SASOL INTERIM RESULTS – CONFERENCE CALL 21 FEB 2022

FLEETWOOD GROBLER

Good day and welcome to our financial year 2022 interims results call. Thank you for joining us today. I'm joined here today by Paul Victor, our chief financial officer and members of my group executive committee. Our results for the period ending 31 December 2021 were published on our website earlier this morning. For the purposes of this conference call, I will highlight the salient features only. Sasol delivered a mixed set of results for the six months ended 31 December 2021, benefiting from a favorable macroeconomic environment and increased demand following the easing of COVID-19 lockdown restrictions globally. These benefits were however partly offset by the operational challenges faced at our SA operations, where coal quality and supply were constrained and resulted in lower fuels and chemicals production. We are focused on four key priorities across the business, namely safety, operational excellence, ESG and shareholder value. On safety we are saddened by the five workplace fatalities, which occurred during the reporting period, and have identified additional leadership focus areas, which are receiving our highest priority to augment our existing high severity incident program. On operational excellence, we defined Sasol 2.0, reset our operating model and delivered a strong ramp up in our US specialty chemicals. The lower production from our South African operations during the period has been disappointing. In the short term, we are prioritising the business recovery of our South African operations. Our commitment to manage our cost competitiveness of our SA integrated value chain to a cash breakeven level to between 30 and 35 US dollars per barrel, still stands. Looking at ESG our climate change strategy is in place, both confirmed medium- and long- term targets. We have to defined plans to accelerate the decarbonisation of our business and are progressing several partnerships to realise our ambitions. We continue to progress our balance sheet reset, and refine our capital allocation framework. Our focus here is to restore the dividend, as soon as we are confident that we can do so on a sustainable basis, while completing the few remaining asset divestments. To highlight some of our operational performances, in our energy business, external sales revenue was 47% higher in rand terms, due to higher crude oil, refining margins and demand. Mining productivity was 16% lower than the prior period, due to safety incidents, higher than expected rainfall and slower than expected ramp up of the full calendar operations integrated shift system called Fulco.

The consequence of the reduced coal feed together with a delayed shutdown and operational instabilities resulted in lower production volumes at our Secunda operations. We have put in place comprehensive, short, medium and long-term plans to address performance challenges, and we are increasing coal purchases to restore the stockpile to target levels. Furthermore, we are bolstering the executive leadership team with a new appointment of an ex-Sasol executive, as the executive vice president of Mining, effective 9 March 2022. This will help stabilise our mining business and advance the recovery plans. In Mozambique, gas production was 1% higher than our plan. External sales revenue across the chemicals portfolio increased 21% in rand terms. Chemicals Africa sales volumes were 15% lower than the prior period, largely due to lower production at both the Secunda and

Sasolburg sites. Sales volumes for our specialty chemicals business divisions were approximately 60% higher than the prior period, due to the continued sales ramp up. We remain committed to our Sasol 2.0 transformation program to enable the business to be competitive, highly cash generative and able to deliver attractive returns, even in a low oil price environment. Approximately 1.8 billion rand of cash fixed cost savings, and half a billion rand of gross margin improvement were realised for this reporting period. We are well on track to meet the cash fixed costs target for 2022, of 3 billion rand, however, the gross margin is below the required run rate, mainly as a result of operational challenges impacting our SA value chains. Our capital expenditure will not exceed the range of 20 to 25 billion rand, which we set as an annual target, without any compromise to safety, environmental compliance commitments, and asset integrity. The current underperformance at our Mining and Secunda operations is being managed separately from the Sasol 2.0 program, and, as I shared earlier, a business recovery intervention is underway. This may require that Sasol 2.0 interim targets be phased, and reprioritised, to allow for higher value baseline recovery in 2022 and 2023, however, 2025 targets remain intact.

At our Capital Markets day in September 21, we announced our plans to deliver on Future Sasol. Against these commitments, I'm pleased to report the following progress. We are jointly executing 600 megawatt renewables together with Air Liquide, for Secunda operations, and have completed our request for proposal process. On gas, we have recently approved development funds for the first tranche of the additional gas reforming capacity in Secunda. Furthermore, our PSA project in Mozambique is performing to plan with the gas off-taker CTT, achieving financial close in December 2021. We are also making good progress on the purchasing of 40 to 60 peta joules of LNG with negotiations underway to enable first gas by 2026. We are exploring a number of green hydrogen coastal belt development opportunities, and current leading the pre-feasibility study for the Boegoebaai green hydrogen development project on the west coast of South Africa. Sasol plans to produce the first commercial scale green hydrogen in Sasolburg, using repurposed electrolysers by late 2023 and we are evaluating over 10 active new opportunities for sustainable aviation fuel production with two project partnerships already established. To conclude, let me reiterate that despite our short term challenges, our investment case, which I shared with you at the last year's Capital Markets day, remains intact. Future Sasol is not built on the promise of new business away from our core but builds on the advantaged and differentiated Fisher Tropsch technology, as well as today's strong customer relationships and market positions. I will now head over to Paul to discuss our financial performance for the period in more detail.

PAUL VICTOR

Thank you Fleetwood and good day ladies and gentlemen. Despite the operational challenges we faced, I'm very pleased to say that we still managed to convert a supportive macroeconomic environment into improved profitability. We achieved that with firm cost control, together with gains from the Sasol 2.0 transformation program, and ongoing capital and cash discipline. At the same time, we have good, early traction on the repositioning of the business for the transition to a lower carbon world. We believe that we have a strong foundation in place to deliver against the strategy that we announced at the Capital Markets day last year. We reported an increase in adjusted EBITDA of 71% compared to the prior financial year. Our normalised real cash fixed cost increase of 2% compared to the prior year, is mainly as a result of higher maintenance and labor cost. We still remain on track to meet our guidance for the full year of approximately 58 to 59 billion rand. Earnings were enhanced by the impact of re-measurement items, which include a profit on the disposal of our Canadian shale gas asset, and the reversal of the impairment relating to the Chemicals Workup and Heavy Alcohols value chain in South Africa. This was partly offset by unrealised losses on the translation of monetary assets and liabilities, as well as our hedging activities. Capital expenditure increased by 38% as a result of planned Secunda Operations phase shutdown in the current period, as well as the planned US East ethylene cracker turnaround. Full year capital expenditure is still expected to be in line with the market guidance of 20 to 25 billion rand for the annum.

Core headline earnings per share of R22.52 per share was more than 100% higher compared to the previous period, mainly as a result of the impact of the macros on our business. A critical part of establishing a strong foundation pillar is us managing our balance sheet very prudently. We've been very successful in transforming this in the past 18 months, with significant deleveraging results from asset divestments as well as improvements from our operating cash flows. Our asset divestment program is now near to the close, with the remaining transactions in the final stages of being concluded, and we can share some details a little bit later on, in terms of the progress that we make with those. Our gearing has also decreased to 59.1% compared to 61.5% as at the 30th of June 2021. And the net debt to EBITDA is now down to 1.3 times with a net bank debt at 5.6 billion US dollars. Although the balance sheet is in a much stronger position, we still have some work to do, and want to take our absolute net debt level to below $4 billion, while keeping the net debt to EBITDA levels to below 1.5 times. We now have line of sight to achieve these metrics, and this will leave us well positioned to ultimately deliver on our strategy and absorb future macroeconomic volatility. Again, just to re- emphasise that our dividend decision is based on a $5 billion net debt level. It is on that basis, and particularly with substantial macroeconomic volatility, very much still at play that the board has decided not to declare an interim dividend at this stage. We will push hard to deliver the business results that fulfill our capital allocation principles, to pay a dividend at our earliest convenient opportunity. In summary, our Energy business benefited from the higher export coal prices, gas sales prices, crude oil prices leading to higher refining margins, coupled with the increase in demand for products. This was partly offset by the slower ramp up of Fulco at Mining, higher coal purchases, and additional cash fixed costs resulting from the Mozambique drilling campaign. In Chemicals a combination of high sales volumes in Eurasia and high sale prices across all regions resulted in a strong performance for this segment, despite lower volumes in Africa, resulting from the South African value chains operational challenges, which we experienced. It still makes much more economic sense to upgrade a molecule of coal to a high margin of fuels and chemical products rather than to turn down the product facility.

Turning to the outlook for financial 2022, we are focusing all our efforts on delivering to plan and meeting our market guidance provided. The business recovery plan for South African operations will be prioritised to ensure that we restore the energy and chemical volumes as communicated. We will continue to prioritise the deleveraging of our balance sheet and to reduce the net debt levels, sustaining a net debt to EBITDA below 1.5 times, and net debt levels of below $5 billion by the end of financial year 2022. We continue to make good progress with our hedging of our foreign currency crude oil and ethane exposures. This increases the certainty of future cash flows and mitigated downside risks to enable our future Sasol strategy execution. We are reducing our hedge cover ratios for financial year

23, as our balance sheet starts to delever, and we can share more details on that. So, I just want to say thank you very much for listening to us and I will now ask Tiffany to open the floor for the question and answer section. Thank you very much.

TIFFANY SYDOW

Thank you very much Paul. Good afternoon to all participants on this call. My name is Tiffany Sydow and I'll be facilitating the questions today. Thank you for the questions already submitted, we've captured them, we will continue to capture your questions as they come in, and to make this call more efficient I will screen the questions and cover two to three questions at a time.

The first set of questions pertains to our balance sheet, and I'll direct those at Paul, there are three questions in one from Giulietta Talevi at Financial Mail, so I'll first cover this in one go. The first question is, is the absolute level of debt Sasol carries as much as an issue as the level of gearing, if we are to understand reluctance to pay an interim dividend. Can you explain how your hedging works and why it went against you in this period, and the third and last question from her, you've committed to a 30 to $45 a barrel breakeven, are you there, and if not, what do you have to do to get there. How sustainable is that oil price in your view.

PAUL VICTOR

Hi Giulietta, I haven't spoken to you in a very, very long time, I hope you're keeping exceptionally well. Thank you for those three questions. Giulietta, when we went to Capital Markets day of last year, we said that it's not only the gearing level, but also reducing the absolute debt level, that's quite critical for us. And we did define as the first immediate step that we want to achieve, is net debt level of 1.5 times and below, as that was also kind of the reduced levels that our peer group identified. But in addition to that, we also wanted our absolute debt to firstly start to reduce below $5 billion dollars, although in my speech just now, I did indicate that our ultimate target is to reduce our absolute debt level to $4 billion, because we do believe in a $55 oil price and a $4 billion debt level that ultimately the business can execute its strategy, and also remain quite robust in those lower oil priced environments. So for us, it's always the combination of two. You might argue that the 1.5 times net debt to EBITDA level is sufficient, but unfortunately, in volatile periods, with a high debt level or elevated debt level, that's not good enough. So we will definitely look at those two measures to be achieved firstly, obviously at 1.5 times, and a less than $5 billion debt level, that will trigger the board to consider the dividend. Ultimately, the board must decide whether the dividend is sustainable or can be paid out sustainably, before it finally makes that decision. So for the board not to make the interim dividend decision was not so much on the gearing level, but the fact that the absolute debt level of below 5 billion wasn't achieved. Now we do know that we still have two rather significant, or large, transactions on the asset disposals that's in the back end of being completed. And if we successful in delivering those two assets, which is Romco and CTRG, we see no reason why the balance sheet at these current oil prices cannot delever below $5 billion, and of course, the 1.5 times will be achieved, for the board to start considering making a decision in terms of the final dividend. I have a firm reason to believe that we are definitely moving towards that direction. And if the macros hold up the pace of that will be quite speedily. So the dividend decision we believe is not too far in the distant future. In terms of your second question on the hedging, just remember, I think we always have to be quite careful when we look at hedging, hedging is out of the money. It just means that the rest of your products slate was very much in the money, that's the first point. The second issue on hedging is, we have to protect the downside, and we are quite comfortable that our hedging program, although it's out of the money, it's still, if oil prices move below that 68 level on average, we would have had sufficient cover to manage our balance sheet quite effectively and efficiently. So hence, we do believe that the hedging strategy is to prevent the Black Swan, and to protect the balance sheet for downside risk, it's the intention that it has. I will say looking forward in terms of hedging, and as your absolute debt levels decrease, we will also decrease our hedging cover ratio as we've said, and to give you a sense of, we mostly hedged 90%, of our Synfuels output for this year. And for financial year 23 we are reducing those coverage ratios to around about 50% on the strength of the balance sheet improving. So, we are you know have a dynamic mechanism that models these things and kind of depicts and informs our thinking about what is the optimal level to effectively hedge.

The last question is your 30 to $35 to the barrel, last year we already achieved it. Unfortunately this year although our cost, you know, mostly hold, due to the fact that we didn't have the benefit of a higher volumes, our cash break even did increase above the $35 level, we do believe, you know, as we restore the baseline back to its historical levels, and we must still confirm that, when that's gonna happen, that, that will help us with the Sasol 2.0 initiatives to start moving back to that 30 to 35 level, and there's no reason why we cannot achieve that going forward. So hopefully that answers your questions, I don’t want to endeavor on where the oil price is going, you know, there, it's quite volatile. There's lots of geopolitical risk, that still weighing in on the oil price, but in terms of our forecast, you know, we did provide those ranges, that we'd still see a 70 to 80 oil price environment as potentially playing out in the next couple of months. But where it's going to be next year, I guess your guess is as good as mine, we probably need to wait and see. I think when we look at our business, we are quite robust to manage our business in a $55 to $60 oil price environment, and I think that's what really matters. Thank you.

TIFFANY SYDOW

Thank you Paul. Next two questions, also on the theme of the balance sheet. From Stella Cridge at Barclays. You discussed today your intention to pay down short-term debt, could you talk about any plans to address the peak in maturities in 2024. And the second question from Denis Grigoriev from Fosun Eurasia. Hello, could you please tell if you're in touch with rating agencies for potential ratings upgrade, which is very likely taking account lower leverage. Do you see any long-term chance to become an IG rated company?

PAUL VICTOR

Thank you very much. I think it's very, two very important questions. So first of all, mostly Stella, we always want to, and have the objective, to smooth our maturity curve over the next 10 years, to ensure that we do remove this Manhattan, kind of, maturity curve that we currently have. Over the past four, five years, we've actually been quite successful in starting to spread the debt, and in our analyst book, you can actually see what the effects of those are. We still have for financial year 23 and 24, to two big maturities, which we need to address. And so, we will kind of go to the Capital Markets to raise further debt, in an effort to rebalance our debt maturity. Also through the cash flows that we generate, and hopefully for the next six to 12 months, the cash flows that we generate will be quite successful in paying down more debt that we have. But we don't believe that we've got an immediate risk in terms of our maturity profile. But as I've said, you know, in the next 12 months, we definitely need to go to the Capital Markets to raise more debt. And then we also need to look at our RCF as we start to pay that down, and our bank term facility, what portion of our debt balance needs to be refinanced through a RCF facility in future, and so those we will also consider over the next couple of months in which shape or form, we want to refinance that. But no immediate risk, we are actually in a good position.

The second question, Denis is quite important, as our metrics start to dip below, and some of them well below the IG metrics, that the rating agencies have, of course, the rating agencies look at the sustainability of these metrics going forward, I think, first and foremost And then secondly, they also got other metrics by looking at the sector in which we operate, you know, what the sources of, you know, cash flows that you generate in terms of the sovereign, and those are other aspects, which they also take into account to finally assess our rating. So we're quite hopeful that our business is recovering quite well, our balance sheet is getting off risk, but it doesn't take away that the sector risk, as well as the sovereign risk needs to be addressed, you know, in the sectors and in the jurisdictions that we operate. We will be engaging with the rating agencies over the next couple of weeks and months, and hopefully, they can favorably consider the progress that we've made. But at this point in time, we still await kind of their evaluation and feedback on our organisation. But we quite hopeful that there will definitely be some positive moves in this direction on the basis of our, you know, own balance sheet metric that's significantly improving.

TIFFANY SYDOW

Thank you Paul. The next theme of questions centers around our operational performance, and I'll cover two questions at a time as some of them are quite meaty. And the first question comes from Giulietta again, at Financial Mail, there have been some suggestions that Sasol splits its business into local and International Operations in order to extract value for shareholders, is that feasible or even on the cards. And the second question from Adrian Hammond at SPG Securities, please update us on the status of the coal quality issue and implementation of Fulco. Are stockpile levels restored yet to help with blending? And I think, sorry Fleetwood there's another question on the stockpile levels as well. Also from the Herbert Kharivhe at Investec, please provide an update on the current coal stock levels, how far are you away from the 1 to 1.1 million plan status.

FLEETWOOD GROBLER

Thank you, Tiffany, and Giulietta, Adrian, and Herby we'll deal with those three questions now. So let me just say at the outset, you know, we will always challenge ourselves to think about the right structure for the business, and I believe every organisation should have an open mind on these issues. But at this stage, if I reflect on where we are, I think all our focus needs to be on delivering on objectives, like Sasol 2.0, which will create value right across the business, leveraging experience and capabilities right across the group. So, to split the business, without having regard to this value that we are in the midst of creating, I think, you know, this must provide for you some clarity, because I'm conscious that speculation on this topic is really unhelpful for our employees, customers, and other stakeholders. I hope that that gives you a context of how we think about it currently. It's a question that we will always have to deal with, but timing now is not for us conducive. So when I reflect on the coal quality and implementation of Fulco, there are definitely a number of areas that we have to consider in our approach, and what have we done with respect to coal quality, over the last period since we spoke in August. So we are pursuing several levers to address coal quality. So first is to create a better understanding of our coal reserves and the impact on the ideal coal blend for our Secunda operations. And it's very much aligned with our understanding that you want to reduce sinks, and so that's the key element. The other lever that we pursuing is to get a sweeter, and a cleaner cut of the middlings that we can affect through the washing of that to cut, you know, the middle cut much more closer, so that you can get a better yield with more discard, or it's a lower yield, but there's more discard that you don't feed into Secunda. The other lever that we are pursuing is to buy in coal, with a better quality than we can mine ourselves, so that requirement on coal purchases, the quality of that we put some, some quite, you know, focus on that, so that we can get better quality in. And then of course, where we are deploying sections into better coal quality areas, we are focusing on that, this is taking longer, but we've embarked on that deploying of sections into better areas. And of course, when you pull those levers Adrian, and you on top of that, have got the flexibility that a stockpile can provide if it's at the level of the targets that we've set 1.3 to 1.5, I think then we've addressed the coal quality, and we can manage that to a much better extent than we've been able to do that before. So let me just give you a flavor as of yesterday, our coal stockpile was at 1.1 million tons, or just over that actually, we've guided that we would by end of February reach the range of one to 1.1 million tons. So we are tracking the upper range of that right as we speak now, we are still confident that the ramp up in the supplies that we've been seeing from external purchases as well as the better performance of Isibonelo as well as the improvement in productivity that we've been seeing in our own coal mines, put us well on track to get to the stockpile level of 1.3 to 1.5 by June, without having any further impact on Synfuels at the ratable level, we would like to supply the Synfuel operation which is between 107 and 109 thousand tons on a daily basis over the period. So that gives us quite a bit of confidence that we are tracking. On Fulco we've guided the market that we will be between the 940 and the 1044, you know, tons per continuous mining per shift. As we speak, we've seen quite a nice recovery towards the upper end of that guidance in February. So we are already seeing in some weeks, the last two weeks is my reference now, I'm seeing definitely something better than 1044, but it's too early to say that we gonna, you know, bank that yet, but I do see the positive trend that we are operating at the productivity level on the higher part of the guidance that we did provide to you in our outlook in January when we last gave you the feedback. So in summary, I think the levers are coming together, the stockpile is increasing, our flexibility is increasing, and we are focusing on better quality coal has a blend into our operations.

TIFFANY SYDOW

Thank you Fleetwood. Another question, also just closing off the mining theme from Herbert Kharivhe at Investec. Are you experiencing geological challenges in all six mines and if not, which mines. Should we expect higher Capex from mining due to a new development plan.

FLEETWOOD GROBLER

Very good question Herby. When we do look at the mines, of course not all volumes are equal. We know that the mines in the, certain side of the Synfuels operation has got more higher ash quality coal and sinkers. So it is definitely not all the mines, we are seeing, you know, in the area of Bossiespruit maybe more poor quality challenges compared to the other collieries in the system. But I think the whole redeployment and the whole mining plan is still within the realms of our long term plan. So the optimisation of that, I don't foresee some drastic changes in capital deployment to change the mining plan. And of course, we will always look at where are, and how are, the best reserves, and sources of coal, to be put into the mix for our Secunda quality needs. And we will always try and optimise for that, not only through our own system, but also for the coal that we buy, for example, the Isibonelo coal that's under contract from Tugela resources, is also a very good quality coal that we receive from.

TIFFANY SYDOW

Thank you Fleetwood. Turning over to our gas segments, there is a question on the current drilling program from Adrian Hammond. Please update us on the Mozambique infill drilling program, how many of the five infill wells have been drilled, and will it be sufficient to avoid gas declining from 2025. Another question, also related to our gas business, gas external turnover increased by 28% compared to FY21, half two, while the NERSA maximum gas price increased four times. Did you guys increase the discounts offered to clients, we noted the complaints by some key customers regarding the current pricing methodology and that comes from also Herbert Kharivhe at Investec.

FLEETWOOD GROBLER

Thank you, thank you so much Adrian and Herbie again. I'm going to ask Priscillah also to weigh in on those two questions. What I can share is that we have commenced our infill well drilling campaign last year, and that we are seeing positive results. It is probably too early to give you an update whether that would help us to extend the plateau. We are going through a very rigorous testing and modeling exercise so that we can validate the results we are achieving from that in the fuels. Then with respect to your external turnover, I'm also, I'm deferring that to Priscillah to give you a flavor, Priscillah you want to weigh in.

PRISCILLAH MABELANE

Afternoon colleagues, thanks, Adrian as well. In terms of the said question around Mozambique in Fulco, as Fleetwood actually mentioned, we making good progress. So just to remind everyone, we had total of 11 approved activities associated with drilling campaign. Out of that we have already started and completed four of those activities, some of the activities included a work over wells that we needed to well on. And in terms of the new wells we have started and completed one infill work, which we currently analysing the data to see whether some of the positive outcome of that drilling outcome is showing, is going to be more replicated, and once the tests are done, we'll rerun the model again to understand the impact on the plateau. But with all of the information that we currently have, we are still of the view that our plateaus start to decline up to 2026, which means that underlying assumptions on the P50 of the metrics more, still in line with our preliminary views and more positive, we don't see any negative outlie at this stage. They, we have now moved the drill, we are on our, we have moved the rig we are on our second well, which is also trying, showing good progress in terms of drilling, so from that perspective is to say, on track. There are some challenges that we continue to manage such as COVID risks, as well as heavy rains but overall good progress. Just too also give another highlight, the P25 well which was drilled in the previous campaign, we needed to work on the flow line connection that has been progressed very well, is actually due for commissioning at the end of this month. That will also give us another data set to understand how the refills are actually operating and the analysis there of once we start doing the test with that particular line. I'm going to pause there Fleetwood and move to the next question.

FLEETWOOD GROBLER

Thank you so much.

PRISCILLAH MABELANE

In terms of the NERSA, so we are in the process of engaging with our customers regarding the NERSA promulgation, from a Sasol perspective, our view stands that the process has been rigorous, we have given input and challenge the methodology, and at this stage until the methodology changes, we are obliged to fully comply with it. The reason why you will not see the impact of the change in terms of the financial year 2022 is because the methodology is on a lag basis. So these substantial increases in gas prices that we're seeing will have an impact in terms of our FY 2023. We have noted that our major customers have challenged the methodology, and as the result of that, in addition to NERSA's response to Sasol we've also since submitted our position to challenge the opposition. We continue to engage with our customers individually, and to ensure that we take into consideration their individual circumstances and ensuring that there's a robustness in terms of that. So that's where I will leave it at this stage.

TIFFANY SYDOW

Thank you, Priscilla, thank you Fleetwood. Next question pertains to our Natref refinery, can you achieve the new fuels specification the time in 2023 at Synfuels and at Natref. What are your options, several refineries have closed in the country. You have been assessing Natref's future for a number of years now, do you have a conclusion yet, from Gerhard Engelbrecht at ABSA. And I think the second one pertains to the US operations. Could you provide more color on the lower volumes guided for the US chemicals business from Mark du Toit at OysterCatcher, and in a similar vein, can you please provide some color on the chemicals business outlook from Yunyun Bai at Barings.

FLEETWOOD GROBLER

Thank you so much for those questions. Gerhard I'm going to kick off with a Natref question. And I'm going to ask Brad to weigh in on the US chemicals, outlook and color. So Gerhard at this point in time, we have not concluded the option for Natref with our partner Total, so the short answer is no. We would go to market probably in the August time with a very clear picture on how that plays out. Now to the question of the promulgated regulatory framework to have clean fuels ready by September 23, the whole refinery operator system in South Africa, clearly indicated to government that, that is not going to be feasible or practical, practically attainable, and we've indicated that it will have to be regulated much later date. So that discussion with government is ongoing and there are certain considerations that will be given, and we hope that government can come back and give a better timeline that is feasible for the bigger, and the majority of refiners that still operating. With respect to our own situation in Secunda as you know, we are busy with an over 5 billion rand investment to attain clean fuel standards by 2025. As we ramp up to that date, we will have some components that's already clean fuels compliant, but we will be 100% consistently compliant by 2025, and so we working towards that date. And as I say that, Natref we have not come to an outcome, we are with a number of studies, work angles to look at viability of options, and that is still ongoing with our partner Total. Our target is to come back to the market around August and inform you what is the outcome we've been able to discern. With respect to the US chemicals I'm going to ask Brad, would you weigh in for us please.

BRAD GRIFFITH

Happy to do that, thank you, Mark and Yunyun for the questions. As we guided recently, we've updated our guidance outlook for the US volumes, primarily on the basis of what we saw in operating rates for the base chemicals assets in the US, related to our outage as well as some reduced production from the JV assets. Also, we look at the outlook for the second half of the year, there is a large planned outage for the linear low density unit at the JV. But as Paul and Fleetwood indicated our specialty volumes continue to ramp up nicely, accordingly with our plans. And we'll update the market as we go through our next BPM in terms of our outlook on the remaining asset ramp ups. Thanks.

FLEETWOOD GROBLER

Thank you Brad.

TIFFANY SYDOW

Thank you, Brad. Fleetwood moving on to progress on our asset divestment program. If I can direct these two questions to Paul, please. What are your expected proceeds from planned disposals, and can you give us a range from Sheharyar Malik at Pimco? And the second question, anymore asset disposal plan also from Yunyun Bai at Barings.

PAUL VICTOR

Thank you very much for those two questions. So, the two big assets, as I've mentioned, Romco and CTRG, that's up for sale, the range there is between $500 and $700 million. We also have a smaller asset that's currently in a far stage of being completed. And that's round about less than $100 million. But if all three are pretty much successful, then we can be as high up as $700 million, maybe a little bit higher than that, in terms of proceeds. And hence my comment, you know, completely goes on itself can get our debt balance from 5.6, at this point in time to below 5 billion. The teams have made good progress on the Romco side, CPs have been achieved. So, it's just some final matters, which needs to be completed, I don't say they are less important, but there are some final matters to be concluded there, CTRG there's also one element that needs to be finalised, but we are quite hopeful in the coming weeks, we'll be getting there. And then the smaller assets, you know, we are very much making a significant progress on also closing that deal over the next couple of weeks. So good progress in terms of that, but we'll update you towards the closure of the financial results in August, how successful we were, but we get into the final end of that.

TIFFANY SYDOW

Thank you Paul. The next set of questions around our Sasol 2.0 program. The first question from Adrian Hammond at SPG. If cash fix cost targets for FY 22 are on track why is your gross margin off track. And the second one also from Adrian, how is it that Sasol has retained its Capex outlook to 20 to 25 billion until 2025, whereas the industry is increasing Capex due to higher inflation.

PAUL VICTOR

Adrian, the first question is a bit disingenuous on the cash fix cost side, because it is a little bit different, you know, cash fixed costs and variable costs, as you know, but let me reiterate what I've said during year end, when we provided guidance. Our targets for financial 22 is 58 to 59 billion for the year and we are sticking, we are sticking to those. The reason why the gross margin is off track, because effectively due to the instabilities that we have, we are, you know, lagging because our priority is to fix the baseline and that's usually how these things work. But for the benefit of all cash fixed costs are still very much on track, but we are lagging on the gross margin as a result of the instabilities. On your second point on capital, we sticking to the 20 to 25, the 20 to 25 was a real target for us up to 2025 because inflation, you know, will play a role added. Although we are quite comfortable over the past couple of years that we've seen that we can attain and manage inflation. However, I will give it to you that currently, especially on the US side and globally, that inflation is a challenge. So we need to be quite alive to the fact of how to mitigate that. But especially for this financial year we really don't anticipate inflation to play out negatively on our estimate. We usually update the estimate for the next year in August, and so we will, and the inflation considerations will then also be, kind of, quite deeply considered during that process, but we still sticking to our 2025 target, thanks.

TIFFANY SYDOW

Thank you, Paul. Moving on to our business outlook and questions around our strategy. What, at what LNG price point will it no longer make sense to import LNG, that comes from Gerhard Engelbrecht from ABSA. And I think also on the outlook, what is your expectation of the price increase in 2022, how confident are you in passing through the cost increases from prices, and are there any contractual pass through mechanisms in your contracts, how long are contracts with customers. Two questions in one from Sheharyar Malik of Pimco.

PAUL VICTOR

Gerhard, good question on the first one. So ultimately, we haven't revealed in the past, kind of what that point on LNG for us is, I think you have to respect the fact that currently we are in negotiations towards term sheets, and bringing in natural gas into our facilities, and it will not be, you know, kind of prudent for us to start to reveal these numbers as they can, you know, kind of jeopardise our own position. But once those have been confirmed, and the details of that can be shared, we will do so. But we've done a lot of work to understand the breakeven levels for our different facilities, at what prices we need to negotiate to ultimately ensure that these contracts, you know, do support the economic viability of our business. So we very much aware of those, but I think it will be, it will not be for me prudent to share those with you at this point in time. Secondly, the second question is quite broader, you know, because in the fuels markets, and with fuel customers, relative to our chemicals markets, these contracts and dispensations do differ. And in some instances, prices cannot be passed on. In the fuel sector, you know, especially on the basic fuel price, that's usually quite regulated in South Africa, the price is set kind of by the macros. And then when one gets a little bit later on in terms of how you negotiate diesel prices, as well as wholesale to retail offerings to your customers, there is a little bit of somewhat leniency in what you can negotiate, but a pass on there is very, very limited, and there's usually more other factors that are at play. On the chemical side, there are some mechanisms that do allow you to do the pass through and some not. Again, we don't really reveal those in detail because those we do, you know, consider as confidential. But what you will, can usually see is, if you can track our margin relative to the price increases, that should give you an indication of how flexible we are in passing costs through to the customer.

TIFFANY SYDOW

Thank you Paul. Moving on to our strategic questions. Quite a few questions around LNG imports. If I can direct that to you please Fleetwood. Please expand on your financial contracts for LNG, how does the cost of LNG compete with your Mozambique gas, and who are you partnering with, who will you be spending the Capex for regasification terminal, from Adrian Hammond and similar question from Wade Napier at Avior Capital Markets as well. I think following on from this question, something more related to the outcome, given the current energy shortage and price volatility in Europe and the subsequent increase in LNG prices, how robust do you think the strategy is to import LNG in future, that one comes from Gerhard Engelbrecht at ABSA.

FLEETWOOD GROBLER

Thank you, I'm gonna start off and then ask that Priscillah also weigh in. So, if we go back to the question, Wade and Adrian, on what you asked there in terms of, you know, what, whose our partners that now, how does it play out, so first of all, we are in negotiations with partners that we cannot disclose at this point in time, we both decided to do this in a manner of contractual confidentiality, till we jointly reach the point where we can announce the counterparties on the supply, etc. And then we would also, you know, make sure that, that is understood in terms of also source and partner. So in terms of the Capex for the regasification terminal, the concept that we exploring in Mozambique is that the partner would be responsible to bring in a floating regasification option, and that the partner will also ensure that there is a bridge, or a pipe from the regasification terminal to our Rompco connection, and on basis of that, we would then get the supply at Rompco supply point. That's the concept that we are exploring with our partner. And so, I think, you know, much more detail, and as we said, we would like to conclude our term sheet negotiations in this year. So that it enables us to be able to bring in the first gas in 2026, which is, which is very important to see, you know, how are we fairing on that basis. With respect to your second question, can I just make sure I can see your second question again. Okay, alright, so the pricing volatility etc. for LNG in the future. So also remember that LNG is an energy source, and there are linkages to references in oil, and other price markers. So, we have to take all of that into account, and we also need to think about how does that work on the pricing side of products that we will be producing on the blend of LNG, coal and other direct methane gas sources, and that's what Paul referred to earlier, in all the financial modeling and scenarios. We do take these into account to make sure that we have a realistic blend, realistic scenario that will also identify the linkages that are required to protect margin in product versus feedstock prices. So Priscillah, I'm going to ask if you would like to weigh in as well.

PRISCILLAH MABELANE

Thanks, Fleetwood. I think it's well covered, just on the last point, perhaps just add, as Paul mentioned that this competitive pricing, what is encouraging is that the term sheet that we're currently negotiating, which is going to be crude price linked, the range that we are negotiating at is really competitive, and in line with the expectations that we've shared before. And we continue to look at the spot prices, and the challenges, but in our mind, it is quite clear that in the long term, especially post 2026, the long-term contracts that will bring into South Africa for our operation will be at a competitive rate.

TIFFANY SYDOW

Thank you Priscillah. Fleetwood a question relating to our people. Are you now at an optimum headcount level or do you expect more people will leave the business? What is the quantum of severance payment included in half one that will not recur in future? This comes from Gerhard Engelbrecht at ABSA.

FLEETWOOD GROBLER

Thank you Gerhard, I think it's a very interesting question, because there are many lenses that you need to look at headcount level. So first, may I just say when we embarked on Sasol 2.0, and I'm going to ask Marius also to weigh in on this question, and the answer that I'm positioning now on the first part of your question, Gerhard. So when we embarked on 2.0 we looked at a clear cut benchmark of our current operations and where we are. Of course, if we have got a strategy to, you know, further our green hydrogen ambitions in South Africa, or our Sasol EcoFT business, that was of course not part of the baseline and that could be justified under new strategy, new business opportunities, etc. And those headcount numbers will then be added to address and resource those new business opportunities. But we are managing quite, I would say diligently that the business case of 2.0, and any additional headcount that we require as a result of new opportunities, that is being managed separately, so, that is the important part. Also, where we are looking at the headcount level that is further enabled by technology and digital, of course, those headcounts are not fully reflected yet, and we believe that that could play out in the, over the next year or two, but those will be basically within the realms of the natural turnover levels that we would be able to manage those future reduction in business, digital business opportunities which we implement. And then of course, last but not least, when we embarked on the business case for Fulco, we had also the increase in headcount to man up to be able to unlock that 24/7 levels in terms of, of that part. So, you know, there are many moving parts, but suffice to say that we, we need to, to be very clear how we measure and how we track all of these various elements that make up headcount as you run the business. So to your question, what was the severance payment included in half one, that was an amount of around 200 million rand. So Marius is there anything else that you would like to weigh in on.

MARIUS BRAND

No I think you've covered it well, Fleetwood. I think we are well on track, just apples with apples comparison, and I think we were lucky over the period that we also had low, you know, turnover in certain areas. But our total reductions, really in the order of about 2800, from since we started this year, we had roughly about 700 increase in exit in the first half, which is quite a number. The remaining portion is now roughly about another 400 people that are now just in contracts and in positions till about the end of FY23. So those you could see is quite a lower number compared to I think, the biggest transitions that was really taking place, I'll pause there, thank you.

TIFFANY SYDOW

Thank you, Marius. Thank you Fleetwood. I'm going to just ask, we remind you to please submit your questions via the webcast platform. We are entering the last half an hour of this call. So please submit your questions if you have any remaining. There's a question that came from Bheki Mthethwa from Bateleur Capital, Paul this one is for you. Where do share buybacks rank relative to dividends at the current valuation, and would the board, consider a combination of both given the current hedges in place and the expected balance sheet position.

PAUL VICTOR

Thank you. Thank you for the question, Becky, I hope well, haven't seen you in a long time. So ultimately, in terms of the share buybacks, I just want to take you back to our capital allocation framework that we did share at the Capital Markets day. And in terms of our allocation of capital, we were quite clear in the way that we want to allocate it. I think first and foremost, the first taker of the cash flows will be the sustenance capital, then the transition capital towards the 30% Co2 reduction, those are the first takers of capital. Then the minimum dividend is the second taker of the capital, and that is at a minimum of the 2.8 times core headline earnings per share, so that's on the second taker. And then thirdly is, where we then need to balance up, Becky, is to say that the remaining capital is what is in, what can you invest in your company from a growth capital perspective, and then ultimately, do you consider a higher dividend, increasing your dividend, or then do you effectively consider buyback. It's really at that stage, that you need to decide how you're going to award your shareholders further, or whether you're actually going to invest in growth capital. So we, as you can appreciate with our future ambitions, in terms of green hydrogen, and the investments required there, versus a higher dividend, versus share buyback, we're still in the throes of evaluating those, but just principally from a capital allocation, that's the way that we think in a way that we would weigh up these options. I think what is also quite important is that you cannot save yourself long term into, you know profitability. And although these big programs that we have to improve the effectiveness and efficiency of the business will only take us as for, there is an element of reinvestment required in the business as well, obviously, at the market related, you know, return rates. And I think we need to kind of be alive to those when we look at capital allocation relative to share buybacks, but investing in projects that will destroy value doesn't make sense either. So I think those are the competing forces before you make a decision on share buybacks and investment. Hopefully in future we can do all of those, but if you are limited on capital, this is the way that we think about it principally.

TIFFANY SYDOW

Thank you, Paul. I think we have one more question coming through, just checking the question logs, from Adrian Hammond at SPG. Do you expect Synfuels to return to normal volumes in FY 23, i.e. the 7.6 to 7.8 million tons? If Sapref shuts down, what are the implications for Natref and Synfuel.

FLEETWOOD GROBER

Ja, I think Adrian that's a very important question that you ask. And so you have to take into account that we have to deliver the guidance that we've indicated, of course we will not start at the baseline, to which we indicated in December, but the results of Fulco, the results of the remediation and business recovery program, all of that are now being taken into account. As you know, we are now in our budget cycle for FY23, and I think it is premature to give you now an expectation or guidance in terms of what that volume will be and what is normal, and how do we see all of that. So, I would rather ask that you bear with us, that we give you a firm update of the volume guidance as we conclude this budget cycle. And therefore, in August, we will provide that level of detail, and we will also give you the rationale of that number that we will put forward. So, give us a bit of time to just work through this next six months, complete our budget cycle and we will deal with that in terms of the outcome. So your question with respect to, you know, what will happen if Sapref shuts down in terms of the supply, etc., and I think it is clear, we have a very, you know, clear commercial, wholesale, as well as retail channels that we will sell into, those areas are well covered through agreements, commercial agreements, that we have. And I do think, you know, that, that will have to play out on a commercial terms. So I think what we foresee is that, we would definitely not now just follow suit, we are invested in Synfuels, we are invested in South Africa, and therefore, our plans does not include, to not do any refining of fuels in South Africa. To the contrary, I think we have got a good opportunity to supply the volumes from our Secunda operations at ratable clean fuel quality, as well as quantity. And as I say Natref is premature to give you any answer, you will have to bear us out to August, and we will give you the outcome then. So I think that is, that's where we are. And then I see there's another question from Gerhard, are you still assessing the coal volume recovery and ramp up. How confident are you that Synfuels will be producing at the optimal level in FY23? So, our guidance for the 6.7 to 6.8 at this stage are tracking well, and Gerhard, as I mentioned we have to bring in all of the lenses with respect to our Fulco, our purchase, coal, our economic blend out of sources, and then say okay, what is the optimal processing capacity in Secunda. What is clear is that even at a coal price level of R500 a ton, it still makes sense to rather send it to Synfuels for processing then to throttle Synfuels on that price level of coal. So, I think, you know, we will take that also into account, and to see how we can optimise the total output out of the value chain rather than to focus only on one area mining or Synfuels. We have to look at the value chain in the maximised value out of that with all the levers that we've got at our disposal, and the results of how we deliver Fulco over the next period.

TIFFANY SYDOW

Thank you Fleetwood. Thanks Gerhard for the additional question. Moving back to the financial results, I think we've got another question for Paul from Sashank Lanka at Bank of America. EBITDA generation for first half was still driven mainly by SA, accounting for about 80%, how should we look at this contribution once all the US asset ramp ups and operations get back to normal, and two, is there an update on carbon tax.

PAUL VICTOR

Hi Shashank, hope you're also keeping well, and hopefully to see you also in face to face over the course of the next couple of days. Ja, 100%, when oil prices were, so, you know, so elevate, or are so elevated as we see currently, we know that our South African value chain will shine relative to the other assets, just because of the, you know, the feedstock advantage that we have in South Africa. So oil prices at these elevated levels will always make sure, and ensure, that the South African value chain relative to the rest of the assets, are at these levels. But if one focus on where we are with the US, the US generated that 3.8 billion rand, or shall I say 220 US million dollars, for our 75% portion of the assets in the US, which is a significant step, and tremendous effort by the team, it puts us very close to that 500 million dollar run rate on a EBITDA level over a year. And the plants are still ramping up, and that's despite having the turnarounds. So, we are very much moving towards that $700 to $900 million of EBITDA run rate, as we communicated to you at the Capital Markets day. And at those levels, the contribution of the US with Europe will obviously make as much significant contribution relative to the asset portfolio. So ultimately, if oil prices, you know, kind of normalised more towards the $60, $70 level, let's take that as an assumption, then we do very much see that the US and Europe can contribute as much as 35% to the group's overall profitability. We had to adjust that as a result of the fact that we did sell down a portion of the asset to LYB. And if we take that into account at those assumptions, you will definitely see a much larger contribution of our international chemicals, businesses to the overall, you know, earnings contribution of the business. On the carbon tax side, we still very much engaging quite heavily with, you know, with, through the industry with Treasury, there’s definitely a willingness to listen and to anticipate how carbon tax can be interpreted in terms of the carbon budgets in South Africa. So we are also quite eager to see what the, you know, the delivery in the budget speech will be in the next couple of days. And hopefully that will provide more clarity when the Minister of Finance speaks to the nation about carbon tax and its future. So, I don't want to preempt that, I think over the next couple of days, hopefully we'll get much more clarity on this specific aspect in terms of our business.

TIFFANY SYDOW

Thank you Paul. I think our call is drawing to a close. We can't see any more questions coming through the platform. Thank you all that have submitted your questions and for your time to dial into this afternoon call. We thank you for your time I will now close the call.