A's ability to provide long term equity returns to shareholders.

As part of the new contracts, the parties have also agreed to work together on a joint approach to reducing greenhouse gas emissions.

In addition to conditions precedent typical for transactions of this nature, the arrangements can be reviewed by either party if there is a material adverse change to the currently contemplated CPRS before December 2013. The terms and conditions also include review provisions relating to the economic performance of the parties to the contracts.

Loy Yang A is the lowest marginal cost thermal generator in Australia and produces approximately 30 per cent of Victoria's electricity requirements. It has the lowest carbon intensity of Australia's major brown coal generators.

Loy Yang A and Alcoa's joint announcement relating to the agreements is available at [www.loyyangpower.com.au](http://www.loyyangpower.com.au).

#### Media Enquiries

**Liz Jurman**

Ph +61 2 9464 1615  
Mb +61 438 399 435

#### Investor Relations Enquiries

**Steve Loxton**

Chief Financial Officer  
Ph +61 2 9464 1613

**Transfield Services Infrastructure Fund** (TSI Fund) is a public listed entity owning a portfolio of interests in essential infrastructure assets including five power stations, two water filtration plants and four wind farms. TSI Fund's key differentiator is its highly beneficial relationship with global asset management company, Transfield Services which provides expertise in asset development, project management, operations and maintenance.

Transfield Services Infrastructure Fund is the triple stapled structure comprised of Infrastructure Fund Management Limited (ABN 70 118 203 731) as Responsible Entity for Transfield Services Infrastructure Trust (ARSN 125 010 531), Transfield Services Infrastructure Limited (ACN 106 617 332) and TSI International Limited (ACN 124 582 547).



australia's aluminium

## Joint Media Statement

1 March 2010

### New power contracts create a platform for the future

Alcoa of Australia Limited and Loy Yang Power today announced new base-load electricity contracts to power Alcoa's smelter at Point Henry, Geelong, and the Portland aluminium smelter to 2036.

The contracts take effect in 2014 for the Point Henry (Geelong) smelter and in 2016 for the Portland facility.

Alcoa of Australia's Managing Director Alan Cransberg and Loy Yang Power's Chief Executive Ian Nethercote agreed today's announcement is a landmark for the future of both companies as well as for the Victorian and Australian economies.

"Energy security in the form of long-term, base-load agreements is vital to aluminium smelters and the jobs they provide worldwide," said Mr Cransberg.

"The contracts we signed today provide a platform for Alcoa's current and future investment in regional Victoria."

The contracts are for approximately 820MW of load and, with future expansion options, could represent more than half of Loy Yang Power's generation output.

"Loy Yang Power and Alcoa both operate vital national economic assets and this contract will ensure that we continue to help power Australia's ongoing economic growth," said Mr Nethercote.

"We are particularly pleased with the agreements as they support two of our key business objectives – to deliver an efficient and profitable business as well as building a sustainable future in a carbon constrained world," he added.

As part of the new contracts, the parties have signed a 'carbon reduction agreement' which provides the opportunity to work together on a joint approach to reducing greenhouse gas emissions.

"Through the talent of our people and innovative technologies, we have reduced the direct greenhouse gas emissions at our smelters by 61% per tonne of production since 1990. The carbon reduction agreement signifies an exciting new opportunity to build on that success in partnership with Loy Yang Power," said Mr Cransberg.

"The carbon reduction agreement is consistent with Victorian and Australian government goals of a balanced and collaborative approach to facilitating Australia's transition to a lower carbon economy."



australia's aluminium

## Joint Media Statement

Mr Nethercote said the agreement would underpin Loy Yang Power's existing commitment to reduce its carbon footprint while supporting the economic and social viability of the Latrobe Valley community.

"We look forward to working with Alcoa to identify key projects to achieve CO<sub>2</sub> reductions from our operations," said Mr Nethercote.

Mr Cransberg said the 20-year agreements are globally competitive, allow Alcoa to respond to market conditions, and provide an option for growth.

"Our smelters are valuable long-term assets that are well positioned to take advantage of an improving global aluminium market. We are committed to overcoming short-term challenges like high foreign exchange rates, and are extremely proud of the opportunity to build on our foundation of 47 years in regional Victoria."

Mr Nethercote said the contracts provided Loy Yang Power with business certainty and was a vote of confidence in the company's ability to continue to deliver a reliable electricity supply to meet Victoria's growing energy needs.

"These contracts are an important part of our business future and will require us to continue to strive for ongoing improvements and efficiencies in order to maintain business success in an extremely competitive market. The contracts and a strong commitment to continuous improvement are key elements in providing a secure future for the business, existing employees and those that follow," said Mr Nethercote.

Combined, Alcoa of Australia and Loy Yang Power employ over 2500 people in Victoria, largely in regional areas.

Alcoa is Victoria's largest exporter. The Point Henry Smelter has a rated capacity of 190,000 mtpy and is wholly owned by Alcoa of Australia Limited. The Portland smelter has a rated capacity of 358,000 mtpy. Portland Aluminium is an unincorporated joint venture project between Alcoa of Australia Limited (45%) (Alcoa), Eastern Aluminium (Portland) Pty Ltd (10%) (EAPL), CITIC Nominees Pty Limited (22.5%) (Citic) and Marubeni Aluminium Australia Pty Ltd (22.5%) (Marubeni) ("Portland Joint Venture (PJV)"). Eastern Aluminium (Portland) Pty Ltd is a wholly owned subsidiary of Alcoa of Australia Limited. Alcoa Portland Aluminium Pty Ltd (Alcoa Portland) (also a wholly owned subsidiary of Alcoa) manages the smelter.

Alcoa of Australia is 60% owned by Alcoa Inc. and 40% owned by Alumina Limited.

Loy Yang Power is the operator of the largest power station in the State and Australia's largest open cut brown coal mine. Loy Yang Power was privatised in May 1997 as part of the Victorian Government's privatisation strategy. In April 2004, Loy Yang Power was purchased by the Great Energy Alliance Corporation (GEAC).



australia's aluminium

## Joint Media Statement

GEAC consists of the following shareholders – AGL (32.5%), Tokyo Electric Power Company (32.5%), Transfield Services Infrastructure Fund (14%), Motor Trades Association of Australia (MTAA) Superannuation Fund (12.8%), Westscheme (5.7%) and Statewide Super (2.5%). Its wholly owned subsidiary GEAC Operations Pty Ltd holds all the shares in the members of a Partnership which trades as Loy Yang Power partners. Loy Yang Power partners owns the power station and the mine and its trading and marketing is undertaken by Loy Yang Marketing Management Company (LYMMCo).

-Ends-

**Media contacts:**

**Alcoa of Australia Ian Courtney – 0404 555 015**

**Loy Yang Power - Gerald May – 0418 341 992**

All releases are available at [www.alcoa.com.au](http://www.alcoa.com.au) and [www.loyyangpower.com.au](http://www.loyyangpower.com.au)