

Sasol Limited

(Incorporated in the Republic of South Africa)

(Registration number 1979/003231/06)

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Sasol BEE Ordinary ISIN code: ZAE000151817  
("Sasol" or "Company")

## **ADAPTING TO THE CURRENT COMMODITY PRICING LANDSCAPE AND TAKING DECISIVE ACTION TO SIGNIFICANTLY REDUCE NET DEBT, THROUGH A CASH GENERATION PLAN TARGETING US\$6 BILLION OF CASH CONSERVATION, FURTHER DISPOSALS AND A POTENTIAL RIGHTS ISSUE UP TO US\$2 BILLION, AND FURTHER CAUTIONARY STATEMENT**

### **BACKGROUND**

Shareholders are referred to the SENS announcement issued on 12 March 2020, where Sasol announced it was reviewing a variety of actions to address the challenges created by the impact of COVID-19 and the recent decline in the oil and chemical prices.

In the short term, Sasol needs to enhance cash flow and reposition the balance sheet on the assumption that there is a sustained low oil price until the end of financial year 2021. It is important to reiterate that Sasol currently has available liquidity of approximately US\$2.5 billion with no significant debt maturities before May 2021 and it therefore believes it is positioned to withstand recent market volatility in the short term. Sasol believes it can maintain liquidity headroom in excess of US\$1 billion over the next 12 - 18 months with a US\$25 per barrel oil price before the benefits of hedging.

Sasol can today announce a comprehensive response strategy designed to mitigate the impact of these macroeconomic factors. This includes a commitment to re-set the organisation to be globally competitive in a sustained low oil price environment. The global portfolio of our foundation business remains cash positive under prevailing spot market conditions and an oil hedging programme has been put in place to insulate the balance sheet from further financial pressure.

A package of measures is being undertaken that is intended to fundamentally reposition the Company over the following 24 months:

- A cash conservation programme focused on enhancing cash flow and cost competitiveness in a low oil price environment, with US\$2 billion cash delivery ahead of current plan targeted by 30 June 2021;
- An accelerated and expanded asset disposal programme executed in line with balance sheet, shareholder value and strategic objectives with a view to deliver proceeds significantly ahead of the US\$2 billion currently targeted;
- Potential for partnering options at Sasol's US Base Chemicals assets; and

- A potential rights issue, which has been underwritten on a standby basis, as a supplemental initiative to reset the capital structure, subject to the progress made on cash conservation initiatives and asset disposals.

Collectively these actions target generating at least US\$6 billion by the end of financial year 2021. This is expected to reshape Sasol's balance sheet and provide the platform to deliver a globally competitive business with high cash yielding assets. Further to this, Sasol is in discussions with its lenders about additional flexibility in respect of its financial maintenance covenants to provide improved balance sheet flexibility in financial year 2021.

## **OVERVIEW OF COMPREHENSIVE RESPONSE STRATEGY**

### **Self-help management actions: US\$2 billion targeted by 30 June 2021**

#### ***Financial year 2020***

- Immediate measures targeted to deliver a cash improvement of approximately US\$1 billion by 30 June 2020 relative to current plan assumptions, including approximately
  - US\$800 million to be realised from working capital optimisation and re-prioritising capital expenditure; and
  - US\$200 million to be realised from cost-saving measures.
- These improvements build on existing initiatives and take into account the anticipated working capital release as inventory and receivables are adjusted for lower oil and product prices.
- Safe and reliable operating units remain a top priority for Sasol.

Sasol believes achieving these targets would enable it to maintain a net debt to EBITDA ratio in compliance with financial maintenance covenants.

#### ***Financial year 2021***

- Further measures targeted to deliver approximately US\$1 billion additional improvement in net debt position relative to previous plan assumptions, including approximately:
  - US\$700 million to be saved from re-prioritising capital and working capital expenditure; and
  - US\$300 million from continuing cost savings and business optimisation.

### **Asset disposals: Accelerated programme with scope increased significantly above current US\$2 billion target**

- Expanding the scope of, and accelerating, the asset disposal programme which is now intended to realise proceeds significantly above the previous target of US\$2 billion.
- This builds on the comprehensive asset review process and includes the potential for partnering Sasol's US Base Chemicals assets on which there are active discussions.

**Potential rights issue: Resetting the capital structure through an equity issue after FY20 results, currently targeted at US\$2 billion**

- Potential rights issue to raise up to US\$2 billion (equivalent in ZAR terms), with execution expected after financial year 2020 results.
- Sasol has entered into a standby underwriting agreement with BofA Securities, Citigroup and J.P. Morgan Securities in respect of a rights issue for an amount of up to US\$2 billion-equivalent, which contains certain customary terms and conditions for transactions of this nature and conditions relating to Sasol making progress on certain of the measures described above, in anticipation of entering into an underwriting agreement in respect of a rights issue for an amount of up to US\$2 billion-equivalent. BofA Securities and Citigroup will act as Joint Global Coordinators and Joint Bookrunners, and J.P. Morgan Securities plc will act as Joint Bookrunner in connection with the potential rights issue.
- In connection with implementation of the proposed rights issue, the shareholders of the Company will be required to approve certain resolutions. In this respect, in due course the Company intends to post a circular to shareholders in order to convene a general meeting of shareholders around July 2020, and to approve the necessary resolutions required to implement the proposed rights offer.
- The size of the rights issue may be reduced subject to the progress made on the other elements of the response strategy.

**Liquidity: Liquidity headroom of US\$1-2 billion or greater to be put in place over the following 12 to 18 months**

- Sasol expects to comply with the financial maintenance covenant thresholds in its debt agreements at 30 June 2020 assuming, amongst others, a prevailing Rand oil price of approximately R580 per barrel. Sasol can sustain a liquidity headroom in excess of US\$1 billion over the next 12 - 18 months in a US\$25 per barrel oil price before the benefits of hedging.
- Sasol is actively engaging the lenders under its debt facilities to discuss adequate flexibility on its financial maintenance covenant thresholds in its debt agreements.
- An active oil hedging strategy is in progress.
- Sasol is targeting a net debt to EBITDA ratio of 1.5 and gearing below 30% at end financial year 2022.

**Business repositioning: Repositioning Sasol for sustainable profitability in a low oil price environment**

- Sasol is undertaking a purposeful and systematic review of its global cost competitiveness and business structure.
- Sasol is in the process of designing the scope of approximately R2.5 billion in expected sustainable net benefits by financial year 2022, expected to increase to R3.0 billion by financial year 2023 through efficiency and effectiveness measures across the business.
- The objective is to deliver a focused and profitable business in a sustained low oil price environment, creating the scope for sustainable shareholder value creation through shareholder returns and strategic investment.

- Sasol maintains its commitment to meet the 10% reduction in greenhouse gas emissions as per the target set for 2030 for the South African operations, off a 2017 baseline.

## CONCLUSION

Sasol has a high quality, well diversified global portfolio with a range of strategically advantaged assets and value chain integration. Sasol believes that the portfolio can be positioned to be sustainably profitable in a future low oil price environment. A reshaped and strategically focused portfolio based on cost, technology and market advantage is planned. If assets do not increase the competitive advantage of this future Sasol, they may be exited, or selective partnering may be pursued. Sasol aims for an asset portfolio that is globally diverse across sectors and able to operate at the low end of the cost curve in each sector and region.

The immediate focus is on the actions to stabilise the Company and protect the balance sheet so that the underlying value of the portfolio is not compromised, and instead the potential realised in the interests of all Sasol's stakeholders.

In light of this, the agenda of the Capital Markets Day planned for November 2020 will be focused on demonstrating progress against our short-term management actions, including asset disposals, and our sustainability roadmap to meet our 2030 targets.

Sasol believes the immediate and decisive implementation of the measures announced today can reset Sasol's capital structure and align it with the cash generation of the asset portfolio in a low oil price environment. We believe that the future Sasol will have a strong value proposition, with the capacity to deliver returns to shareholders from the portfolio and also generate sufficient cash for strategic growth and a sustainable future.

Fleetwood Grobler, Chief Executive Officer, made the following statement:

"In this dynamic and challenging environment, it's critical that we tighten control on what we can, acting both swiftly and decisively. My management team and I are fully committed to delivering on the measures that we have announced today. Sasol has a strong underlying business and all efforts are being made to enhance EBITDA in a sustained low oil price environment. Delivering sustainable, long-term shareholder value is our imperative and we have a clear plan to achieve that."

### Cautionary Statement

Shareholders are advised to exercise caution when trading in the Company's securities until such time as the full details of the disposals and the potential rights issue are published.

If you have any questions, please email: [investor.relations@sasol.com](mailto:investor.relations@sasol.com) or contact Feroza Syed at +27 10 344 9280.

Sasol is hosting a call to discuss the above measures at 15:00 SA on Tuesday, 17 March with detail on the comprehensive package of actions. Dial in details are as follows, and a replay facility will be available for a period of 2 days from the date of this announcement:

<b>Conference call details:</b>			
<b>Tuesday, 17 March 2020</b>	<b>Time</b>	<b>Dial-in numbers</b>	<b>Replay numbers</b>
<b>South Africa</b>	15:00	+27 11 535 3600	+27 10 500 4108
<b>United Kingdom</b>	13:00	+44 (0) 333 300 1418	+44 (0) 203 608 8021
<b>United States (ET)</b>	09:00	+1 508 924 4326	+1 412 317 0088
<b>Other countries</b>		+27 11 535 3600	+27 10 500 4108
<b>Passcode:</b>			<b>31413</b>

*For online participation, please register on the following link:  
<https://www.corpcam.com/Sasol17032020>*

17 March 2020  
Johannesburg

Sponsor and Corporate Broker: Merrill Lynch South Africa Proprietary Limited  
Joint Global Coordinators and Joint Bookrunners: BofA Securities, Citigroup Global Markets Limited  
Joint Bookrunner: J.P. Morgan Securities plc

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