



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

QUESTION		ANSWER
1.	<b>What is Sasol South Africa Limited?</b>	Sasol South Africa Limited is a subsidiary of Sasol Limited and is Sasol's largest operating entity, with operations in Sasolburg and Secunda. Sasol Limited is an international integrated chemicals and energy company proudly based in Johannesburg, South Africa.
2.	<b>Who owns Sasol South Africa Limited?</b>	<p>Sasol South Africa Limited is owned by the following shareholders:</p> <ul style="list-style-type: none"> <li>• Sasol Khanyisa Public (RF) Limited – 9,2%</li> <li>• Sasol Khanyisa Employee Share Ownership Plan – 9,2%</li> <li>• Sasol Limited – 81,6%</li> </ul>
3.	<b>How does Sasol South Africa Limited make money/generate revenue?</b>	<p>Sasol South Africa Limited houses Sasol's South African operations that manufacture fuels and chemical products. Chemicals products are sold through Sasol South Africa Limited to customers in South Africa and around the world. Fuels products are sold by a separate Sasol business, called Sasol Energy.</p> <p>Sasol South Africa Limited generates revenue by selling its products to businesses who then sell to other customers.</p> <p>The essence of SSA's performance depends on whether SSA can make products at a cost that makes its products competitive and that generates a profit, which profit can be distributed to Shareholders through dividends. On the cost side, SSA is focused on what Sasol can control. It is however important to note that SSA does not determine product prices; its prices are determined by international trading prices.</p>

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4.	What does Sasol South Africa Limited do?	<p>Sasol South Africa Limited houses our South African operations and businesses which are Sasol's most cash generative assets. The businesses included in Sasol South Africa Limited are:</p> <ul style="list-style-type: none"> <li> <p><i>Secunda Synfuels and Secunda Chemicals:</i> They source/use coal from Sasol's mines to produce high quality fuels and chemicals. It also uses coal and gas for operations and power generation.</p> </li> <li> <p><i>Sasolburg Operations:</i> It sources/uses gas to produce high quality chemicals for sale in South Africa and around the world.</p> </li> <li> <p><i>Satellite Operations:</i> This business is responsible for managing the gas pipeline between Mozambique and South Africa that supplies gas to Sasol's operations and to third party customers</p> </li> <li> <p><i>Group Technology:</i> Sasol Group Technology has a research and technology team with over a third holding doctorates or masters' degrees in engineering and science. Its focus includes reducing the environmental footprint of Sasol's operations, including greenhouse gas emission reduction, water treatment and purification.</p> </li> <li> <p><i>Sasol Gas:</i> Markets and distributes natural gas from Mozambique and methane-rich gas from Secunda to customers in South Africa.</p> </li> <li> <p>Sasol Mining and Sasol Oil do not form part of SSA.</p> </li> </ul>

QUESTION	ANSWER
<p>5. <b>What is Sasol South Africa Limited financial position for the year ended 30 June 2020 and what factors impacted the performance?</b></p>	<ul style="list-style-type: none"> <li>• The earnings of SSA Group and SSA Company was severely impacted by lower oil prices, averaging at US\$51,22/bbl for the year at a high of US\$69,96/bbl and a low of US\$13,24/bbl coupled with a moderately weak Rand/US dollar average exchange rate. The further softening of global chemical prices and the economic consequences of the COVID-19 pandemic, resulted in a further decline in both sales volumes and margins in an already soft macroeconomic environment.</li> <li>• Production volumes at Secunda Synfuels Operations were 7,4 million tons for the year, 14% lower than the prior year of 7,8 million tons mainly as a results of reduced liquid fuels demand during the last quarter of the year. During this time, Secunda Synfuels Operations successfully completed certain maintenance activities, which allowed for the postponement of the September 2020 shutdown. Production volumes for the chemicals businesses remained flat compared to the prior year and sales volumes decreased by 1%.</li> <li>• The combined effects of unprecedented low oil prices, destruction of demand for products and impairments of R42,3 billion for SSA Group (R37,1 billion for SSA Company) resulted in a loss of R24,0 billion for SSA Group (R19,5 billion for SSA Company) for the year compared to earnings of R8,4 billion for SSA Group (R6,9 billion for SSA Company) in the prior year. Within a volatile and uncertain macroeconomic environment, the businesses still delivered resilient results with a strong volume, cash fixed cost and working capital performance.</li> <li>• Turnover decreased from R95,2 billion in the prior year for SSA Group (R92,0 billion for SSA Company) to R88,0 billion for SSA Group (R84,8 billion for SSA Company). This was mainly as a result of low oil prices impacted by geopolitical factors, softer chemical sales prices and lower demand for products as a consequence of the COVID-19 lockdowns.</li> <li>• Selling and distribution costs increased by R2,3 billion for SSA Group (R3,1 billion for SSA Company) mainly due to production challenges experienced during the first six months of the financial year by Sasol Mining (Pty) Limited resulting in higher mining unit costs and feedstock prices due to external coal purchases. Cost of energy and other consumables used in the production process also increased by more than 7% compared to the prior year for SSA Group and SSA Company.</li> <li>• Total cash fixed costs for SSA Group and SSA Company remained flat when compared to the prior year. This was largely attributable to the implementation of the comprehensive response plan focusing on cash fixed cost reduction and enhanced cash flow during the last three months of the financial year.</li> <li>• Loss before interest and tax of R31,1 billion for SSA Group (R30,5 billion for SSA Company) is mainly as a result of remeasurement items of R42,6 billion for SSA Group (R37,4 billion for SSA Company).</li> </ul>

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	<ul style="list-style-type: none"> <li>Sasol South Africa Limited has concluded the transaction to sell a 51% share in the explosive business to Enaex, and on 1 July 2020, Enaex Africa in association with Sasol South Africa Limited, officially started operating in South Africa and on the African Continent. Sasol South Africa Limited recognised a loss on the disposal of R23 million. A consideration of R945 million was received.</li> </ul>
	<ul style="list-style-type: none"> <li>Assets to the value of R6,2 billion for SSA Group (R6,0 billion for SSA Company) were recognised as Right of use assets with the adoption of IFRS 16 on 1 July 2019.</li> </ul>
	<ul style="list-style-type: none"> <li>Sasol South Africa Limited has commenced a process to divest from some or all of its shareholding in Investment in Republic of Mozambique Pipeline Investment Company (Pty) Ltd (ROMPCO). ROMPCO owns and operates the natural gas transmission pipeline between Temane in Mozambique and Secunda in South Africa for the transportation of natural gas produced in Mozambique to markets in Mozambique and South Africa. The assets and liabilities of ROMPCO were classified as held for sale as at 30 June 2020 following approval by the Board to continue with the divestment process. The divestment is expected to be concluded in the next 12 months.</li> </ul>
	<ul style="list-style-type: none"> <li>Prior to year-end, Sasol South Africa Limited commenced a process to dispose of its sixteen air separation units and this was approved by the appropriate Board Committee and Sasol South Africa board. On 28 July 2020, Sasol South Africa Limited announced that an exclusive negotiation agreement had been signed with Air Liquide for the sale of its sixteen air separation units and associated business located in Secunda. Definitive Agreements for the divestment are in the process of being negotiated. The proceeds of approximately R8,5 billion (R5,525 billion plus EUR147,5 million, translated at closing to US\$) will be received after fulfilment of various conditions, including Competition Commission approval. Assets and liabilities associated with the air separation units have been classified as held for sale on 30 June 2020. The disposal is expected to be completed within the next 12 months.</li> </ul>
	<ul style="list-style-type: none"> <li>The increase in Equity accounted investments for SSA Group and SSA Company is mainly as result of the R512 million investment obtained for a 49% interest of Enaex Africa (Pty) Ltd, with Enaex S.A. (Enaex), a subsidiary of the Sigdo Koppers Group, with Enaex taking responsibility for the management and operational control of the associate.</li> </ul>
	<ul style="list-style-type: none"> <li>Long-term debt and Lease liabilities comparative numbers for 2019 were restated by R4,3 billion for SSA Group and SSA Company with the adoption of IFRS 16 on 1 July 2020.</li> </ul>

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	<ul style="list-style-type: none"> <li>Long-term debt decreased by R6,0 billion for SSA Group (R3,5 billion for SSA Company) mainly due to the transfer of R788 million of operating lease straight lining under IAS 17 on the initial application of IFRS 16 on 1 July 2020 to Lease liabilities and the repayment of approximately R4,1 billion in debt by SSA Group and SSA Company. A further R1,6 billion was classified as liabilities in disposal groups held for sale for the SSA Group relating to ROMPCO.</li> </ul>
	<ul style="list-style-type: none"> <li>Lease liabilities increased by R3,2 billion for SSA Group (R2,9 billion for SSA Company) mainly due the recognition of the Katherine Street corporate head office building lease in Sandton of R3,6 billion for SSA Group and SSA Company on the adoption of IFRS 16, previously treated as an operating lease under IAS 17 and various other new leases due to the adoption of IFRS 16 on 1 July 2020 of R2,8 billion for SSA Group (R2,5 billion for SSA Company) being recognised. This was negated by the derecognition of the long-term oxygen supply contract to Secunda Synfuels Operations. On initial application of IFRS 16 on 1 July 2019, the IAS 17 finance lease relating to the contract was derecognised as the arrangement did not meet the revised definition of a lease under IFRS 16, and an embedded derivative of R2,1 million was recognised for SSA Group and SSA Company which is included in Long term financial liabilities.</li> </ul>
	<ul style="list-style-type: none"> <li>Compared to the prior year, the Deferred tax liability balances decreased by 11,0 billion for SSA Group (R8,3 billion for SSA Company) mainly due to impairments recognised of R42,3 billion for SSA Group (R37,1 billion for SSA Company) during the year.</li> </ul>
	<ul style="list-style-type: none"> <li>Increased focus by management to maintain working capital at optimal levels resulted in a strong working capital performance, reducing working capital levels compared to the prior year by 7% for the SSA Group (4% for the SSA Company) as at 30 June 2020.</li> </ul>
	<ul style="list-style-type: none"> <li>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.</li> </ul>

QUESTION	ANSWER
6. <b>The impact of Sasol Limited's performance on Sasol South Africa Limited's financial results</b>	<ul style="list-style-type: none"> <li>The Sasol Limited Group and Sasol Limited Company have indicated that their ability to meet debt covenant requirements at 31 December 2020 and 30 June 2021 and repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the ability to realise cash through a combination of asset disposals, or part thereof, and the successful raising of equity. As described in Sasol Limited consolidated and separate financial statements, these events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Sasol Limited Group's and Sasol Limited Company's ability to continue as a going concern.</li> </ul>
	<ul style="list-style-type: none"> <li>The ability of the group and company to meet obligations as they become due is dependent on the Sasol Limited central treasury function to manage pooled business unit cash investments as well as the ability of the Sasol Limited Group and Sasol Limited Company to meet debt covenant requirements at 31 December 2020 and 30 June 2021 and repay debt as it becomes due. Although the group and company is expected to generate sufficient cash inflows to meet its operational requirements and obligations as they become due, the group and company remain exposed to the pooled business unit cash arrangement above.</li> </ul>
	<ul style="list-style-type: none"> <li>The events, conditions, judgements and assumptions described above inherently include material uncertainty on the group and company's ability to access Sasol Limited central treasury funds and therefore any significant deviations may cast significant doubt on the group and company's ability to continue as a going concern and their ability to realise assets and discharge liabilities in the normal course of business.</li> </ul>
	<ul style="list-style-type: none"> <li>The Directors have considered the financial plans and forecasts, the actions taken by the group and company, and based on the information available to them, are therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.</li> </ul>

QUESTION		ANSWER
7.	<b>What dividend was declared by Sasol South Africa Limited and paid to Sasol Khanyisa?</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
		<ul style="list-style-type: none"> <li>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.</li> </ul>