



HILLSIDE ALUMINIUM SMELTER

23 NOVEMBER 2022

Presentation to NERSA Webinar

HILLSIDE'S ECONOMIC CONTRIBUTION

South Africa

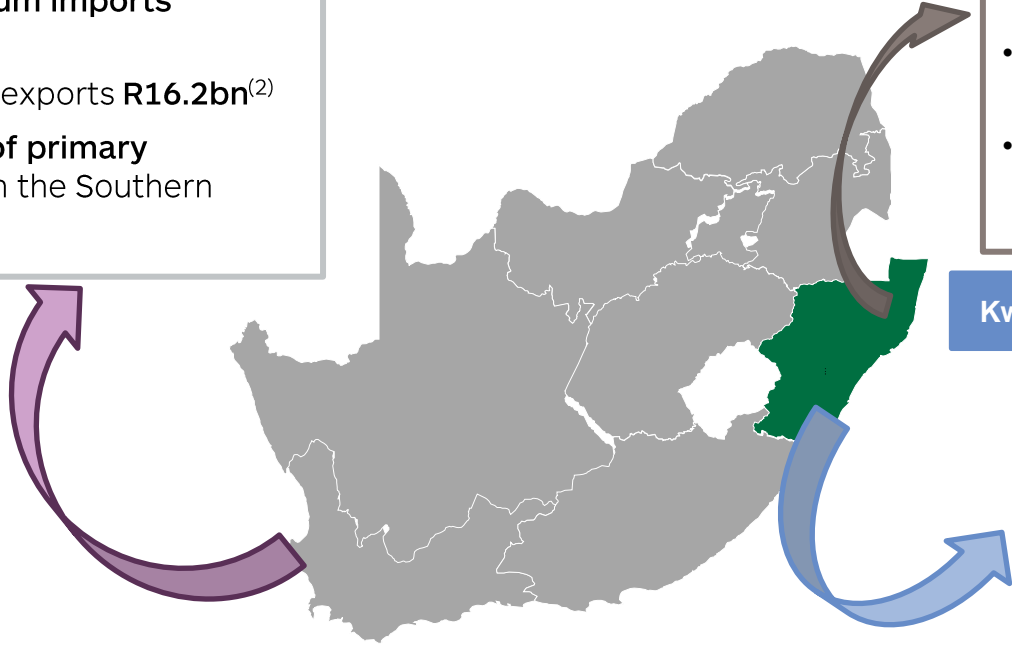
- **R33.9bn⁽¹⁾** revenue or **0.7% of GDP⁽²⁾**
- **R3.1bn⁽¹⁾** to SARS's tax base
- **R10.2bn of aluminium imports avoided**
- Value of aluminium exports **R16.2bn⁽²⁾**
- **Largest producer of primary aluminium ingots** in the Southern hemisphere

Richards Bay

- The smelter is an anchor industry that contributes **18.4% regional GDP⁽⁴⁾** and creates **1 300** direct jobs
- Black South Africans make up **81%** of the total workforce, with **25%** of the workforce being Women
- **R1.2bn⁽³⁾** paid in salaries and wages to be spent in the local economy / annum
- **Significant contribution** in port fees and capital invested in local infrastructure and utilities

KwaZulu Natal

- **7 000 jobs** in the area, **28 900 indirect jobs and 55 700 dependents⁽³⁾**
- Downstream beneficiation by supplying liquid metal to local downstream customers at Bayside
- **c.R200 million⁽⁶⁾ invested** in communities around Hillside Aluminium in FY22, with a focus on local skills and economic development, education and strengthening healthcare services



(1) FY22 annual report – using an average USD/ZAR rate of R15.36 during the FY22 financial year
 (2) StatsSA – South Africa's rolling 12-month GDP of R4,972 billion between June 2021 and June 2022.
 (3) FY21 reported salaries adjusted for a 6.4% increase (based on the FY20 to FY21 realised increase)
 (4) StatsSA –KwaZulu-Natal's GDP is estimated by applying its GDP contribution of 16.0% to total GDP in 2021 to South Africa's rolling 12-month GDP
 (5) South African Aluminium Industry Roadmap 2017
 (6) South32 FY22 annual report

Significant contribution to the South African economy

BENEFITS OF HILLSIDE TO THE ELECTRICITY GRID AND CONSUMERS



Grid Stability – Hillside’s high steady consumption rate helps keep the electricity grid stable

Interruptible Load Reduction – Eskom can interrupt power supply to smelter when there’s strain on the national grid. This means less load shedding for other customers.

Virtual Power Station – Hillside acts as a virtual power station by offering the ability to interrupt power supply to promote management of emergency power reserves.

Direct Switching – Hillside is hardwired to the National Control Centre and the utility can directly switch off electricity supply

Black Start Capability – Hillside is critical to supporting black start capability in times of system emergencies

Hillside is strategic to maintaining grid stability for the benefit of all customers

BENEFITS OF HILLSIDE TO ESKOM AS A UTILITY



Long-term Commitment – Excellent relationship as a customer for 27 years

Stable Demand – Hillside is Eskom's single largest industrial customer, with a 99.95% baseload factor

Guaranteed Fixed Revenue – Aluminium production process is a 24/7/365 continuous operation

Creditworthiness – Hillside is a reliable payer and provides predictable cash flows

Key customer of Eskom

HILLSIDE'S BENEFIT TO THE SA ALUMINIUM INDUSTRY

Aluminium is considered the metal of the future.

It has a versatile range of applications – it can contribute to green buildings, substitute single-use plastics for packaging and reduce weight of electric and hybrid vehicles.

Having an upstream smelter will position SA well to capture these opportunities.

Hillside is supporting local beneficiation, in line with government policy.

SA Aluminium Roadmap says its possible to double the size of the downstream industry in **10 years**, provided Hillside remains in operation.

Decision to supply liquid aluminium to downstream converters was a 'game changer'.

Beneficiation at Bayside – Hulamin (produce slab) and Bingelela (BEE consortium) (produce rim alloy).

Continue to unlock other opportunities such as reopening the wire rod line (AluSouth).



*“The local Hillside smelter is of critical importance to keep the aluminium industry competitive”
SA Aluminium Roadmap (2017)*



Electricity – ~30% of cost of production

LME – Without a competitive electricity price, cannot compete as aluminium price is based on global market index

MegaFlex – Not a competitive tariff in comparison to tariffs in other countries

LT Policy on NPAs – Without this long-term (10 yrs) support and NERSA approval Hillside would have shut in 2021

NPA Tariff – Hillside's tariff is cost-reflective (cost of service, not a subsidy) and provides Eskom with a reasonable margin

Other customers – All other customers' benefit – if Hillside shuts then customers will pay more for their electricity

International experience – Smelter power prices reflect the lower cost of base-load supply, benefits of grid stability (especially during RE transition), and value of interruptibility to the utility

There is no other single significant key value driver other than electricity to ensure that Hillside remains competitive

