

# VALUE- BASED GROWTH

ON A ROBUST FOUNDATION



## SASOL LIMITED FINANCIAL RESULTS

for the period ended 30 June 2017



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, 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 and cost reductions, including in connection with our BPEP, RP and our 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 are discussed more fully in our most recent annual report on Form 20-F filed on 27 September 2016 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:** A billion is defined as one thousand million. All references to years refer to the financial year 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)

# INTRODUCTION

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Bongani Nqwababa and Stephen Cornell  
Joint Presidents and Chief Executive Officers



# What you will hear today



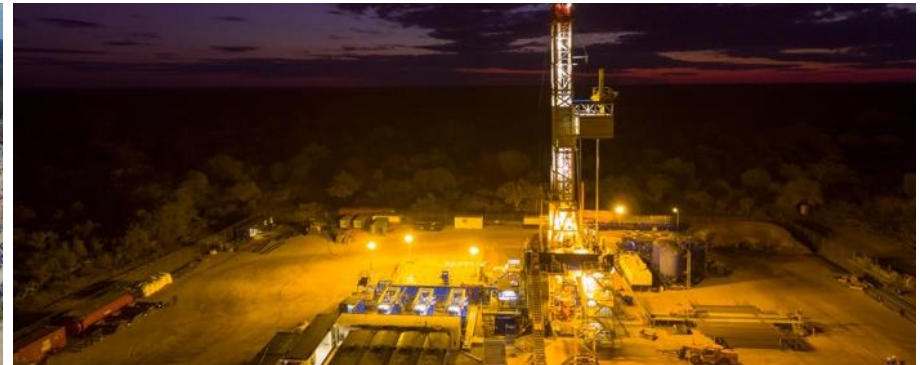
## Key messages

- Robust all round performance despite continued challenging macro environment
- Competitive cost base driven by cash and cost savings programmes
- Actively managing the balance sheet to maintain resilience and flexibility
- LCCP<sup>1</sup> and PSA<sup>2</sup> investments on track
- Delivering on our broader sustainability and stakeholder commitments
- Continuous improvement to drive competitive advantage
- Long-term strategy to drive future value-based growth

<sup>1</sup> Lake Charles Chemicals Project    <sup>2</sup> Production Sharing Agreement



Lake Charles Chemicals Project, Lake Charles, US



Drilling rig, PSA project, Mozambique

# Robust all round performance despite continued challenging macro environment



- Group safety performance, excluding illnesses, improved to a RCR of **0,28**
  - Regrettably five fatalities in FY17
- Sales volumes **▲3%** for Base Chemicals, **▲2%** for Performance Chemicals and liquid fuels **▼2%**
- Strong operational performance across most of the value chain
  - Volumes **▲1%** for Secunda Synfuels Operations to a new record
  - Eurasian Operations **▲6%** – highest since 2015
- Cash fixed costs **flat** in real terms, despite impact of mining strike
- Cost and cash savings performance key to robust foundation
- Headline EPS **▼15%** to **R35,15** per share, EPS **▲54%** to **R33,36**
- Final dividend of **R7,80** per share – based on annual **2,8x** cover / **36%** payout



Secunda Chemicals Operations, South Africa

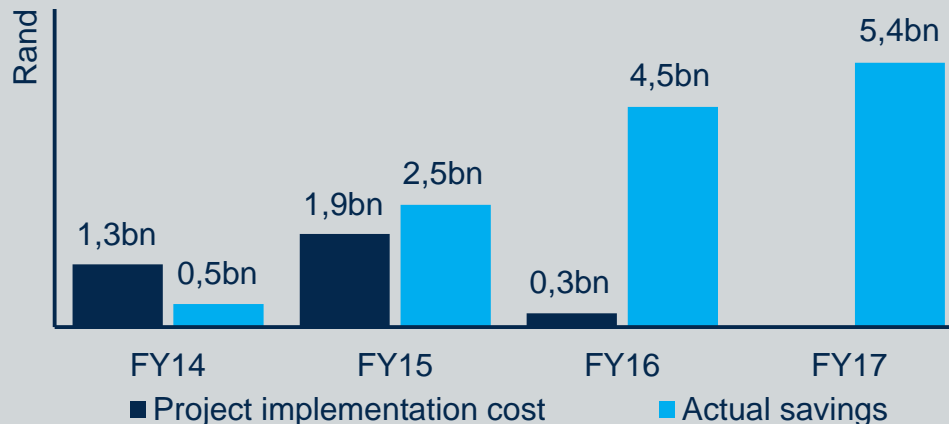


Sasolburg Operations, South Africa

# Competitive cost base driven by cash and cost savings programmes

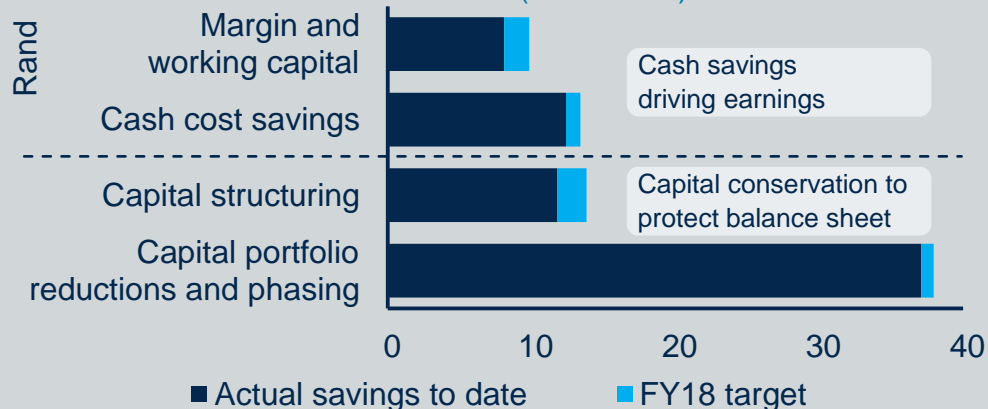


## Business Performance Enhancement Programme



- Delivered FY18 target of R5,4bn a year earlier than planned
- Programme closed out with cost savings culture embedded
- Sustained savings of R5,4bn going forward
- Focus on continuous improvement to drive future value

## Response Plan cash and capital conservation to end FY18 (42 months)



- FY17 cash and capital conservation of R32,3bn
- Targeting the upper-end of the R65-75bn range
- Sustainable savings target increased from R2,5bn to at least R3,0bn by FY19
- Enables company to operate profitably within a \$40/bbl environment

# Actively managing the balance sheet to maintain resilience and flexibility



- Maintain a prudent approach in managing the impact of macro-economic volatility to ultimately protect and strengthen our balance sheet
- Proactively executed our hedging policy to mitigate specific financial risks
- Sufficient liquidity and funding plans in place to enable strategy execution
- Ongoing efforts to create further headroom while managing gearing below guidance
- Investment grade credit ratings maintained and remain a priority



Sasol Mining, Secunda, South Africa



CTRG, Mozambique

# LCCP on track and progressing well



- Overall project 74% complete with construction execution at 42%
  - Remain on track for start-up of first units in 2<sup>nd</sup> half of calendar year 2018
- Capital expenditure to date of US\$7,5 billion – tracking revised \$11bn estimate
- First quintile construction productivity performance
- Sufficient contingency to complete project to beneficial operation within revised budget
- Commissioning and marketing plans well developed
- Project returns reduced to approximately 7-8% due to lower pricing assumptions
  - Returns based on 4<sup>th</sup> quarter FY2017 spot pricing approximately 8-8,5%



Lake Charles Chemicals Project, Lake Charles, US



Lake Charles Chemicals Project, Lake Charles, US

# PSA – Sasol remains committed whilst optimising our development plan



- Progressing field development plan with 4 oil and 2 gas wells drilled
- Capital expenditure to date of US\$384 million on PSA license
- Gas reserves in line with expectations but oil production expected in mid to lower end of range
- Optimising surface facilities design to meet revised expectations and drive improved economics with lower capital
- PSA is key to our integrated gas monetisation strategy in Mozambique and South Africa



Drilling rig, Temane, Mozambique



Loop Line 2, Mozambique

# Delivering on our broader sustainability and stakeholder commitments



- Invested R1,6 billion in skills and socio-economic development programmes globally
- Increased access to healthcare services for over 270 000 people living in fence-line communities
- Improved local government service delivery to our fence-line communities with over R128 million invested working in partnership with local government
- Over 6 million learners impacted by our R330 million investment in science, technology, engineering and mathematics education in Southern Africa
- Continued funding of SMMEs sustainably employing over 4 000 people
- Over R7 billion preferential procurement from black-owned enterprises in South Africa



eMbalenhle Extension 14 clinic, Secunda, South Africa



Nhamacunda housing village, Inhambane, Mozambique

# Continuous improvement to drive competitive advantage



- Objective to innovate, grow ROIC and manage costs below inflation going forward
- Asset review process underway to ensure assets deliver against stringent financial metrics
- Optimising margins by improving our customer experience and reducing variable costs
- Developing digital strategy and roadmap to achieve efficiencies
- Using current technology applications to redefine customer experiences



Secunda Chemicals Operations, South Africa



Sasolburg Operations, South Africa

# Long-term strategy to drive future value-based growth



- Progress with delivery of our medium-term strategy in FY17
- Continued focus on delivering our strategic investments in North America and Southern Africa
- Refined our long-term strategy to enable future growth and clarify strategic choices post LCCP
- Stringent capital discipline allowed us to optimise our overall capital expenditure
- Looking forward to sharing more details at our Capital Markets days in November



Central Processing Facility, Temane, Mozambique



Lake Charles Chemicals Project, Lake Charles, US



**sasol**

# FINANCIAL AND OPERATIONAL PERFORMANCE

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Paul Victor  
Chief Financial Officer



# Key messages



- Able to generate sustainable cash flows at oil prices of \$40/bbl
- Current operations are robust and we are driving improved performance
- Delivering on our cost and cash improvement programmes has placed Sasol in a strong position
- Mitigating risks to create headroom on the balance sheet
- FY18 outlook
  - Expect strong operational performance from our global businesses however expect macroeconomic headwinds to continue



FT Wax Expansion Plant, Sasolburg, South Africa

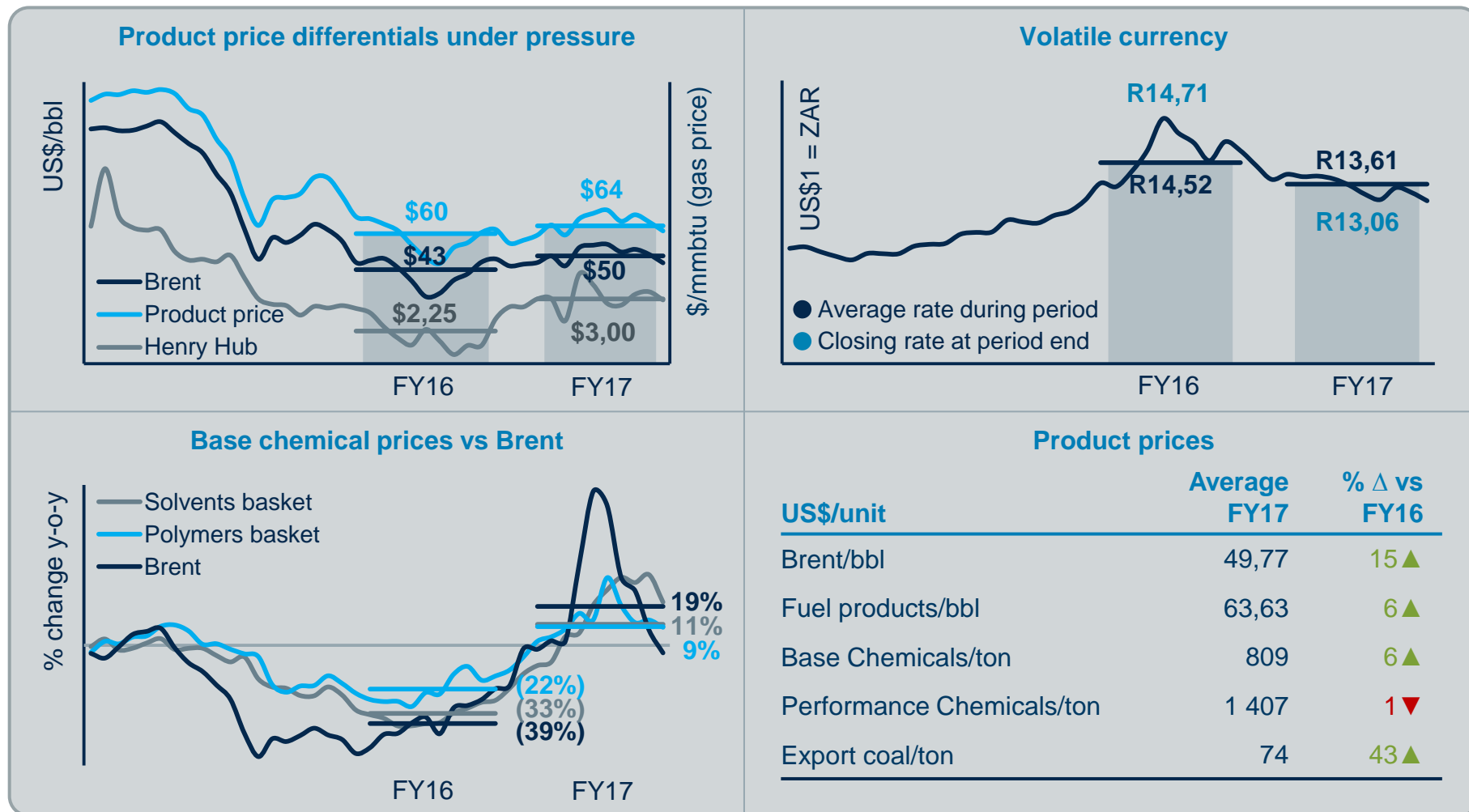


ORYX GTL, Ras Laffan, Qatar

# Macro environment remains challenging



## Chemical prices trending up but exchange rate remains volatile



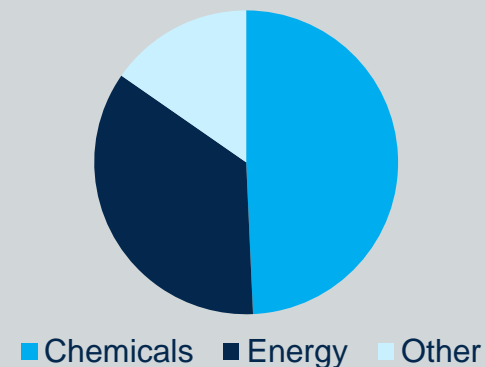
Prices reflect international commodities or baskets of commodities and are not necessarily Sasol specific

Sources: RSA Department of Energy, ICIS-LOR, Reuters, Platts, International Energy Agency

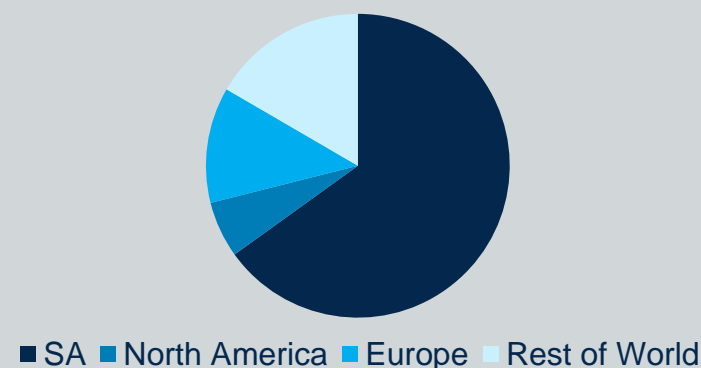
## Operating profit impacted by volatile macroeconomics and once-off items

	FY16	FY17	% Δ
Mining	4 739	3 725	21 ▼
Exploration and Production International (11 714)		585	+100 ▲
Performance Chemicals (PC)	11 276	10 000	11 ▼
Base Chemicals (BC) <sup>1</sup>	4 486	5 625	25 ▲
Energy <sup>2</sup>	14 069	11 218	20 ▼
Group Functions	1 383	552	60 ▼
<b>Operating profit (Rm)</b>	<b>24 239</b>	<b>31 705</b>	<b>31 ▲</b>
<b>Headline earnings per share (R)</b>	<b>41,40</b>	<b>35,15</b>	<b>15 ▼</b>
<b>Core headline earnings per share (R)</b>	<b>36,77</b>	<b>39,06</b>	<b>6 ▲</b>
<b>Dividend per share (R)</b>	<b>14,80</b>	<b>12,60</b>	<b>15 ▼</b>
<b>Capital expenditure (Rbn)</b>	<b>70,4</b>	<b>60,3</b>	<b>17 ▼</b>

Operating profit (%) diversified by product



Operating profit (%) diversified by geography

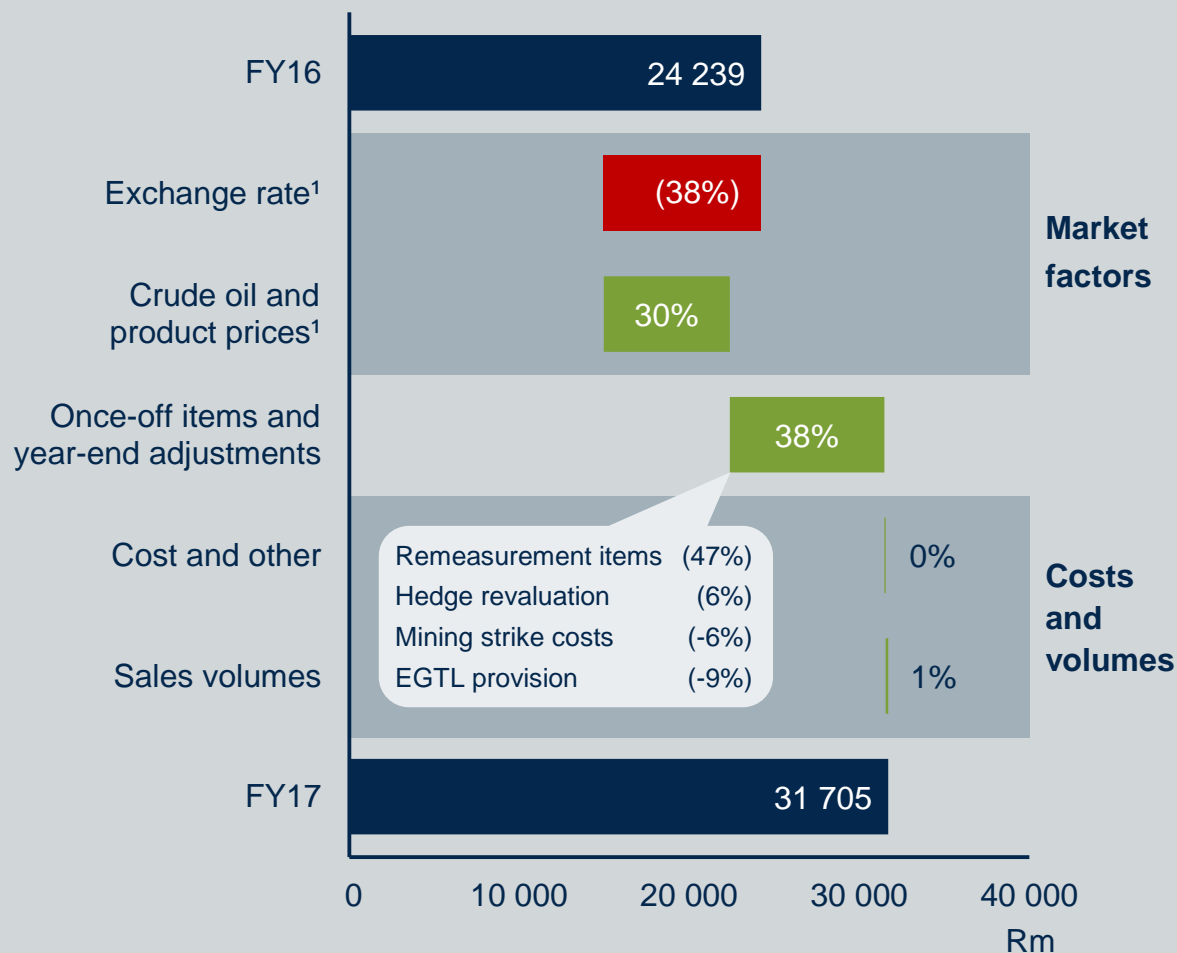


1. FY17 include R0,8bn (US\$65m) relating to the reversal of the previous impairment of the LCCP

2. FY17 include R1,7bn (US\$130m) relating to the partial impairment of the US GTL project costs

# Operating profit impacted by volatile macroeconomics and once-off items

## Operating profit



## Tailwinds

- Strong volume performance across most of value chain
- Higher crude oil and product prices
- Resilient margins in chemical businesses
- Cash fixed cost increase below inflation
- Lower remeasurement items in FY17

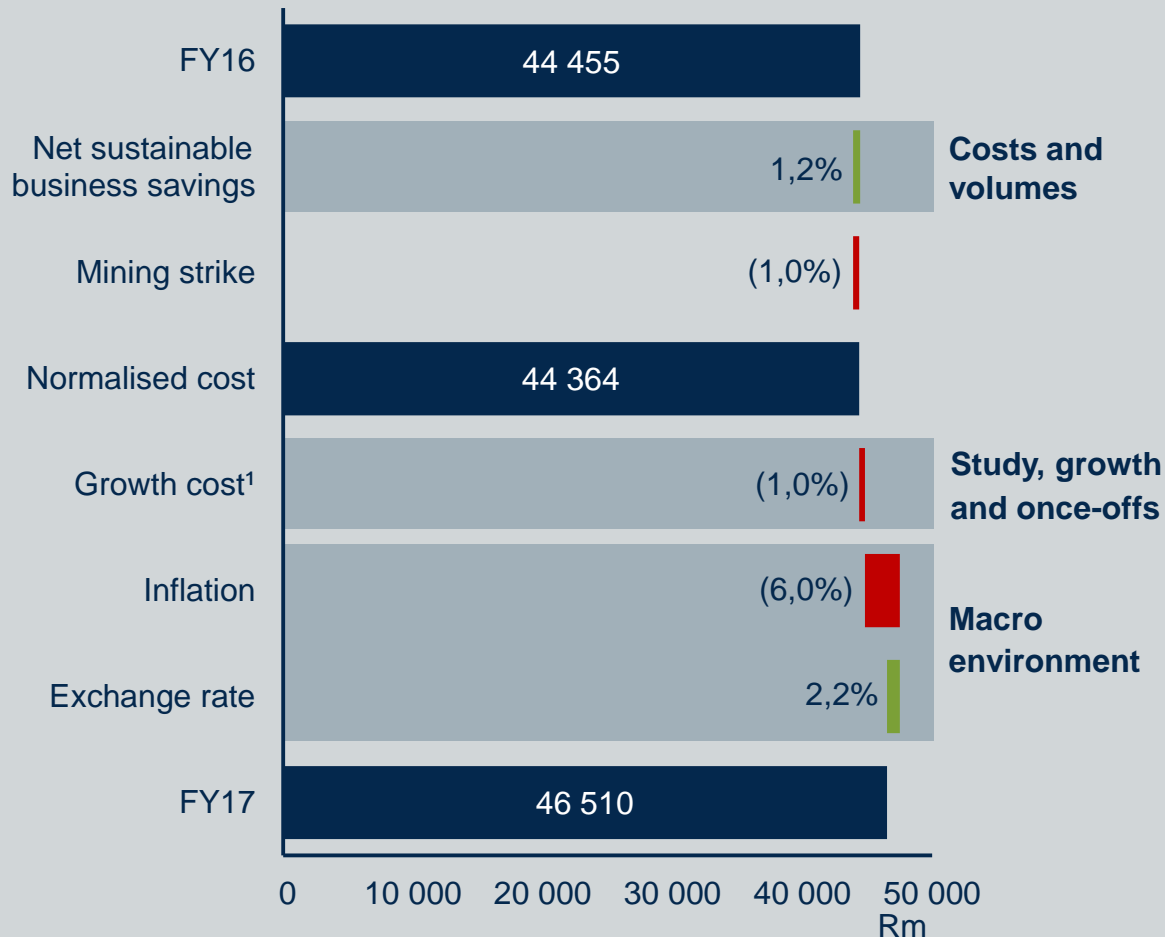
## Headwinds

- Decline in refining margins
- Mining strike negatively impacted business
- Stronger exchange rate

1. Excludes mark-to-market valuation on hedges

# Cash fixed costs flat in real terms despite Mining strike costs

## Cash fixed costs



## Tailwinds

- Embedded cost culture enabling value
- BPEP and Response Plan initiatives providing robust foundation

## Headwinds

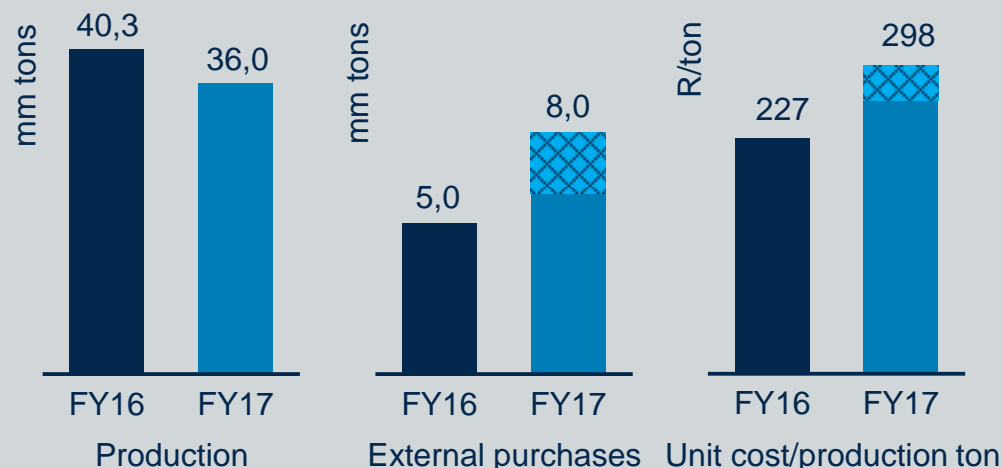
- Total once-off Mining strike cost impact of R1,4bn
  - R0,4bn impacts cash fixed costs

## Strategic costs

- Increase in growth-related costs aligned with our value-based strategy

1. Includes cost related to the new Sasol offices in Sandton (the net present value from moving to the new building is in excess of R1bn), US growth and study costs, partly offset by the prior year cost associated with the US wax facility disposed during FY16

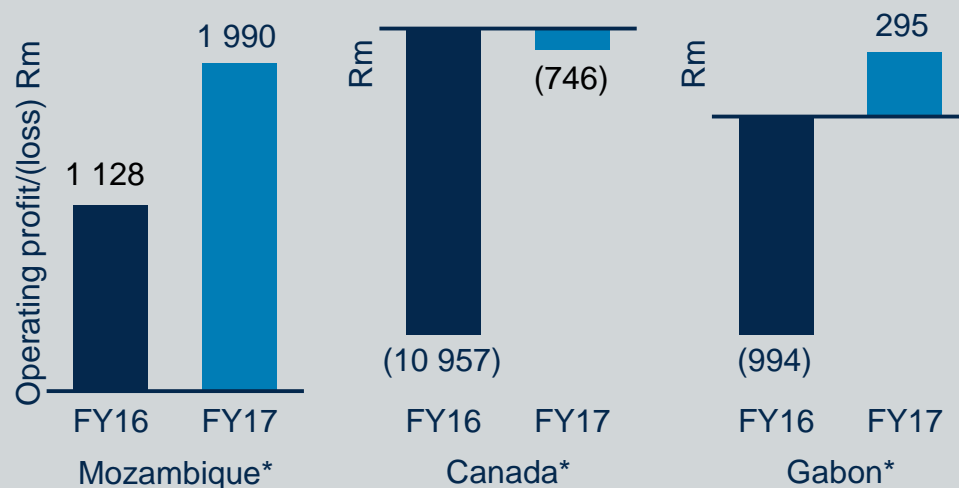
# Mining and Exploration and Production International Operating Business Units



## Mining

- Operating profit down 21% to R3,7bn mainly due to cost of the strike
- Delivered our full supply commitment to Secunda Synfuels
- Business Improvement Plan in place to improve productivity and reduce costs

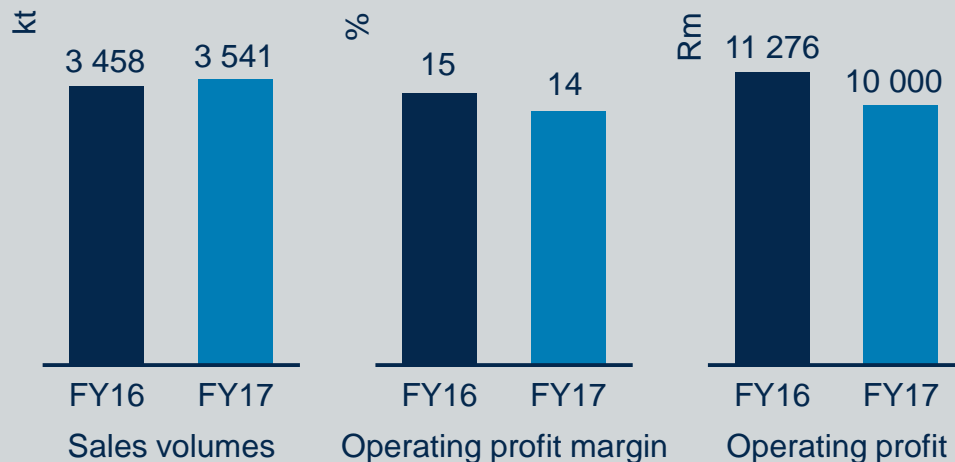
 Impact of strike



## Exploration and Production International

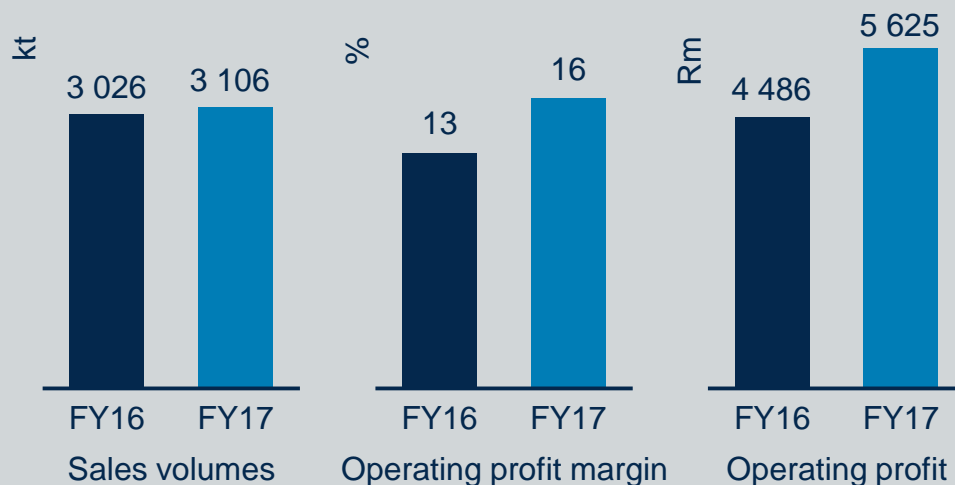
- Operating profit of R585m
- Optimisation of portfolio for low oil environment yielding results
- Cash fixed costs down 29%
- Mozambique remains the key focus

\* Producing assets



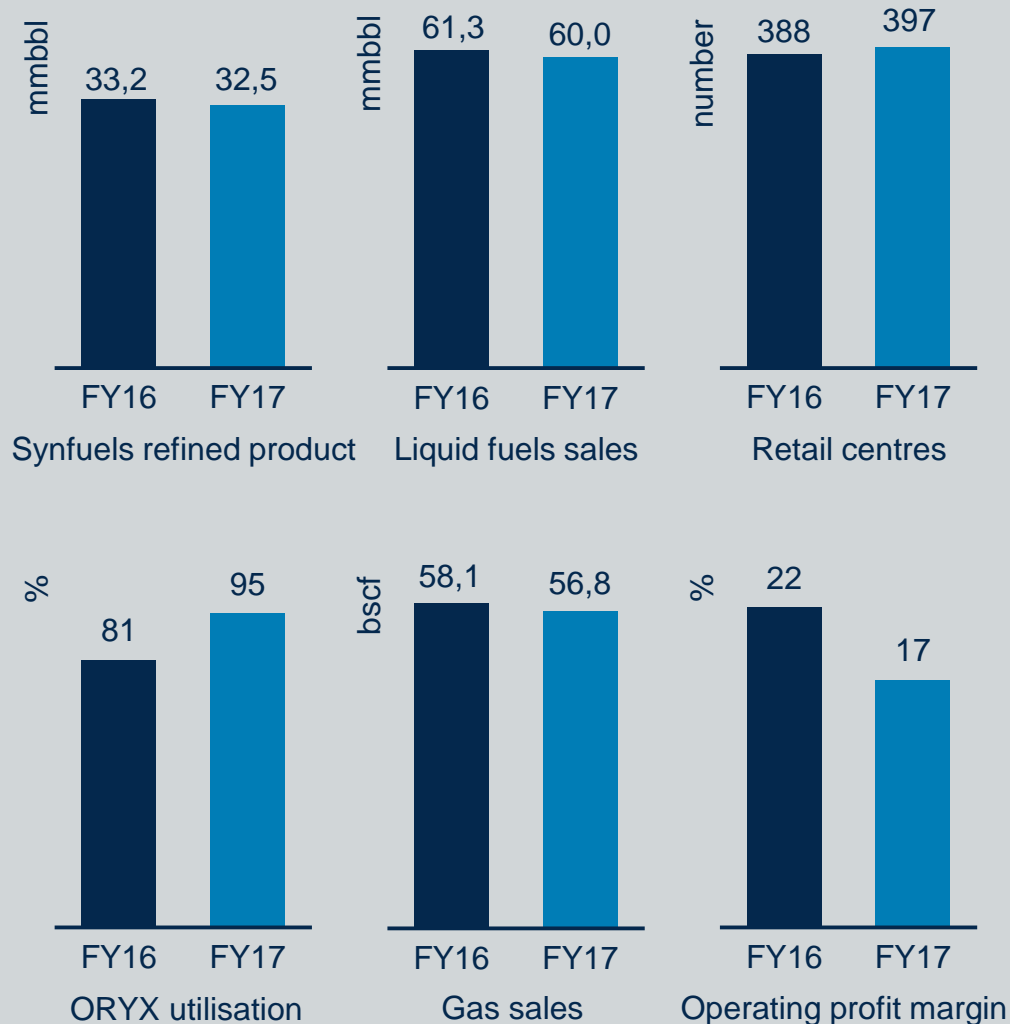
## Performance Chemicals

- European operations volumes up 6%, highest since 2015
- Normalised operating profit up 2% to R11,0bn
- Contribution from most product lines increased from prior year
- FTWEP produced 92kt of hard wax in FY17 in line with guidance



## Base Chemicals

- Sales volumes increased by 3%
- Normalised operating profit down 13% to R5,1bn
- Stronger R/US\$ exchange rate results in R2,5bn loss
- US\$ commodity chemical basket prices up 6%



## Energy

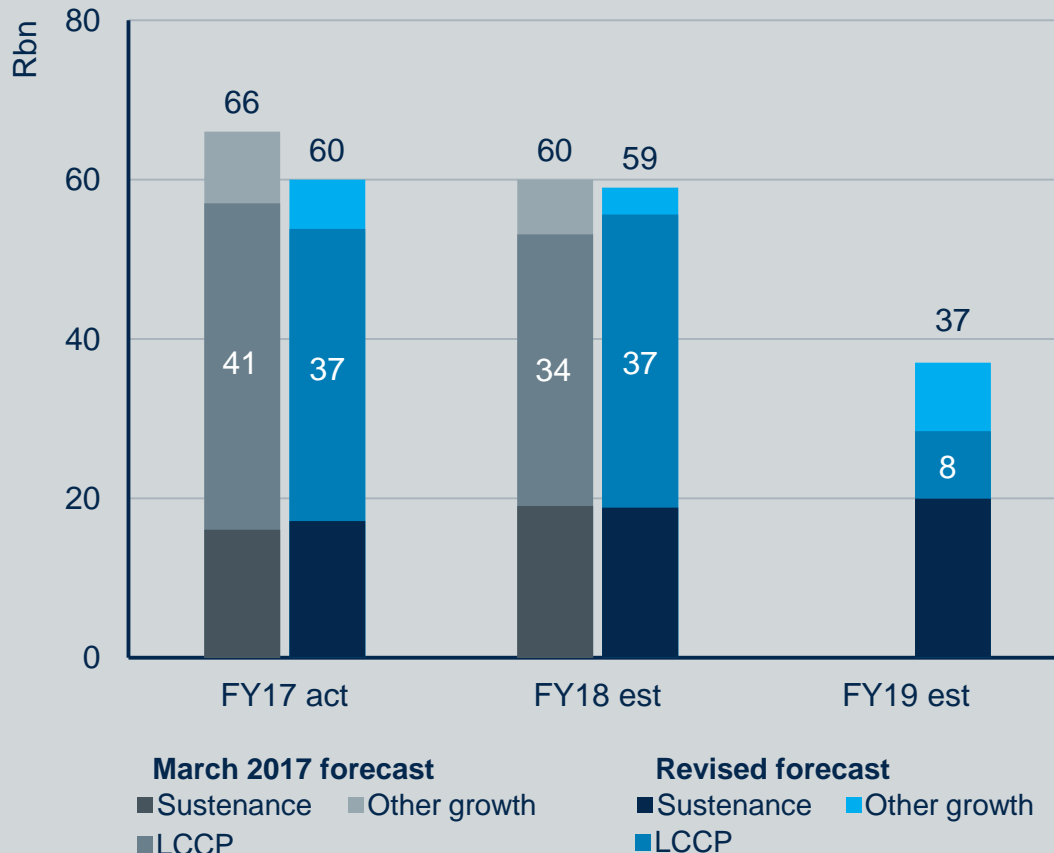
- Liquid fuels sales volumes 2% lower
- Cash fixed costs down 6% in real terms over the last 3 years
- Normalised operating profit up 5% to R13,6bn
- Petrol differential 19% lower, diesel differential 11% higher
- Plans in place to improve reliability of Natref refinery
- ORYX GTL achieved 95% utilisation exceeding market guidance
- Ongoing tax litigation related to international oil procurement activities

# Capital portfolio prioritised for growth projects in Southern Africa and North America



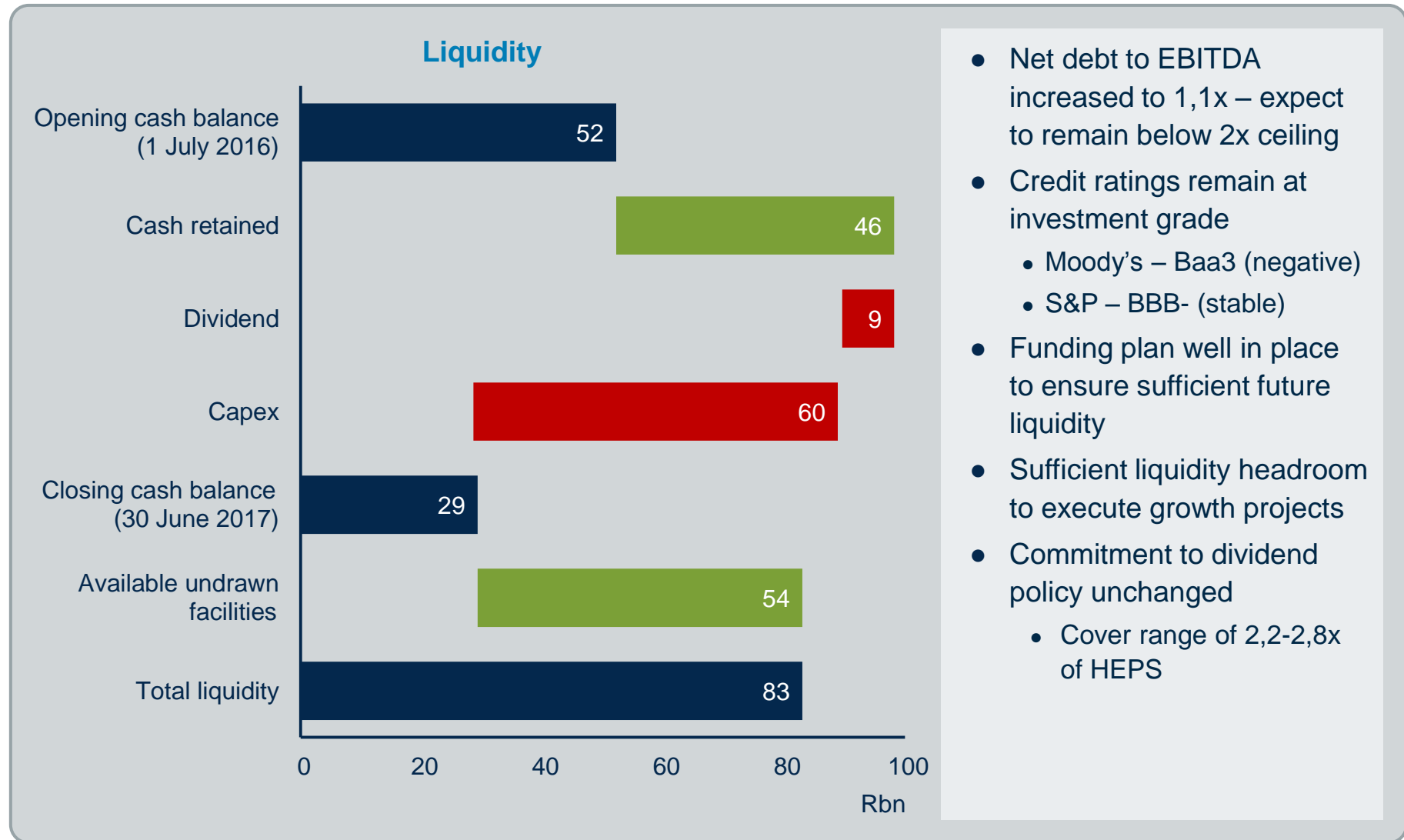
## Capital spend forecast decreases due to stronger rand

Capital expenditure



- Key focus on execution of strategic projects in North America and Southern Africa
- Gemini HDPE plant essentially complete
- Capital forecast impacted by optimised LCCP spend and stronger exchange rate
- Forecast based on ~R13,00 & ~R13,50/US\$ for FY18 and FY19
  - Capital estimates may change due to exchange rate volatility
  - US\$ capex – \$3,0bn in FY18 and \$1,8bn in FY19
  - 10c change in exchange rate equals R300m change on capex in FY18

# Sufficient liquidity headroom available



# FY18 – Strong operational performance expected from our global business



	Outlook
Mining	<ul style="list-style-type: none"> <li>• Return to normalised production levels</li> <li>• Drive Business Improvement Plan to improve cost and productivity performance</li> </ul>
EPI	<ul style="list-style-type: none"> <li>• Increase gas production from PPA to between 114-118 bscf</li> <li>• PSA drilling activities to continue</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• Liquid fuels sales marginally below 60 million barrels</li> <li>• ORYX GTL utilisation &gt;90%</li> <li>• ORYX GTL tax holiday ended in FY17</li> <li>• EGTL to ramp-up to design capacity</li> </ul>
Base Chemicals	<ul style="list-style-type: none"> <li>• Sales volumes 3-5% higher than prior year</li> <li>• US\$ selling prices recovering</li> <li>• Gemini HDPE volumes of 80-110kt</li> <li>• Normalised operating profit of R3-5 billion</li> </ul>
Performance Chemicals	<ul style="list-style-type: none"> <li>• Sales volumes between 2-3% higher than prior year</li> <li>• Average margins to remain resilient</li> <li>• FTWEP volumes ramping up to 116kt</li> </ul>
Group	<ul style="list-style-type: none"> <li>• Normalised cash fixed costs to track SA PPI</li> <li>• Response Plan contribution towards upper-end of targeted range</li> <li>• Balance sheet gearing between 35-44%</li> <li>• Net debt to EBITDA between 1,5-2,0x</li> </ul>

# QUESTIONS AND ANSWERS

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Bongani Nqwababa and Stephen Cornell  
Joint Presidents and Chief Executive Officers

