

**SASOL PRESIDENT AND CHIEF EXECUTIVE OFFICER  
FLEETWOOD GROBLER**

**SASOL CHIEF FINANCIAL OFFICER  
PAUL VICTOR**

**2020 INTERIM FINANCIAL RESULTS PRESENTATION**

**AS DELIVERED**

**MONDAY, 24 FEBRUARY 2020 AT 10:00 (+02:00 GMT)  
JOHANNESBURG**

## SLIDE 4: Introduction | BUSINESS RESULTS OVERVIEW

Good morning and welcome ladies and gentlemen. Thank you very much for taking the time to join us, at this halfway mark of our 2020 financial year.

At the time of my appointment, I said we needed to prioritise some practical, short-term objectives. In short, we needed to be realistic around the challenges we face, focus on the issues within our control and start to deliver on the expectations of all our stakeholders.

It has been almost four months, since I took the reins and so I want to share the work we have been doing.

As you know the industry has faced intensifying macro headwinds over the last few months. Sasol has not escaped these and the challenges we have faced are reflected in the results we are announcing.

But these external factors have served only to intensify our focus on improving the factors within our control and there is much to deliver on. So let me start with a recap of some of my key focus areas, in these first few months:

- I was clear at the outset that we need to focus on delivery in order to rebuild confidence. I am therefore pleased, that despite the conclusions of the LCCP Board Review and subsequent leadership transition, we delivered a satisfactory operating performance. We performed well on areas such as working capital management and cost containment.
- However, I'm also clear that there are many areas in which we can do better – frankly, a satisfactory performance is not good enough, we need to up our game and to do it consistently. We also need to focus on areas such as delivering efficiencies, through continuous

- improvement, making more changes to optimise the cost base and I think there's even more we can do on the working capital position;
- Thirdly, we need focus on the transformation of Sasol's culture. I have introduced changes to deliver the key behaviour shifts to progress our improved culture and I personally commit to setting the right tone from the top; and
  - Finally, sustainability remains a critical focus to position Sasol for the future. I will come back to this at the end of the presentation, but our intention is to give a full update at our Capital Markets Day later this year. We want an ambitious vision for sustainability, but we also need a viable pathway, to deliver it, given the significant stakeholder ramifications.

With that context, let me move on to the key messages, from this set of results.

## SLIDE 5: Key messages

Our priority, remains safety. I believe that good safety and operational performance, should go hand in hand. The two fatalities we experienced are not acceptable and although our broader safety performance has shown real improvement, there is more that we will strive to do, in pursuit of zero harm.

Our operating performance has been generally good, but there are areas for improvement, such as in our Mining business. Otherwise, we have seen operating stability, in most parts of the business and continue to make the investments, required to sustain our assets for the long term.

At LCCP, we remain on track to complete the project within the revised capital budget and the units in operation, are performing really well. We have determined the root cause that resulted in the incident at the LDPE plant and remediation work has commenced.

Finally, in terms of financial results, we have clearly seen the impact of a downturn in macroeconomic factors affecting pricing and the balance sheet is in the peak gearing phase. As committed, we have taken steps to protect the balance sheet and see the cash inflection phase being reached in the second half of this financial year.

Post December, we have seen signs of the first green shoots appearing - this is evidenced by the significant ramp down of the LCCP capex, coupled with the uptick in EBITDA from the foundation business, as we enter into this transitory, deleveraging phase of the balance sheet.

## **SLIDE 6: Operational performance | Driving zero harm in operations to reduce fatalities**

Let me now turn attention to safety at our operations and commitment towards zero harm.

I am deeply saddened that we have had two tragic fatalities in Mining. My heartfelt condolences to the families, friends and co-workers of Mr. Johannes Mlangeni and Mr. Tisetso Matlele. This loss was felt across our business. In response, we have appointed a dedicated task force in Mining, augmented by industry experts, focusing on:

- Safety Risk Management;
- Integrating safety requirements into production planning;
- Operational discipline; and
- Safety leadership development.

Despite the tragic fatalities, we have improved our recordable case rate for the Group from 0,29 in 2016 to 0,27 at present.

LCCP continues with its top quartile safety track record. Our contractors are integrated into our approach, ensuring a joint focus on first level assurance and confirmation of controls for high-risk tasks.

At a Group level, the positive momentum, through the focus on our High Severity Injury Programme, is progressing well.

In our continued efforts towards zero harm, we recognise safety and operational discipline, as the bedrock for exceptional performance.

## SLIDE 7: Operational performance | Production highlights

Delivering a solid operating performance across the business was an important focus and I'm pleased to report that we have generally achieved that.

In South Africa, operating performance was in line with expectations - including the shutdowns at Synfuels and Natref. Mining's performance was disappointing due to downtime in relation to the fatalities and geological complexities. We need to turnaround the productivity trends in the business and a plan is underway. We expect performance improvements during the next half of the year.

There was some speculation about the future of our Mining business, but I want to clarify, Mining is a key driver for the integrated coal to liquids value chain and we intend to keep it as part of the Group.

In North America, I'm pleased to report that production continues to improve in line with, or better than, our ramp-up estimates. Now that the acetylene reactor catalyst change is behind us, utilisation of the ethane cracker is in excess of 90%. We are also benefitting from lower ethane prices that is enhancing our integrated margin. I will talk more about progress at LCCP shortly. Notably, our Gemini Joint Venture in HDPE, remains a success story and continues to deliver above expectations.

In Eurasia, we had a moderate decline in production volumes due to muted market demand, although this was offset by increased volumes from the new ethoxylation unit in China. The Coronavirus has impacted our volumes at this unit, in recent weeks. At this stage, the seriousness and duration of the impact is unknown. Sasol has implemented contingency measures, to ensure the health and safety of our employees based in China, over the weekend Northern Italy and the Southeast Asia region.

ORYX delivered a stable performance for the first half of the financial year, and the plant is currently in shutdown, which will continue for an extended period in the second half.

So, on balance, operating stability has been good, with an improvement plan for Mining productivity in place.

As a final point, let me stress, that although we are in the peak gearing phase, we are taking care not to cut corners that could compromise asset integrity.

## **SLIDE 8: LCCP update | Delivery of LCCP remains critical**

Turning to LCCP, there is no escaping that the past year has presented considerable challenges – and more recently, also with the incident at the LDPE unit.

Having said that, it is important that we don't lose sight of the big picture. Completing the project, strengthens our strategic position, as a truly global chemicals company. It adds, amongst other things, significant long-term cash flow, geographic diversity and improves our sustainability footprint.

We are well on track for completion of the project, with the acetylene catalyst replacement and ethoxylates unit start-up both serving as important and encouraging milestones for us. We are rapidly nearing the end of our capital spend and about 80 percent of the project's total installed output and output is already online.

Of course, the delays in the LDPE unit start-up, were a significant disappointment, but those issues are isolated. Through a thorough root cause analysis of the incident, it was determined that a piping support structure, within the LDPE emergency vent system, failed during commissioning, causing a pipe to dislodge.

We reiterate that there is no major equipment damage. Some high-pressure piping material components, need to be replaced which have long lead times. Remediation has commenced and beneficial operation for the LDPE unit, is expected in the second half of this calendar year.

The cost of the restoration of the project will mostly be recovered under our insurance policy, with some owners and investigation costs, for Sasol's account. These costs will not compromise the previous overall project cost guidance of 12,6 to 12,9 billion US dollars.

Completion of the remaining units are progressing to plan and as of today, construction status of the Ziegler and Guerbet units, is at 96 and 76 percent respectively and many systems are already in handover, or a commissioning phase.

As the LCCP units progress through the sequential beneficial operation schedule, revenues do not yet match expenditure. However, in the second half we expect to reach an all-important turning point, as we see a positive EBITDA contribution from the LCCP.

Similar to our foundation business, margins are influenced by product specific supply and demand dynamics. Although we are well positioned on the cost curve and have access to the market, our margins are impacted by a weakened global outlook and the LDPE plant delay. As such, our updated LCCP FY20 EBITDA, is now expected to be in the range of 50 to 100 million US dollars.

Before I discuss our financial results, I think it is important to reflect on the macro environment that prevailed over the first half of the financial year and our outlook for the remainder of the year.

## SLIDE 9: Financial performance | Global macroeconomic uncertainty continues

Global economic growth momentum slowed down during calendar year 2019. Although uncertainty remains, easing US and China trade tensions, more clarity around the 'Brexit' process and current monetary and potential fiscal policy support, are all expected to give a more positive outlook.

Brent crude oil averaged 63 US dollars per barrel in this reporting period. Geopolitical developments in the Middle East and concerns about the impact of the Coronavirus, are expected to continue, driving short term volatility.

Petrol differentials, were healthy for the first part of the financial year, but recently declined with diesel differentials. This was driven by an increase in global refinery runs, following the start-up of new capacity and refineries returning from maintenance.

Furthermore, the decline in diesel differentials was compounded by lower than expected demand, following the bunker fuel specification change.

Turnover in our chemicals portfolio, was impacted by global and domestic factors and is likely to remain volatile due to multiple geopolitical risks, market oversupply and demand weakness.

In the short term, US ethane supply is sufficient to meet expected additional demand, keeping ethane prices low. This is important, considering the softness in chemical margins and the ramp-up profile of the LCCP.

With this context, management is focused on controllable factors which are covered under our immediate priorities.

That leads me into our - half year financial results.

## SLIDE 10: Financial performance | Position impacted by macroeconomic volatility

At a high level, adjusted EBITDA decreased by 27% to 19,6 billion rand. The decline was mainly driven by weaker pricing, as well as the fact that LCCP is still very early in the ramp-up phase, offset by a generally solid operating performance.

Normalised cash fixed costs, increased below our inflation target of 6%, reflecting continued cost discipline.

Importantly, our capital spend declined 30% as we near the end of LCCP's construction and we improved our working capital management. I want to thank Team Sasol - for their superb effort in this regard.

Our debt levels were consistent with guidance and Paul will talk further about decisive measures, we continue to take to protect and strengthen the balance sheet. This has resulted in another difficult, but necessary decision by the Board, to pass the FY20 interim dividend. As was the case for the FY19 final dividend, this was not a decision we took lightly. However, it is important that we make tough decisions now, to position us for the long term.

I must emphasise that for LCCP, the major capital spend is behind us and we are confident in achieving the cash flow inflection phase in the second half of this financial year.

Before we close, I will talk you through the detail, of the near-term actions we are focusing on.

Let me now hand over to Paul:

## SLIDE 11 & 12: FINANCIAL RESULTS & Financial key messages

Thank you Fleetwood and good morning ladies and gentlemen.  
It is my pleasure to take you through our financial results for the interim reporting period.

The key messages are:

Firstly, our results were negatively impacted by the difficult macroeconomic environment.

In short, we faced a 9% decrease in the rand per barrel crude oil price, as well as softer global chemical prices and lower refining margins.

Against this backdrop, I'm pleased to report that volumes, cost containment and working capital levels very much tracked our internal targets.

Our mining business on the other hand experienced a very difficult second quarter which negatively impacted our results.

As per our guidance, we managed our balance sheet's debt levels to well below the newly approved bank covenant levels with gearing at the upper end of the guided range provided during October 2019.

We have achieved peak gearing and will now commence with the transitory phase of deleveraging the balance sheet as the LCCP construction phase comes to an end. The commensurate cash flows from the LCCP will now start to positively impact EBITDA and flow through to the balance sheet.

This will, however, be a gradual process and it's particularly important that during this phase we continue to protect and strengthen the balance sheet by focussing on the controllable factors at our disposal.

We have been able to effectively manage most of these levers in the past and are committed to do so in future. It will require management focus.

We are advancing our portfolio optimisation activities as we are progressing to above the 25% level of the US2bn target.

In this process we will continue to safeguard long-term shareholder value, while aligning the portfolio with the company's long term strategy.

Let me focus and highlight salient items of this set of results.

## SLIDE 13: Financial results | Group profitability by segment

Adjusted EBITDA decreased by 27% or R19,6 billion, largely due to the macro environment, LCCP start-up losses incurred and lower than expected performance from our mining business.

On the flip side, the decrease in cash generated by operating activities was limited to 21% or R19,6 billion as a result of proactive cost and working capital management.

Earnings were also negatively impacted by the increased LCCP depreciation and interest charges now charged to the income statement, as a result of almost 80% of the LCCP units being operational.

To clarify, interest previously capitalised to the balance sheet, now flows through the income statement.

For these reasons, earnings per share decreased by 73% to R6,56 per share compared to the prior period. Core HEPS was R9,20 per share - down 57% compared to the prior period.

I want to reiterate, we expect second half earnings to benefit from improved revenue-cost matching as the LCCP increases production and sales and as capital spending ends and more profoundly FY21

## **SLIDE 14: Financial results | Operating profit mainly impacted by macroeconomics**

I will now take you through the key items impacting the operating profit compared to the previous period.

Compounded Macroeconomic factors reduced operating profit by approximately 39%.

Turning to items within our control, total cost reduced operating profit by 19%. Really driven by the LCCP losses due to higher depreciation and operating costs. On a normalised basis, cash fixed costs for the business increased by 5,4% which is below the 6% internal inflation target.

The benefit of higher sales volumes as LCCP ramps up, had a positive impact of 9% on operating profit. We do expect further positive performance contributions from LCCP in the second half of FY20, with significant uplift in earnings during FY21.

## SLIDE 15: Financial results | Segmental highlights compared to prior period

Let me now turn to the segmental highlights, starting with Mining.

Productivity decreased by 7% as a result of increasing geological complexities at our Syferfontein mine.

In addition to unplanned downtime, the two tragic fatalities further impacted productivity trends.

Deeply disappointing and we remain committed and focused on improving productivity to targeted levels over the following six months as we return to a more stable operating environment.

To mitigate these risks, we also made the decision to supplement our feedstock to Secunda Synfuels with external coal purchases of approximately 1,6 million tons.

The resultant increase in unit costs will ultimately negatively impact margins. I can assure you this matter is receiving the highest attention.

Moving on to our next Operating Hub:

E&PI: recorded an overall strong operational performance.

Our Mozambican assets recorded handsome EBIT of R1,4 billion, a 12% increase compared to the prior period. This was mainly due to the favourable exchange rate and a solid production performance.

Gabon realised EBIT of R113 million, 66% lower compared to the prior period mainly due to lower oil prices weighing in and lower volumes from the natural decline of the wells.

We remain committed to divest from the Canadian Montney shale gas assets.

Turning to our Strategic Business units, let's start with Energy:

Impacted by negative oil prices.

Softer prices decreased EBIT by 30% to R6,7 billion compared to the prior period.

This was offset by a marginal increase in sales volumes and a weaker average exchange rate.

Cash costs and working capital levels were very well managed in this business.

Performance Chemicals was also affected by the softer macroeconomic environment, resulting in lower sales prices.

Despite the economic headwinds, our advanced materials portfolio margins remained robust during the period. Our organics portfolio was negatively impacted by the higher ratio of mono ethylene glycol volumes and lower oleo-chemicals pricing.

Total sales volumes increased by 6%, compared to the prior period, as the LCCP's EO/EG plant continues to produce to plan.

In addition, the PC results were impacted by the R1,6 billion of start-up losses at LCCP, which is expected to improve during the second half of FY20.

Similar to PC, Base Chemicals faced headwinds negatively affecting our dollar basket of sales prices.

In addition, results were impacted by the change in product mix, with merchant ethylene being sold to the market following the cracker start-up. Total sales volumes increased by 21% compared to the prior period as the LCCP's plants continues to produce as planned and the HDPE JV saw volumes above expectation.

The softening of international chemical prices resulted in R0,5 billion further impairment of our South African Mining Reagents and MIBK.

Profitability was impacted by R1,2 billion of start-up losses at LCCP. This performance is expected to improve in the second half of FY20 as LCCP generates positive EBITDA which will boost BC profitability. Merchant ethylene being converted as LCCP units come online will also significantly improve BC operating profit in 2<sup>nd</sup> half of the financial year.

The business results include a profit on the disposal of our 50% equity interest in the Sasol-Huntsman joint venture, as part of our asset portfolio optimisation programme.

Lastly, our Group Functions segment was impacted by finance charges of R2,6 billion resulting from LCCP incurred debt and offset by hedging and translation gains of R0,8 billion.

## **SLIDE 16: Balance sheet | Capital spend declining as LCCP nears completion**

Our actual capital expenditure for the period amounted to R21,4 billion of which R10 billion or \$647 million related to LCCP.

Our capital expenditure forecast of R38 billion for FY20 is sufficient to sustain the foundation business and support the final execution of LCCP. In this context I need to reiterate that we have stayed committed to our capital allocation framework. Sufficient sustenance and environmental capital are allocated to ensure our operations and asset health is not compromised.

We have prioritised growth capital significantly to the LCCP's completion and PSA Mozambique drilling activities.

Going forward, we forecast R30 billion of capex spend for FY21.

Discretionary growth capital specifically for FY21 spend will mostly be limited in support of our deleveraging objectives and we remain committed to our overall capital allocation framework as we navigate through our peak gearing phase and during this volatile period.

## SLIDE 17: Balance sheet | Proactive management continues

Our gearing of 65%, was at the upper end and net debt to EBITDA of 2,9 times were within bank agreed covenant levels and market guidance.

The increase in gearing from FY19 was impacted by the adoption of the new leases standard IFRS16, increase in leases charged to the balance sheet, which added about 4% to our ratio, coupled with the impact of LCCP.

We have reached peak gearing and have started the transitory deleveraging phase of the balance sheet. In line with our capital allocation guidelines and principles we took the tough yet necessary step to pass our interim dividend.

Careful navigation of the balance sheet deleveraging will be required in the months to come during a volatile macroeconomic period as we have limited headroom.

Our objective remains to maintain a long-term gearing range of 25 – 35% and a net debt to EBITDA ratio of 1,5 times or lower.

Protecting our investment grade rating remains key to our business.

Over time, we remain committed to increase our dividend pay-out to a target ratio of 45%, or 2,2 times dividend cover, allowing shareholders full participation in our cash flows.

We remain committed to protect our investment grade and optimised our capital structure.

More specifically over the course of the past few months:

- We have refinanced the asset-based LCCP loan and put several other financing instruments in place
- We have staggered our debt maturity profile to better match the cash generating ability of our assets

- I want to make the following point - we currently have a liquidity buffer of around \$3 billion to allow us to complete the LCCP and sufficient to withstand further macro volatility
- We will continue with our fit for purpose hedging programme to help and shield the BS against market exposures

We are committed to take all prudent actions necessary to ensure that we manage our balance sheet to the targeted gearing levels over the short to medium term.

## SLIDE 18: Outlook | FY20

Safe to say, FY20 and 21 are probably the most critical periods for Sasol. Macroeconomic volatility is expected to continue and within this context, we expect the following outlook for FY20 delivery from our assets:

Mining to ramp-up to targeted production levels as we focus on safety and efficiency.

Performance Chemicals' sales volumes, is expected to increase by 7-9%. Excluding the LCCP, volumes are expected to be flat to slightly lower and average US dollar margins will trend in line with the global macroeconomic outlook. PC volumes without LCCP is expected to be flat.

Base Chemicals' sales volumes on the other hand, are expected to increase by 15 to 20% and excluding LCCP we expect an increase of between 1% - 2%. US dollar basket prices are also expected to remain soft given the ongoing trade-wars and the potential future impact of the Coronavirus.

South African liquid fuels sales volumes are expected will range between 57 and 58 million barrels, with Secunda Synfuels Operations forecast to achieve production volumes of between 7,7 and 7,8 million tons.

An ORYX average utilisation rate of between 55 - 60%, due to an extended planned shutdown in the second half of the year. Again, a health warning, we need to understand Coronavirus and more datapoints are needed.

Our expectations for the Chemicals and Energy businesses could be revised as the full impact of the Coronavirus is understood.

Normalised cash fixed costs are expected to track our forecasted inflation rate of 6%.

We forecast the average rand/US dollar exchange rate to range between R13,80 and R15,50; and average Brent crude oil prices to remain between \$50/bbl and \$70/bbl.

Our balance sheet leverage is expected to be between 2,6 and 3,0 times net debt to EBITDA as per the covenant definition and gearing to remain within our previous guidance of 55 - 65%.

[Pause...]

In conclusion, we continue to face significant challenges as a business and with our focus on the key actions required at this time, I am confident we can steer the ship through this very difficult time going forward.

On that note, I will hand back to Fleetwood.

## SLIDE 19: Realism, Focus and Delivery

Thank you Paul. I want to make some concluding comments before we turn to questions.

I would like to reemphasise our key focus areas and delivery against them, drawing on a number of themes, that I mentioned at the outset.

With progress at the LCCP on track, our priority is full delivery of all the units, bar LDPE, by the end of the financial year, with ramp-up towards our run-rate EBITDA expectations. Regarding LDPE, every effort will be made to expedite remediation.

Achieving these objectives at LCCP is also critical for the second focus area – namely protecting our balance sheet. We are working hard to protect our investment grade rating, preserve asset integrity and to restoring dividends as soon as we can, to allow shareholders to benefit from the anticipated positive earnings.

Across the foundation business, we already have good operating stability, but as mentioned earlier, there are a number of other areas, where our performance has not been good enough. Our foundation business remains core to our success and we cannot manage through the transitory phase, without the solid base this provides.

Meanwhile, we are making changes to improve our culture. Culture change, inevitably takes time and we have some way to go. As part of this journey, we are ensuring and advancing readiness, at leadership and also across the organisation.

While it is critical that we optimise the efficient running of the business in the short-term, we have to position Sasol for a sustainable future. In parallel, work is underway to create a framework, which will guide us in building a robust Sasol. Part of this framework entails improving our

competitiveness, embedding our culture change and responding to our sustainability challenges.

To this end, we are committed to delivering a sustainability roadmap and an update to our broader business strategy, at our Capital Markets Day at the end of this year.

So, in closing, we have had a tough half year and the external environment remains volatile. We know what we need to do, we are energised and focused, we have made some good progress in delivering against our priorities, but there is much that we can and need to get done.

Many thanks and we will now open the floor for questions.

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