



# investor insight

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## upfront

Dear all,

As a very successful 2007 draws to an end, we are confident about the completion and ramp up of our planned capital projects in 2008. The Sasol sponsored national rugby team, the Springboks, winning the rugby world cup in October added to the pinnacles of success for the company and for South Africa.

September, October and November saw dated Brent crude prices, on average over the months, exceed the cap of US\$76,75 for our synfuels hedge, which translates into a cash outflow of around US\$40 million. The synfuels hedge comes to term in May 2008.

In September we guided to FY08 earnings in line with FY07 on the back of an assumed average R7,25/US\$ and expected Brent crude prices in the mid US\$60 s/b with some softening in dollar refining margins. As the largest portion of our costs are in rand and most of our products are either sold directly in US dollars or in currencies closely linked to the dollar, Sasol's earnings are heavily geared to R/US\$ exchange rate and refined product prices. Despite some softening in refining margins, refined product prices have increased on the back of higher crude prices. In combination, this has largely ameliorated the impact of US dollar weakness in the last quarter.

We have made significant broad-based black economic empowerment (BEE) announcements. In September we announced the single largest BEE equity transaction in the history of South Africa. This deal, which is subject to shareholder approval, will result in the transfer

of beneficial ownership of 10% of Sasol Limited's issued share capital to our employees and a wide spectrum of black South African participants. Key features of this transaction are the focus on skills development and capacity building, particularly through the formation of a Sasol Foundation. We plan to issue a detailed circular on the proposed Sasol Limited transaction during the first half of 2008. Our aim is to complete this deal by the end of the financial year, in June 2008.

In October, we announced the second and final empowerment deal for Sasol Mining. This transaction sees part of Sasol Mining sold to broad-based black women's groups for almost R1,9 billion. This enables us to achieve full equity compliance (26% BEE ownership, based on attributable units of production) with the Mining Charter, while also allowing us to enhance skills development, particularly among historically disadvantaged women, in the mining sector. Sasol is not planning any further substantial BEE equity deals.

A further step taken as part of the turnaround process of the Olefins & Surfactants (O&S) business was the announcement in November of the shutdown of part of the normal paraffin production capacity in Augusta, Sicily (Italy), for an indefinite period of time. This enables O&S to further streamline operating costs whilst maintaining its ability to reliably supply its customers. Effective from 1 January 2008, Sasol will raise prices of linear alkylbenzene (LAB) by around 250 US\$/ton in all markets.

As an ongoing part of restructuring our

balance sheet, we have further advanced our share buyback programme. On 5 October we reported that a total of 19 451 489 Sasol ordinary shares (equivalent to 3,09% of the issued share capital of Sasol) had been purchased by Sasol Investment Company (SIC). The average price paid was R259,40 per share. Sasol's shareholders again approved the share buyback programme up to a maximum of 10% of our issued share capital at our AGM on 30 November. Our intention is to continue to buy back shares (outside Sasol's closed period) as market conditions and our cash flows/gearing allow.

It is pleasing to note that in October, Sasol won top honours in the Ernst & Young (E&Y) Excellence in Sustainability Reporting annual award for the second year in a row for our 2006 sustainable development (SD) report. We have subsequently published our 2007 SD report, in which we outline our environmental path in more detail. The E&Y award comes hot on the heels of other accolades, including the Chartered Secretaries SA/JSE Limited Annual Report Awards. Sasol was also the only African company listed under the "Rest of the World Top 100" Sustainability reports by Context's and Corporate Register.com's seventh annual report on corporate responsibility reporting.

We wish you and your loved ones a happy festive season and a prosperous 2008!

Best regards,

**Christine Ramon**  
Chief financial officer

## overview

With expansion programmes such as the brownfields natural gas and synfuels growth programme and the greenfields project Mafutha under early evaluation, the business faces challenging, yet exciting prospects. Sasol Mining continues to provide solid sales volumes from reserves in excess of 30 years to Sasol Synfuels which has been able to capitalise on the return to a normal four-year shutdown cycle. Combined with growth from Sasol Gas and sustained growth in refined product sales by Sasol Oil, the integrated South African energy business looks set to build on its results in 2007 when the business contributed 85% to Sasol's operating profit.

Sasol's chemical interests remain a key growth driver for the group. We report on progress at the Arya Polymers plant, which together with additional polymer volumes from Turbo, is set to effectively double polymer capacity at Sasol Polymers.

In Qatar, our Oryx GTL JV with Qatar Petroleum, which is reported on page 5, and the Nigerian GTL venture, set the scene for expansion of our international energy business through Sasol's gas-to-liquids technology. Domestically, we are excited about the prospect of additional natural gas volumes from Sasol Petroleum International's interest in Mozambique, a part of which will be used to fuel the synfuels growth programme discussed in the July 2007 edition of *Investor Insight*.

## sa energy cluster

### Sasol Mining

A 15-day wage-related strike by members of a recognised trade union in October impacted coal production in the first half of the 2008 financial year. While sales to Sasol Synfuels remained solid, the labour action has unfortunately led to a reduction in our coal stockpiles.

The Igoda export coal business was also negatively impacted by labour action, as well as continued railing cancellations by Transnet Freight Rail which resulted in lower export sales volumes. Sasol Mining was therefore not fully able to capitalise on high, though volatile, coal export coal pricing. Current export prices are trading at around record levels with strong demand from the Far East, primarily due to increased net imports from China. European demand remains stable.

The high export sales prices and the impact of the high producer price index (PPI) on the Sasol Synfuels sales price should work its way into higher turnover for the business.

### Sasol Gas

Gas sales in the first quarter of FY08 were ahead of expectations, due to good growth in both external, as well as Sasol's own consumption. Total gas sales for the full financial year of slightly over 120 million gigajoules (MJ) are expected. Gas sales prices have also increased, due to increases in both PPI and international oil prices.

The commercial, funding and related agreements for the installation of the first

compressor station on the natural gas pipeline from Mozambique to Secunda, South Africa, have been put into place. This is expected to come into operation towards the end of 2009.

### Sasol Synfuels

FY07 was an extraordinary year for Sasol Synfuels as two scheduled maintenance shutdowns took place. Although planned shutdowns are required for maintenance and upgrading of plant equipment, usually only one shutdown occurs per year. The December 2006 *Investor Insight* provides a detailed explanation of the shutdown cycle. The Sasol Synfuels facility has now reverted to a normal four-year shutdown cycle and the first four months of the new financial year saw good overall plant stability.

The phase shutdown of late August to early September was one of the most successful in Sasol Synfuels' history with a number of records achieved, among others, in safety and schedule compliance. Following the shutdown, the selective catalytic cracker (SCC) portion of Turbo was restarted and the phase one modifications tested. The unit ran at reduced rates for three weeks, producing on-specification ethylene, propylene and gasoline. The unit has since been shut down for an additional inspection. Only once this inspection has been completed will the team have a better understanding of the scope of remedial action necessary to ensure sustained operation at design capacity.

It is anticipated that Synfuels production for the first half of FY08 will be about 4% higher than



Sales to Sasol Synfuels remained solid but labour action led to a reduction in coal stockpiles



External gas sales have contributed to solid growth for Sasol Gas



Planned expansion at the central processing facility at Temane forms part of the natural gas growth programme at Secunda



Sasol's selective catalytic cracker portion of project Turbo has produced fit-for-purpose ethylene and propylene

the first half of FY07. Guidance on a full-year basis will be provided following further operation.

### Sasol Oil

Based on the results of the Solomon Survey for 2006 Natref, compared with the other crude oil refineries in South Africa, was ranked best in 19 of the 24 elements measured.

Southern African fuel volumes (including South Africa, Botswana, Lesotho, Swaziland and Namibia), for the 12 months ending August 2007 showed strong continued growth. Petrol grew by 2,6%, diesel by 9,7%, jet fuel by 5,8% and LPG by 7,0%. In contrast, illuminating paraffin declined 7,2%. Against the backdrop of strong domestic growth, Sasol Oil continued importing refined product. In the first quarter of FY08, approximately 47 000 m<sup>3</sup> of diesel and about 41 000 m<sup>3</sup> of 95 octane unleaded petrol were imported to meet market demand.

Sasol Oil continues to increase its retail market share which, measured on a 12 month averaged basis (ending September 2007), stands at 8,7%. There are currently 169 Sasol convenience centres (SCCs).

## international energy cluster

### Sasol Synfuels International (SSI)

SSI, together with its partners, continues with the development of natural gas-based

opportunities in Qatar, Nigeria and elsewhere and also coal-based opportunities in China, USA and India to expand Sasol's footprint internationally. Updates on progress at the Oryx GTL plant in Qatar and the GTL plant in Nigeria can be found on page 5.

Sasol believes it is imperative that appropriate, sustainable CO<sub>2</sub> solutions are designed and successfully delivered as part of rolling out especially its coal-to-liquid (CTL) strategy. Focus areas include improving energy and carbon efficiencies of CTL plants on a sustainable basis and investigating opportunities for carbon dioxide capture, storage and specifically also enhanced oil recovery.

### Sasol Petroleum International (SPI)

Operations at the gas field and central processing facility in Mozambique have been stable, with a new gas sales record being achieved for the month of October. Various development activities aimed at increasing production beyond the original 120 million gigajoules (MJ) per year design capacity are continuing, as part of the overall Sasol natural gas and Secunda growth programme. Processing of the seismic data acquired earlier in the year for offshore blocks 16/19 is complete, with interpretation now commencing. Plans for further exploration activity are being developed.

In Nigeria, exploration and development activities on the various blocks where SPI has

interests ranging from 3,75% to 5,1% are ongoing. The Etame field in Gabon has, as expected, experienced a marginal production decline. Development of the additional satellite field/s as well as exploration activity in Gabon continue.

## chemical cluster

### Sasol Polymers

Asian polymer prices have been strong and low density polyethylene (LDPE) enjoyed a US\$150/t premium over linear low density polyethylene (LLDPE) – where normally the spread has been around US\$50/t. Asian polymer margins remained bullish in the first quarter of FY08. As mentioned in July, these, on average, mirror the margins of FY05. Polypropylene is an exception and margins are expected to soften with new capacity coming on stream in Korea and the Middle East.

Monomer production volumes have been limited by the Sasol Synfuels shutdown, which in turn impacted the downstream polymer plants. Although the selective catalytic cracker (SCC) portion of Turbo has produced fit-for-purpose ethylene and propylene, it is only with sustained operation that Sasol Polymers will be able to better utilise its installed polymer capacity in the new 220 000 t/a polyethylene plant (Poly 3) and a second 300 000 t/a polypropylene plant (PP2) that will be commissioned in the next few months.



Sasol has identified restructuring and other opportunities to improve O&S's business performance



Fertiliser sales may benefit from above average summer rain

Sasol Polymers will soon see the benefit from additional polymer volume due to come on stream in the latter part of the financial year. The additional polymer volume from Turbo and Sasol's 50% share in the Arya Sasol Polymer venture will effectively double Sasol Polymers' production capacity. At Arya Sasol alone, an additional one million tons a year in total of ethylene production capacity and 600 000 t/a in total of polyethylene capacity is due on stream during calendar year 2008. Full production from these ventures is however not expected immediately. Following initial start-up, production must be stabilised, the logistics chain filled with on-specification product and thereafter capacities ramped up.

### Sasol Solvents

The global market for solvents products was strong with good demand in all regions and firm product prices underpinned by high feedstock costs.

Overall, the Sasol Solvents group performed well over the quarter with higher product prices and lower fixed costs compensating for higher feedstock prices and lower production and sales volumes. Secunda production accounts for nearly 40% of total solvents production, thus problems experienced by Sasol Solvents around the September shutdown therefore contributed to lower than expected production volumes in South Africa. The high price of propylene and the strength of the Euro has limited iso-propanol export opportunities from Germany, which further reduced production volumes lowering overall sales in the group.

### Sasol Olefins & Surfactants (O&S) restructuring continues

Since terminating the planned divestiture of our Olefins & Surfactants business earlier this year, we have identified restructuring and other opportunities to improve O&S's business performance within the next three to five years.

Initial measures taken include the shutdown of Sasol's linear alkyl benzene (LAB) plants in Baltimore, US and Porto Torres, Italy in June, as well as the recently announced shutdown of 220 000 t/a of normal paraffin (NP) production capacity in Italy.

Normal paraffin is used in the production of LAB. This feedstock is used to produce linear alkyl benzene sulphonate (LAS), an essential ingredient in the production of surfactants. Despite these shutdowns, Sasol O&S retains sufficient NP capacity globally to reliably serve its existing customers.

On 9 November, we announced our intention to raise LAB prices from 1 January 2008, by around \$250/ton, due primarily to increases in prices and volatility in feedstock and energy costs. Sasol O&S is a non-integrated producer of LAB and purchases crude-derived feedstock on global markets. This price increase is intended to counter some of the margin erosion resulting from rising feedstock costs.

In consultation with stakeholders, we anticipate taking further action in future, once the review of all activities with regard to profitability and strategic intent has been finalised.

### Sasol Nitro

Sasol Nitro is benefiting from continued high ammonia and urea prices, leading to improved margins for the upstream part of Sasol Nitro's value chain. Above average early summer rains are resulting in increased plantings of maize and other summer crops but it is still too early to be certain that this will result in a strong fertiliser season. In the explosives and accessories business demand remains strong but is also leading to increased competitor activity.

The first batch of "certified emission reductions" (CERs) resulting from the nitrous oxide abatement project at Sasol Nitro's operations are expected to be issued in the first half of 2008. Evaluation of the biodiesel project is continuing, but is dependent on government approval of a national biofuels strategy for South Africa.

### Sasol Wax

Sasol Wax continues with its strategy of growth into higher margin business. The South African-based businesses are experiencing buoyant market conditions, while sales volumes from some of the lower margin products from the Hamburg operations are below budget, due to Sasol's recent price increases, following the sharp increase in raw material prices. Sasol Wax remains sensitive to rapid changes in the cost of feedstock and raw materials but is expected to recover margins over the rest of the year.



On 5 November the cracker portion of the Arya Sasol polymer project produced its first on-specification ethylene



Oryx has successfully shipped both ultra-low sulphur diesel and naphtha cargoes

## capital projects update

### Nigeria GTL

Construction on site of the 34 000 b/d GTL plant continues with work underway to complete wharfing capacity to accept the plant modules on site from 2008 onward. Start of operations is planned for 2010.

The contract terms for the execution of this venture have been modified from a fixed lump sum to a reimbursable basis to best cater for the changing global contracting environment. We are still evaluating all the impacts of the change in contract terms but early indications are that cost increases can be expected. The revised budget will be finalised during the first quarter of 2008.

Nigerian operations personnel are continuing with training at Sasol's Synfuels facility and the recruitment of other key personnel is progressing according to plan.

### Arya Sasol Polymers

A major milestone was reached on 5 November when the cracker portion of the Arya Sasol polymers project produced its first on-specification ethylene. Overall completion of the cracker remains on track despite being impacted by a number of feedstock and utility supply interruptions. Current projections are that production of on-specification ethylene on a sustainable basis (beneficial operation) is achievable in the first quarter of 2008.

With construction of the LDPE plant virtually complete and commissioning activities on some systems already underway, startup of polymer production remains likely in the first quarter of 2008. At the HDPE plant some welding defects have been detected and commissioning of the plant will only take place after repair of all safety critical elements. Beneficial operation for this plant is not expected before the middle of 2008.

Despite delays in this project the overall capital cost remains around Euro1 billion. Ethylene

produced in the interim (before the polymer plants are started up) will either be sold within Iran or exported.

### Oryx GTL

Significant progress has been made in improving operations at the Oryx GTL plant in Qatar. One of the two trains has been operated at times up to 90% of its capacity and recently both trains have been successfully operated simultaneously. The facility was shut down periodically to cater for appropriate start-up modifications. The implementation of additional downstream filtration and related equipment is proceeding to plan and will be installed during July 2008.

Oryx has successfully shipped both ultra low sulphur diesel and naphtha cargoes. Operations in FY08 will be impacted by a shutdown in February 2008 which coincides with a planned maintenance shutdown at the upstream gas supplier.

## results of sasol's agm

Sasol Limited held its 28th annual general meeting (AGM) on 30 November 2007 in Rosebank. The financial statements and reports of the directors and auditors were accepted and approved.

Five directors of the company retired, by rotation, at the AGM and were re-elected for a further term of office, with one director, appointed by the board during the course of the

calendar year, retiring at the meeting, and being re-elected for a further term of office.

KPMG was re-appointed as auditors of the company until the conclusion of the next AGM.

Three special resolutions were passed dealing with authorising the share buy back programme, replacing the company's articles of association with the English version thereof and allowing

electronic communication to shareholders. One ordinary resolution approving directors' remuneration for the year was approved. The special resolutions will be lodged with the Companies and Intellectual Property Registration Office for registration.

Full details of the resolutions are available for download in the investor centre part of our website at [www.sasol.com](http://www.sasol.com).

## interim financial results release and investor days in March 2008

Sasol's interim results for the period ended 31 December 2007, is scheduled for release on Tuesday, 11 March 2008.

We are also planning to host two investor days in March and April 2008, in order to allow investors and analysts following Sasol an opportunity to gain a more in-depth understanding of the company. The investor days will consist of a

series of presentations by members of Sasol's group executive committee covering the operations, plans and strategies of each of Sasol's business clusters, Sasol's technology, environmental and human resources strategies, black economic empowerment plans, as well as other issues of interest to our investors.

The investor days will be held in Johannesburg on 14 March and repeated in New York on 8 April to coincide with the 5th anniversary of our listing on the NYSE on the following day. Sasol's investor relations team are still finalising the detailed planning for the investor days and more detail will be made available early in the new year.

## 2007 annual report, sustainable development report and form 20-F

Sasol prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS). We also publish consolidated financial statements prepared in accordance with IFRS, with net income and shareholder's equity that have been reconciled to US GAAP, on Form 20-F. The IFRS annual report is available as a pdf download, as well as in browsable online format on the Sasol website at [www.sasol.com](http://www.sasol.com). The 2007 20-F is available as a pdf download. ADR holders can obtain copies of the annual financial statements from the company free of charge.

Sasol's prestigious sustainable development report (2007) – which reviews Sasol's economic, social and environmental performance – is published in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI). The report is also available on Sasol's website at [www.sasol.com](http://www.sasol.com).

Together, these reports provide a complete view of the group's business, strategy and performance against objectives and future prospects. Hard copies are available on request – please contact the Sasol investor relations department at [investor.relations@sasol.com](mailto:investor.relations@sasol.com).

Sasol gathers publicly available information that may impact the pricing of Sasol's products for analysts and investors following Sasol. This information includes historical average figures for Rand/US dollar exchange rates, fuel and crude oil prices, refining margins and chemical price baskets. We update the market indicators on a regular basis and publish them in graphical form on our website at [www.sasol.com](http://www.sasol.com).

## Sasol's investor relations team

Our corporate investor relations team is available for the international and South African investment community to answer questions, provide information and insight, and generally assist investment analysts and other members of the investment community.

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## forward-looking statements

We may in this document make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. There are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not 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 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, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are discussed more fully in our annual

report under the Securities Exchange Act of 1934 on Form 20-F filed on November 21, 2007 and in other filings with the United States Securities and Exchange Commission.

Forward-looking statements apply only as of the date on which they are made and Sasol does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.