



# SASOL LIMITED INTERIM FINANCIAL RESULTS

for the six months ended 31 December 2019



**POSITIONING FOR A  
SUSTAINABLE FUTURE**

# Forward-looking statements and definitions



Sasol may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, expectations, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return, executing our growth projects (including LCCP), oil and gas reserves, cost reductions, our Continuous Improvement (CI) initiative, our climate change strategy and business performance outlook. Words such as “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour”, “target”, “forecast” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors and others are discussed more fully in our most recent annual report on Form 20-F filed on 28 October 2019 and in other filings with the United States Securities and Exchange Commission. The list of factors discussed therein is not exhaustive; when relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

**Please note:** One billion is defined as one thousand million. bbl – barrel, bscf – billion standard cubic feet, mmscf – million standard cubic feet, oil references Brent crude: mboe – million barrels oil equivalent.

All references to years refer to the financial year ended 30 June.

Any reference to a calendar year is prefaced by the word “calendar”.

**Comprehensive additional information is available on our website: [www.sasol.com](http://www.sasol.com)**



## FY20 INTERIM RESULTS

-  Business results overview  
Fleetwood Grobler
-  Financial results  
Paul Victor
-  Realism, focus and delivery  
Fleetwood Grobler



## © BUSINESS RESULTS OVERVIEW

Fleetwood Grobler

# Key messages



## OPERATIONAL PERFORMANCE

- Relentless focus towards achieving **zero harm**
- Satisfactory **production performance**
- **Asset integrity** continued to be prioritised

## LCCP UPDATE

- Project **on track within total cost estimate**
- Operating units **performing well**; **positive EBITDA** contribution in H2 FY20
- **LDPE** root cause identified and **remediation commenced**

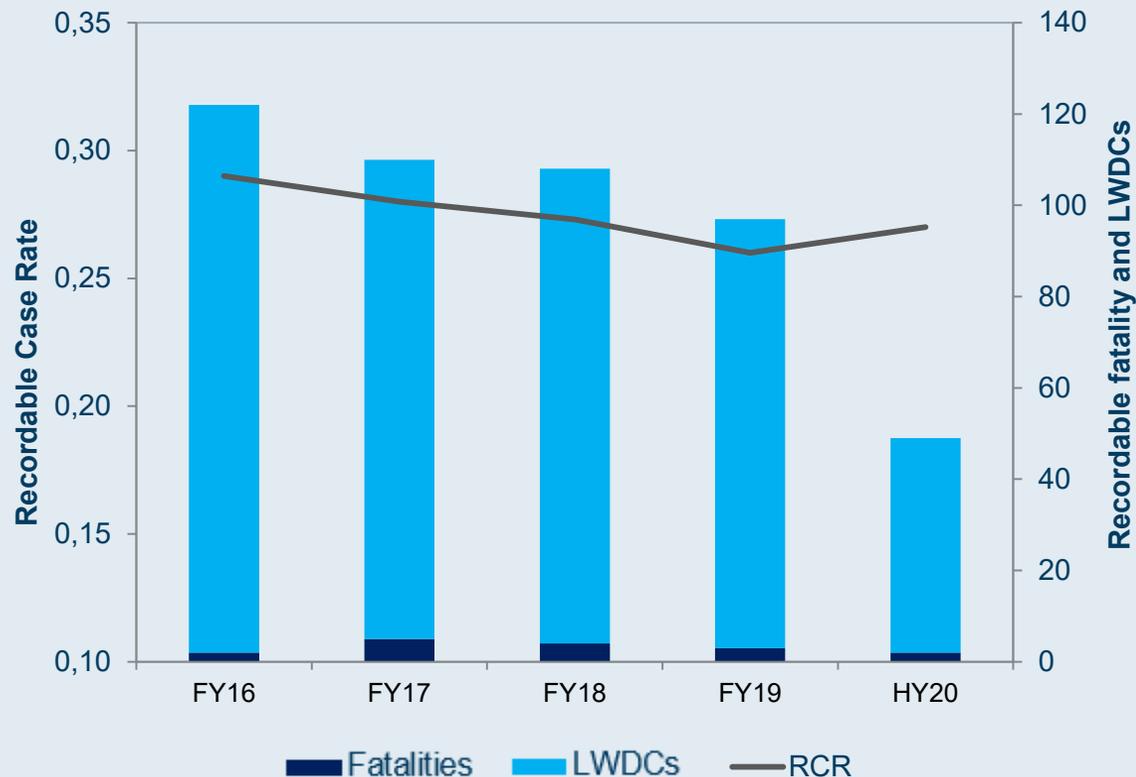
## FINANCIAL PERFORMANCE AND POSITION

- **Challenging global macro environment** reduced earnings
- **Balance sheet protection** remains a top priority; FY20 interim dividend passed
- **Cash inflection point** to be reached in H2 FY20



Focused priorities to restore stability and confidence, positioning Sasol for a sustainable future

## Fatalities, LWDCs and RCR



Group Recordable Case Rate at 0,27<sup>1</sup>

- Strong LCCP safety performance - RCR of 0,10

Safety culture and performance is showing a positive trend, however

Two tragic fatalities at Mining

- Dedicated safety taskforce established, supported by Du-Pont Sustainable Solutions
- Key focus on enhancing safety leadership capabilities



Re-focus on safety and operational discipline

1. Excluding illnesses

## South African Operations

- Successful phase shutdown at Secunda Synfuels; 4% increase in production (FY20: 7,7 – 7,8mt)
- Mining productivity decreased 7% due to unplanned downtime and geological complexity
- Natref production decreased 8% following a planned shutdown (FY20: > 600m<sup>3</sup>/h)

## North American Operations

- Production increased due to beneficial operation of cracker, LLDPE and EO/EG units
  - Cracker currently operating above plan after successful catalyst change; higher than 90% utilisation
  - LLDPE and EO value chain ramping up per plan
- HDPE plant continues to produce above expectation

## Eurasian Operations

- Production increased 2% supported by China ETO ramp-up; ETO production rates > 90% reached
- Production impacted by lower market demand
- ORYX utilisation at 98%; planned extended shutdown during H2 FY20

Continued focus on safe and reliable operations, costs and engaged workforce

# LCCP update | Delivery of LCCP remains critical



## Total project

**~80%**

Total nameplate<sup>1</sup> capacity operational

**98,4%**

Overall construction completed

## Capital estimate

**US\$12,8bn**

Tracking cost estimate guidance

## FY20 EBITDA

**US\$50m - 100m**

Positive EBITDA contribution in H2 FY20  
(FY21: US\$600m – 750m)

## Units under construction

**Q4 FY20**

ZAG<sup>2</sup> units to achieve beneficial operations

All units operational by end CY20

## LDPE status

**H2 CY20**

LDPE start-up

Root cause identified, equipment replacement  
underway and insurance in place

## Governance

Lessons learnt being incorporated into ways  
of working

Culture change underway



LCCP strengthens our position as a global chemicals company

1. Includes ethylene, polyethylene and EO value chain installed capacity brought online
2. Ziegler, Alumina, Guerbet

## Global GDP<sup>1</sup>



**2,9%**

## Brent crude oil<sup>2</sup>



**63**

US\$/bbl

12% ▼

## Chemicals<sup>2</sup>



**736**

US\$/t

15% ▼

**1 570**

US\$/t

14% ▼

Base  
Chemicals

Performance  
Chemicals

## Exchange rate<sup>2</sup>



**14,70**

R/US\$

4% ▲

## Fuel products<sup>2</sup>



**78**

US\$/bbl

8% ▼

## Ethane<sup>2</sup>



**18**

US\$/gal

53% ▼

1. Estimated average for calendar year 2019

2. All variances are six monthly averages for half year periods ending 31 December 2019 and 31 December 2018

# Financial performance | Position impacted by macroeconomic volatility



## Adjusted EBITDA

(proxy for cash)

**R19,6bn**

27% lower<sup>2</sup>  
macroeconomic volatility; lower prices

## Cash fixed cost

**< 6% target**

excluding LCCP growth and  
once-off costs

## Capex

**R21,4bn**

30% lower<sup>2</sup>  
as LCCP nearing completion

## Gearing

**64,5%**

Net debt: EBITDA<sup>1</sup>

**2,9 x**

interim dividend passed

## Working capital

**14,6%**

3% lower<sup>2</sup>  
management focus delivering results

**FCF inflection point  
in H2 FY20**



Continued focus on product margin protection to mitigate the impact of macroeconomic volatility

1. Per the Revolving Credit facility and US dollar Term Loan facility covenant definition which is set at 3,5 x  
2. All variances are six monthly averages for half year periods ending 31 December 2019 and 31 December 2018



## © FINANCIAL RESULTS

Paul Victor

# Financial key messages



## FINANCIAL RESULTS

- **Macro volatility** continues in a slowing global economy
- **Group profitability** impacted by weaker macroeconomics and LCCP start-up
- Continued focus on **cost** and **capital management** to remain competitive

## BALANCE SHEET PROTECTION

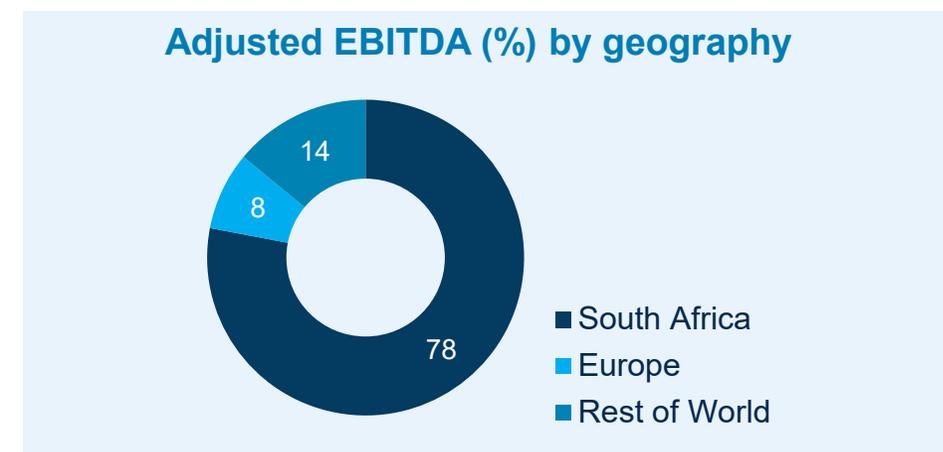
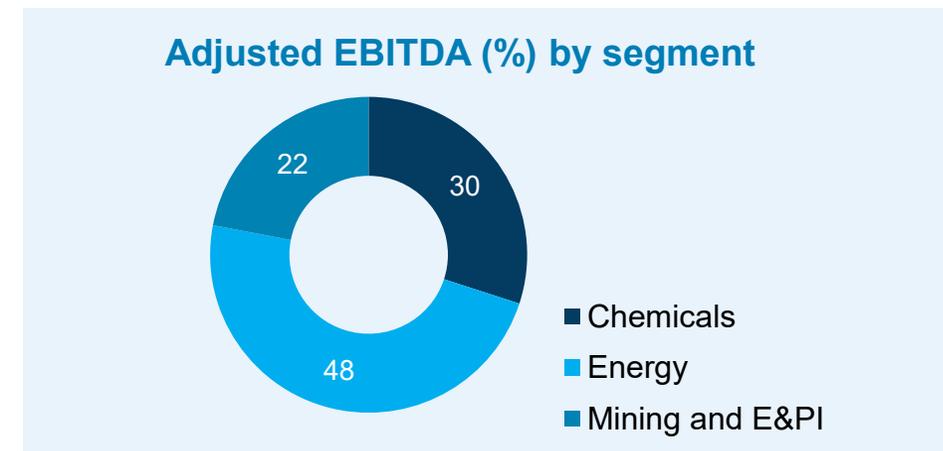
- **Balance sheet protection** prioritised; investment grade credit rating remains key
- Focused financial **risk mitigation** continues
- FY20 **interim dividend passed**; capital allocation principles unchanged

## FINANCIAL OUTLOOK

- Focus on managing factors **within our control**
- **Sustenance capital** spend prioritised to maintain asset health
- **Portfolio optimisation** ongoing in line with strategic objectives

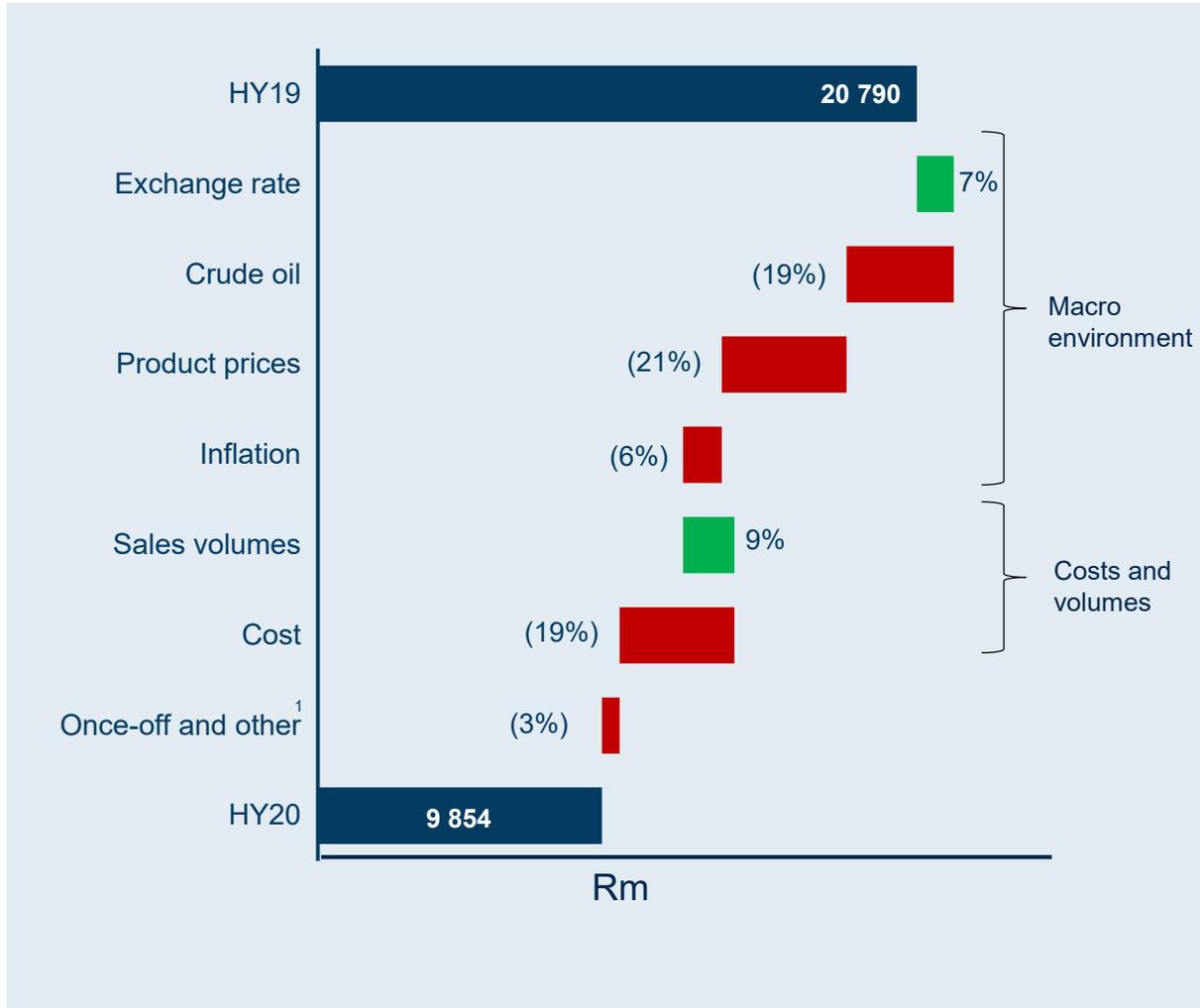
# Financial results | Group profitability by segment

	HY20	HY19	% Δ
Mining	1 374	2 661	48 ▼
Exploration and Production International (E&PI)	1 023	764	34 ▲
Performance Chemicals (PC)	1 294	3 599	64 ▼
Base Chemicals (BC)	(1 488)	3 076	>100 ▼
Energy	6 743	9 565	30 ▼
Group Functions	907	1 126	19 ▼
<b>Earnings before interest and tax (Rm)</b>	<b>9 853</b>	<b>20 791</b>	<b>53 ▼</b>
<b>Adjusted EBITDA<sup>1</sup> (Rm)</b>	<b>19 595</b>	<b>26 791</b>	<b>27 ▼</b>
<b>Cash generated by operating activities (Rm)</b>	<b>19 633</b>	<b>24 768</b>	<b>21 ▼</b>
<b>Capital expenditure (Rbn)</b>	<b>21,4</b>	<b>30,4</b>	<b>30 ▼</b>
<b>Earnings per share (R)</b>	<b>6,56</b>	<b>23,92</b>	<b>73 ▼</b>
<b>Core headline earnings per share<sup>2</sup> (R)</b>	<b>9,20</b>	<b>21,45</b>	<b>57 ▼</b>



- Adjusted EBITDA is calculated by adjusting EBIT for depreciation, amortisation, share-based payments, remeasurement items, movement in rehabilitation provisions due to discount rate changes, unrealised translation gains and losses, and unrealised gains and losses on hedging activities.
- Core HEPS is calculated by adjusting headline earnings per share with once-off certain items (provision for tax litigation matters for HY19 and LCCP cash fixed cost with limited corresponding gross margin), period close adjustments and depreciation and amortisation of capital projects (exceeding R4 billion) which have reached beneficial operation and are still ramping up, and share-based payments on implementation of B-BBEE transactions.

# Financial results | Operating profit mainly impacted by macroeconomics



- **Operating profit** impacted by:
  - ▼ oil price, **softer chemical and refining margins**
  - ▼ negative **contribution from LCCP**
  - ▼ operational challenges at **Mining**
  - ▲ **higher sales volumes**
  - ▼ **costs:** depreciation, growth costs and carbon tax
    - normalised<sup>2</sup> cash fixed cost increased 5,4% within 6% guidance provided
- Initiatives to reduce costs remain robust
- Impact of Coronavirus outbreak on business is a risk in following 12 to 18 months

1. Includes lower mark-market valuation of group hedges and remeasurement items, offset by unrealised gain on revaluation of SIC loan  
 2. Excludes US growth and business enablement cost

## Mining

▼ 1 135t/cm/s

7% lower productivity

▲ R343/t

15% higher normalised unit cost due to lower volumes

## Exploration and Production

Moz: ▲ 12% EBIT

Stable operations

Gabon: ▼ 66% EBIT

Lower oil price and lower volumes from delayed drilling

## Energy

▲ liquid fuels sales

Offset by lower oil price and refining margins

Oryx: 98% utilisation

Extended planned shutdown in H2 FY20

## Performance Chemicals

▲ 6% volumes

Offset by softer macro environment

R1,6bn

LCCP losses

## Base Chemicals

▲ 21% volumes

Offset by further softening of chemicals sales prices

R1,2bn

LCCP losses

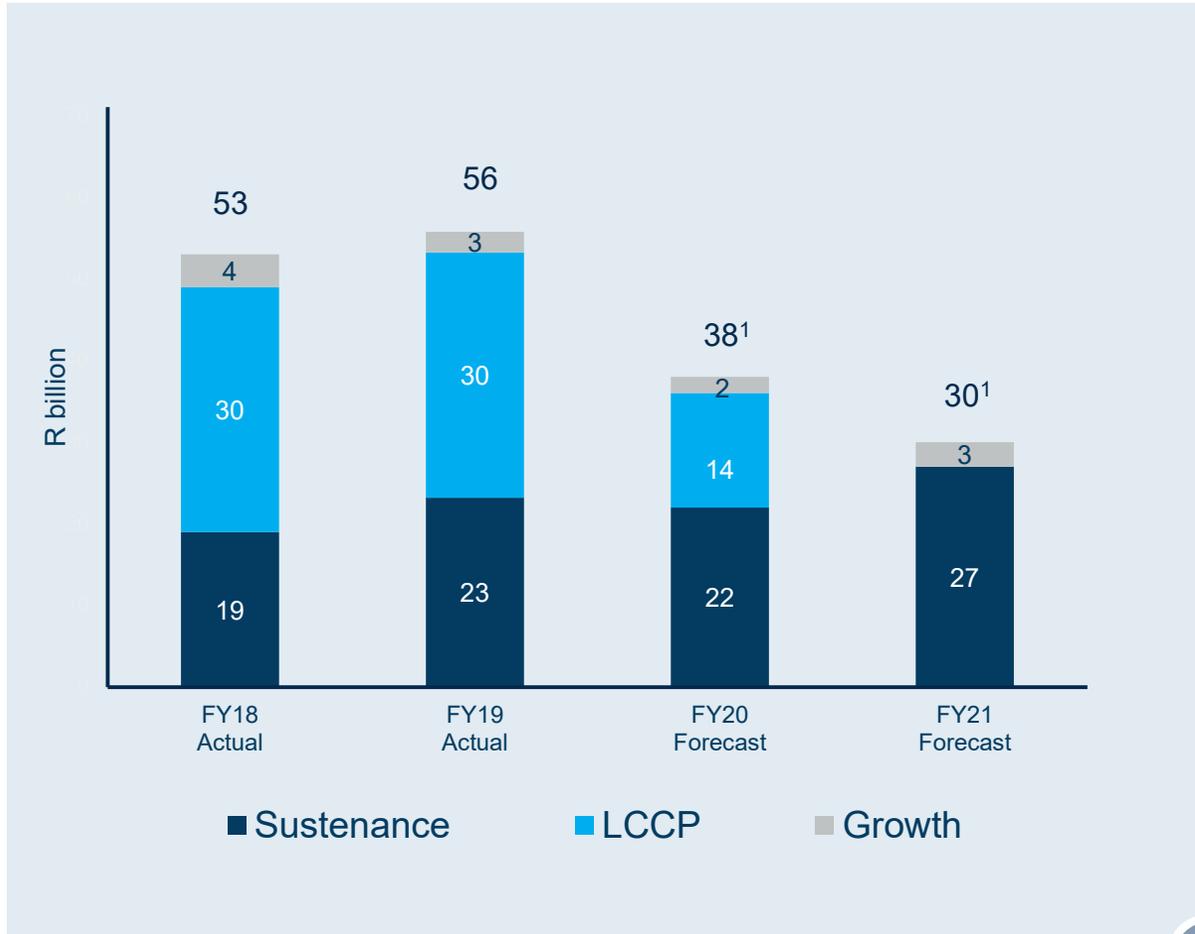
## Group Functions

R0,8bn

Hedging and translation gains

Offset by ~R2,6bn finance charge due to LCCP-incurred debt

# Balance sheet | Capital spend declining as LCCP nears completion



- Capital expenditure guidance
  - planned **LCCP spend of R14bn** (US\$946m) in FY20
  - shift to higher **sustenance capital** in FY21
  - growth capital includes Mozambique drilling
- Prioritise **sustenance capital** to ensure **safe and reliable operations**
- Capital expenditure impacted by R/US\$ exchange rate – 10c change equals R125m impact

Sustenance capital spend prioritised; asset integrity key to stable operational health

1. Forecast based on R14,65/US\$ for FY20 and R14,75/US\$ for FY21

## SHORT-TERM FOCUSED ACTIONS

- **Enhance cash flow profile**
  - Positive contribution from LCCP
  - Continued focus on management actions
  - Deliver portfolio optimisation to enhance shareholder value
- **Disciplined capital allocation**
  - Safeguarding asset integrity
  - Re-phasing discretionary capital
  - FY20 interim dividend passed; dividend payout will resume once balance sheet further de-risked
- **Increase balance sheet flexibility**
  - Protect investment grade rating
  - Manage balance sheet within covenant
  - Fit-for-purpose hedging programme key during peak gearing

## MEDIUM- TO LONG-TERM BALANCE SHEET GOALS

**Strong balance sheet metrics**

25 – 35% gearing  
< 1,5x Net debt: EBITDA

**Maintain investment grade rating**

**Target dividend cover**  
> 2,2x

**Grow value-based portfolio**



## GROUP

- Bank Net debt: EBITDA<sup>1</sup> range **2,6 – 3,0 times**; Gearing range **55 – 65%**<sup>2</sup>
- Normalised cash fixed costs within **6% inflation target**



## UPSTREAM

- Normalised Mining unit cost of **R330 – R350/t**
- Mozambique gas production **114 – 118bscf**



## ENERGY

- Liquid fuels sales **57 – 58mmbbls**
- ORYX GTL average utilisation of **55 – 60%**



## PERFORMANCE CHEMICALS

- Sales volumes **7 – 9% higher** than FY19
- Sales volumes (excluding LCCP) **flat to slightly below** FY19
- Marketing plans in place for LCCP products



## BASE CHEMICALS

- Sales volumes **15 – 20% higher** than FY19
- Sales volumes (excluding US polymers products) **1 – 2% higher** than FY19
- Successful placement of merchant ethylene volumes during LDPE remediation



## LCCP

- **ZAG units** to achieve beneficial operation by end **Q4 FY20**; **LDPE** in **H1 FY21**
- EBITDA of **US\$50m – 100m**

1. Per the Revolving Credit facility and US dollar Term Loan facility covenant definition  
2. Includes the impact of adopting IFRS 16

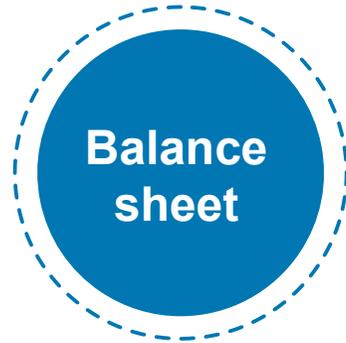


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# Realism, Focus and Delivery



Delivery of **integrated LCCP** and **ramp-up EBITDA** to transform the portfolio



Protect **investment grade rating**; **deleverage** the balance sheet



Preserve asset integrity to deliver **safe and reliable operations**



Build **resilience for the future** and embed key **culture** shifts



Addressing short-term challenges to restore stability, becoming fit for the future



## © QUESTIONS AND ANSWERS

# Abbreviations



<b>AVE</b>	average	<b>JV</b>	joint venture
<b>BC</b>	Base Chemicals	<b>LCCP</b>	Lake Charles Chemicals Project
<b>B-BBEE</b>	broad-based black economic empowerment	<b>LDPE</b>	low density polyethylene
<b>EBIT</b>	earnings before interest and tax	<b>LLDPE</b>	linear low density polyethylene
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation	<b>LWDCs</b>	lost work day cases
<b>EO/EG</b>	ethylene oxide/ethylene glycol	<b>MEG</b>	mono-ethylene glycol
<b>ETO</b>	ethoxylates	<b>OBU</b>	operating business unit
<b>ESG</b>	environmental, social, governance	<b>PC</b>	Performance Chemicals
<b>FCF</b>	free cash flow	<b>PPA</b>	Petroleum Production Agreement
<b>FY</b>	financial year	<b>Q</b>	quarter
<b>GDP</b>	gross domestic product	<b>RCR</b>	Recordable Case Rate
<b>GHG</b>	greenhouse gas emissions	<b>ROIC</b>	return on invested capital
<b>H1</b>	1 <sup>st</sup> half	<b>SBU</b>	strategic business unit
<b>H2</b>	2 <sup>nd</sup> half	<b>SIC</b>	Sasol Investment Company
<b>HEPS</b>	headline earnings per share	<b>SSO</b>	Secunda Synfuels Operations
<b>HDPE</b>	high density polyethylene	<b>ZAG</b>	Ziegler, Alumina and Guerbet