

SASOL LTD  
Form 20-F  
October 26, 2005  
As filed with the Securities and Exchange Commission on 26 October 2005

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 for the year ended 30 June 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission file number: 001-31615

## Sasol Limited

(Exact name of registrant as Specified in its Charter)

**Republic of South Africa**

(Jurisdiction of Incorporation or Organization)

**1 Sturdee Avenue, Rosebank 2196  
South Africa**

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares	New York Stock Exchange
Ordinary Shares of no par value*	New York Stock Exchange

\* Listed on the New York Stock Exchange not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

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Securities registered pursuant to Section 12(g) of the Act: **None**

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**616,765,648** ordinary shares of no par value

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

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## TABLE OF CONTENTS

		Page
<b><u>PART I</u></b>		9
<u>ITEM 1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	9
<u>ITEM 2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	10
<u>ITEM 3.</u>	<u>KEY INFORMATION</u>	11
	<u>3.A Selected Financial Data</u>	11
	<u>3.B Capitalization and Indebtedness</u>	12
	<u>3.C Reasons for the Offer and Use of Proceeds</u>	12
	<u>3.D Risk Factors</u>	12
<u>ITEM 4.</u>	<u>INFORMATION ON THE COMPANY</u>	28
	<u>4.A History and Development of the Company</u>	28
	<u>4.B Business Overview</u>	33
	<u>4.C Organizational Structure</u>	93
	<u>4.D Property, Plants and Equipment</u>	94
<u>ITEM 5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	106
	<u>5.A Operating Results</u>	106
	<u>5.B Liquidity and Capital Resources</u>	158
	<u>5.C Research and Development, Patents and Licenses, etc.</u>	161
	<u>5.D Trend Information</u>	162
	<u>5.E Off-Balance Sheet Arrangements</u>	162
	<u>5.F Tabular disclosure of contractual obligations</u>	164
<u>ITEM 6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	166
	<u>6.A Directors and Senior Management</u>	166
	<u>6.B Compensation</u>	172
	<u>6.C Board Practices</u>	173
	<u>6.D Employees</u>	180
	<u>6.E Share Ownership</u>	182
<u>ITEM 7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	186
	<u>7.A Major Shareholders</u>	186
	<u>7.B Related Party Transactions</u>	186
	<u>7.C Interests of Experts and Counsel</u>	187
<u>ITEM 8.</u>	<u>FINANCIAL INFORMATION</u>	188
	<u>8.A Consolidated Statements and Other Financial Information</u>	188
	<u>8.B Significant Changes</u>	188
<u>ITEM 9.</u>	<u>THE OFFER AND LISTING</u>	190
	<u>9.A Offer and Listing Details</u>	190
	<u>9.B Plan of Distribution</u>	190
	<u>9.C Markets</u>	190
	<u>9.D Selling Shareholders</u>	190
	<u>9.E Dilution</u>	190
	<u>9.F Expenses of the Issue</u>	190
<u>ITEM 10.</u>	<u>ADDITIONAL INFORMATION</u>	191
	<u>10.A Share Capital</u>	191
	<u>10.B Memorandum and Articles of Association</u>	191
	<u>10.C Material Contracts</u>	196
	<u>10.D Exchange Controls</u>	196
	<u>10.E Taxation</u>	198
	<u>10.F Dividends and Paying Agents</u>	203

	<u>10.G</u>	<u>Statement by Experts</u>	203
	<u>10.H</u>	<u>Documents on Display</u>	203
	<u>10.I</u>	<u>Subsidiary Information</u>	203
<u>ITEM 11.</u>		<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	204
<u>ITEM 12.</u>		<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	207
<b><u>PART II</u></b>			208
<u>ITEM 13.</u>		<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	208
<u>ITEM 14.</u>		<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	209
<u>ITEM 15.</u>		<u>CONTROLS AND PROCEDURES</u>	210
<u>ITEM 16.</u>			211
	<u>16.A</u>	<u>Audit Committee Financial Expert</u>	211
	<u>16.B</u>	<u>Code of Ethics</u>	211
	<u>16.C</u>	<u>Principal Accountant Fees and Services</u>	211
	<u>16.D</u>	<u>Exemptions from the Listing Standards for Audit Committees</u>	213
	<u>16.E</u>	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	213
<b><u>PART III</u></b>			214
<u>ITEM 17.</u>		<u>FINANCIAL STATEMENTS</u>	214
<u>ITEM 18.</u>		<u>FINANCIAL STATEMENTS</u>	215
<u>ITEM 19.</u>		<u>EXHIBITS</u>	H-1
<u>GLOSSARY OF TERMS</u>			H-3
<u>LOCATION MAPS</u>			M-1

## PRESENTATION OF INFORMATION

We are incorporated in the Republic of South Africa as a public company under South African Company law. Our consolidated financial statements included in our corporate filings in South Africa were prepared in accordance with International Financial Reporting Standards ( IFRS ), for the financial years ended 25 June 2001, 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005.

For purposes of this annual report on Form 20-F, we have prepared our consolidated financial statements in accordance with United States Generally Accepted Accounting Principles, or US GAAP. Our consolidated financial statements for each of the financial years ended 25 June 2001, 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005 have been audited by KPMG Inc., independent accountants.

As used in this Form 20-F:

- rand or R means the currency of the Republic of South Africa;
- US dollars , dollars , US\$ or \$ means the currency of the United States;
- euro means the common currency of the member states of the European Monetary Union;
- GBP means Great Britain Pound, the currency of the United Kingdom;
- JPY means Japanese Yen, the currency of Japan;
- AUD means Australian dollar, the currency of Australia.

We present our financial information in rand, which is our reporting currency. Solely for your convenience, this Form 20-F contains translations of certain rand amounts into US dollars at specified rates. These rand amounts do not actually represent such US dollar amounts, nor could they necessarily have been converted into US dollars at the rates indicated. Unless otherwise indicated, rand amounts have been translated into US dollars at the rate of R6.35 per US dollar, which was the noon buying rate for customs purposes of the rand, as reported by the Federal Reserve Bank of New York on 30 September 2005.

**All references in this Form 20-F to years refer to the financial years ended on 30 June with respect to the financial year 2002 and to subsequent financial years and on 25 June with respect to the financial year 2001 and to previous financial years, unless otherwise stated.**

Besides applying barrels ( b ) and cubic feet ( cf ) for reporting oil and gas reserves and production, Sasol applies the Système International ( SI ) metric measures for all global operations. A ton or tonne denotes one metric ton equivalent to 1,000 kilograms ( kg ). Sasol s reference to metric tons should not be confused with an imperial ton equivalent to 2,240 pounds (or about 1,016 kg). Barrels per day or bpd is used to refer to our oil and gas production.

All references to billions in this Form 20-F are to thousands of millions.

All references to the group , us , we , the company , or Sasol in this Form 20-F are to Sasol Limited, its group of subsidiaries and its interests in associates and joint ventures. All references in this Form 20-F are to Sasol Limited or the companies comprising the group, as the context may require. All references to (Pty) Limited refers to (Proprietary) Limited, a form of corporation in South Africa which restricts the right of transfer of its shares, limits the number of members and prohibits the public offering of its shares.

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All references in this Form 20-F to South Africa and the government are to the Republic of South Africa and its government. All references to the JSE are to the JSE Limited (formerly known as the JSE Securities Exchange, South Africa). All references to SARB refer to the South African Reserve Bank and all references to PPI refer to the Producer Price Index, which is a measure of inflation in South Africa. All references to GTL and CTL refer to our gas-to-liquids and coal-to-liquids processes respectively.

Certain industry terms used in this Form 20-F are defined in the Glossary of Terms.

Unless otherwise stated, presentation of financial information in this annual report on Form 20-F will be under US GAAP. Our discussion of business segment results follows the basis on which management measures business segment performance. Presentation of business segment results on a management basis differs from results on a US GAAP basis in certain respects. For more information on the reconciliation of segmental turnover and operating profit see Note 3 to our consolidated financial statements.

5

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## FORWARD-LOOKING STATEMENTS

We may from time to time make written or oral forward-looking statements, including in this Form 20-F, in other filings with the United States Securities and Exchange Commission, in reports to shareholders and in other communications. These statements may relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to:

- statements regarding our future results of operations and financial condition and regarding future economic performance;
- statements regarding recent and proposed accounting pronouncements and their impact on our future results of operations and financial condition;
- statements of our business strategy, plans, objectives or goals, including those related to products or services;
- statements regarding future competition and changes in market share in the South African and international industries and markets for our products;
- statements regarding our existing or anticipated investments (including the GTL projects in Qatar and Nigeria, the Arya Sasol Polymer Project and other investments), acquisitions of new businesses or the disposition of existing businesses;
- statements regarding our estimated oil, gas and coal reserves;
- statements regarding future development in legal and regulatory matters, including initiatives for the economic empowerment of historically disadvantaged South Africans;
- statements regarding future fluctuations in product and oil prices or fluctuations in exchange and interest rates;
- statements regarding our plans to enter the South African retail and commercial markets for liquid fuels;
- statements regarding changes in the manufacturers fuel pricing mechanism in South Africa and their effects on fuel prices and our operating results and profitability;
- statements regarding our current or future products and anticipated customer demand for these products;
- statements regarding acts of war, terrorism or other events that may adversely affect the group's operations or that of key stakeholders to the group; and
- statements of assumptions underlying such statements.

Words such as believe, anticipate, expect, intend, seek, will, plan, could, may, endeavor and project and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated in this Form 20-F. You should understand that a number of important factors could cause actual results to differ





materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include among others, and without limitation:

- the outcomes in developing regulatory matters and the effect of changes in regulation and government policy;
- the political, social and economic conditions and developments in the world, especially those countries in which we operate;
- our ability to maintain key customer relations in important markets;
- our ability to improve results despite unusual levels of competitiveness;
- the continuation of substantial growth in significant developing markets, such as China;
- the ability to benefit from our capital spending policies;
- growth in significant developing areas of our business;
- changes in the demand for and international prices of crude oil, petroleum and chemical products and changes in currency rates;
- our success in continuing technological innovation;
- our ability to maintain sustainable earnings despite fluctuations in foreign exchange rates and interest rates;
- our ability to attract and retain sufficient skilled employees; and
- our success at managing the risks of the foregoing.

The foregoing list of important factors is not exhaustive; when relying on forward-looking statements to make investment decisions, you should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

## **ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

We are a public company incorporated under the Company law of South Africa. All of our directors and officers, reside outside the United States, principally in South Africa. You may not be able, therefore, to effect service of process within the United States upon those directors and officers with respect to matters arising under the federal securities laws of the United States.

In addition, substantially all of our assets and the assets of our directors and officers are located outside the United States. As a result, you may not be able to enforce against us or our directors and officers judgments obtained in United States courts predicated on the civil liability provisions of the federal securities laws of the United States.

A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

- the court which pronounced the judgment has jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive, that is, it cannot be altered by the court which pronounced it;
- the judgment has not been prescribed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by fraudulent means;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Businesses Act 99 of 1978, as amended, of the Republic of South Africa.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system that does not mean that such awards are necessarily contrary to public policy. Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on United States federal securities law can be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South Africa.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable

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**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable

10

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**ITEM 3. KEY INFORMATION****3.A Selected Financial Data**

The following information should be read in conjunction with Item 5. Operating and Financial Review and Prospects and the consolidated financial statements, the accompanying notes and other financial information included elsewhere in this annual report on Form 20-F.

The US GAAP financial data set forth below has been extracted from the audited consolidated financial statements for the years ended and as at 30 June 2005, 30 June 2004 and 30 June 2003 which are included in this Form 20-F and which have been prepared in accordance with US GAAP. The US GAAP financial information for the two years ended and as at 30 June 2002 and 25 June 2001 has been extracted from audited financial statements not included in this annual report on Form 20-F. The IFRS financial data set forth below for the years ended as at 30 June 2005, 30 June 2004, 30 June 2003, 30 June 2002 and 25 June 2001 has been derived from audited consolidated financial statements prepared in accordance with IFRS.

	25 June 2001	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June(1) 2005 (US\$ in millions)
<b>(Rand in millions)</b>						
<b>(except per share information and weighted average shares in issue)</b>						
<b>Income Statement Data:</b>						
<b>IFRS</b>						
Turnover	40,768	59,590	64,555	60,151	69,239	10,904
Operating profit	10,619	14,783	11,911	9,314	14,506	2,284
Income before tax	10,664	14,760	11,913	9,182	14,252	2,244
Earnings attributable to shareholders	7,125	9,817	7,817	5,940	9,573	1,508
<b>US GAAP</b>						
Turnover	37,636	55,667	63,769	58,808	67,427	10,618
Operating profit	10,230	14,224	11,011	8,739	14,933	2,351
Income before tax	10,274	14,178	10,947	8,676	14,740	2,321
Earnings attributable to shareholders	6,952	9,434	7,344	5,358	9,787	1,541
<b>Per share information (South African and US cents):</b>						
<b>IFRS</b>						
Basic earnings per share	1,136	1,603	1,283	974	1,560	246
Diluted earnings per share	1,123	1,571	1,262	964	1,533	241
Dividends per share(2)	320	450	450	450	540	85
<b>US GAAP</b>						
Basic earnings per share	1,108	1,540	1,206	878	1,594	251
Diluted earnings per share	1,095	1,509	1,185	870	1,567	247
<b>Weighted average shares in issue (in millions):</b>						
Average shares outstanding basic	627.3	612.5	609.3	610.0	613.8	613.8
Average shares outstanding diluted	634.7	625.0	619.6	616.2	624.4	624.4
<b>Balance Sheet data:</b>						
<b>IFRS</b>						
Total assets	51,443	65,730	69,619	73,486	87,989	13,857
Total shareholders equity	23,137	31,315	33,518	35,027	43,530	6,855
Share capital	2,630	2,706	2,783	2,892	3,203	504
<b>US GAAP</b>						
Total assets	51,158	62,493	67,905	68,765	80,428	12,665
Total shareholders equity	23,658	30,944	32,793	33,669	40,945	6,449
Share capital	2,648	2,772	2,842	2,976	3,356	529

(1) Translations into US dollars in this table are for convenience only and are computed at the noon buying rate of the Federal Reserve Bank of New York on 30 September 2005 of R6.35 per US dollar. You should not view such translations as a representation that such amounts represent actual US dollar amounts.

(2) Includes the final dividend which was declared subsequent to the balance sheet date and is presented for information purposes only. No provision for this final dividend has been recognized.

**Exchange rate information**

The following table sets forth certain information as published by the Federal Reserve Bank of New York with respect to the noon buying rate of US dollars in terms of rand for the years shown:

<b>Rand per US dollar for the year ended 30 June or the respective month</b>	<b>Average(1)</b>	<b>High</b>	<b>Low</b>
2001(2)	7.64	8.16	6.79
2002	10.20	13.60	8.23
2003	9.04	10.90	7.18
2004	6.88	7.80	6.17
2005	6.21	6.92	5.62
2006(3)	6.50	6.90	6.26
April 2005	6.15	6.28	6.03
May 2005	6.33	6.75	5.96
June 2005	6.74	6.92	6.63
July 2005	6.70	6.90	6.53
August 2005	6.46	6.55	6.34
September 2005	6.36	6.45	6.26

(1) The average exchange rates for each full year are calculated using the average exchange rate on the last day of each month during the period. The average exchange rate for each month is calculated using the average of the daily exchange rates during the period.

(2) Year ended 25 June 2001.

(3) Through 30 September 2005.

The rate on 30 September 2005 was R6.35 per US dollar.

**3.B Capitalization and Indebtedness**

Not applicable.

**3.C Reasons for the Offer and Use of Proceeds**

Not applicable.

**3.D Risk Factors****Fluctuations in exchange rates may adversely affect our business, operating results, cash flows and financial condition.**

The rand is our principal operating currency. However, a large part of our group's turnover is denominated in US dollars and some part in euro, derived either from exports from South Africa or from our manufacturing and distribution operations outside South Africa. Also, a significant part of our turnover is determined by the US dollar, as petroleum prices in general and the price of most petroleum and chemical products in South Africa are based on global commodity and benchmark prices which are quoted in US dollars. Hence, a large part of our group turnover (approximately 90%) is denominated in US dollars or influenced by the underlying global commodity and benchmark prices which are quoted in US dollars, while about one third of our costs are rand denominated. Furthermore, a significant part of our capital expenditure is also US dollar-denominated, as it is directed to investments outside South Africa. In our European operations a large part of our costs are euro based and a significant part of our turnover is US dollar based. Accordingly, fluctuations in the exchange rates between the rand and US dollar, the rand and the euro and the euro and the US dollar may have a material effect on our business, operating results, cash flows and financial condition.

The PPI has for many years been above the rate of inflation in the United States. This, among other factors, resulted in a concomitant decline in the value of the rand against the US dollar up until 2002, during which year the average exchange rate was R10.20 against the US dollar. However, since early 2002, due to a variety of reasons, the rand has strengthened against the US dollar, reaching R6.35 at 30 September 2005, which has had a negative impact on our results. Whilst the exchange rate during the current year has been relatively less volatile than in certain previous years we are unable to forecast whether this will continue in the foreseeable future.

In addition, although the exchange rate of the rand is primarily market-determined, its value at any time may not be an accurate reflection of the underlying value of the rand, due to the potential effect of, among other factors, exchange controls. For more information regarding exchange controls in South Africa see Item 10.D Exchange Controls .

**Fluctuations in refining margins and crude oil, natural gas and petroleum products prices may adversely affect our business, operating results, cash flows and financial condition.**

Market prices for crude oil, natural gas and petroleum products may fluctuate as they are subject to local and international supply and demand fundamentals and factors over which we have no control. Worldwide supply conditions and the price levels of crude oil may be significantly influenced by international cartels, which control the production of a significant proportion of the worldwide supply of crude oil, and by political developments, especially in the Middle East. Other factors which may influence the aggregate demand and hence affect the markets and prices for petroleum products in regions which influence South African fuel prices through the Basic Fuel Price ( BFP ) price formula (used for the calculation of the refinery gate price in South Africa) and/or where we market these products, may include changes in economic conditions, the price and availability of substitute fuels, changes in product inventory, product specifications and other factors. In recent years, prices for petroleum products have fluctuated widely. In recent months the price of crude oil has been at very high levels. See Item 5. Operating and Financial Review and Prospects .

A substantial proportion of our turnover is derived from sales of petroleum and petrochemical products. Through our equity participation in the National Petroleum Refiners of South Africa (Pty) Limited ( Natref ) crude oil refinery, we are exposed to fluctuations in refinery margins resulting from differing fluctuations in international crude oil and petroleum product prices. We are also exposed to changes in absolute levels of international petroleum product prices through our synfuels operations. Fluctuations in international crude oil prices affect our results mainly through their indirect effect on the BFP price formula. See Item 4.B Business Overview Sasol Synfuels and Sasol Liquid Fuels Business as well as the impact on oil derived feedstock. Furthermore, prices of petrochemical products and natural gas are also affected by fluctuation in crude oil prices. Fluctuations and, in particular, decreases in the price of crude oil and petroleum products can have a material adverse effect on our business, operating results, cash flows and financial condition.

We use hedging instruments to protect us against day to day US dollar price fluctuations affecting the acquisition cost of our crude oil needs, including rand to US dollar exchange rate fluctuations. During the course of the 2005 year, we have again hedged a portion of our synthetic fuel production in respect of the 2006 year. See Item 8.B Significant Changes and Item 11. Quantitative and Qualitative Disclosures about Market Risk . While the use of these instruments may provide some protection against short-term fluctuation in crude oil prices it does not protect us against longer term fluctuations in crude oil prices or differing trends between crude oil and petroleum product prices.

We are unable to accurately forecast fluctuations in refining margins and crude oil, natural gas and petroleum products prices. Fluctuations in any of these may have a material adverse effect on our business, operating results, cash flows and financial condition.

**Cyclicality in petrochemical product prices may adversely affect our business, operating results, cash flows and financial condition.**

The demand for chemicals and especially products such as solvents, alkylates and polymers are cyclical. Typically, higher demand during peaks in the industry business cycles leads producers to increase their production capacity. Although peaks in the business cycle have been characterized by increased selling prices and higher operating margins, in the past such peaks have led to overcapacity and supply exceeding demand growth. Low periods in the business cycle are then characterized by decreasing prices and excess capacity, which can depress operating margins and may result in operating losses. We believe that some areas within the chemicals industry currently show overcapacity with the possibility of further capacity additions in the next few years. We cannot assure you that future growth in demand will be sufficient to absorb current overcapacity or future capacity additions without downward pressure on prices of chemical products. Such pressure may have a material adverse effect on our business, operating results, cash flows and financial condition.

**We may not be able to exploit technological advances quickly and successfully.**

Most of our operations, including the gasification of coal and the manufacture of synthetic fuels ( synfuels ) and petrochemical products, are highly dependent on the use of advanced technologies. The commercialization and use of the appropriate advanced technologies can affect, among other things, the competitiveness of our products, the continuity of our operations, our feedstock requirements and the capacity and efficiency of our production.

We believe that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate. Unexpected rapid advances in employed technologies or the development of novel processes can affect our operations and product ranges in that it could render the technologies we utilize or the products we produce obsolete or less competitive in the future. Difficulties in accessing new technologies may impede us from implementing them and competitive pressures may force us to implement these new technologies at a substantial cost. Examples of new technologies which may in the future affect our business include the following:

- The development and commercialization of non-hydrocarbon-dependent energy carrier technologies, including the further development of fuel cells or the large scale broadening of the application of electricity to drive motor vehicles. These may be disruptive to the use of hydrocarbon and refined crude oil-derived fuels.
- The development of improved fuels (and associated automotive technologies) from a crude oil base with equivalent properties to that of Fischer-Tropsch derived fuels, which may erode the competitive advantage of Fischer-Tropsch fuels.
- The development by competitors of next generation catalysts in which catalyst performance is manipulated resulting in highly selective and high purity chemical products, which may render the use of our mixed feed stream catalytic-based production processes uncompetitive.

We cannot predict the effect of these or other technological changes or the development of novel processes on our business or on our ability to provide competitive products. Our ability to meet the competition will depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercializing these advances in spite of competition we face by patents registered by our competitors. If we are unable to implement new technologies in a timely or cost-efficient basis, or penetrate new markets in a timely manner in response to changing market conditions or customer requirements, we could experience a material adverse effect on our business, operating results, cash flows and financial condition.



**Our GTL projects may not prove sufficiently viable or as profitable as planned.**

We are currently developing GTL projects in Qatar and Nigeria. In addition we are considering opportunities for further GTL investments in other areas of the world. The development of these projects, either solely or through our joint venture with Chevron Corporation (Chevron), is a capital-intensive process and requires us to commit significant capital expenditure and devote considerable management resources in utilizing our existing experience and know-how, especially in connection with Fischer-Tropsch synthesis technologies. See Item 4.B Business Overview Sasol Synfuels International. This process and its products may also give rise to patent risks in connection with the use of our GTL technology. See below, Intellectual property risks may adversely affect our products or processes and our competitive advantage.

We consider the development of our GTL projects a major part of our strategy for future growth and believe that GTL fuels will in time develop to become an efficient and widely used alternative and/or supplement to conventional diesel fuel. In assessing the viability of our GTL projects, we make a number of assumptions relating to specific variables, mainly including:

- prices of crude oil, petroleum products and gas;
- fluctuations in the exchange rate of the US dollar against the rand;
- fluctuations in interest rates;
- fiscal dispensation in the countries in which we invest;
- capital cost of the facilities;
- various operating costs;
- technology and catalyst performance;
- conditions in the countries in which we invest, including factors relating to political, social and economic conditions;
- availability of skills to construct and operate the plants;
- the extent of available gas reserves; and
- timely completion of projects.

Significant variations in any one or more of the above factors beyond our control, or any other relevant factor, may adversely affect the profitability or even the viability of our GTL investments. Should we not be successful in the implementation of our GTL projects, we may be required to write off significant amounts devoted to them, while we may need to redirect our strategy for future growth. In view of the resources invested in these projects and their importance to our growth strategy, problems we may experience as a result of these factors may have a material adverse effect on our business, operating results, cash flows and financial condition and opportunities for future growth.

**There are risks relating to the sustainability of wholesale petroleum products supply agreements and to the establishment of our retail service station network.**

Following the termination of the Main Supply and Blue Pump agreements in December 2003, [See Item 4.B Business Overview Sasol Liquid Fuels Business] we have sold or removed the Blue Pumps and associated infrastructure from service stations owned by other oil companies, and have concluded new short-term arrangements with the oil companies to supply their petroleum products requirements in certain geographic areas. We have sold a substantial portion of our aggregate petroleum production to the oil companies under these arrangements. These agreements tend to be short term of between one and two



years in duration. Further negotiations with these oil companies are ongoing. Furthermore, as a result of the termination of the agreements, the restrictions on our ability to market our petroleum products directly to the South African retail and commercial markets expired. During 2003 we commenced with the development of a service station network with a view to accessing the retail market in South Africa with our own Sasol and Exel brands, and, in order to enhance the profitability of this network, we are concentrating on developing high volume stations in growth areas. See Item 4.B Business Overview Sasol Liquid Fuel Business . The guidelines developed by the Gauteng Department of Agriculture Conservation and Environment relating to the development and upgrading of service stations within the Gauteng region in South Africa may place constraints on our plans to grow our retail service station network especially if the proposed joint venture with Petroliam Nasional Berhad ( Petronas ) referred to below does not materialise. See Item 4.B Business Overview Legal Proceedings . We are awaiting a decision by the South African competition authorities to combine our liquid fuels business with that of Engen Limited ( Engen ), a South African subsidiary of Petronas, in a joint venture which will provide us with further access to the South African retail market. See Item 8.B Significant Changes .

Nonetheless, we cannot assure you that our ongoing negotiations with other oil companies will result in beneficial arrangements on a sustainable basis. We cannot assure you that we will be successful in competing with the oil companies established service station networks, or in optimizing the configuration of our network, or that the South African competition authorities will approve the proposed joint venture with Petronas, or that we will be successful in selling the balance of our non-committed petroleum product directly to the commercial or retail markets. Failure to meet any of these objectives may have a material adverse effect on our business, operating results, cash flows and financial condition.

**There are risks relating to countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition.**

Several of our subsidiaries, joint ventures and associates operate in countries and regions that are subject to significantly differing political, social, economic and market conditions. See Item 18. Financial Statements Note 3 Segmental Analysis for a description of the extent of our operations in the main countries and regions in which we operate. We are a South African domiciled company. The majority of our operations are located and 51% of our turnover is generated in South Africa.

Specific aspects of country risks that may have a material impact on our business, operating results, cash flows and financial condition include:

(a) Political, social and economic issues

Sasol has or is in the process of investing in significant operations in African, South-east Asian and Middle Eastern regions that have in the past to a greater or lesser extent experienced social, economic and political uncertainty. More recently certain countries in which Sasol operates have achieved greater social, political and economic stability. Since 1994 South Africa, in particular, has experienced significantly improved social, economic and political conditions.

(b) Fluctuations in inflation and interest rates

Over recent years, the South African economy has had relatively low and stable levels of inflation and interest rates. Should increases in these rates occur, our costs could increase and our operating margins could be affected. High interest rates could also adversely impact on our ability to ensure cost-effective debt financing in South Africa.

(c) Transportation, water and electricity and other infrastructure

The infrastructure in some countries in which we operate, such as rail infrastructure and electricity and water supply in South Africa, may need to be further upgraded and expanded and in certain instances possibly at our own cost.

(d) Unionized Labor

The majority of our employees worldwide belong to trade unions. These employees comprise mainly general workers, artisans and technical operators. Although in recent years we have not experienced significant labor disruptions and have had constructive relations with our employees and their unions, we cannot assure you that such labor disruptions will not occur in the future.

(e) Southern African regional issues

There have been some instances of social, political, and economic instability in some of the countries in the Southern African region. Although we believe South Africa's growing stature has increasingly separated it from the effects of regional issues, such political or economic instability in neighboring countries could negatively affect conditions in South Africa.

(f) Exchange control regulations

South African law provides for exchange control regulations which restrict the export of capital from the Common Monetary Area, which includes South Africa, subject to SARB dispensation. These regulations apply to transactions involving South African residents, including both natural persons and legal entities. These regulations also affect our ability to borrow funds from non-South African sources for use in South Africa or to repay these funds from South Africa and, in some cases, our ability to guarantee the obligations of our subsidiaries with regard to these funds. These restrictions have affected the manner in which we have financed our acquisitions outside South Africa and the geographic distribution of our debt. See Item 10.D Exchange Controls and Item 5.B Liquidity and Capital Resources .

(g) HIV/AIDS in sub-Saharan Africa

HIV/AIDS and tuberculosis, which is exacerbated in the presence of HIV/AIDS, are the major healthcare challenges faced by our South African and other sub-Saharan operations. HIV infection among women in antenatal clinics around South Africa rose from 1% in 1990 to nearly 25% in 2000. Under South African law, we may not run tests to accurately establish the number of our employees who are infected with, or die from, AIDS related illnesses without the express consent of the people to be tested. However, based on the final results of our voluntary counseling and testing program which had an 82% uptake amongst all levels of the organization, we estimate that 7% of our South African workforce may be currently infected, with the highest concentration of infections in our mining operations. This is less than the 10% to 15% initially estimated during the 2004 year. Based on an actuarial study, which excludes the positive impact of any prevention and management intervention program, we estimate that, while the percentage of infected employees may not rise significantly in the forthcoming years, there will be a significant increase in the number of AIDS-related fatalities. See Item 6.D Employees .

We incur costs relating to the medical treatment and loss of infected personnel, as well as the related loss of productivity. We also incur costs relating to the recruitment and training of new personnel. We are not in a position to accurately quantify these costs. Based on our actuarial models, we estimate that the impact of HIV/AIDS on our payroll expenses should be less than 1% of our current payroll for our South African employees by the year 2007. This calculation is based on the estimated financial impact on production resulting from the projected prevalence of HIV/AIDS among our workforce, but does not take into account indirect costs of productivity losses. We are investing human and financial resources to

establish and maintain programs to address the HIV/AIDS pandemic. In September 2002, we launched the Sasol HIV/AIDS Response Programme ( SHARP ), which is our initiative to respond to the HIV/AIDS pandemic, on which we have spent a total sum of approximately R20 million to June 2005. We are committed to the on-going funding of SHARP.

We cannot assure you that the costs we are currently incurring and will incur in the future in connection with the HIV/AIDS pandemic, will not have a material adverse effect on our business, operating results, cash flows and financial condition.

(h) Transformation issues

In some countries our operations are required to comply with local procurement, employment equity, ownership and other regulations which are designed to address country specific social and economic transformation issues. In this regard, the following South African-specific initiatives apply which are intended to redress historical social and economic inequalities and ensure long-term socio-economic stability.

As a leading and patriotic South African-based company, we embrace and will engender or participate in initiatives to bring about meaningful transformation to assist in correcting the imbalances and injustices of the apartheid era. We consider these initiatives to be a strategic imperative and we acknowledge the risk of not vigorously pursuing them or of them not succeeding and adversely impacting on the long-term sustainable performance and reputation of our company.

As part of an initiative of the government of South Africa to advance the participation of historically disadvantaged South Africans in the country's economy, in November 2000, we became party to an agreement with the government and the liquid fuels industry, the Charter for the South African Petroleum and Liquid Fuels Industry on Empowering Historically Disadvantaged South Africans in the Petroleum and Liquid Fuels Industry (the Liquid Fuels Charter). The Charter deals with the following key matters:

- participation in ownership and control in all facets of the industry by historically disadvantaged South Africans;
- addressing the skills gap in the industry;
- employment equity; and
- procurement from historically disadvantaged South Africans.

See Item 4.B Business Overview Sasol Liquid Fuel Business and Empowerment of Historically Disadvantaged South Africans .

The Liquid Fuels Charter requires us, amongst other things, to ensure that historically disadvantaged South Africans hold at least 25% equity ownership of our liquid fuels business by the year 2010. If the proposed joint venture with Engen is approved by the South African competition authorities then we will comply with the 25% equity ownership requirement of the Liquid Fuels Charter through the shareholdings of Tshwarisano LFB Investment (Pty) Limited ( Tshwarisano ), Sasol's Broad-based Black Economic Empowerment partner, and Afric Energy Resources, Engen's Broad-based Black Economic Empowerment partner, in the joint venture company. If the joint venture is not approved then Tshwarisano will become a 25% equity owner in our liquid fuels business, which will comply with the Liquid Fuels Charter. See Item 8.B Significant Changes .

In October 2002, the government and representatives of South African mining companies and mineworkers' unions reached broad agreement on a charter (the Mining Charter), designed to facilitate the participation of historically disadvantaged South Africans in the country's mining industry. The Charter's stated objectives include the:

- expansion of opportunities for persons disadvantaged by unfair discrimination under the previous political dispensation;
- expansion of the skills base of such persons;
- promotion of employment and advancement of the social and economic welfare of mining communities; and
- promotion of beneficiation, or the crushing and separation of ore into valuable substances or waste within South Africa.

The Charter, together with the scorecard to facilitate the interpretation of and compliance with the Mining Charter, requires mining companies to ensure that historically disadvantaged South Africans hold at least 15% ownership of mining assets or equity in South Africa within 5 calendar years and 26% ownership within 10 calendar years from the effective date of the new Mineral and Petroleum Resources Development Act which was on 1 May 2004. The Charter further specifies that the mining industry is required to assist historically disadvantaged South Africans in securing finance to fund their equity participation up to an amount of R100 billion within the first 5 calendar years after the implementation of the aforementioned Act. Beyond this R100 billion commitment, the Mining Charter requires that participation of historically disadvantaged South Africans should be increased towards the 26% target on a willing buyer-willing seller basis. See Item 4.B Business Overview Sasol Mining and

Empowerment of Historically Disadvantaged South Africans .

Various principles of the Mining Charter have been incorporated in regulations promulgated by the Minister of Minerals and Energy under the new Mineral and Petroleum Resources Development Act with respect to the South African mining industry. These regulations came into effect on 1 May 2004. We have commenced a process to apply for the conversion of our existing mining licenses under the new Mineral and Petroleum Resources Development Act. See below New mining legislation may have an adverse effect on our mineral rights . When considering applications for the conversion of existing mining licenses under the Mineral and Petroleum Resources Development Act, the Minister of Minerals and Energy must take into account, among other factors, the applicant company's compliance with the Mining Charter. We intend to undertake appropriate action required to ensure conversion of our existing mining rights under the Mineral and Petroleum Resources Development Act.

The financing arrangements for the Tshwarisano transaction are set out in Item 8.B Significant Changes . It is not currently known what financing arrangements may ultimately be put in place to support any further transactions required in order to comply with the above-mentioned Charters and we cannot assure you that we will not participate in these arrangements.

In December 2004 the Minister of Trade and Industry issued certain draft Codes of Good Practice for Broad-based Black Economic Empowerment for public comment pursuant to the Broad-based Black Economic Empowerment Act of 2003. These codes are intended to provide business with guidance on implementing the requirements of the Act. It is uncertain when these Codes will be published in the South African Government Gazette.

It is not currently known what additional costs or implications will arise for us to comply with the said Act and other requirements of both the Liquid Fuels and Mining Charters or the Codes of Good Practice for Broad-based Black Economic Empowerment and we cannot assure you that these costs or implications will not have a material adverse effect on our shareholders or business operating results, cash flows and financial condition.

(i) Other specific country risks that are applicable to countries in which we operate and which may have a material impact on our business include:

- external acts of warfare and civil clashes;
- government interventions, including protectionism and subsidies;
- regulatory, taxation and legal structure changes;
- the control of field developments and transportation infrastructure;
- failure to receive new permits and consents;
- cancellation of contractual rights;
- expropriation of assets;
- lack of capacity to deal with emergency response situations; and
- the introduction of selective environmental and carbon taxes.

Some of the countries where we have already made, or other countries where we may consider making, investments are in various stages of developing institutions and legal and regulatory systems that are characteristic of parliamentary democracies. However, institutions in these countries may not yet be as firmly established as they are in parliamentary democracies in South Africa, the United States and some European countries. Some of these countries are also transitioning to a market economy and, as a result, experience changes in their economies and their government policies that could affect our investments in these countries. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

As the political, economic and legal environments remain subject to continuous development, investors in these countries face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in the countries in which we operate (including neighboring countries) may have a material adverse effect on the investments that we have made or may make in the future, which may in turn have a material adverse effect on our business, operating results, cash flows and financial condition.

**New mining legislation may have an adverse effect on our mineral rights.**

The Mineral and Petroleum Resources Development Act came into effect on 1 May 2004. The fundamental principle of the Act is that mineral resources are the common heritage of all South Africans and collectively belong to all the people of South Africa. The Act provides that the right to prospect and mine, including the right to grant prospecting and mining rights on behalf of the nation, be administered by the government of South Africa which will have the right to exercise full and permanent custodianship over mineral resources.

The Act requires mining companies, including our company, to apply for conversion of their existing prospecting and mining permits. A wide range of factors and principles must be taken into account by the Minister of Minerals and Energy when considering these applications. These factors include the applicant's access to financial resources and appropriate technical ability to conduct the proposed prospecting or mining operation, the environmental impact of the operation and, in the case of prospecting rights, considerations relating to fair competition. Other factors include considerations relevant to promoting employment and the social and economic welfare of all South Africans and showing compliance with the provisions of the Mining Charter for the empowerment of historically disadvantaged persons in the mining

industry. See Item 4.B Business Overview Regulation of Mining Activities in South Africa and Empowerment of Historically Disadvantaged South Africans .

The Act also provides that a mining right granted under the Act may be cancelled if the mineral to which such mining right relates is not mined at an optimal rate. Furthermore, royalties from mining activities may become payable to the state under provisions contained in the Mineral and Petroleum Royalty Bill . This bill was published in March 2003. The bill provides for a royalty rate of 2% on anthracite and bituminous coal (low ash and steam) and 1% on bituminous coal for South African energy consumption. The royalty is payable quarterly in arrears to the state. The Minister of Finance in his budget speech to Parliament in February 2004 confirmed that these royalties will be revenue based and will take effect in 2009. There is uncertainty as to whether or not further amendments will be made to the bill and when the bill will become law. Due to this uncertainty we are unable to assess the potential impact on our future business, operating results, cash flows and financial condition.

It is the declared intent of the South African government not to disrupt operations as a result of the introduction of the new legislation and we intend to undertake the appropriate actions in order to ensure conversion of our existing prospecting and mining rights. However, we cannot assure you that we will be successful in all our applications for conversion and that our rights on existing coal mine reserves will not be affected, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

**New legislation on petroleum and energy activities may have an adverse impact on our business, operating results, cash flows and financial condition.**

The Petroleum Products Amendment Act was assented to by the President of South Africa on 26 April 2004. We are uncertain when the Act will take effect. The Act, and the subsequent Amendment Bill, will amend the existing Petroleum Products Act, enacting provisions regulating a range of matters including the licensing of persons involved in the manufacturing, wholesale and retail sale of petroleum products. As the Act and regulations to be promulgated there under will regulate matters pertaining to wholesale and retail sales of petroleum products, including their retail prices, its provisions may impact the conditions and cost of our entry into the retail fuel market in South Africa. See Item 4.B Business Overview Sasol Liquid Fuels Business and Regulation of Petroleum-Related Activities in South Africa .

The Petroleum Pipelines Act was signed by the President of South Africa on 31 May 2004. We are uncertain when the Act will take effect. The Act will regulate petroleum pipelines and storage facility activities, including the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines and storage facilities. The Act grants broad discretion to the Minister of Minerals and Energy to adopt different pricing methodologies in connection with the setting of tariffs, which may prove advantageous for some competitors, because of different market and geographic positions. Regulations that may be promulgated under the Act may affect our advantage due to the location in the economic heartland of the country of our Natref refinery and our synfuels facilities at Secunda. See

Item 4.B Business Overview Sasol Liquid Fuels Business and Regulation of Petroleum-Related Activities in South Africa . We cannot assure you that the enactment of new legislation or the amendment of existing laws and regulations will not have a material adverse effect on our business, operating results, cash flows and financial condition.

The Gas Act, which is expected to take effect on a date to be determined by the President, will regulate matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Although Sasol has negotiated a ten calendar year regulatory dispensation with the South African government covering the supply of Mozambican natural gas to the South African market, we cannot assure you that the enactment of the new Gas Act and the appointment of a new National Energy Regulator (appointed in terms of the National Energy Regulator Act which was signed by the



president in March, 2005) will not have a material adverse impact on our business, operating results, cash flows and financial condition. See Item 4.B Business Overview Sasol Gas and Regulation of Gas-Related Activities in South Africa .

The South African government issued guidelines relating to new fuel specifications, portions of which are intended to come into effect in January 2006 and other times in the calendar years up to 2010. These specifications relate to the phasing out of lead from the petroleum products we manufacture, a reduction in the sulfur content in certain of these products and a new national octane structure. There is uncertainty as to what additives we will be allowed to use in the manufacture of these petroleum products. To meet these new specifications we are making significant capital investments at our manufacturing sites to modify our current petroleum production processes. It is as yet uncertain what the market demand will be for the various new products. Should the demand for particular products outstrip our ability to manufacture them as a result of a delay in completing modifications to our plants and/or anticipated demand projections being exceeded this could have a material adverse effect on our business, operating results, cash flows and financial condition.

**We may not be successful in attracting and retaining sufficient skilled employees.**

We are highly dependent on the continuous development and successful application of new technologies. In order to achieve this, we need to maintain a focus on recruiting and retaining qualified scientists and engineers. In the past, we have been successful in recruiting such personnel. We have also established certain research and development facilities overseas. However, demand for personnel with the range of capabilities and experience required in our industry is high and success in attracting and retaining such employees is not guaranteed. The risk exists that our scientific and engineering skills base may be depleted over time because of, for example, natural attrition and a shortage of people being available in these disciplines. Failure to attract and retain people with the right capabilities and experience could negatively affect our ability to introduce and maintain the appropriate technological improvements to our business and our ability to successfully construct and commission new plants. This may have a material adverse effect on our business, operating results, cash flows and financial condition.

**Intellectual property risks may adversely affect our products or processes and our competitive advantage.**

Our various products and processes, including most notably, our chemical, CTL and GTL products and processes have unique characteristics and structures and, as a result, are subject to patent protection, the extent of which varies from country to country. The expiry of a patent results in increased competition in the market for the previously patented products and processes. In addition, aggressive patenting by our competition may result in an increased patent infringement risk.

A high percentage of our products can be regarded as commodity chemicals, some of which have unique characteristics and structure. These products are normally utilized by our clients as feedstock to manufacture specialty chemicals or application-type products. We have noticed a worldwide trend of increased filing of patents relating to the composition of application-type products. These patents may create pressure on our clients who market these application-type products which may adversely affect our sales to these clients. Patent-related pressures may adversely affect our business, operating results, cash flows and financial condition.

We believe that our proprietary technology, know-how and trade secrets, especially in the Fischer-Tropsch area, provide us with a competitive advantage. A possible loss of experienced personnel to competitors, and a possible transfer of know-how and trade secrets associated therewith, may negatively impact this advantage. Similarly, operating and licensing technology in countries in which intellectual property laws are not well established and enforced may result in some transfer of our know-how and trade secrets to our competitors. This may adversely affect our business, operating results, cash flows and financial condition.

**Increasing competition from products originating from countries with low production costs may adversely affect our business, operating results, cash flows and financial condition.**

A significant part of our chemical production facilities is located in developed countries, including the United States and Europe. Economic and political conditions in these countries result in relatively high labor costs and, in some regions, inflexible labor markets, compared to others. Increasing competition from regions with lower production costs, for example the Middle East and China, exercises pressure on the competitiveness of our chemical products and, therefore, on our profit margins and may result in withdrawal of particular products or closure of facilities. We cannot assure you that increasing competition by products originating from countries with low production costs will not result in withdrawal of our products or closure of our facilities, which may have a material adverse effect on our business, operating results, cash flows and financial condition.

**Changes in consumer and safety, health and environmental regulations and legislation and public opinion may adversely affect our business, operating results, cash flows and financial condition.**

Our products are required to comply with legislation relating to the protection of the environment, health and safety and/or the end consumer, as well as customer needs. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in providing additional test data in order to register our products or to adjust the manufacturing processes for certain of our products, including liquid fuels and chemicals, or even withdraw some of them, in order to be in a position to comply with market needs or more stringent regulatory requirements. For example, compliance with the registration, evaluation and authorization of chemicals ( REACH ) procedure proposed by the European Commission ( EC ) may have significant cost implications as we may be required, among other things, to provide risk assessments and apply for registration of our products. Similarly, public opinion is growing more sensitive to consumer health and safety and environmental protection matters, and, as a result, markets may apply pressure on us concerning certain of our products. Should we be required to comply with REACH requirements we may incur significant additional costs. We may be required to withdraw from the market certain products which we consider uneconomical given these additional costs of compliance or otherwise due to public opinion considerations. These factors may have a material adverse effect on our business, operating results, cash flows and financial condition.

Our exploration, mining and production operations are required to conform with legislation relating to the protection of the environment, health and safety of the workforce and/or neighboring communities. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in order to provide additional protection or to adjust specifications or manufacturing processes or transport and distribution arrangements for certain of our operations or products. Should we make changes or incur such costs this may have a material adverse effect on our business, operating results, cash flows and financial condition. More specifically:

- The National Environmental Management: Air Quality Act was published on 24 February 2005 and certain portions of it came into effect on 9 September 2005. This will enable the Department of Environmental Affairs and Tourism to set ambient air quality and emission standards, declare Priority Areas for the purpose of implementation of Air Quality Management Plans, and prepare for the review of atmospheric emission licenses. More stringent air quality standards may have significant cost implications for us; and
- The nature of some of our processes, like the gasification of coal to produce synthetic fuels and petrochemicals, result in relatively high emission of carbon dioxide, a greenhouse gas. Although certain countries in which we operate are exempt from greenhouse gas reduction targets set in terms of the Kyoto Protocol, it is uncertain how any future developments in carbon dioxide restrictions will affect our group.

**We may face potential costs in connection with industry-related accidents or deliberate acts of terror causing property damages, personal injuries or environmental contamination.**

We operate coal mines, explore for and produce oil and gas and operate a number of plants and facilities for the storage, processing and transportation of oil, chemicals and gas related raw materials, products and wastes. These facilities and their respective operations are subject to various risks, including, but not limited to, fire, explosion, leaks, ruptures, discharges of toxic hazardous substances, soil and water contamination, flooding and land subsidence, among others. As a result, we are subject to the risk of experiencing, and have in the past experienced, industry-related accidents.

The terrorist attacks in the United States on 11 September 2001 and subsequent attacks in various parts of the world demonstrated the increased risk posed by the threat of terrorism. Our facilities, located mainly in South Africa, the United States and various European countries, as well as in various African countries, the Middle East and South-east Asia, are subject to the risk of experiencing deliberate acts of terror.

Industry-related accidents and acts of terror may result in damages to our facilities and may require shutdown of the affected facilities, thereby disrupting production and increasing production costs. Furthermore, acts of terror, accidents or our historical operations may cause, or may have caused, environmental contamination, personal injuries, health impairment or fatalities and may result in exposure to extensive environmental remediation costs, civil litigation, the imposition of fines and penalties and the need to obtain costly pollution control technology.

We obtain insurance cover over our assets and against business interruption. We also obtain insurance to limit certain of our exposures. In some cases we also have indemnity agreements with the previous owners of acquired businesses which limit certain of our exposures to environmental contamination. As a result of the terrorist attacks on 11 September 2001 and more recently hurricanes Katrina and Rita, our insurance costs have increased significantly. We are implementing a number of programs, including on-the-job safety training, in order to increase safety, and we closely monitor our safety, health and environmental procedures. However, there can be no assurance that accidents or acts of terror will not occur in the future, that insurance will adequately cover the entire scope or extent of our losses or that we may not be found directly liable in connection with claims arising from these events.

In general, we cannot assure you that costs incurred as a result of the above or related factors will not have a material adverse effect on our business, operating results, cash flows and financial condition.

**Failure to comply timely with safety, health and environmental and other laws may adversely affect our market position and our business, operating results, cash flows and financial condition.**

We are subject to a wide range of general and industry-specific environmental, health and safety and other legislation in jurisdictions in which we operate. Environmental requirements govern, among other things, land use, air emissions, use of water, wastewater discharge, waste management and site remediation. These regulations often require us to obtain and operate in compliance with the conditions of permits and authorizations from the appropriate regulatory authorities. Compliance with these laws, regulations, permits and authorizations is a significant factor in our business, and we incur, and expect to continue to incur, significant capital and operating expenditures in order to continue to comply, in all material respects, with applicable laws, regulations, permits and authorizations.

Failure to comply timely with applicable safety, health and environmental laws, regulations or permit requirements may result in fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or other remedial actions, any of which could entail significant expenditures.

We are also continuing to take remedial actions at a number of sites due to soil and groundwater contamination. The process of investigation and remediation can be lengthy and is subject to the uncertainties of site specific factors, changing legal requirements, developing technologies, the allocation of liability among multiple parties and the discretion of regulators. Accordingly, we cannot estimate with certainty the actual amount and timing of costs associated with site remediation.

In order to comply with these safety, health and environmental laws and regulations we may have to incur costs which we could finance from our available cash flows or from alternative sources of financing. No assurance can be given that changes in safety, health and environmental laws and regulations or their application or the discovery of previously unknown contamination or other liabilities will not have a material adverse effect on our business, operating results, cash flows and financial condition.

Whilst it is our policy that asbestos-containing materials will be phased out as part of our routine maintenance program there are currently certain asbestos-containing materials at our facilities. In addition, we produce carcinogenic materials at some of our facilities. We cannot assure you that no liabilities may arise as a result of the use or exposure to these materials.

In addition to undertaking internal investigations we are also subject to review from time to time by Government authorities on our compliance with, inter alia, tax and customs and excise duty and anti-trust laws and regulations impacting our operations. Our product pricing structures are also reviewed from time to time by regulatory authorities. Whilst it is our policy to conduct our operations in accordance with applicable laws and regulations and we have established control systems to monitor such compliance, no assurance can be given that these control systems will not fail or that some of our product pricing structures will not change in the future. Failure to interpret correctly and comply with such laws and regulations and/or changes to our product pricing and cost structures may have a material adverse impact on our business, operating results, cash flows and financial condition.

**Our coal, crude oil and natural gas reserve estimates may be materially different from reserves that we may actually recover.**

Our reported coal reserves are estimated quantities that under present and anticipated conditions have the potential to be economically mined and processed. Our proved developed and undeveloped crude oil and natural gas reserves are estimates based on applicable reporting regulations. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of coal, oil and natural gas production, including many factors beyond our control. In addition, reserve/reservoir engineering is a subjective process of estimating underground deposits of reserves that cannot be measured in an exact manner and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary and results of our mining/drilling and production subsequent to the date of an estimate may justify revision of estimates. Reserve estimates may require revision based on actual production experience and other factors. In addition, several factors including the market price of coal, oil and natural gas, reduced recovery rates or increased production costs due to inflation or other factors may render certain of our estimated proven and probable coal reserves and proved developed and undeveloped oil and natural gas reserves uneconomical to exploit and may ultimately result in a restatement of reserves. This may have a material adverse effect on our business, operating results, cash flows and financial condition. See Item 4.D Property, Plants and Equipment .

**There is a possible risk that sanctions may be imposed by the US Government as a result of our Iran-related activities.**

There are possible risks posed by the potential imposition of US economic sanctions in connection with activities we are undertaking in the polymers field and considering in respect of a GTL opportunity in Iran. For a description of our activities in Iran see Item 4.B Business Overview Sasol Polymers and Sasol Synfuels International . The risks relate to two sanctions programs administered by the US Government that we have considered: the Iranian Transactions Regulations ( ITR ) administered by the US Treasury Department Office of Foreign Assets Control ( OFAC ) and the Iran and Libya Sanctions Act ( ILSA ) administered by the US Department of State.

The ITR, administered by OFAC, do not apply directly to either Sasol or the group entities involved in activities in Iran, because none of them would be considered a US person under these regulations. Nonetheless, because the group is a multinational enterprise, we are aware that the ITR may apply to certain entities associated with the group, including US employees, investors and certain subsidiaries.

We are taking measures to ensure that US employees, investors and certain subsidiaries of the group to which the ITR applies will not violate the ITR as a result of their respective affiliation with the group. For instance, to that end, we are taking measures to:

- ensure that no US persons are involved in our Iranian activities, either as directors and officers, or in other positions, including engineering, financial, administrative and legal;
- ensure that funds dedicated to projects in Iran will be kept segregated from general group funds;
- ensure that no funds of US investors will be utilized in the projects by using separate bank accounts for any funds directed to, or to be received from, these projects and monitoring the flow of funds to and from these projects; and
- separate the results of these businesses into separate legal entities.

By undertaking the aforementioned steps, we believe that any risks posed by the ITR to US persons and entities affiliated with the group will be mitigated. Nevertheless, we cannot predict OFAC's enforcement policy in this regard and it is possible that OFAC may take a different view of the measures described above. In such event, US persons or affiliates associated with the group may be subject to a range of civil and criminal penalties.

ILSA grants the President of the United States discretion in imposing sanctions on companies found to be in violation of its provisions involving investment in the petroleum industry in Iran. Should the US government determine that some or all of our activities in Iran are investments in the petroleum industry, as statutorily defined by ILSA, the President of the United States may in his discretion impose, among other sanctions, restrictions on our ability to obtain credit from US financial institutions, restrictions on our ability to procure goods, services and technology from the United States or restrictions on our ability to make sales into the United States.

We cannot predict future interpretations of ILSA or the implementation policy of the US Government with respect to ILSA. Although we believe that our polymers project is not in the petroleum industry and we are only involved in a feasibility study in connection with other activities in Iran, we cannot assure you that our activities in Iran would not be considered investments as statutorily defined by ILSA or that the imposition of sanctions on the company or other entities of the group would not have a material adverse impact on our business, operating results, cash flows and financial condition.

**The exercise of voting rights by holders of American Depositary Receipts is limited in some circumstances.**

Holders of American Depositary Receipts ( ADRs ) may exercise voting rights with respect to the ordinary shares underlying their American Depositary Shares ( ADSs ) only in accordance with the provisions of our deposit agreement with The Bank of New York, as the depository. For example, ADR holders will not receive notice of a meeting directly from us. Rather, we will provide notice of a shareholders meeting to The Bank of New York in accordance with the deposit agreement. The Bank of New York has undertaken in turn, as soon as practicable after receipt of our notice, to mail to holders of ADRs voting materials. These voting materials include the information on the matters to be voted on contained in our notice of the shareholders meeting and a statement that the holders of ADRs on a specified date will be entitled, subject to any applicable provision of the laws of South Africa and our Articles of Association, to instruct The Bank of New York as to the exercise of the voting rights, pertaining to the shares underlying their respective ADSs on a specified date. In addition, holders of our ADRs will be required to instruct The Bank of New York how to exercise these voting rights.

Upon the written instruction of an ADR holder, The Bank of New York will endeavor, in so far as practicable, to vote or cause to be voted the shares underlying the ADSs in accordance with the instructions received. If instructions from an ADR holder are not received by The Bank of New York by the date specified in the voting materials, The Bank of New York will not request a proxy on behalf of such holder. The Bank of New York will not vote or attempt to exercise the right to vote other than in accordance with the instructions received from ADR holders. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York to vote the shares underlying your ADSs. In addition, The Bank of New York and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your voting rights are not exercised as you directed.

**Sales of a large amount of Sasol s ordinary shares and ADSs could adversely affect the prevailing market price of the securities.**

Historically, trading volumes and liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Sasol s ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. Sales of ordinary shares or ADSs, if substantial, or the perception that these sales may occur and be substantial, could exert downward pressure on the prevailing market prices for the Sasol ordinary shares or ADSs, causing their market prices to decline.

**ITEM 4. INFORMATION ON THE COMPANY**

**4.A History and Development of the Company**

Sasol Limited, the ultimate holding company of our group, is a public company. It was incorporated under the laws of the Republic of South Africa in 1979 and has been listed on the JSE since October 1979. Our registered office and corporate headquarters are at 1 Sturdee Avenue, Rosebank, 2196, South Africa, and our telephone number is +27 11 441 3111. Our agent for service of process in the United States is Puglisi and Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

In 1947, the South African Parliament enacted legislation detailing the establishment of an oil-from-coal industry in South Africa. This followed 20 years after the publication of a White Paper by Parliament, aiming to protect the country's balance of payments against increasing crude oil imports in view of the lack of domestic crude oil reserves. As a result of this initiative, the South African government in 1950, through the Industrial Development Corporation of South Africa Limited, a state-owned entity, formed our predecessor company known as the South African Coal, Oil and Gas Corporation Limited to manufacture fuels and chemicals from indigenous raw materials.

Construction work on our synthetic fuels plant at Sasolburg, in the Free State province, about 80 kilometers ( km ) south of Johannesburg, commenced in 1952, and in 1955, the original Sasol One production units were commissioned. We supplied our first gasoline and diesel to motorists at Sasolburg in November 1955. The operation of this plant was based on a combination of the German fixed-bed and the US fluidized-bed Fischer-Tropsch technologies, together with German Lurgi coal gasification technologies for the synthetic production of gasoline, diesel, other liquid fuels and chemical feedstock from coal.

During the 1960s, we became a major supplier of raw materials for the chemical industry. This included products such as solvents for paints, butadiene and styrene for synthetic rubber and ammonia for nitrogenous fertilizer. When our first naphtha cracker became operational in the mid-1960s, we added ethylene and propylene for the plastics industry to our product portfolio.

In 1966, we completed construction of our first gas pipeline, which connected 250 industrial companies in the greater Johannesburg area to pipeline gas.

In December 1967, Natref was incorporated as a joint venture company and, at the same time, construction of the oil refinery commenced at Sasolburg. The refinery was commissioned in February 1971. Currently, we, as the major shareholder, and Total South Africa (Pty) Limited ( Total ), a subsidiary of Total S.A. of France hold 63.64% and 36.36%, respectively, in Natref.

The increased oil prices of the early seventies presented us with an opportunity to increase our synfuels production capacity and assist in reducing South Africa's dependence on imported crude oil. We commenced the construction of Sasol Two in Secunda, 145 km southeast of Johannesburg in the Mpumalanga province, in 1976, and in March 1980, this plant produced its first synthetic fuel. During the final construction phases of Sasol Two in 1979, work commenced on the construction of our third synfuels and chemicals plant, Sasol Three, which was completed in 1982. The virtually identical operations of Sasol Two and Sasol Three were merged in 1993 to form Sasol Synthetic Fuels, now Sasol Synfuels.

Towards the time of the completion of the Sasol Three project, all our technical and research and development services were consolidated into a new company, Sasol Technology. Since then, Sasol Technology has been an important area of our activities, responsible for research and development, technology development and commercialization, project management and specialist engineering skills.

In October 1979, Sasol Limited was listed on the JSE, and 70% of its share capital was privatized. Subsequently, the interest in our share capital held by the South African government through the Industrial Development Corporation of South Africa Limited was further reduced to its current 7.9%. In 1982, our ADRs were quoted on the NASDAQ National Market through an unsponsored ADR program,

which was later converted to a sponsored ADR program in 1994. With effect from 9 April 2003 we transferred our listing to the New York Stock Exchange from NASDAQ.

Our technology enabled us to enter the downstream production of higher-value chemicals, including nitrogenous fertilizers and commercial explosives in 1983 and 1984, respectively, and also of solvents, phenolics, waxes and alpha olefins.

In the years 1988 and 1989, we undertook the construction of a large polypropylene plant that incorporated BASF gas-phase technology. Between 1990 and 1993, Sasol One underwent an R820 million renovation, during which we discontinued the production of synfuels and increased the production of higher-value chemicals, including ammonia, solvents, phenolics, paraffins and waxes.

Polifin was established in Johannesburg in January 1994, as a joint venture with AECI Limited ( AECI ), a South African listed chemicals and explosives company. The joint venture manufactured and marketed monomers and polymers. In 1996, Polifin was listed on the JSE. In 1999, pursuant to a takeover offer, we acquired Polifin's remaining share capital from AECI and the public, and delisted Polifin. Following this, Polifin became part of our chemicals portfolio and was renamed Sasol Polymers.

In mid 1994 Sasol Fibres, our 50:50 partnership with the Industrial Development Corporation of South Africa Limited commissioned an acrylic fibers manufacturing plant at Durban in the KwaZulu-Natal province. A strategic decision was taken to wind down and close the Sasol Fibres partnership in year 2002 because it was underperforming and unlikely to meet our targeted rates of return in the long-term.

In June 1994, the first alpha olefins plant at Secunda was commissioned to produce 1-hexene and 1-pentene for the international copolymers market. This was followed in November 1994 by the opening of the African Amines alkylamines plant at Newcastle in KwaZulu-Natal province in a 50:50 joint venture with Sentrachem Limited ( Sentrachem ). Dow Chemical Company became our joint venture partner in African Amines in 1997 following its acquisition of Sentrachem. Air Products became our joint venture partner in 2002 following Dow Chemical Company's disposal of its interest in African Amines.

In 1995, we founded Sasol Petroleum International ( SPI ) to undertake oil and gas exploration and production in selected high potential areas in West and Southern Africa. SPI is active in South Africa, Gabon, Equatorial Guinea, Nigeria and, most notably, in Mozambique.

The Schumann Sasol International wax manufacturing and marketing venture was established in 1995 after a merger of Sasol Waxes and the Hamburg-based Schumann wax operations. It produces paraffin and Fischer-Tropsch waxes with operations in various countries. Effective 1 July 2002, we acquired from Vara Holdings GmbH and Co KG the outstanding one-third of the share capital of Schumann Sasol, for approximately 51.1 million euro (approximately R521 million at actual rates), and this subsidiary, now 100% owned, has been renamed Sasol Wax.

Merisol, formerly known as Merichem-Sasol, was formed in October 1997 as a 50:50 joint venture with Merichem Company of Houston. Merisol produces and supplies natural phenolics and cresylics.

By early 1999, Sasol Synfuels, our synfuels segment, had commissioned the last of its eight new-generation Sasol Advanced Synthol ( SAS ) reactors at Secunda, and a ninth reactor was commissioned in 2001. The 1-octene plant, also at Secunda, was commissioned in April 1999 by Sasol Alpha Olefins and commenced supply to the Dow Chemical Company polyethylene plants in May 1999.

In recent years, we have been exploring opportunities through Sasol Synfuels International ( SSI ) to exploit the Sasol Slurry Phase Distillate ( Sasol SPD ) process technology for the production of high-quality, environment-friendly diesel and other higher-value hydrocarbons from natural gas. In October 2000, we signed agreements with Chevron for the creation of Sasol Chevron, a 50:50 global joint venture founded on GTL technology.



Sasol and Chevron are currently involved in the development of a GTL project in collaboration with the Nigerian National Petroleum Corporation ( NNPC ) at existing oil and gas facilities at Escravos in Nigeria. In April 2005, the engineering, procurement and construction contract for this project was awarded to Team JKS, a consortium of the Japan Gasoline Corporation, Kellogg, Brown and Root ( KBR ), a subsidiary of Halliburton and Italy 's Snamprogetti. We are currently evaluating other GTL ventures in Australia, Latin America, North America, the Middle East, South-east Asia and Africa.

Since May 2000 the group has undertaken share repurchases, which may be made at times and at prices deemed appropriate by management and consistent with the authorization of the shareholders. No repurchases were made during the year ended 30 June 2005. At 30 June 2005, a total of 60,111,447 shares (2004 : 60,111,447), representing 8.9% of the issued share capital of the company, had been repurchased since 9 May 2000 at an average price of R60.67 per share.

In July 2001, we signed a joint venture agreement with Qatar Petroleum (Qatar Petroleum 51% and Sasol 49%) to establish Oryx GTL. The joint venture is constructing, on behalf of both venture partners, a US\$952 million, excluding finance charges, (R7.8 billion, converted at forward covered rates) GTL plant based at Ras Laffan Industrial City to produce high quality synfuels from Qatar 's natural gas resources. The plant is scheduled to commence operations during the first half of 2006 calendar year.

In 2000 and 2001, we signed agreements with the government of Mozambique for the development of natural gas fields and the construction of a gas pipeline transporting gas to the South African market. The construction of this pipeline was completed in 2004. We introduced natural gas to the South African pipeline gas market as of 2004 and use natural gas as part of our feedstock for our chemicals and synfuels operations in both Secunda and Sasolburg.

Effective 1 March 2001, we acquired Condea, the whole of RWE-DEA 's chemical business which we renamed Sasol Chemie, for approximately 1.3 billion euro (approximately R8.3 billion at actual rates). This was our largest and most significant acquisition to date, in line with our strategy of achieving international growth in the alpha olefins, surfactants and solvents businesses. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa. In 2003, Sasol determined that it would continue to grow its chemical businesses conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. Sasol announced in August 2005 that it is considering the divestment from its Olefins and Surfactants business including its Sasol plant but excluding its comonomers activities in South Africa. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires. Deutsche Bank has been appointed to assist Sasol in procuring offers, assessing the feasibility and attractiveness thereof and executing any potential transaction.

In 2004 we commenced with Project Turbo our fuel enhancement investment, which will liberate further chemical feedstock and enable concomitant investments by Sasol Polymers to expand its South African polymer production capacity by more than 80%.

Effective 1 January 2004, Sasol Oil, now comprising all of Sasol Liquid Fuels Business ( Sasol LFB ), entered the South African retail fuel market with the establishment of its first Sasol-branded retail convenience center (service station). Sasol Oil also completed the acquisition and integration of Exel Petroleum in a major step towards forming Sasol LFB. We now have 345 Sasol- and Exel- branded retail convenience centers.

On November 2004, Sasol and Petronas finalized an agreement to combine their respective interests in Sasol LFB and Engen to form a joint venture to be called Uhambo Oil Limited ( Uhambo Oil ). The South African Competition Commission granted conditional approval to the proposed joint venture in May 2005, with hearings by the Competition Tribunal commenced in October 2005. Sasol announced on

22 September 2005 that Tshwarisano, its Broad-based Black Economic Empowerment partner, would acquire a 12.5% interest in Uhambo Oil for an amount of R1.45 billion. As noted above the Uhambo Oil transaction is subject to Competition Tribunal approval.

As of 30 September 2005, we were the largest listed domiciled South African company by market capitalization (R166.7 billion), with total consolidated turnover in terms of IFRS of approximately R69.2 billion in 2005. We employ approximately 30,000 people.

### Capital Expenditure

In 2005 we invested approximately R12 billion (2004 : R11 billion and 2003 : R10 billion) in capital expenditure (on a cash flow basis excluding capitalized interest and including projects and investments incurred by our equity accounted investees) to enhance our existing facilities and to expand operations. Key capital expenditure incurred on projects to expand our operations includes:

Projects and Investments	Business Categories	30 June	30 June	30 June
		2005	2004	2003
(Rand in millions)				
Project Turbo(1)	Sasol Polymers	3,321	936	185
Oryx GTL (Nigeria)	Sasol Synfuels International	847	1,113	559
Escravos GTL (Qatar)	Sasol Synfuels International	868	122	59
Arya Sasol Polymer (Iran)	Sasol Polymers	823	295	206
Sasol LFB distribution network	Sasol LFB	294	114	
2 <sup>nd</sup> and 3 <sup>rd</sup> Octene trains	Sasol Olefins and Surfactants	288	519	
Mozambique Natural Gas	Sasol Gas and Sasol Petroleum International	239	1,811	3,164
Clean Fuels Project	Sasol LFB	215		
Tar Naphta Phenolic Extraction	Other	105		
Acrylic acid and acrylates	Sasol Solvents		740	892
15 <sup>th</sup> Oxygen train	Sasol Synfuels		104	319
n-Butanol	Sasol Solvents			349
Other smaller projects	Various	350	1,771	1,603

The amounts include business development costs and our group's share of capital expenditure of equity accounted investees. The amounts exclude borrowing costs capitalized. These amounts were approved by our Board and are stated on a management reporting basis. We hedge all our major capital expenditure in foreign currency immediately upon commitment of expenditure or upon approval of the project.

(1) During the current year, increases in the capital costs as well as an overrun on the project schedule have resulted in the estimated costs of completion of Project Turbo (Synfuels and Polymers) increasing from R12 billion to R13 billion and a resultant decrease in the expected return on this project.

Key projects to address environmental matters and enhance existing assets during the 2005 year include:

<b>Projects and Investments</b>	<b>Business Categories</b>	<b>30 June 2005 (Rand in millions)</b>
Mining renewal	Sasol Mining	466
Project Turbo(1)	Sasol Synfuels	2,520
Waste recycling facility	Sasol Synfuels	263
Reconstruction of the ethylene plant (Unit 24) and the revamp of the furnaces	Sasol Polymers	185
Other (individually less than R100 million)	Various	1,728

The amounts include business development costs and our group's share of capital expenditure of equity accounted investees. The amounts exclude borrowing costs capitalized. These amounts were approved by our Board and are stated on a management reporting basis. We hedge all our major capital expenditure in foreign currency immediately upon commitment of expenditure or upon approval of the project.

(1) During the current year, increases in the capital costs as well as an overrun on the project schedule have resulted in the estimated costs of completion of Project Turbo (Synfuels and Polymers) increasing from R12 billion to R13 billion and a resultant decrease in the expected return on this project.

In addition, we invested approximately R112 million in intangible assets (including investments made by equity accounted investees), mainly in respect of exploration expenditure, software and patents and trademarks during the year. For a discussion of the method of financing for our capital expenditures, see Item 5.B Liquidity and Capital Resources Liquidity .

#### **Capital Commitments**

As at 30 June 2005, we had authorized approximately R34 billion of group capital expenditure, of which we had spent R15 billion at 30 June 2005. Of the unspent capital commitments of R19 billion, R11 billion has been contracted for. Of the unspent capital commitments of R19 billion, we expect to spend R15 billion in 2006, R3 billion in 2007 and the remainder in 2008 and thereafter. For more information regarding our capital commitments see Item 5.B Liquidity and Capital Resources and Item 5.F Capital and Contractual Commitments .

We expect to spend approximately R9 billion of our R19 billion unspent capital commitments in projects in South Africa, R6 billion in other African countries and the R4 billion in the Middle East and the remainder on projects in other regions.

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The following table reflects key projects approved and contracted which were not completed at 30 June 2005:

Project	Business Categories	Total Project Cost (rand in millions)	Scheduled Operation Date
Syferfontein Kriel South Phase(2)	Sasol Mining	R299	October 2005
Mookkraal underground coal mine	Sasol Mining	R229	November 2005
Project Turbo unleaded fuel	Sasol Synfuels	R5,722	March 2006
Waste recycling facility	Sasol Synfuels	R520	October 2005
Project Landlord	Sasol Synfuels	R429	December 2005
Black product site remediation	Sasol Synfuels	R150	February 2015
Natref clean fuels project	Sasol LFB	R520	October 2005
Escravos GTL (Nigeria)	Sasol Synfuels International	R6,000 (1)	March 2009
Oryx GTL (Qatar)	Sasol Synfuels International	R2,959 (2)	May 2006
3 <sup>rd</sup> Octene train	Sasol Olefins and Surfactants	R2,055 (3)	June 2007
Project Turbo polymers projects low-density polyethylene and polypropylene	Sasol Polymers	R7,618	March 2006 and August 2006
Arya Sasol Polymer (Iran)	Sasol Polymers	R3,277 (4)	May 2006

The amounts include business development costs and our group's share of capital expenditure of equity accounted investees.

- (1) The contract has been concluded in US dollars for a total of US\$945 million and has been translated at rate of R6.35 per US\$1.00 solely for the reader's convenience.
- (2) The contract has been concluded in US dollars for a total of US\$466 million and has been translated at rate of R6.35 per US\$1.00 solely for the reader's convenience.
- (3) At the meeting held on 9 September 2005 the Board approved the revised project cost of R2,055 million, increased from R1,265 million, subject to the renegotiations for the selling price of the product which were successful.
- (4) Sasol Polymers' share of the estimated cost to establish the Arya Sasol Polymer production facilities in US dollars is US\$516 million and has been translated at rate of R6.35 per US\$1.00 solely for the reader's convenience.

### 4.B Business Overview

Sasol is an integrated oil and gas company with substantial chemical interests. In South Africa, we support these operations by mining coal and converting it into synthetic fuels and chemicals through proprietary Fischer-Tropsch technology. We also have chemical manufacturing and marketing operations in Europe, Asia and the Americas. Our larger chemical portfolios include polymers, solvents, surfactants and their intermediates, waxes, phenolics and nitrogenous products.

The group explores for, and produces, crude oil offshore of Gabon, refines crude oil into liquid fuels in South Africa and retails liquid fuels and lubricants through a growing network of retail service centers. During the first quarter of 2004, we started extracting Mozambican natural gas, some of which we have been using as feedstock for fuel and chemical production in South Africa since mid 2004.

We are also developing in Qatar and Nigeria two joint-venture GTL plants based on our proprietary Sasol SPD process.

The financial information presented to our Group Executive Committee ( GEC ), including the financial information in the reportable segments, is presented based on IFRS. Since the IFRS financial information is the basis for segmental financial decisions, resource allocation and performance assessment, it forms the accounting basis for segmental reporting that is disclosed to the investing public. The IFRS segmental reporting information is reconciled to the amounts reported in our group consolidated financial statements, prepared in accordance with US GAAP, for all years presented.

We divide our operations into the following segments (turnover percentages and amounts in terms of IFRS):

- *Sasol Mining.* Our mining operations in South Africa, which accounted for 2% of our total external segmental turnover in 2005, supply coal mainly to our synfuels and chemicals plants. We also export coal to international customers.
- *Sasol Synfuels.* We operate the world's only large commercial-scale coal-based synfuels manufacturing operation, which accounted for 1% of our total external segmental turnover in 2005. We manufacture syngas from natural gas, low-grade coal and use our technology to convert syngas into a range of products, including synfuels, chemical feedstock and industrial pipeline gas.
- *Sasol Liquid Fuels Business.* We operate South Africa's only inland crude oil refinery. We market liquid and gaseous fuels and lubricants. Liquid fuels include gasoline, diesel, jet fuel, fuel alcohol, illuminating paraffin and fuel oils. Gaseous fuels include liquefied petroleum gas. This segment accounted for 34% of our total external segmental turnover in 2005.
- *Sasol Gas.* We source natural gas obtained from fields operated by fellow subsidiaries in Mozambique and methane rich gas from our operations at Secunda. We supply these to Synfuels in Secunda and Infrachem in Sasolburg as well as pipeline gas to the South African market. For the next few years we will also continue to supply synthetic pipeline gas to customers in the South African market. We completed the construction of a pipeline to transport and supply natural gas from Mozambique to the South African market during 2004. This segment accounted for 2% of our total external segmental turnover in 2005.
- *Sasol Synfuels International.* We are involved in the development of GTL fuels and production of other chemical products from GTL derived feedstock. We are currently involved in the establishment of two GTL production facilities in Qatar and Nigeria and are conducting feasibility studies at various other locations around the world. Potential CTL opportunities in China, United States and other coal-rich countries are being considered. These activities did not contribute to our total external segmental turnover in 2005.
- *Sasol Olefins and Surfactants.* We manufacture a wide range of surfactants, surfactant intermediates (including alcohols and alkylates), monomers and inorganic specialty chemicals derived mostly from petrochemical feedstock (crude oil, natural gas and coal). We market these products in the global chemical markets. This segment accounted for 26% of our total external segmental turnover in 2005.
- *Sasol Polymers.* We focus on the production and marketing of ethylene and propylene monomers, polypropylene, polyethylene and polyvinyl chloride polymers and other chemical products through our respective businesses with operations located in South Africa, Malaysia and China. This segment accounted for 10% of our total external segmental turnover in 2005.
- *Sasol Solvents.* We manufacture and market a range of oxygenated solvents derived mostly from coal and chemical feedstock, in the global chemicals markets. This segment accounted for 12% of our total external segmental turnover in 2005.



- *Other.* We are involved in a number of other activities in the energy and chemicals industries, both in South Africa and abroad, which, among others, include international petroleum and gas exploration and production, production of other chemical products, production of wax and explosive products as well as technology research and development, and our financing activities. These activities accounted for 13% of our total external segmental turnover in 2005.

The following tables present our total external turnover after the elimination of inter-segment turnover by business operation and geographic market (under IFRS, except where otherwise indicated):

2005	Sasol Mining (Rand in millions)	Sasol Synfuels	Sasol LFB	Sasol Gas	Sasol Synfuels International	Sasol Olefins and Surfactants	Sasol Polymers	Sasol Solvents	Other	Total
South Africa	42	642	22,902	1,408		180	5,651	1,206	3,364	35,395
Rest of Africa		6	620			115	752	151	909	2,553
Europe	1,429	107	3			9,152	86	3,528	2,840	17,145
Middle East and India		16				313	28	803	173	1,333
Far East						1,027	358	1,006	116	2,507
North America		20				6,647		639	843	8,149
South America		11				462	7	144	136	760
South East Asia and Australasia		18				144	317	586	332	1,397
<b>Total segment</b>	<b>1,471</b>	<b>820</b>	<b>23,525</b>	<b>1,408</b>		<b>18,040</b>	<b>7,199</b>	<b>8,063</b>	<b>8,713</b>	<b>69,239</b>
<i>Adjustments to US GAAP</i>										
Equity accounting and reversal of proportionate consolidation(2)										(1,812 )
<b>Turnover per consolidated income statement under US GAAP(1)</b>										<b>67,427</b>

2004	Sasol Mining (Rand in millions)	Sasol Synfuels	Sasol LFB	Sasol Gas	Sasol Synfuels International	Sasol Olefins and Surfactants	Sasol Polymers	Sasol Solvents	Other	Total
South Africa	45	1,077	17,237	1,389		142	5,063	799	3,202	28,954
Rest of Africa	6	26	1,305		7	133	815	95	675	3,062
Europe	1,032	153				9,304	26	2,543	2,574	15,632
Middle East and India		21				431	48	731	216	1,447
Far East		6				911	178	843	124	2,062
North America		21				5,618		518	903	7,060
South America		7				457	14	113	132	723
South East Asia and Australasia		18	12			137	432	314	298	1,211
<b>Total segment</b>	<b>1,083</b>	<b>1,329</b>	<b>18,554</b>	<b>1,389</b>	<b>7</b>	<b>17,133</b>	<b>6,576</b>	<b>5,956</b>	<b>8,124</b>	<b>60,151</b>
<i>Adjustments to US GAAP</i>										
Equity accounting and reversal of proportionate consolidation(2)										(1,609 )
Entities previously not consolidated(3)										266
<b>Turnover per consolidated income statement under US GAAP(1)</b>										<b>58,808</b>

2003	Sasol Mining (Rand in millions)	Sasol Synfuels	Sasol LFB	Sasol Gas	Sasol Synfuels International	Sasol Olefins and Surfactants	Sasol Polymers	Sasol Solvents	Other	Total
South Africa	3	1,122	18,857	1,480		161	5,162	881	3,470	31,136
Rest of Africa		43	409		7	37	694	106	663	1,959
Europe	998	45	117			10,534	6	2,614	2,835	17,149
Middle East and India			14			1,005	1	692	364	2,076
Far East			18			573	176	721	146	1,634
North America	12		18			6,688		515	1,576	8,809
South America			4			373	3	87	230	697
South East Asia and Australasia			23			172	203	334	363	1,095
<b>Total segment</b>	<b>1,013</b>	<b>1,210</b>	<b>19,460</b>	<b>1,480</b>	<b>7</b>	<b>19,543</b>	<b>6,245</b>	<b>5,950</b>	<b>9,647</b>	<b>64,555</b>
<b>Adjustments to US GAAP</b>										
Equity accounting and reversal of proportionate consolidation(2)										(1,539 )
Entities previously not consolidated(3)										650
Other										103
<b>Turnover per consolidated income statement under US GAAP(1)</b>										<b>63,769</b>

(1) For more information on the reconciliation of segmental turnover to the corresponding amounts prepared under US GAAP, see Item 5.A Operating Results Reconciliation of segmental results to US GAAP and Note 3 of Item 18 Financial Statements .

(2) For the years ended 30 June 2005, 30 June 2004 and 30 June 2003, proportionate consolidation is applied with respect to incorporated joint ventures for management reporting purposes. Under US GAAP, the equity method of accounting is applied.

(3) Relates to Naledi Petroleum Holdings (Pty) Limited (included in the Sasol LFB segment) which is equity accounted for management reporting purposes until 31 December 2003 and consolidated as a subsidiary with effect from 1 January 2004. However, it is consolidated as a subsidiary, for all reporting years, under US GAAP.

## Our Strategy

Sasol is active in the oil, gas and chemical sectors, primarily in integrated petroleum and chemical centres of activity in Southern Africa and other countries where it can obtain competitive feedstock advantages. Our core business is adding value to low-cost coal, oil and gas feedstock through our unique Fischer-Tropsch synthesis and other proprietary technologies for the production of fuel, fuel components and chemical feedstock.

We are committed to grow our shareholders' value through the following primary growth drivers:

- grow a global GTL and CTL business;
- grow an integrated chemicals portfolio; and
- exploit integrated upstream hydrocarbon opportunities.





*Grow a global GTL and CTL business* Sasol has made further progress towards the drive to commercialize its GTL technology based on the Sasol SPD process in natural gas-rich regions. The Sasol SPD process would allow us to monetize underutilized gas resources by converting them into ultra-low sulfur, high-performing diesel in line with global trends towards cleaner fuel and reduced emissions to the environment.

- SSI and Qatar Petroleum are advancing their 49:51 joint venture in respect of the Oryx GTL plant in Ras Laffan, Qatar. Construction largely remains on schedule and the plant with its capacity of 34,000 barrels per day ( bpd ) is expected to be operational by the first of the 2006 calendar year.
- Work on the Escravos GTL plant in Nigeria, a joint venture (called Escravos GTL) between NNPC and Chevron Nigeria Limited ( CNL ) is also progressing according to plan. After intensive evaluation, NNPC and CNL decided to award the engineering, procurement and construction contract of the Escravos GTL plant to Team JKS. It is envisaged that the plant will be operational in 2009. With its capacity of 34,000 bpd, Escravos GTL will produce GTL diesel, GTL naphtha and liquefied petroleum gas.

Following our progress in Qatar and Nigeria, other potential GTL options are also under review. These options include a second GTL plant in Qatar and possible GTL investments in Algeria, Australia and Iran. In support of this, our team of Sasol researchers continue to advance our second-generation GTL technology, including our proprietary low-temperature Fischer-Tropsch Slurry Phase reactor and cobalt-based catalysts.

SSI is conducting a pre-feasibility study with a consortium of Chinese companies for the potential development of two CTL plants in the People's Republic of China. China has been able to sustain high levels of economic growth for more than a decade, coupled with a growing demand for energy which outstrips the world average. With its vast coal reserves, China offers a potential opportunity for Sasol to commercialise our CTL technology. Potential CTL opportunities in the United States and other coal-rich regions may be considered.

Sasol researchers will continue to explore new opportunities to commercialize our competitive Fischer-Tropsch synthesis technology for the beneficiation of coal and other hydrocarbon resources, including environmental friendly biomass.

*Grow an integrated chemicals portfolio* Sasol will focus on organically growing its chemicals portfolio either by:

- leveraging new chemical growth opportunities from our Fischer-Tropsch processes; or
- securing integrated positions with highly cost-competitive feedstock.

Sasol Polymers remains an outstanding performer in our chemicals portfolio by focussing on continued business optimisation and benefiting from a buoyant demand for polyethylene, polypropylene and polyvinyl chloride. As part of Project Turbo, this division is advancing the construction of two new polymer plants in South Africa to increase our polymer capacity by about 80%. We intend to bring the two plants into operation during 2006. Outside South Africa, our polymer business continues to gain momentum. In Iran, Sasol is investing US\$462 million (our 50% share of the total capital project) in a new polymer plant which is designed to produce one million tons of ethylene to be converted into polyethylene, or exported as ethylene. This project is a 50:50 joint venture (called Arya Sasol Polymer Company) between Sasol and the National Petrochemical Company of Iran, and would comprise of one ethane cracker for producing polymer-grade ethylene and two polyethylene plants. The cracker start-up is currently targeted for May 2006, followed by the two polyethylene plants soon thereafter.

Sasol Solvents continues to benefit from its status as a diversified producer and marketer of industrial solvents. The Dia Acrylates joint venture with Mitsubishi Chemical Corporation of Japan at Sasolburg, continues to perform well, and is benefiting from a strong demand for acrylic acid and acrylates.

Sasol Olefins and Surfactants completed a R870 million project to develop and construct its second train for the recovery and production of additional volumes of 1-octene comonomer at Secunda. The majority of the additional 1-octene volume is being sold under a long-term sales agreement to one of the major polyethylene producers. Beneficial operation was achieved on schedule in November 2004. The second 1-octene train has enabled the monomers business unit to double its octene production to 96 kilo tons per annum. As for our operations outside South Africa, Sasol Olefins and Surfactants has managed to maintain high production levels, despite high feedstock prices and tight margins. Strong demand and good customer relationships have necessitated the restarting of our Porto Torres LAB plant in Italy. In addition, more than 50 million euro will be spent on an ethylene pipeline and related projects to increase the alcohol and alumina capacity of units in Brunsbüttel, Germany. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa subject to an acceptable price being obtained. In 2003, Sasol determined that it would continue to grow its chemical businesses conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires.

Sasol Nitro remains on course for improved performance on previous years following an operational restructuring, streamlining and consolidation program which started in 2003. Our ammonia plant in Sasolburg achieved record production following the introduction of natural gas as a feedstock.

*Exploit integrated upstream hydrocarbon opportunities* SPI has become a steady producer of natural gas in the Temane and Pande fields in Mozambique. Sasol will continue to explore for additional gas fields in and around these onshore fields as well as two offshore fields. Moreover, SPI remains a 27.75% partner in Gabon's offshore Etame oilfield, where crude oil production is being sustained at about 19,000 bpd.

Sasol Gas continues to focus on growing the South African gas market following the successful introduction of natural gas from Mozambique in the first quarter of 2004. At 30 June 2005 Sasol held a 100% interest in Republic of Mozambique Pipeline Investments Company (Pty) Limited ( Rompco ), a company which operates and maintains the cross-border pipeline that conveys natural gas from the Temane central processing facility to the gas network at Secunda. On 1 July 2005, a 25% interest in Rompco was sold to iGas (Pty) Limited (owned by the South African Government) for R609 million realizing a profit of R189 million.

Sasol Synfuels remains very important in respect of our South African synthetic fuel and chemical operations, since the strength of our business in South Africa is our ability to efficiently back-integrate into cost-competitive hydrocarbon feedstock. The combination of factors such as rising oil prices, ongoing human development and productivity improvement will continue to strengthen our group results. Our multi billion rand Project Turbo is advancing, and although the entire project will only be ready for operation in March 2006, it will enable our liquid fuel business to comply with South Africa's new fuel specifications set for January 2006.

## Our Activities

### *Sasol Mining*

Sasol Mining extracts and supplies coal mainly to our synfuels and chemical plants under terms and conditions which are determined on an arm's length basis, while about 28% of its output is sold to external customers, primarily international. In 2005 its external turnover amounted to R1.5 billion, while its aggregate inter-segment and external turnover was R5.2 billion.

Sasol Mining has three South African operations:

- **Secunda Mining Complex**, consisting of four underground mines (Bosjesspruit, Brandspruit, Middelbult and Syferfontein) at Secunda supplying coal to Sasol Synfuels, its primary customer. As mentioned later in this section, supply of coal has commenced in May 2005 to Eskom Holdings Limited ( Eskom ), South Africa's state-owned power company.
- **Export Complex** (situated in the Secunda Mining Complex), supplied by Twistdraai mine at Secunda, producing coal for the international market as well as a secondary product, supplied to Sasol Synfuels.
- **Sigma Mining Complex**. In recent years, Sasol Mining has been supplying approximately 6 million tons ( Mt ) of coal a year to the Sasolburg petrochemical complex. From February 2005, following the introduction of natural gas as a feed stream to the Sasolburg operations, this complex's annual coal demand has dropped to about 2 Mt. This coal is only needed to operate the steam and electricity plants. The development of the R229 million Sigma-Mooikraal mine near Sasolburg will supply coal to the utility plants in Sasolburg when it is brought into operation in November 2005.

During 2005 total production was 47.7 Mt of coal, compared to 52.4 Mt in the previous year. Saleable production volumes vary each year according to inter-segment demand and export capacity. For more information regarding our mining properties and operations and our mining reserves see Item 4.D Property, Plant and Equipment Mining Properties and Operations .

In 2005, total turnover to Sasol Synfuels, Sasol Infrachem and external customers in the international market was 46.5 Mt of coal, compared to 51.1 Mt in 2004. In particular, in 2005, Sasol Mining supplied 39.4 Mt to Sasol Synfuels at Secunda and 3.0 Mt to Sasol Infrachem at Sasolburg. In 2004, it supplied 40.2 Mt to Sasol Synfuels and 6.8 Mt to Sasol Infrachem.

Sasol Mining exports approximately 8% of the Secunda Mining Complex's production. In 2005 external turnover, primarily exports, amounted to 4.1 Mt, compared to 4.1 Mt in 2004. While a buoyant market allowed US dollar export prices to increase by 62%, continued rand strength limited the increase in the rand export coal price to 47%. Marketing opportunities for coal in both the international and domestic utility market are being explored. It is the intention to increase our presence in the international market over the ensuing decade. This is currently constrained by our throughput entitlement at the Richards Bay Coal Terminal, South Africa's predominant coal export outlet. The planned expansion of this terminal has been delayed and its timing is uncertain. However, once completed, this may provide the company with a further 0.5 Mtpa of export capacity.

The previously reported new methodology towards optimizing the layout and planning of the present and future mines is being used extensively and will result in more optimized mine layouts and planning.

**Sasol Mining**  
**Coal Production and Sales Data**

	2005	2004	2003
	<b>(Mt, unless otherwise stated)</b>		
Sigma Mine, including Wonderwater	2.6	6.2	5.9
Secunda Mines	45.1	46.2	45.4
<b>Total production</b>	<b>47.7</b>	<b>52.4</b>	<b>51.3</b>
Saleable production from all mines(1)	45.5	50.4	49.6
External coal purchases from other mines			0.4
Sales to Sasol Infrachem, Sasolburg	3.0	6.8	6.4
Sales to Sasol Synfuels, Secunda	39.4	40.2	39.4
Additional domestic markets sales	0.5	0.5	
International sales	3.6	3.6	3.6
<b>Total sales including exports</b>	<b>46.5</b>	<b>51.1</b>	<b>49.4</b>
Production per shift of continuous miner (mining production machine) (tons)	1,606	1,707	1,644

(1) Saleable production equals our total production minus discard and includes both product sold and movements in stockpiles.

*Project 2010.* An analysis of the future challenges facing Sasol Mining and a review of our strategy culminated in the definition of Project 2010. This project commenced over a year ago and its objective is to ensure that Sasol Mining meets the challenges going forward. These challenges are encapsulated in six main strategic themes, namely:

- Mining Charter compliance;
- Safety, health and environmental ( SH&E );
- Continuous improvement;
- Business and reserve optimization;
- Product and market optimization and logistics; and
- Winning with people.

**Mining Charter compliance**

*Mining rights ownership.* In terms of the transitional arrangements of the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002), the mining authorizations in terms of Section 9 of the repealed Minerals Act, remains in force for 5 calendar years from date of implementation of the Act. During this 5 calendar year period, applications will have to be submitted to the State for the conversion of the present mining authorizations to mining rights. These new rights are granted for a maximum period of 30 calendar years. All applications due to date have been submitted to the Department of Minerals & Energy, and we are awaiting approval in this regard. For a further discussion of the Mineral and Petroleum Resources Development Act see 3.D Risk Factors New mining legislation may have an adverse effect on our mineral rights and below Regulation of Mining Activities in South Africa The Mineral and Petroleum Resources Development Act .

*Economic empowerment of historically disadvantaged South Africans.* The Mineral and Petroleum Resources Development Act, (with its adjuncts to the Mining Charter and scorecard) came into effect on 1 May 2004. The Act is aimed at fostering and encouraging black economic empowerment ( BEE ) and transformation within the mining industry at the tiers of ownership, management, skills development, employment equity, procurement and rural development. The Mining Charter provides for 15% of equity in South Africa's mining assets to be owned by historically disadvantaged South Africans ( HDSA ) within 5 calendar years of the Act coming into effect, and 26% within 10 calendar years. For further discussion on the Mining Charter see 3.D Risk Factors There are risks relating to the countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition . The Mining Charter scorecard will be used as a measuring tool by the government (Department of Mineral and Energy Affairs) to measure conformance to the Mining Charter in forming its decisions of the conversion of mining rights.

Compliance with the Mining Charter is a prerequisite for the conversion of prospecting and mining rights. Prospecting and mining rights, under the new legislation, must be converted from old order rights to new order rights. Failure to comply will result in a company losing its right to mine. To date we have submitted 33 applications to convert our mining rights to the Department of Minerals and Energy. These applications cover all the prospecting rights in the Free State and Waterberg as well as some prospecting and mining rights in Secunda.

In order to make these changes in ownership as seamless as possible, Sasol Mining has pursued a rigorous black economic empowerment strategy formulation process, followed by a partner selection process, the result of which has been the selection of Eyesizwe Coal (Pty) Limited ( Eyesizwe ) as the preferred lead strategic black economic empowerment partner. Sasol Mining engaged in negotiations with Eyesizwe which resulted in a Memorandum of Understanding ( MOU ) being signed. Potential opportunities will be considered in the areas of coal export, Eskom market (power generation) and the Sasolburg mining operations. The Export business (Twistdraai mine and plant) is the first focus area for inclusion in a future deal with Eyesizwe. We believe Sasol Mining will comply with the 15% ownership requirement of the Act and Mining Charter within the prescribed 5 calendar year period. Negotiations in this regard have progressed and it is envisaged that finalization with regards to the export business, will be achieved by 2006.

#### **Safety, health and environmental**

The recordable injuries case rate for 2005 was 1.51 compared to 1.11 for 2004, and the lost work day case rate for 2005 was 0.24 compared to 0.23 for 2004. Safety is of critical importance to Sasol Mining. To address this negative trend in accidents, interventions have been implemented to improve our safety performance. One of these interventions was a comprehensive review of Sasol Mining's safety strategy and current approach towards safety management by the global chemical company DuPont Safety Resources ( DuPont ) that is well known for its excellent safety record. Several recommendations were made by DuPont each of which is currently being addressed. Safety training and contractor management are the main themes of the DuPont recommendations. A program to assist all employees in hazard identification and risk assessment has been implemented at all our operations, and the majority of our employees have been trained in this regard. A process to improve safety-related behavior has also started with the pilot phase almost complete. The roll-out to other operations will take place over the next 36 months.

Underground dust levels on mechanical miners have increased to 3.63mg/m<sup>3</sup> (3.05mg/m<sup>3</sup> in 2004). This value is still well below the legal limit of 5mg/m<sup>3</sup>.

### **Continuous improvement**

We continue to improve the design, operability and performance of the continuous miner fleet at our Secunda underground mining operations. Through significant improvements in productivity since 1998, we have managed to reduce the number of production sections from 74 to 52. However, due to the underground development from the highwall at Syferfontein colliery and adverse geological conditions at Middelbult colliery, the following results were achieved during the 2005 year:

- Section productivity decreased from 1,707 tons per shift per continuous miner to 1,606 tons per shift per continuous miner;
- The percentage of coal fines (less than 6.35 mm) has increased from 31.20% to 31.68%.
- The non-coal contaminants such as stone were reduced from 2.16% to 2.14%.

As a result of this decrease in productivity during the 2005 year, a consultant was appointed to do a diagnostic evaluation of our total productivity improvement initiative. The recommendations of this diagnostic evaluation will be implemented during the 2006 year. During the past year a process was also implemented to reduce overhead costs (outside production sections). Specific opportunities have been identified through a rigorous process. The majority of the identified opportunities will be implemented in the 2006 year. The objective is to reduce operating cost by some R125 million per annum. This is specifically implemented to address the reduction in coal production.

### **Business and reserve optimization**

Attention is given to ensure that the planning of our mines (short and long-term) is performed in the most cost effective manner utilizing our reserves as best as possible. This process will continue in the 2006 year. On 1 April 2005 upon the sale of our Syferfontein opencast mine (excluding certain plant and equipment), the remaining equipment as well as employees were transferred to Anglo Coal. This resulted in the closure of all strip mine operations in Secunda.

### **Product and market optimization and logistics**

The supply of coal to Infrachem has decreased due to the conversion to natural gas. In future coal will only be supplied to Infrachem for steam generation. A decision was taken to delay investment in a new mine and therefore a strategic deal was negotiated with Anglo Coal (a division of Anglo American plc) from which Sasol Mining acquired 100 Mt of coal reserves from Anglo Coal at the Isibonelo mine (in Kriel), by committing to purchase 5 Mt per annum ( Mtpa ) from Anglo Coal for a period of 20 years. The first coal from the Isibonelo mine was delivered on 1 July 2005 after an extensive construction program by both Sasol and Anglo Coal during 2004 and the first half of 2005. Anglo Coal will supply 3.7 Mt for the first year where after the supply will be at 5.0 Mtpa. This will further reduce the Secunda production rates.

### **Winning with people**

We are implementing processes to ensure that we further enhance our relationships with the Labor Unions. This includes training our Union Representatives in business skills. A talent management process was implemented to ensure that we develop our employees to their full potential as this forms a critical part of the Social and Labor Plan. Talent management includes ensuring that succession planning takes place. A mentorship program was introduced. Sasol Mining recruited 37 female employees who are now employed in traditional male positions (machine operators as well as maintenance operators).

**Sasol Synfuels**

Sasol Synfuels operates a coal and gas-based synfuels manufacturing facility which, on the basis of our knowledge of the industry and publicly available information, we believe to be the world's only large commercial-scale facility of this type. Based at Secunda, Sasol Synfuels produces syngas primarily from low-grade coal with a smaller portion of feedstock being natural gas. The process uses our advanced high-temperature Fischer-Tropsch technology to convert syngas into a range of synthetic fuel components, as well as industrial pipeline gas and chemical feedstock. Sasol Synfuels also produces most of South Africa's chemical and polymer building blocks, including ethylene, propylene, ammonia, phenols, alcohols and ketones. It operates the world's largest oxygen production facilities (according to Air Liquide, the French industrial gas company), currently consisting of 15 units. As a result, it also has the capacity to recover high volumes of two noble gases, krypton and xenon.

Sasol Synfuels obtains its coal feedstock requirements from Sasol Mining and purchases natural gas feedstock from Sasol Gas. The company sells fuel components to Sasol LFB, and the methane-rich gas is sold to Sasol Gas. Chemical feedstock are processed and marketed by Sasol and its joint ventures, including Merisol. Unrefined ethylene and propylene are purified by Sasol Polymers' Monomers division at Secunda for the downstream production of polymers. Ammonia is sold to the fertilizer and explosives industries, including Sasol Nitro, our nitrogenous products division.

In 2005, Sasol Synfuels' turnover amounted to R18.7 billion, of which R0.8 billion (4.4%) was sold to external customers and R17.9 billion (95.6%) to other Sasol group companies.

Sasol Synfuels' total production decreased by 3% to 7.5 Mt in 2005 from 7.7 Mt in 2004, resulting mainly from three unplanned shutdowns during the year, most significantly the flooding of the ash dam. Average per capita production increased slightly despite lower production volumes by 0.5% to 1,364 tons per employee as a result of the labor optimization program completed in 2005. The production of liquid and gaseous fuels decreased to 64% of total production volumes compared to 2004 which amounted to 66%.

**Sasol Synfuels  
Production Volumes**

	2005	2004
Total production (Mt)	7.5	7.7
Average production per employee (t)	1,364	1,357

**Specific Product Volumes**

	2005	2004
Liquid and gaseous fuels (%)	64	66
Petrochemical feedstock (%)	25	20
Carbon plus nitrogenous feedstock for fertilizers and explosives (%)	8	11
Specialized cokes, creosote and related carbon and tar products (%)	3	3

Overall production integrity and reliability remained at high levels throughout the year despite three unplanned shutdowns. Ongoing programs are followed to improve plant reliability, availability and efficiency of operations. Specific initiatives are being rolled out to improve productivity, starting with maintenance and production work processes. Behavior based safety is also currently rolled out to improve the risk and safety profile of the organization with simultaneous managerial safety improvement intervention in accordance with DuPont's safety management process.



Natural gas is now fully integrated as a supplementary feedstock to coal derived gas and represented 2% of product volumes for the 2005 year. It is expected that natural gas contribution to product volumes for 2006 will be 3%. It is envisaged that the future production growth will be mainly based on natural gas as a feedstock. Sasol Synfuels does not exclude further production growth via coal but this will be dependant on future technology improvements.

Further refinement during the 2005 year was made to the configuration of the Sasol Advanced Synthol ( SAS ) reactors yielded an increase in production throughput and product yields. Further work on this process is still in progress which will yield further volume and efficiency benefits.

Continuous focus is being placed on the improvement of the business impact on the environment. The sulfur recovery improvement project was successfully completed during the 2005 year and the waste recycling facility plant will be fully operational in October 2005 (the total capital investment of this project amounts to R520 million).

New fuel specifications will come into effect in January 2006, which will allow consumption of only unleaded fuel in South Africa. Sasol Synfuels is advancing an initiative in partnership with Sasol Technology and Sasol LFB to ensure our compliance with these fuel specification requirements by January 2006. We are investing approximately R5.7 billion to modify our liquid fuel refining and blending operations and to establish additional new plant aimed at increasing the octane rating of our synthetic gasoline. The majority of this expenditure (approximately R4 billion), relating to the installation of a selective catalytic cracker, will be expended during the 2005 and 2006 years. Approximately R3.4 billion has already been capitalized on the project to 30 June 2005. Unlike our other major capital investment projects undertaken in recent years, this project is not expected to generate additional returns for the group, but is required to meet the requirement for changed fuel specifications. The project requires multiple refinery unit changes, and the construction of new refinery units, as well as the installation of a catalytic cracker which will produce additional volumes of ethylene, propylene and high-octane fuel components. We expect that in addition to delivering the new fuels solution for 2006, this project will also address most of the envisaged future more stringent fuel specifications which are expected to be mandated in future years.

Due to the way our process plants are configured at Sasol Synfuels, its ultra-low-sulfur synthetic diesel already meets the more stringent 2006 specifications for the sulfur content of diesel (to be lowered in South Africa from 3,000 parts per million ( ppm ) to 500 ppm).

*Strategic objectives.* Sasol Synfuels primary strategic objectives are:

- to maintain all-round operational excellence (including safety performance);
- to maintain a motivated and skilled human resources base;
- to position itself strategically for long-term growth in a complex and evolving environment; and
- to continuously reduce the environmental footprint of our operations in Secunda.

In 2004 Sasol Synfuels commenced with a further initiative to ensure organic growth via the improvement of maintenance and production business and works processes. The focus is on eliminating the impact of unplanned shutdowns, ensuring business continuity and increasing labor productivity over the long-term.

*Sasol CarboTar.* Sasol s CarboTar business was fully integrated as part of Sasol Synfuels with effect 1 July 2004 and will no longer operate as Sasol CarboTar. The Synfuels business has therefore been extended to incorporate a marketing outlet for all of Synfuels and Carbo Tar s chemical and fuel component feed streams. The Tar plant in Sasolburg will be fully depreciated in the 2006 year and will cease its operations, given the conversion of the Sasolburg facility from coal to natural gas as a feedstock.

***Sasol Liquid Fuels Business***

In line with the requirements of South Africa's Liquid Fuels Charter of 2000 and our commitment to advancing BEE, we created a new liquid fuels business ( LFB ). The LFB encompasses the established liquid fuels and lubricants marketing, distribution, commercial and retailing interests, including the Exel business, our shareholding in the Natref refinery, and the acquisition of fuel components and the fuel blending and storage facilities at Sasol Synfuels in Secunda. Products include gasoline, diesel, jet fuel, fuel alcohol, illuminating paraffin, liquefied petroleum gas, fuel oils, motor and industrial lubricants. The Sasol LFB also encompasses crude oil procurement, shipping and refining, as well as final product supply to, and trading with, other oil companies operating in Southern Africa.

On 6 February 2004, Sasol announced that Sasol Limited and Petronas were in discussions concerning the combination of Sasol LFB and Petronas' South African LFB, Engen, in a joint venture to create a leading South African liquid fuels business. The new LFB will be effected by way of a joint venture, called Uhambo Oil, in which Sasol and Petronas will each have an equal 37.5% interest and BEE partners (both existing and new) will hold a combined 25% interest. The definitive agreements were signed on 1 November 2004. The transaction is subject to the approval of the competition authorities. The South African Competition Commission granted conditional approval to the proposed joint venture in May 2005. The Competition Tribunal hearings are scheduled to commence in October 2005 with the decision expected by the end of 2005 calendar year. Approval of the transaction by the European Commission was granted in February 2005. In September 2005 it was announced by Sasol that Tshwarisano, its Broad-based BEE partner, would acquire a 12.5% interest in Uhambo Oil, subject to the approval of the Competition Tribunal. See Item 6.B Significant Changes .

*Natref.* While we operate the refinery, Total participates in its management with veto rights in respect to a number of corporate actions, including, among others, increasing or reducing Natref's share capital, amending Natref's Memorandum and Articles of Association and the rights attaching to its shares, appointing directors to serve as executive officers and determining directors' remuneration.

Under the terms of an agreement concluded between Total and Sasol, Total has the option to purchase up to 13.64% of the ordinary shares in Natref from Sasol at fair market value upon the occurrence of certain events. Termination of the Main Supply Agreements in December 2003 allowed Total to exercise its option which would increase its interest in Natref to 50%, although Total decided not to exercise its option and increase its interest to 50%, at that stage. The envisaged transaction to combine the liquid fuels businesses of Sasol and Petronas, in a joint venture, again provided Total with the option to increase its shareholding in Natref by 13.64%. Total decided not to exercise its option to increase its shareholding in Natref.

*Refinery production and capacity.* Natref obtains approximately 50% of its crude oil requirements from the Middle East through crude oil term contracts and the balance at spot prices from West Africa and other sources. Durban landed crude oil is transferred to the refinery through a 670 kilometer pipeline owned by Petronet, a subsidiary of Transnet, a state-owned pipeline company.

Natref is a technologically advanced refinery, highly efficient in refining heavy crude oil into gasoline, diesel and other white products. It is South Africa's only inland crude oil refinery, as the other three crude oil refineries are located along the country's shores. Its inland position does not allow the refinery easy access to the bunkers fuel market, which is the case for coastal refineries. Therefore, Natref focuses on the production of white petroleum products. It is designed to upgrade relatively heavy crude oil with a high sulfur content (sour) to yield about 90% white petroleum products. Crude oil selection and degree of upgrade are ultimately dictated by refinery configuration and overall economics. Other products of the refinery include commercial propane, jet fuel, different grades of bitumen and fuel oils.

We are investing in the Natref refinery to meet new fuel specifications. This project is aimed at meeting the more stringent legislation for the introduction of low-sulfur diesel and unleaded fuel production in January 2006. The project will allow Natref to produce to the 2006 specifications, but at a reduced capacity to 89% of previous capacity. The project should be fully operational by the end of October 2005 with the new fuel qualities being available before the end of the 2005 calendar year. Our share (63.64%) of the capital expenditure for the Natref project is expected to be about R331 million. New processing units will have to be built to meet the South African required fuel specifications (required for the control of exhaust emissions from road-going vehicles in South Africa) in 2010 and will require a substantial investment.

With regard to refinery efficiency during the year 2005, plant availability was 89%. White product yield was 90% in 2005, compared to 91% in 2004. The total product yield decreased from 99% in 2004, to 98% in 2005.

Unintended downtime increased from 0.5% to 3.4%. The increase in the unintended downtime was as a result of three unplanned interruptions. One of these interruptions resulted from a major fire that occurred at the product loading facilities.

#### Natref Refinery Production<sup>(1)</sup>

Product	2005	2004	2003
Crude oil processed (million m3)	3.2	3.1	2.8
White product yield (% of raw material)	89.5	90.7	91.6
Total product yield (%)	97.9	99.4	98.4

(1) Data based on our 63.64% share in Natref.

#### Liquid Fuels Marketed by Sasol LFB

Product	2005	2004	2003
Total liquid fuel sales (million m3)	9.6	9.3	8.9
Fuel and bitumen exports (million m3)	0.8	0.7	0.2

*The South African liquid fuels market.* Our 63.64% share of Natref's production represents about 12% of South Africa's total liquid fuels demand. In addition, 27% of South Africa's fuel demand is met from components produced at Sasol Synfuels in Secunda. Our main wholesale customers in the South African liquid fuels market include Engen, BP, Caltex, Shell and Total. These companies, among others, currently purchase a part of their liquid fuels requirements for the South African market from us.

The Natref refinery at Sasolburg and our facilities at Secunda are located in the economic heartland of the country, where an estimated 55% of the country's liquid fuels are consumed. We currently supply approximately 6.6 Mt of white products per year to the South African market. Gasoline and diesel export volumes to African countries, excluding South Africa decreased during 2005 from 756,961m<sup>3</sup> to 636,033 m<sup>3</sup>.

After termination of the Main Supply and Blue Pump agreements, we concluded new supply agreements with the main oil companies operating in South Africa. These agreements cover the supply of liquid fuels, including gasoline, diesel, liquefied petroleum gas, jet fuel and illuminating paraffin. The transition to the new agreements was reasonably smooth and we met all supply commitments.

Slightly higher sales to the oil companies contributed to an increase in profits. This increase in oil company volumes was achieved against signed supply agreements with all the major oil companies. Supply

agreements were also negotiated for the first time for Sasol LFB with some emerging wholesale companies (companies registered with the CEF (Pty) Limited. For a company to be so designated it must sell a minimum of 15,000m<sup>3</sup> of petroleum products per annum. The Minister of Minerals and Energy may, under the Central Energy Fund Act, impose a levy on fuel manufactured, sold, or otherwise dealt with for the benefit of the Equalisation Fund or Central Energy Fund or both.).

We formed an empowerment joint venture with a Namibian company, Philco Twenty (Pty) Ltd, called Namibia Liquid Fuels, to supply 50% of Namibia's white product requirements (about 500,000m<sup>3</sup> a year) for at least three years. In addition, we entered into a major new supply agreement with the Government of Lesotho.

In the commercial sector, we are targeting four primary business sectors for marketing and supplying Sasol liquid fuels and lubricants: the mining industry, the transport industry, reseller/distributors and government organizations. Our successful marketing of products, for example our low-sulfur Sasol turbodiesel, has assisted in promoting our successes in both the commercial and retail markets.

In the retail sector we have successfully developed new, or converted existing service stations, growing to 146 Sasol Convenience Centers ( SCC ) and 199 Exel-branded service stations as at 30 June 2005, in line with the dual-branding approach, supporting two distinctive but complementary marketing strategies. In addition to the new sites developed, 88 Exel sites were revamped and converted to Sasol SCCs included in the 146 sites noted above. We have been successful in achieving our interim objectives in terms of market share for both retail gasoline and diesel.

When the Main Supply Agreement expired, we increased direct sales marketing on a commercial basis of the group's low-sulfur, low-benzene illuminating paraffin. We expect to build up a market share for our illuminating paraffin over the next 5 years. We retain competitive advantage in this sector of the industrial and related energy markets because of a notably low sulfur content of our fuel oils and special distillate fuels.

The Petroleum Products Amendment Act and subsequent further Amendment Bill, are expected, when enacted, to allow the Minister of Minerals and Energy, if required, to regulate the conditions and requirements for licensing of the sale of petroleum products to the retail markets in South Africa, including liquid fuel retail prices. Its provisions can affect the conditions and cost of our entry into the South African retail market for liquid fuels. See Item 4.B Business Overview Regulation Regulation of Petroleum Related Activities in South Africa .

The Petroleum Pipelines Act was assented to and signed into law by the President on 31 May 2004. This Act proposes, among other things, to establish a petroleum pipelines authority responsible for the supervision of the national regulatory framework of petroleum pipelines and provisions for the issuance of licenses relating to the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines, provision for the registration of marine offloading and storage facilities and certain commercially related services and setting and approving of tariffs for the use of pipelines and related storage facilities.

Among the matters governed by the Act, of particular significance to our business, are issues relating to the issuance of licenses and the discretion granted to the Minister of Minerals and Energy with respect to the exercise of executive powers, the determination of tariffs and the issue of open access to pipelines.

With regard to the setting of tariffs, various methodologies can be adopted, which may impact differently on some competitors because of their different market position and geographic location. Regulations that may be promulgated under the Act, could affect our logistic position due to the location in the economic heartland of the country of our Natref refinery and our Synfuels facilities at Secunda. The Act provides that sufficient pipeline capacity will be made available in the crude oil pipeline to enable Natref to operate at its capacity at the commencement of the Act.

We believe that securing direct independent access to the retail markets will yield strategic advantages to further improve our position in the South African fuels market. Since the restrictions on our direct sales to the South African market have been removed, we have the opportunity to increase our fuel production and sales by accessing the retail and commercial markets.

Petronet transfers synthetic fractions from Secunda to Natref on behalf of Sasol. Petronet purported to terminate the agreement to transfer these fractions with effect from 1 January 2005. After evaluating various technical options, agreement was reached with Petronet to continue with the transfers of synthetic fractions to Natref. Modifications to the pipeline will be completed by the end of October 2005 allowing Petronet to also use the line for other products.

We supported and participated with the South African liquid fuels industry and the national departments of Minerals and Energy and of Environmental Affairs and Tourism in a comprehensive technical program towards finalizing South Africa's new clean fuels specifications and vehicle emission standards for implementation on 1 January 2006. In addition we actively participate, together with Government and other stakeholders, in the various task teams to facilitate smooth clean fuels implementation in January 2006.

*Economic empowerment of historically disadvantaged South Africans.* As part of a general initiative of the government of South Africa to ensure the participation of historically disadvantaged South Africans in the country's economy, in November 2000, we became party to an agreement with the government and the liquid fuels industry which requires us, as well as other oil companies in this sector, to allow and facilitate BEE participation. For a further discussion of the Liquid Fuels Charter see Item 4.B Business Overview Regulation Empowerment of Historically Disadvantaged South Africans. The Liquid Fuels Charter inter alia requires, us to allow historically disadvantaged South Africans to acquire an equity participation of at least 25% in the company holding our Sasol's Liquid Fuels Business by 2010. We presented our charter-specific plan to a dedicated parliamentary portfolio committee of the South African Parliament during 2003.

#### **Sasol Gas**

Through Sasol Gas, we market methane-rich gas, produced by Sasol Synfuels and natural gas as a result of the inception of natural gas production from the Mozambican gas fields. Since 1964, we have developed gas markets and a gas distribution pipeline network of 2,200 km through which we currently supply 86.9 million gigajoules per annum ( mGJ/a ). We supply 47 mGJ/a to over 500 industrial and commercial customers in the provinces of Mpumalanga, Gauteng, KwaZulu-Natal and the Free State. We also supply additional volumes of 39.9 mGJ to other Sasol companies such as Sasol Chemical Industries in Sasolburg and Sasol Synfuels in Secunda. We use a Petronet pipeline to transport gas to our markets in KwaZulu-Natal.

Our gas products consist of methane-rich gas produced at our Synfuels plant in Secunda and natural gas piped from the Mozambican gas fields. Our gas competes mainly with crude oil-derived products in various industries, including ceramics, glass, metal, manufacturing, chemical, food, paper and pulp and a number of other sectors.

*The South African gas market.* The market for pipeline gas in South Africa is still in its infancy. We expect the market to grow substantially as a result of the introduction of natural gas from Mozambique. Our current supply of 86.9 mGJ/a of pipeline gas increased from 52.9 mGJ/a in 2004. Compared to developed countries, South Africa is a small consumer of natural gas as a percentage of its total energy requirements. This presents Sasol Gas with opportunities to increase sales of environmentally preferred natural gas. Environmental and technological trends together with new environmental legislations are expected to entice customers to convert to gas as a substitute for electricity, crude oil derivatives and coal.

*The natural gas project.* Through Sasol Petroleum International, we agreed with the government of Mozambique to develop its natural gas fields in the region of Temane. To this end, we concluded a petroleum production agreement under which, in partnership with Companhia Moçambicana de Hidrocarbonetos, a subsidiary of Mozambique's national oil company, we are developing the reservoirs in Temane and Pande and have constructed a natural gas central processing facility. We have also concluded a production sharing agreement which grants us exploration rights to defined areas surrounding the Temane and Pande reservoirs.

Furthermore, the government of Mozambique granted us the right to construct and operate a gas transmission pipeline for the transportation of gas from Mozambique to South Africa. The governments of South Africa and Mozambique have the option collectively to acquire 50% of the shares in the pipeline company which is currently a wholly owned Sasol subsidiary, at a price to be determined by means of a formula at the date they exercise the option. On 1 July 2005, a 25% interest in Rompco was sold to iGas (Pty) Limited (owned by the South African Government) for R609 million realizing a profit of R189 million.

The project has been completed on schedule and within budget and comprised eight main objectives:

- exploration in and around the Temane and Pande fields and the development of the gas extraction infrastructure;
- the commissioning of the central processing facilities at Temane to clean and dry gas;
- the commissioning of the cross-border transmission pipeline between Temane and Secunda;
- the connection of the pipeline into the Sasol Gas network at Secunda;
- the conversion of the Sasol Infracem coal-based process at Sasolburg to use natural gas as its hydrocarbon feedstock. Initial operating problems with the new technology autothermal reformers used in the process have largely been resolved;
- the conversion of the Gauteng gas network and customers to natural gas to replace the hydrogen rich gas derived from coal;
- the expansion of Secunda using natural gas as a supplementary feedstock to enable an initial 3% increase in Sasol Synfuels gas throughput; and
- the further development of third-party gas markets in South Africa.

Construction of the central processing facility near Vilanculos in Mozambique, was completed in March 2004 and can currently be fed with gas from nine of its twelve production wells. During June 2002, we commenced construction of the transmission pipeline from Mozambique, which was completed in March 2004. We have successfully converted all our inland customers to natural gas.

Based on our estimates, we expect the delivery of natural gas to South Africa to increase from the current rate of 70mGJ/a to 120mGJ/a by 2008.

The introduction of natural gas from Mozambique coincided with the exhaustion of the coal reserves and the shutdown of the majority of our mining operations at the Sigma Mine at Sasolburg. We transformed our coal gasification facilities at Sasolburg to natural gas refining as part of the Mozambique natural gas project. In addition, Sasol Synfuels and Sasol Technology installed additional facilities at our Secunda plant to commence using natural gas as supplementary hydrocarbon feedstock.

The natural gas project was conducted with due regard for social and environmental obligations and our requirement to complete construction according to the principles of sustainable development. We utilized prevailing international development guidelines and principles issued by various organizations, including the World Bank and the World Health Organization.



*The Petronet gas pipeline.* Petronet is the owner and operator of a network of 3,000 km of high-pressure petroleum and gas pipelines. Following negotiations between Petronet and Sasol Gas, we recently entered into an operating lease agreement to continue to use the Petronet Lily pipeline for the supply of pipeline gas to the Kwazulu Natal market. The agreement, which came into effect on 1 April 2005, will run for the next 17 years until 2022 with an option of a further 3 years.

*Co-generation.* We are currently negotiating with potential customers for the supply of gas to cogeneration facilities. These negotiations are well advanced and should be concluded early in the 2006 year.

As part of our commitment to Black Economic Empowerment, Sasol Gas formed a joint venture company and contributed its business rights to market pipeline gas in the Durban South area to Spring Lights Gas which is now entering its third year of commercial operations with increased operating profit on the previous year. A Black Economic Empowerment company, Coal Energy and Power Resources, holds 51% of the shares and Sasol Gas the balance.

Sasol Gas signed a memorandum of understanding in 2002 with another black empowerment company, Umkhumbi Gas for the potential distribution and marketing of natural gas in the Nelspruit-Ngodwana region of Mpumalanga. Umkhumbi Gas and Sasol Gas embarked on a gas supply feasibility study which was completed in the beginning of 2005. The results of the study showed that the option to extend the gas pipeline to the Ngodwana area was more viable than the Nelspruit pipeline extension. Commercial negotiations with potential customers in the Ngodwana area have been completed and the results indicate that it is currently not economically feasible to supply this area with natural gas and work on this project has been terminated.

#### ***Sasol Synfuels International***

Based in Johannesburg and formed in 1997, SSI our technology marketing and support subsidiary, is responsible for developing and implementing international business ventures based on our Fischer-Tropsch synthesis technology. SSI initiates and develops new ventures from project conception through to venture implementation. We expect that, in time, it will participate fully in supporting those ventures and the marketing of their products after commercial start-up.

*The Sasol SPD process.* Exploiting our long and extensive experience in the commercial application of Fischer-Tropsch technology, we have successfully developed a Fischer-Tropsch-based SPD process for converting natural gas into high-quality, environment-friendly diesel and other liquid hydrocarbons. The GTL process consists of three main steps, each one of which is commercially proven. These include:

- the Haldor Tops&quot;e reforming technology, which converts natural gas and oxygen into syngas;
- our Slurry Phase Fischer-Tropsch reactor, which converts syngas into hydrocarbons; and
- where possible, the Chevron Isocracking technology, which converts hydrocarbons into particular products, mainly diesel, naphtha and liquefied petroleum gas ( LPG ).

Currently, we believe, based on our knowledge of the industry and publicly available information, that on a worldwide basis we have the most extensive experience in the application of Fischer-Tropsch technology on a commercial scale, with Shell being the only other company with significant experience in this field. Given the increasing discovery of extensive natural gas resources, especially in remote regions, our Sasol SPD process can be applied with significant commercial and efficiency advantages in various parts of the world. Proven global natural gas resources are currently estimated to be an oil equivalent of more than 900 billion barrels. In addition, transportation of fuels in liquid form is easier and cheaper than transportation of gas. As a consequence, our technology has evoked interest from countries and companies with extensive natural gas reserves, as an appealing alternative for exploiting these reserves. In recent



years, we have been actively promoting our Sasol SPD technology and are examining several projects, with a view to commencing its commercial application at the core of new GTL plants.

The Sasol SPD process converts natural gas into diesel and other liquid hydrocarbons which are generally more environment-friendly and of higher quality and performance, compared to the equivalent crude oil-derived products. In view of product specifications gradually becoming more stringent, especially with respect to emissions, we believe that the option of environment-friendly GTL fuels will become more appealing in time. However, the construction of GTL facilities and the production of GTL fuels require significant capital investments, at least during their initial stages, as is usually the case with the application of new technologies. GTL fuels can be used with optimized engines for best performance, although they can also be utilized with current compression ignition engines. We also expect that GTL diesel may be suitable as a cost-competitive blend stock for conventional diesels, thereby enabling diesel producers to improve the quality of their existing diesel formulations without investing substantially in sophisticated new plants and infrastructure. We anticipate the combined factors of GTL diesel's superior characteristics and the prevailing market conditions in developed economies will enable GTL products to initially command premium prices for either niche applications or as a blend stock for upgrading off-specification products.

*The Sasol Chevron joint venture ( SC ).* In June 1999, SSI and Chevron, agreed to create a global alliance SC in order to identify and implement ventures based on the Sasol SPD process as part of our strategy to exploit our Fischer-Tropsch technology and to develop and commercialize the GTL process. We believe that there are considerable synergies between the two companies, which will enable the alliance to accelerate both the implementation of GTL ventures and the development of markets for the new products, to be produced from the ventures that will be established. We finalized and implemented our global joint venture in October 2000. SC and SSI continue to be involved in exploratory discussions and feasibility studies with some of the world's gas-rich countries, including Qatar, Nigeria, Algeria and Australia, with the view to develop GTL plants over the next decade.

In addition, working closely with Sasol Technology's Fischer-Tropsch process innovation teams at Sasolburg and Johannesburg, SSI and SC are involved in an ongoing program aimed at further improving competitiveness by lowering the capital and operating costs of future GTL plants.

*Sasol exploring new opportunities.* Working in partnership with Sasol Technology, SSI also continues to explore for new opportunities to commercialize Sasol's competitive Fischer-Tropsch synthesis technology for the beneficiation of coal and other hydrocarbon resources, including biomass.

*The Qatari GTL project.* We have formed a joint venture with Qatar Petroleum ( QP ), Qatar's state-owned energy company, the Oryx GTL venture, in respect of the joint development of a GTL plant at Ras Laffan Industrial City in Qatar. We hold 49% in this venture, with QP holding 51%, in the US\$952 million project (excluding financial charges), including site, pre-production and contingency costs. Construction of the GTL plant has commenced and a dedicated Sasol management team has been established in Qatar.

In November 2002 we jointly appointed 15 banks as lead arrangers to provide the US\$700 million non-recourse debt financing for the venture. QP and SSI awarded the US\$675 million lump-sum, turnkey engineering, procurement and construction ( EPC ) contract to the multinational, French-based engineering company, Technip, in December 2002. The EPC contract became effective in March 2003 after finalizing the financial agreements. The EPC contract is being executed from Technip's Italian operations in Rome. Sasol Technology design engineers and project managers are managing the technology, engineering and project management portfolios for SSI and QP.

Site work for the construction of the Oryx GTL plant began in September 2003. Civil engineering work, including pipe laying, was completed by mid-2005. Most major pieces of long-lead-order equipment, including the two low-temperature Fischer-Tropsch Slurry Phase reactors being fabricated in Japan,

Haldor Tops&out;e autothermal reformers, a Chevron Isocracking unit and the compressors have arrived at Ras Laffan in phases during our 2005 year. Plant start-up is scheduled for the first half of the 2006 calendar year. Most of the Oryx GTL diesel (about 8 million bpa) will be marketed to customers in Western Europe, where much of this ultra-low-sulfur diesel will most likely be used as blend stock for higher-sulfur diesel derived from conventional oil refining.

*Expansion of Qatari GTL capacity.* In March 2004, SC and QP announced plans to expand the Oryx GTL plant in order to increase its capacity to about 100,000 bpd. In support of these plans, SC and QP signed a memorandum of understanding for the expansion project that would add a further capacity of about 66,000 bpd.

In addition, QP and SC have agreed to evaluate the opportunity of developing an upstream-downstream integrated GTL project, also at Ras Laffan, with a capacity of about 130,000 bpd.

*Escravos GTL ( EGTL ).* SC is also participating in the development of a second GTL plant, EGTL at Escravos in the Niger Delta region of southern Nigeria. EGTL is a joint venture between the Nigerian National Petroleum Corporation and CNL, two companies with established petroleum production interests at Escravos. In April 2005 the US\$1,700 million lump-sum EPC contract for this project was awarded to Team JKS. Start-up of the EGTL facility is expected in the 2009 calendar year.

We believe that the operation of the GTL plants in Nigeria and Qatar will effectively demonstrate the successful commercial application of the Sasol SPD process outside South Africa.

*The Gulf GTL study planned.* A potential GTL project opportunity exists in gas-rich Iran, for which SSI completed a pre-feasibility study in 2003. SSI and Iran's state-owned National Petrochemical Company (NPC) have been involved in discussions with a view to exploring the merits of constructing on the Gulf a GTL plant based on the Sasol SPD process. Discussions between SSI and the various parties in Iran to clarify project interfaces in preparation for the feasibility study has taken longer than originally anticipated but are nearing completion. SSI and NPC plan to commence a feasibility study for this potential project in the year ahead. An investment decision will only be made after the results of a feasibility study have been evaluated.

*Coal beneficiation study for China.* SSI has commenced pre-feasibility studies with a consortium of Chinese companies for the potential development of two 60,000 bpd to 80,000 bpd CTL facilities in the People's Republic of China. These studies are expected to be completed by October 2005. A decision on how to proceed with these opportunities, subject to successful outcome of the current studies, is expected towards end of the 2005 calendar year.

*Early-stage investigation of potential GTL and CTL projects* Sasol Chevron is evaluating the opportunity participate in a 34,000 bpd GTL project in Algeria. No decision on whether or not to submit a commercial bid has been taken. The decision of the US to become less dependent on imported crude oil and subsequent changes to the US Energy Policy Act has resulted in renewed interest in CTL projects in the US. Sasol is currently reviewing CTL opportunities in this context. These studies are in pre-feasibility stage and Sasol has taken no decision whether or not to pursue this opportunity.

*Catalyst facility.* To support our plans to globally develop and exploit GTL technology, Sasol Technology entered a co-investment agreement with Engelhard Corporation during 2002 to manufacture our proprietary advanced cobalt catalyst. Sasol Technology developed this cobalt catalyst for application in the Sasol SPD reactor to be featured in future GTL plants. In January 2002, we commissioned a 500 tons per annum cobalt catalyst production facility at De Meern in the Netherlands. It has since been producing and stockpiling high-quality catalyst for our Nigerian and Qatari GTL plants. First shipment of catalyst to Oryx took place in June 2005.



### *Sasol Olefins and Surfactants*

In 2003, Sasol determined that it would continue to grow its chemical businesses, conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa subject to an acceptable price being obtained.

The main products of the Olefins and Surfactants business unit are paraffins, olefins (including poly-internal olefins), linear alkylbenzene ( LAB ) and their surfactant derivatives, such as paraffin sulfonate and linear alkylbenzene sulfonate ( LAS ).

LAB is the feedstock for the manufacture of LAS, an essential surfactant ingredient for the detergents industry. Paraffins (n-paraffins) and n-olefins are produced mainly as feedstock for the production of LAB, oxo-alcohols and paraffin sulfonates. A portion of this business unit's products are used internally for the production of downstream surfactants and alcohols.

Based on industry and publicly available information, Sasol's Alkylates and Surfactants business unit is one of the leading global producers of paraffins and LAB, as well as a leading supplier of LAS in Europe. The main competitors include: ExxonMobil, Shell and Petresa in the n-paraffins market; Huntsman, Petresa and ISU in the LAB market; and Stepan, Huntsman and Cognis in LAS.

**Alcohols and Surfactants:** The Alcohols and Surfactants business unit produces a diversified portfolio of linear and semi-linear alcohols of carbon range between C<sub>6</sub> and C<sub>22+</sub>. The diversity of this product portfolio is supported by the wide range of raw materials (petrochemical, oleochemical and coal-based) and manufacturing facilities used, and technologies applied. Nonionic and anionic surfactants enhance the product portfolio, as well as some surfactant intermediates such as ethylene oxide, alkyl phenols and alkanolamines.

Alcohols and Surfactants products are used in a wide range of applications, including metalworking, flavors and fragrances, personal care, cosmetics, plastic additives, textiles, agriculture, detergents and cleaners. A portion of the alcohols production is consumed internally in Olefins and Surfactants' value chain to produce surfactants and specialty plasticizers.

Based on industry and publicly available information, Sasol's Alcohols and Surfactants business unit is one of the leading global suppliers of carbon range C<sub>6+</sub> linear and semi-linear alcohols, as well as a leading producer of surfactants in Europe. The main competitors include Cognis and Shell.

**Inorganic Specialties:** This business unit produces mainly alumina products. Alumina is used in a broad range of applications, including catalyst supports, raw materials for ceramics, coatings and polymer additives. This business unit also produces zeolites, which are used as softening components in detergents. Competitors include Akzo Filtrol and Engelhard in aluminas. There are numerous competitors in zeolites.

**Monomers:** The Monomers business unit has two main activities: producing alpha-olefin co-monomers in South Africa and ethylene in the United States.

The alpha olefin co-monomers, 1-pentene, 1-hexene and 1-octene are manufactured at facilities in Secunda as an integral part of Sasol's synfuels process. Most of these co-monomers are sold to third parties for use in the manufacture of polyethylene plastics, which end up in applications such as shrink-wrap film, woven plastic bags and refuse bags. The main competitors include BP, Shell and Chevron.

Ethylene is produced at our ethane-based ethylene cracker in Lake Charles in the United States and is sold to plastics manufacturers in the US Gulf Coast region. Some of the ethylene production is used internally to manufacture alcohols. There are numerous competitors in the US ethylene market.

The following table summarizes the production capacity of Sasol Olefins and Surfactants for each of its main product areas.

**Sasol Olefins and Surfactants  
Production Capacity**

<b>Product</b>	<b>Facilities Location</b>	<b>Total (Ktpa)</b>
C <sub>5</sub> -C <sub>8</sub> alpha olefins	South Africa	275
Ethylene	United States	455
C <sub>6+</sub> alcohol	United States, Europe, South Africa	600
Inorganics	United States, Europe	170
Paraffins and olefins	United States, Europe	800
LAB	United States, Europe	550
Surfactants	United States, Europe, Far East, Middle East	1,000

These production facilities are located in Secunda in South Africa; Lake Charles, Tucson and Baltimore in the United States; Brunsbüttel, Marl and Witten in Germany; Augusta, Terranova, Sarroch, Crotona and Porte Torres in Italy; Dubai in the UAE; Novaky in Slovakia and Nanjing in China.

**Sasol Polymers**

The Sasol group's polymer related activities are managed in two separate companies namely Sasol Polymers, a division of Sasol Chemicals Industries, and Sasol Polymers International Investments. Sasol Polymers is responsible for the local operations and Sasol Polymers International Investments for the offshore operations.

Sasol Polymers focuses on the production of ethylene and propylene monomers, polypropylene, polyethylene and polyvinyl chloride polymers and other chemical products through its respective businesses with its major manufacturing plants located at Sasolburg and Secunda.

During 2005, Sasol group's polymer activities achieved external turnover of R7.2 billion, representing 10% of our total external segmental turnover.

They have also retained a sharp focus on continuous improvement. Since 1995 per-capita productivity (tons of total production per employee) has risen by a total of 300% in 11 years. Fixed costs per ton in real terms have dropped by 42% over the same period.

**Monomers.** The Monomers business unit of the Polymers division supplies feedstock to its polypropylene, polythene and vinyl business units and to Dow Plastics South Africa. Sasol Polymers extracts the ethylene and propylene feedstock from feed streams produced in our Fischer-Tropsch process at Secunda, while a small portion of ethylene is produced from propane cracking. The ethylene production capacity is 480 Kilo tons per annum ( Ktpa ) and includes facilities for ethane cracking in both Secunda and Sasolburg.

Ethylene production fell below target during the year because of a tragic incident on 1 September 2004 when the Secunda West ethylene production facilities sustained severe damage as a result of an explosion during maintenance activities. The plant was unavailable for production up to the last week in December 2004. During this three and a half month period, losses were reduced via increased production on the remaining two ethylene plants in the Monomers business. A portion of this loss in production was matched by a reduction in demand when project work was executed on downstream polymer units. The supply to some downstream units had to be restricted notwithstanding this reduction in demand. These losses were mostly covered by our insurance.

The propylene extraction facilities comprise three splitter columns at Secunda with a total capacity of 475 Ktpa (350 Ktpa polymer and 125 Ktpa chemical grade), as well as one splitter column at Natref with a capacity of 45 Ktpa chemical grade. The Secunda propylene plants had a stable period in 2005 with production maintained at target levels. During an extended shutdown, a modification was performed on the Natref splitter column to improve final product quality. We supply approximately 160 Ktpa of ethylene and 100 Ktpa of propylene to Dow Plastics South Africa for its high-density polyethylene ( HDPE ) and polypropylene plants at Sasolburg.

*Polypropylene.* The Polypropylene business unit manufactures and markets homopolymers as well as random and impact copolymers. The polypropylene plant technology is licensed from Novolen Technology Holdings and has a production capacity of 220 Ktpa. About 49% of the production is supplied to customers in South Africa. The remainder is sold in more than 30 countries in the Far East, Africa, North West Europe and South America.

*Polyethylene.* The Polyethylene business unit is a long-established producer and marketer of low-density polyethylene ( LDPE ) and linear low-density polyethylene ( LLDPE ) for a broad spectrum of customers in the South African plastics conversion industry. It is the country's sole producer of these products and has a market share of more than 70%. The polyethylene business achieved 194 Kt of total production due to ethylene supply constraints.

The 100 Ktpa LDPE plant at Sasolburg uses high-pressure autoclave technology licensed originally from ICI of the United Kingdom. The LLDPE plant, recently upgraded from 110 Ktpa to 150 Ktpa, uses gas-phase technology licensed from Univation.

*Vinyls.* The Vinyls business unit produces suspension polyvinyl chloride ( PVC ) resins. Its fully integrated vinyl chloride monomer ( VCM ) and PVC production chain is situated at Sasolburg. Ethylene and chlorine are sourced from within Sasol Polymers. It uses technology licensed from European-based VinTec and Ineos Vinyls (previously European Vinyls Corporation) for VCM and PVC respectively. The current PVC nameplate capacity is 200 Ktpa. This business unit supplies more than 95% of the South African resin market as well as exports to markets in Africa and the Far East.

Although the South African PVC market grew approximately 2.3%, local PVC sales were in line with that in the previous year. This was due to lost market share as a result of the market importing resin after raw material supply constraints disrupted PVC production.

The Vinyls business shut down its PVC compounding operation at the end of April 2005.

*Chemicals.* The Chemicals business unit operates plants at Sasolburg producing chlor-alkali chemicals, cyanide and organic peroxides. The latter is produced in a joint venture with Degussa.

The Chemicals business unit operates a 145 Ktpa chlorine plant and supplies some 78% of its chlorine production to the Vinyls business unit. The balance is beneficiated into hydrochloric acid, sodium hypochlorite and calcium chloride. We sell 148 Ktpa of diaphragm- and membrane-grade caustic soda to South African customers in the pulp and paper, minerals beneficiation and soap and detergent industries.

The Chemicals business is South Africa's sole manufacturer of sodium and calcium cyanide solution with a production capacity of 40 Ktpa, which is sold to local gold producers. Local demand for cyanide is declining in line with South Africa's reduced extraction and refining of gold ore.

**Sasol Polymers****Production Capacity**

<b>Product</b>	<b>Total (Ktpa)</b>	<b>Africa</b>	<b>Asia</b>
<b>South Africa</b>			
Ethylene	480	•	
Propylene	520	•	
Polypropylene	220	•	
LDPE	100	•	
LLPDE	150	•	
PVC	200	•	
Chlorine	145	•	
Caustic soda	165	•	
Cyanide	40	•	
<b>Offshore</b>			
Ethylene	72		•
Propylene	11		•
LDPE	102		•

- Indication of the geographical location of the production capacity.

*Investments.* As additional ethylene and propylene feedstock is expected to become available during the 2006 year, resulting from our unleaded fuel and polymers project, Sasol Polymers will be increasing its South African capacity of both polyethylene and polypropylene by a total of up to 510 Ktpa at its Sasolburg and Secunda operations. For more information on our Synfuels unleaded fuel and polymers project see above Item 4.B Business Overview Sasol Synfuels .

At the Sasolburg Midland site, we are constructing a new 220 Ktpa LDPE plant incorporating high pressure tubular reactor technology licensed from ExxonMobil and plan to downscale or discontinue production at the Poly 1 LDPE plant in order to optimize the available ethylene. We are also increasing LLDPE capacity from 110 Ktpa to 150 Ktpa. At the Secunda site, we are developing a new 300 Ktpa polypropylene plant based on licensed process technology from Innovene.

*Markets and competition.* Sasol Polymers major focus is on the Southern African polymers market, from which it derives more than 75% of its turnover. As the sole producer of LDPE, LLDPE and PVC in South Africa, it holds the leading share in the local market. The main competitors in this market are Asian and Middle Eastern producers.

Dow Plastics South Africa is the main competitor for our polypropylene business, producing 110 Ktpa. Sasol Polymers exports to neighboring countries in Southern, East and West Africa, the Far East, North West Europe and South America. Sales to these markets depend on the extent to which production capacity exceeds domestic market sales.

In 2005, Sasol Polymers exported 110 Ktpa of polypropylene, 23 Ktpa of PVC, 2 Ktpa of polyethylene and 6 Kt of chemicals. Polypropylene accounts for by far the largest portion and geographical spread of Sasol Polymers exports.

*Sasol Polymers International Investments.* Sasol Polymers International Investments growth strategy focuses on Africa and the Indian Ocean rim. To support its objectives in this latter region, it participates in four ventures, Optimal Olefins and Petlin in Malaysia, Wesco China Limited ( Wesco China ) in China and Arya Sasol Polymer Company in Iran.

Optimal Olefins operates a 600 Ktpa ethane/propane cracker at Kertih, on the east coast of Malaysia. The company is a venture between Petronas (64%), Dow Chemical Company (24%) and Sasol Polymers International Investments (12%). The cracker principally produces 600 Ktpa of ethylene and 90 Ktpa of propylene. The monomers are sold to captive downstream customers, including Petlin, in the same petrochemical production complex at Kertih.

Petlin operates a LDPE production plant on the east coast of Malaysia. The company is a joint venture between Sasol Polymers (40%), and Petronas (60%). This plant has a capacity of 255 Ktpa and, on the basis of our knowledge of the industry and publicly available information, we believe that it is one of the world's largest of its type. It commenced production in September 2002 and its production is primarily for the South-east Asian and Chinese markets. Both these plants are in steady state production and contribute to group profits.

Sasol Polymers International Investments holds a 40% stake in Wesco China, a distributor of polymer products mainly to customers in Southern China and Taiwan. Wesco operates a polymer warehouse and bagging plant, a compounding plant and a recycling plant in the Guangdong province in China. The company handles more than 150 Ktpa of polymers and has distributed Sasol Polymers' polypropylene in China since 1990.

Sasol Polymers Germany, a subsidiary of Sasol Polymers International Investments, has entered into a 50:50 joint venture with the National Petrochemical Company of Iran to construct and operate an integrated ethylene and polyethylene production facility in Iran. The joint venture, Arya Sasol Polymer Company, comprises a 1,000 Ktpa ethylene cracker based on ethane and two 300 Ktpa polyethylene plants (one for producing LDPE and one for HDPE). Construction of the production facility is progressing. The cracker construction schedule has been revised and plant start-up is currently targeted for May 2006. The two polyethylene plants will be started in the following months..

#### ***Sasol Solvents***

Sasol Solvents manufactures and globally markets a range of primarily oxygenated solvents to various industries.

*Products and activities.* A significant part of Sasol Solvents' portfolio of products can be classified as oxygenates. These are used as solvents in the manufacture of paints, inks, coatings, adhesives, pharmaceuticals, cosmetics, fragrances and other applications. In addition to their solvent applications, a number of these products serve as intermediates for the production of downstream chemicals. We believe that the breadth of our product portfolio is a competitive advantage, compared to more limited portfolios of some of our competitors in the global solvents market.



## Sasol Solvents

## Production Capacity

Product	Total (Ktpa)	Africa	Europe
Ketones	333		
<i>Acetone</i>	175	•	
<i>MEK</i>	130	•	•
<i>MiBK</i>	28	•	
Glycol ethers	70		
<i>Butyl glycol ether</i>	70		•
Acetates	59		
<i>n-Propyl acetate</i>	9	•	
<i>Ethyl acetate</i>	50	•	
Solvent blends	50	•	
Mixed alcohols	378	•	
Pure alcohols	860		
<i>Methanol (Q)</i>	140	•	
<i>Ethanol (Q)</i>	285	•	•
<i>n-Propanol (Q)</i>	45	•	
<i>Isopropanol (Q)</i>	225		•
<i>n-Butanol (Q)</i>	150	•	
<i>iso-Butanol</i>	15	•	
Acrylates	125	•	
<i>Ethyl acrylate</i>	35	•	
<i>Butyl acrylate</i>	80	•	
<i>Glacial acrylic acid</i>	10	•	
Other	70	•	•

- Indication of the geographical location of the production capacity.

Sasol Solvents has a total production capacity of 1,945 Ktpa, at four sites in South Africa (approximately 72% of our production capacity) and three in Germany (approximately 28% of our production capacity). The South African production facilities are located at Secunda, Germiston and at two separate locations in Sasolburg. Our German production facilities are located at Herne, Marl and Moers in the Ruhr area.

The main portion of the division's South African product is derived as a co-product of the synfuels process at Secunda. Significant parts of the products are nevertheless synthesized from chemical feedstock. Ethanol, isopropanol and methyl ethyl ketone (MEK) are synthesized from ethylene, propylene and butenes respectively at the German plants. In South Africa, butanol is synthesized from propylene and acrylic acid is synthesized from propylene.

Some of the products also result from the downstream conversion of the primary chemicals to higher value-added derivatives. Examples of these products include the production of:

- methyl isobutyl ketone (MiBK) from acetone;
- ethyl acetate from ethanol;
- propyl acetate from propanol and acetic acid;

- ethyl and butyl acrylates from acrylic acid and the corresponding alcohols; and
- ethylene glycol butyl ethers from butanol and ethylene oxide.

Sasol Dia Acrylates is our marketing and production joint venture with Mitsubishi Chemical Corporation of Japan. The integrated, four-plant facility produces acrylic acid used captively for the production of glacial acrylic acid, butyl acrylate and ethyl acrylate from Sasol feedstock. This chemical complex has enabled Sasol to become the world's only known acrylic acid and acrylates producer that is fully back-integrated into the required feedstock of propylene, butanol and ethanol. The complex also underscores our commitment to expand our chemical portfolio by adding value to our chemical feedstock.

*Markets and competition.* In 2005, Sasol Solvents sold approximately 1.5 Mt of products worldwide. Sasol Solvents manages its global business from its central offices in Johannesburg and Hamburg. It also operates thirteen regional sales offices and seven storage hubs in South Africa, Asia-Pacific, the Middle East, the United States and Europe.

Sasol Solvents holds significant market shares in the global markets for some products, amongst which n-propanol, propyl acetate and iso-propanol are the most prominent.

Sasol Solvents' competitors vary depending on the products and include a number of major international oil and chemical companies. In the market for ketones, its main competitors are ExxonMobil, Shell Chemicals and Ineos. In the alcohols market, its main competitors are BP Chemicals, Shell Chemicals, Dow Chemicals Company, Celanese and Equistar. In the market for acetates and acids, its main competitors include Celanese, Eastman and BP Chemicals.

#### *Other Activities*

##### *Sasol Wax International AG ( Sasol Wax )*

Sasol Wax, our wholly owned wax operation, produces and markets wax and wax-related products to commodity and specialty wax markets globally. It manufactures crude oil-derived paraffin waxes, as well as synthetic waxes produced on the basis of our Fischer-Tropsch technology. Sasol Wax has its head office in Hamburg and employs 990 people globally. In 2005, it had a global external turnover of R3.9 billion.

*Products and activities.* The overall volume of products marketed amounts to 822 Ktpa of which 27% are products derived from the Fischer-Tropsch process. The main product portfolio includes paraffin waxes, both fully refined and semi-refined, produced and marketed in various grades, as well as Fischer-Tropsch-based synthetic waxes which include the Fischer-Tropsch-derived hard wax (melting point range 80°C and higher), the Fischer-Tropsch-derived medium wax (melting point range 30-80°C) and liquid paraffins in the carbon range C<sub>5</sub> through C<sub>20</sub>. Various specialty blends of waxes are also produced and marketed. Sasol Wax continues to develop niche markets for higher-value specialty waxes, such as those used by the food, cosmetics, pharmaceutical, construction-board and adhesive industries. Demand for our liquid paraffins for environmentally preferred drilling fluids has been growing in the Gulf of Mexico following the introduction of more stringent US Environmental Protection Agency specifications for drilling fluids and other oilfield chemicals. The European wax emulsion business has annual sales of about 37.5 million euro. We produce, as a result, about 106 Ktpa of wax emulsion at facilities in the UK, Austria, and Germany.

The main production assets of this division are located in Hamburg, Germany; Sasolburg and Durban, South Africa; Pass Christian, Mississippi; and Oakland, California, in the United States.

Our plant in Hamburg has a production and blending capacity for paraffin wax of 300 Ktpa. It purchases slack wax feedstock from numerous lube-oil-producing refineries predominantly in Western Europe and from Eastern Europe and Africa. We initially de-oil slack waxes to fully or semi-refined quality



and fully hydrogenate all final products. Subsequently, various product blends are produced. Products are sold either in liquid bulk or in solidified form. This operation has a trading activity of about 100 Ktpa.

Our plant in Sasolburg operates Fischer-Tropsch-based technology for the production of synthetic waxes. It used coal-derived syngas as feedstock, which was changed to Mozambican natural gas as from July 2004. We own and operate a wax plant integrated in the Engen refinery in Durban, South Africa. This plant produces wax blends predominantly for the South African and other African candle industries. The production capacity of the South African based wax plants amounts to 240 Ktpa of Fischer-Tropsch-derived products, of which 70 Ktpa are hard waxes, 80 Ktpa medium waxes, 30 Ktpa waxy oils and 60 Ktpa liquid paraffins.

We also operate a major candle factory located in Johannesburg with a capacity of up to 30 Ktpa, which represents approximately 40% of the South African candle industry market.

In the United States, our wholly owned subsidiary Sasol Wax Americas, Inc. (formerly Moore and Munger Inc.), based in Shelton, Connecticut, is engaged predominantly in trading activities, both in Fischer-Tropsch-derived and paraffin waxes. Sasol Wax Americas, Inc. holds a 50% share in the Luxco Wax business based in Oakland, California, which operates a wax blending facility in Pass Christian, Mississippi with a capacity of up to 20 Ktpa. The total product manufactured and traded by Sasol Wax Americas, Inc. in the United States amounts to approximately 100 Ktpa.

## Sasol Wax

### Production Capacity

Product	Facilities location	Total (Ktpa)
Paraffin wax	Germany	300
FT Hard wax	South Africa	70
FT Medium wax	South Africa	80
Waxy oils	South Africa	30
Liquid Paraffins	South Africa	60
Semi-refined paraffin wax	South Africa	30
Specialty wax blends	Germany, the United States and The Netherlands	80
Wax emulsion	Europe	100

*Markets and competition.* The division markets its products globally, but its main markets are in Europe and the United States. In both Europe and the United States, approximately 50% of paraffin waxes are sold to candle manufacturing companies and the balance is sold to numerous industries, including rubber and tire, cosmetics, adhesives and surface coatings industries. Fischer-Tropsch-derived hard wax production is sold predominantly in the United States and Europe, and also in Asia. Fischer-Tropsch-derived medium waxes and paraffin waxes produced in South Africa are predominantly sold to the candle industry in South Africa.

The overall world market for waxes is estimated at about 3,300 Ktpa and our main competitors in the market are the Chinese producers China Oil and Sinopec. In specialty wax market our competitors are Honeywell's specialty products and Witco BP Special Products (Owned by H and R Wax Company).

Sasol Wax is currently subject to certain legal proceedings regarding alleged anticompetitive behavior. See Item 4B. Business Overview .

***Sasol Nitro***

Sasol Nitro, our nitrogenous products division, manufactures and markets ammonia, fertilizers, commercial explosives and related products. The division also markets ammonia, sulfur and specialty gases produced by other Sasol divisions. All production activities are located in South Africa. The division focuses on supplying the Southern African market, with selective exports of fertilizers, ammonium nitrate-based explosives and explosives accessories.

*Main products.* The division's product portfolio includes:

- ammonia;
- nitric acid;
- ammonium nitrate solution;
- sulfuric acid;
- high purity hydrogen;
- phosphoric acid and phosphate derivatives;
- various grades of fertilizer;