SASOL KHANYISA PUBLIC (RF) LIMITED
ANNUAL GENERAL MEETING, SATURDAY, 31 OCTOBER 2020
QUESTIONS AND ANSWERS

QUESTION		ANSWER
1.	**What is Sasol Khanyisa Public (RF) Limited’s financial position for the year ended 30 June 2020 and what factors impacted the performance?**	The Sasol Khanyisa Public (RF) Limited Group is in a strong financial position as at 30 June 2020 with R4,5 million in cash and cash equivalents and no debt or liabilities, whilst most of its operating costs are covered by Sasol South Africa Limited. The Group recorded a profit for the year of R17,8 million mainly as a result of dividends declared by Sasol South Africa Limited and the fact that most of its operating costs are also covered by Sasol South Africa Limited. The Group declared a dividend of R13,2 million to its shareholders during the year.
		Whilst not reflected on the statement of financial position and income statement, effectively a total dividend of R661,8 million (2019: R303,3 million) was received from Sasol South Africa Limited. Of this amount, R645,3 million was utilised by Sasol Khanyisa Fundco (RF) Limited to repay the vendor funding and R13,2 million was paid as a dividend to Sasol Khanyisa Public shareholders.
		However, the fair value of the option in SOLBE1 shares decreased to R71 million as at 30 June 2020 from R1,8 billion as at 30 June 2019, based on a weighted average fair value of R2,68 (2019: R69,39) and 26 503 642 Sasol Khanyisa shares. This was derived using the Monte Carlo option pricing model which is reflective of the underlying characteristics of each part of the transaction.
		The Sasol Khanyisa Public (RF) Limited Group’s portion of the estimated value of the Sasol South Africa Limited Group decreased from R8,6 billion to R876 million. This represents 9,2% of the fair value of Sasol South Africa Limited which decreased significantly to R9,5 billion during the year. SSA's financial results for the year ended 30 June 2020 were impacted by the COVID-19 pandemic and a severe decline in crude oil and chemical product prices. The impact of the weak macro-economic environment was partly mitigated by a strong cash cost, working capital and capital expenditure performance. The impact of the COVID-19 pandemic on the outlook for product prices and demand has resulted in significant impairments across many of the South African cash generating units of SSA.

	QUESTION	ANSWER
2.	**How much dividends have been paid to shareholders during the financial year ended 30 June 2020 (Final in September 2019 and Interim in March 2020)?**	After considering the reasonable foreseeable financial circumstances of the Company and applying the solvency and liquidity test set out in section 4 of the Companies Act immediately after completing a distribution, a final FY20 dividend of R6,94 per ordinary share held by Sasol Khanyisa Fundco (RF) Limited was declared on 4 September 2020.
		The 2019 final dividend of R2,2 billion declared during September 2019 and the 2020 interim dividend of R5,0 billion declared during March 2020 were recognised in the statement of changes in equity during the year for SSA Group and SSA Company. Share incentive scheme distributions of R650 million for SSA Group (R623 million for SSA Company) were also recognised in the statement of changes in equity.
3.	**How much debt has been repaid to date?**	The initial vendor funding provided of R8,3 billion and interest accrued to date of R1,3 billion. During the financial year R645,3 million (2019: R295,6 million) of the vendor funding was repaid.
4.	**Why is the debt increasing?**	The net debt is increasing because the portion of the SSA dividends (net of the 2,5% trickle dividend) which relates to the Sasol Khanyisa Public Shareholders is less than the interest accrued on the debt owed to Sasol to date. This is to be expected during the initial stages of the transaction.
		The repayment of the debt is driven by SSA's ability to generate free cash flows. Debt is expected to decrease as SSA generates free cash flows exceeding interest on debt.
5.	**How much interest has been repaid to date?**	During the financial year R645,3 million (2019: R295,6 million) of the vendor funding was repaid. Interest accrued to date was R1,3 billion. Thus all repayments relates to interest repayments.

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6.	**Will Sasol Khanyisa Public (RF) Limited be able to pay off the debt and interest within the next 8 years or will this be another Sasol Inzalo**	Sasol Khanyisa was structured as a long-term investment with a repayment period of 10 years or less. Sasol remains committed to Sasol Khanyisa. The ability to repay the debt is based on SSA's ability to generate free cash flow. This in turn is dependent on management ensuring that SSA is run cost effectively and sustainably. This year, SSA's financial performance was negatively impacted by the weak macro-economic environment and the lower chemical and oil prices. However, Sasol is confident in SSA's long term sustainability to deliver value to all stakeholders.
7.	**Can the directors of Sasol Khanyisa Public (RF) Limited not approach Sasol Limited to write-off the debt and interest?**	The directors of Sasol Khanyisa Public (RF) Limited approached the Chief Executive Office, Chief Financial Officer and Executive director of Sasol Limited (Management) to discuss various aspects of the Sasol Khanyisa transaction including the debt levels. The objective of the meeting was to highlight to Management the financial position that Sasol Khanyisa Public finds itself in regarding debt levels and to discuss the possibility of restructuring the Sasol Khanyisa transaction to reduce the debt and/or interest portions. A constructive discussion was held during which Management advised that Sasol was currently engaging in various initiatives in order to strength its balance sheet. Sasol Limited's investors and the market had been advised of some of the initiatives (through SENS announcements) while other initiatives in respect of disposals would only be announced once these disposals been finalised.
		Subsequent to this discussion Sasol made the following announcements: a. A potential rights offer in the second half of FY21; and b. The divestment of a 50% interest in Sasol's Lake Charles Chemicals Project base chemicals business and the creation of a joint venture with LyondellBasell.
		Management advised the directors that, at this stage, it would not be in a position to discuss the construct of the Sasol Khanyisa transaction as some of the initiatives to strengthen its balance sheet were still underway. Management encouraged the directors to keep engaging with them.
		The Directors will continue to engage with Management on the effects that COVID-19 and the current economic environment have on Sasol South Africa Limited and on Sasol Khanyisa Public.

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8.	**Why were external funders not approached to provide the loan for this transaction? Does Sasol really provide us with a comparable interest rate?**	A key lesson from Sasol Inzalo Public, which had external funding at a fixed high interest rate, is that Sasol opted to provide vendor funding itself. This option is far more cost effective as the interest rate is 75% of prime interest (5,25% instead of 7%), and does not require any external cash flow from Sasol to third party funders.
9.	**What impact did the Lake Charles Chemicals Project cost over-run have on the dividends declared by Sasol South Africa Limited to Sasol Khanyisa Fundco (RF) Limited?**	The Sasol Khanyisa Public Shareholders dividends are calculated from operations in South Africa and is not impacted by the Lake Charles Chemicals Project. SSA's underlying business, namely the Synfuels Chemicals operations in Secunda and the operations in Sasolburg are the businesses that generate the income that enables SSA to declare and pay a dividend to Sasol Khanyisa in order for the debt and interest to be repaid and dividends paid to Shareholders.
10.	**Sasol Khanyisa Public able to appoint a new external auditor's firm?**	The Sasol Khanyisa Public Memorandum of Incorporation (MOI) and the Relationship Agreement stipulates that the auditor of Sasol will be the auditor of Sasol Khanyisa Public for the duration of the empowerment period.
		The PricewaterhouseCoopers Inc. (PwC) audit team on the Sasol Khanyisa Public audit perform the audit on Sasol Limited, however the teams operate independently from each other.
		PwC's term as Sasol's auditors comes to an end after the 30 June 2023 audit. The commercial process to appoint a new audit firm will commence in October 2022 and new auditors will be appointed by mid-2023.
11.	**Who is paying directors' remuneration?**	• It is in the interest of shareholders that directors of a high calibre are attracted and retained on the Board. The remuneration is benchmarked from time to time and is considered to be appropriate. • The directors' remuneration is not paid by Sasol Khanyisa Public (RF) Limited but by Sasol Limited.