



investor insight

customer focus • winning with people • excellence in all we do • continuous improvement • integrity



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Over the last two years Sasol's operations have been confronted by rising oil and petrochemical feedstock prices, dramatic fluctuations in currency exchange rates and severe competition in certain markets, as well as the introduction of additional regulatory, policy, governance, customer service and sustainability challenges.

Amid the uncertainty and flux, we at Sasol have strengthened our focus on business optimisation and our drive to reduce operating costs. This theme emerges in some of the articles featured in our second edition of *Investor Insight*.

Despite the recent impacts of unusually high oil and feedstock prices, a rampant rand and, in some instances, drastically eroded margins, many of our key operations have been able to boost productivity, streamline operations and add value to established product portfolios.

All of our business leaders and employees have responded to these challenges with enthusiasm, flexibility and the will to succeed. Their responses have brought a new energy to the ways in which we run our plants and mines, interact with our customers and strive to find innovative solutions to keep propelling our continuous-improvement drive.

We trust you will enjoy the second edition of *Investor Insight*.

Trevor Munday

Chief financial officer and Executive Director

quarterly business review

benefiting from better cost controls and market conditions

As announced in the news media in early-June 2004, Sasol shareholders can expect substantially better earnings (up by at least 30%) for the six months ended June 2004 compared with the previous six months. While the adverse effect of a comparatively strong rand remains, this has been offset by the benefit of higher international petroleum product prices, improved performances from the chemical businesses, most notably Sasol Polymers, and reduced operating costs.

Sasol Mining

Sasol Mining is sustaining a solid performance by maintaining steady coal production, raising productivity further and containing unit cost. Overall coal sales to the synfuels and export markets remain strong as in recent financial years. The lower domestic coal prices are in line with the lowering of the Producer Price Index

(PPI). While international coal prices have strengthened since March 2003, Sasol Mining could not reap the full benefits of improved prices because of the rand's appreciation against the US dollar. In addition, Sasol Mining's Kriel South project is progressing to schedule for the first coal to be supplied at Secunda by Anglo Coal.

To facilitate its commitment to becoming a 15% black-empowered mining company by 2009 in line with South Africa's mounting black economic empowerment (BEE) drive and, more specifically, South Africa's Minerals and Petroleum Resources Development Act of 2002, Sasol Mining recently signed a memorandum of understanding with the black-owned and operated coal-mining company, Eyesizwe Coal, which has been chosen to be Sasol Mining's lead BEE partner (see page 12).

benefiting from better cost controls and market conditions (continued)**Sasol Synfuels**

Sasol Synfuels has experienced stable operations and has achieved record throughputs since February 2004. The division is starting to reap the benefits of the focused investments undertaken for plant repairs and maintenance during the first half-year. Costs have been well controlled and cost reduction has improved significantly in recent months. Unit costs have also benefited from higher throughputs.

Sasol Synfuels also commenced the initial phases of natural gas reforming towards the end of February and has since been building up natural gas reforming volumes. This step, coupled with a reconfiguration of the Sasol Advanced Synthol synthesis reactors, has contributed to stable production and increased production.

Sasol Oil

Sasol Oil has benefited from higher refining margins which have been offset by the rand's appreciation and the lower crude oil throughput at Natref's Sasolburg refinery. The rollout of Sasol retail convenience centres (RCCs) is progressing to schedule and a high-level advertising campaign has been implemented to increase awareness of the unique Sasol RCCs. The combined Sasol and Exel brands are performing well and growth in market share is in line with expectations.

The discussions with Petronas of Malaysia for the proposed merger of the Engen and Sasol liquid fuels business (LFB) in South Africa are progressing. Discussions are progressing with BEE companies as part of the programme to establish a 25% empowerment shareholding in Sasol's new LFB (or 12,5% of the proposed joint-venture). Should the merger between Engen and Sasol Oil proceed as planned, these two established oil companies would each hold a 37,5% shareholding in the new LFB, with BEE partners holding the remaining 25% share.

Sasol Gas

Sasol Gas has been performing well in the light of prevailing market conditions. Gas prices have been lower due to the dual impact of the stronger rand and lower PPI, which has only

been partially offset by the price increase for crude oil derivatives.

Sales volumes, however, have been lower than expected, mainly for two reasons. First, a few of Sasol Gas' large-volume customers have been implementing aggressive energy-efficiency drives in order to lower their gas consumption. Secondly, Sasol Gas has deliberately biased its resources in recent months towards successfully converting existing customers to natural gas and minimising supply interruptions, rather than on developing its base of new customers.

Now that almost all of Sasol Gas' inland customers, including Sasol Infrachem, have been converted to natural gas, potential new gas customers are being targeted as part of a longer-term drive to expand the natural gas energy market in South Africa. The 865-km Temane-Secunda gas pipeline has been operating well since being brought into commercial operation during the first quarter of 2004 (see page 13). All the necessary pipeline operating and maintenance systems are being implemented on schedule.

Sasol Petroleum International

Sasol Petroleum International (SPI) completed, on time, its drilling of the primary phase of development wells in Mozambique's Temane field. The Temane central processing facility (CPF) was brought into beneficial operation during February and has since been operating well. SPI is furthering its gas exploration activities in and around the Temane and Pande gas fields with the intention of proving additional reserves by drilling a series of new exploration wells over the next few years.

Production from Gabon's offshore Etame oilfield has been maintained at a steady rate of



Central processing facility under construction in Mozambique as part of the natural gas venture.

about 15 000 bbl/d. SPI has a 27,75% share in the Etame field. Oil exploration is also under way elsewhere in offshore Gabon and other parts of West Africa.

Sasol Synfuels International

Sasol Synfuels International (SSI) and Sasol Technology continue to oversee construction of the Oryx gas-to-liquids (GTL) plant at Ras Laffan, Qatar, which is progressing to schedule (see page 9). Oryx (QSC) is our 49:51 joint venture with Qatar Petroleum.

The bidding process for the engineering, procurement and construction (EPC) contract for the Escravos GTL plant in Nigeria is in progress. In addition, SSI continues to explore new opportunities for Sasol's coal-to-liquids (CTL) conversion technology. One such opportunity is the possibility of building two 80 000 bbl/d CTL plants in China, for which a pre-feasibility study could start in the near future.

Sasol Olefins & Surfactants

The Sasol Olefins & Surfactants operations remain under pressure due largely to the impact of high



One of Sasol's new retail convenience centres (RCC).

benefiting from better cost controls and market conditions (continued)

The Sasol Dia Acrylates facilities at Sasolburg.

international prices for crude oil and natural gas; weak, but slowly improving, market conditions; and, for the South African 1-hexene and 1-octene comonomer and alcohols operations, the impact of the strong rand. Sales volumes have been improving in recent months, but severe margin pressures continue. In particular, the margins for linear alkylbenzene (LAB) are expected to remain under pressure. The margins for C₆ to C₂₂ alcohols are improving, while the margins for ethylene and speciality, high-purity aluminas remain strong.

A series of bold initiatives continue to lower fixed costs, and substantial benefits have already arisen from these interventions. The sale of Sasol Servo BV in the Netherlands to Elementis plc was concluded at the end of June.

Sasol Polymers

Sasol Polymers has shown a substantially improved performance in the second half-year with higher domestic and export selling prices based on improved international polymer prices. This benefit has been partially offset by the rand's strengthening. Plant operations have been stable, with most plants running to capacity. Continuing good cost control is adding further benefits.

Sasol Polymers has commenced projects to uprate two established plants and to construct two new polymer plants in South Africa as part of the group's Project Turbo initiative (see page 10). Through Sasol Polymers Germany GmbH, construction is progressing in Iran for the integrated ethylene and polyethylene production facilities (see page 14).

Sasol Solvents

Barring the demerits of exchange-rate impacts, Sasol Solvents continues to perform well by maintaining stable production and solid sales. The impact of high feedstock and energy costs on margins has largely been mitigated through disciplined cost management. Prices and sales volumes, in general, are showing an upward trend. Sasol Solvents has also benefited from its expanded product portfolio, including the introduction of butanol to the world market during our previous financial year.

The acrylic acid and acrylates plant at Sasolburg has been brought into beneficial operation and the associated new marketing joint-venture company with Mitsubishi Chemical Corporation of Japan, Sasol Dia Acrylates (Pty) Ltd, has been working diligently in recent months to keep apace of the currently vigorous global demand for acrylates (see page 14).

Other chemical businesses

Sasol Nitro's programme of restructuring and rationalising its international joint ventures and optimising our South African nitrogen value chain is yielding desired benefits. Although the business has been hard-hit by the rand's appreciation and lower fertiliser sales due to the delayed summer rains in Southern Africa, the ammonia business has been performing well and the explosives business has returned to profitability.

Sasol Wax continues to move away from lower-margin products and markets to offset the persisting intense competition from Asian commodity-wax producers. While sales volumes have been largely flat and, in some instances, down on the previous year, the shift towards higher-value products, along with effective cost controls and productivity improvements, is ensuring sustained profitability.



Sasol Wax, Hamburg, Germany.

Year-end results to be released on 7 September

Sasol's 2004 financial results for the year ending 30 June 2004 will be released through the news media, the Securities Exchange News Services (SENS) and our group website (www.sasol.com) on 7 September 2004.

The 2004 Sasol annual report will be published during the first fortnight of October and will be mailed to shareholders and the investment community shortly thereafter. This year's annual report will comprise two separate publications, the Sasol annual review and the Sasol annual financial statements. In addition, our Form 20-F document will be published in October.

the smart US solution for investing in non-US companies

Since Sasol listed on the New York Stock Exchange (NYSE) in April 2003, new financial and investment-related terminology has become part of our day-to-day business culture. One relatively unfamiliar term to some of us is an ADR. In this brief article, we explain what an ADR is – and what benefits it offers investors, especially in the United States of America (USA).



Sasol's ADRs were listed on the New York Stock Exchange in April 2003.

An American depositary receipt (ADR) is a negotiable receipt or certificate of title to a number of shares in a non-American company based in a foreign country, such as South Africa, Japan, France or the United Kingdom. The shares are held on behalf of an individual or institutional investor by an American (US) bank.

The depositary bank holds the relevant shares in custody in the foreign country. In the case of Sasol, these shares are held in South Africa. In turn, the depositary bank issues receipts to the investor – or ADR-holder. These receipts (ADRs), which signify the holder's ownership of a specific number of shares, are denominated in US dollars.

Such receipts are quoted and traded as a security in the US securities market, either over the counter or through a stock or securities exchange, notably the NYSE and NASDAQ bourses. The dividends are paid to investors in US dollars. ADRs – as with other US securities – can be bought through any registered US broker.

ADRs were designed to facilitate the buying, holding and selling of non-US securities by international investors, especially American residents – and to provide an additional corporate funding vehicle for a non-US

company that intends to raise US capital and/or to increase its US investment base and profile. Many well-established, multinational companies based in Europe and Japan, for example, hold an American securities market listing and their shares are traded in the form of ADRs.

According to The Bank of New York, there are more than 2 000 depositary receipt programmes for companies in more than 70 countries, including South Africa.

Easy way to diversify a portfolio

An ADR enables American and international investors – whether individuals or institutions – to diversify their investment portfolios by investing in foreign markets, usually in a manner that is more efficient and less risky. In addition, ADR-holders receive dividend payments in US dollars. Where necessary, ADR-holders also receive corporate action notifications through the depositary acting on their behalf.

Many American and other international investors today want to diversify their investment portfolios outside of the USA, but they also want to avoid some of the pitfalls that can be

associated with holding securities in foreign countries. Such pitfalls can and do include slow trade settlements, expensive currency conversion and uncertain custody services, as well as concerns about how foreign securities relate to prevailing federal law and US Generally Accepted Accounting Principles.

Here, it should be emphasised that federal authorities in the USA have set leading standards and benchmarks by instituting a series of stringent standards and regulations in recent years to protect investors and to eliminate unethical securities trading.

ADRs are also advantageous because they help to reduce administrative costs and do not require stamp duty on each transaction.

According to The Bank of New York, US investors generally prefer to buy ADRs instead of ordinary shares in the ADR-issuers home market, such as South Africa, because ADRs are traded, cleared and settled in line with American market conventions and regulations. An ADR, essentially, looks like an ordinary share.

Recent studies conducted by an independent consultant have shown that ADRs – along with other depositary receipt (DR) programmes, including global depositary receipts (GDRs) –

the smart US solution for investing in non-US companies (continued)

have significant benefits. The consultant presents empirical evidence that DR programmes add value and improve liquidity to the benefit of both issuers and investors. In addition, the consultant emphasises that DR-issuers to the US capital market provide a strong signal of willing disclosure, greater transparency and superior governance.

The role of a depositary bank

In the case of Sasol Limited, The Bank of New York acts as the depositary for Sasol ADRs. As the depositary bank, The Bank of New York plays a key role in issuing and cancelling ADRs on behalf of Sasol. The bank also maintains the ADR-holder register and distributes the dividends to ADR-holders.

In the case of Sasol Limited (NYSE code: SSL), one ADR is equivalent to one ordinary share, as traded through the JSE Securities Exchange South Africa (JSE) in Johannesburg. In the case of other listed companies, however, different ratios between the ADR and the ordinary share can apply.

As with dividends earned from owning domestic American shares, the dividends received from holding ADRs are generally taxable in the USA. In 2003, the US Federal Government enacted the US Jobs and Growth Tax-Relief Reconciliation Act. In terms of this act, we consider Sasol Limited to be a "qualified foreign corporation" – and that US-based Sasol ADR-holders should be eligible to be taxed at a maximum rate of 15% as permitted under this new act. US-domiciled Sasol ADR-holders, however, should consult with their US tax advisors in this regard.



Pieter Cox, CE of Sasol, rings the opening bell at the NYSE to celebrate the first anniversary of Sasol's listing.

Opportunity to reinvest dividends

The Bank of New York sponsors the Global BuyDIRECT programme, through which investors can reinvest dividends and directly purchase depositary receipts, including ADRs and global depositary receipts, of certain non-US companies. Participating companies, such as Sasol Limited, have a dividend reinvestment programme to enable existing shareholders to use dividends paid by the company (into which they have invested) to automatically purchase depositary receipts.

Participants in this programme, among other advantages, can also make small investments and can have full or fractional shares purchased on their behalf through Global BuyDIRECT. They can also have small monthly amounts debited from their bank accounts, which helps to keep investments in depositary receipts affordable and attractive. Optional cash investments can be made in different amounts at any time.

ADRs benefit Sasol

Sasol's ADRs – listed on the NYSE and administered by The Bank of New York – have

brought several benefits to the group, including:

- increased international visibility, especially in the USA;
- a diversification of the shareholder base; and
- the establishment of a future vehicle, should the need arise, to raise capital.

Sasol Limited was listed on the NYSE on 9 April 2003. At the end of trading on the day of listing, a Sasol ADR closed at US\$10,70. At the beginning of July 2004, Sasol's ADR was trading in the region of US\$16, a 50% increase since listing on the NYSE.

Sasol has about 670-million ordinary shares in issue. Individual and institutional investors outside of South Africa hold slightly more than 30% of these shares. ADR-holders own about 5% of the group's total shareholding (about 35-million shares), which means ADR-holders, alone, currently hold Sasol shares valued at about US\$560-million.

Acknowledgement: We thank The Bank of New York in the USA for providing much of the background information for this article.

keep yourself posted online

Our new-look Sasol website (www.sasol.com), featuring enhanced navigability, features copies of recent investor presentations, our interim results for our 2004 financial year, our 2003 annual report and other useful financial information. In addition, our website includes share-price feeds from the JSE Securities Exchange South Africa (JSE) and the New York Stock Exchange (NYSE).

The Sasol website also features updates on current and recent capital projects, as well as our commitment to black economic empowerment (BEE), sustainable development and other vital issues. We invite you to visit our first electronic brochure on BEE, Partnership and Growth.

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robust capex strategy targets expansion and enhancement



Minister Alec Irwin and Sasol CE Pieter Cox at Oryx GTL foundation stone laying ceremony in Qatar, December 2003.

We at Sasol have maintained a focused, multibillion-rand capital investment programme in South Africa over the past two decades in the wake of commissioning our Secunda synfuels and petrochemical facilities. Since the mid-1990s, in particular, this programme has been diversified, both geographically and in terms of products, to encompass major international investments, including the Oryx gas-to-liquids (GTL) investment under way in Qatar.

This article is intended to enhance understanding of Sasol's capital investment programme. The article delves into some of the strategic thinking and the numbers associated with our capital investment programme, with some historical perspective, as well as a few useful insights on some of our new and recent capital projects.

By virtue of the unique configuration and the massive scale of our Fischer-Tropsch and associated petrochemical processes used to produce synthetic fuels (synfuels) and petrochemicals, as well as our involvement in conventional crude oil refining, Sasol is a capital-intensive business – and will remain so by default.

During our 1998 and 1999 financial years, we devised, refined and implemented four primary growth drivers as the backbone of our corporate business development strategy. These are:

- growing our chemicals portfolio;
- optimising the performance of our existing businesses;
- exploiting upstream hydrocarbon opportunities; and
- commercialising and expanding our GTL conversion technology.

The bulk of our recent capital expenditure (capex) has been devoted to the first, third and fourth of these drivers, with increasing emphasis on developing new GTL projects over the medium and longer terms. Our current global capex programme encompasses capital projects under way in South Africa, the Middle East, Europe and America. They are founded on two core objectives:

- exploiting growth opportunities by developing additional new production capacity, particularly back-integrated plants for producing fuels and higher-value chemicals from competitive feedstock; and
- improving the value, or enhancing the competitiveness, of existing businesses and their production capacity and infrastructure in line with our quest for continuous improvement.

Sasol's capex spend over the last six financial years is shown in the table below.

Six-year capital expenditure overview

| (Rand million) | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004* |
|-----------------------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|
| Expand operations | 1 312 | 1 467 | 1 594 | 2 367 | 5 094 | 7 470 | 7 300 |
| Enhance existing operations | 1 615 | 881 | 577 | 1 728 | 3 648 | 3 498 | 3 500 |
| Acquisitions | 148 | 346 | 2 827 | 8 350 | 565 | 155 | – |
| Total | 3 075 | 2 694 | 4 998 | 12 445 | 9 307 | 11 123 | 10 800 |

* Capex figures for our 2004 financial year are approximate – and subject to final auditing

In general, the largest share of capex has been devoted to improving and expanding chemical capacity, as well as core Fischer-Tropsch processes, most notably the development of the nine Sasol Advanced Synthol (SAS) reactors at Secunda during the 1990s.

Given the capital-intensive nature of Sasol's business, there is an ongoing need for capex to keep our plants operating optimally, safely and producing products of the right quality. In our financial statements, additions to property, plant and equipment for these purposes are classified as "additions to enhance existing operations".

Additions to property, plant and equipment

Additions to property, plant and equipment are, for financial disclosure purposes, grouped into two broad categories, namely:

- additions to expand operations, and
- additions to enhance existing operations.

robust capex strategy targets expansion and enhancement (continued)**Additions to expand operations**

This classification relates to directly economically justifiable projects which will result in increased operating profit and includes:

- debottlenecking projects which raise factory production levels above original design
- increase individual unit capacity and yields (e.g. overcome capacity limitation on key items of equipment)
- projects which result in reducing operating costs
- projects which lead to the elimination of known losses (e.g. elimination of flare losses)
- new venture projects (e.g. 2nd octene train)

Development projects, which are essential for long-term optimisation, will also be included under this category even though the benefits may not be initially quantifiable.

Additions to enhance existing operations

Included in this classification are:

- economically justifiable projects where the benefits are not directly quantifiable, for example
 - projects to maintain existing capacities of any individual unit
 - projects aimed at the prevention of potential losses
 - projects aimed at risk minimisation, and
 - projects related to product quality problems
- safety, statutory and security projects
- infrastructure projects
- equipment and aids (e.g. vehicles, workshop and loose equipment, computer related equipment etc.)

- renewal projects
- environmental projects

It is obvious that the bulk of Sasol's capex has been devoted to building new capacity and, in time, new profit streams. Some of our larger capex projects completed during our last six financial years (1999 to 2004) include:

- 1999: the 48 000 tpa first 1-octene plant at Secunda;
- 2001: the 78 000 tpa third 1-hexene train at Secunda;
- 2002: investing in the Optimal Olefins monomers (12% of 625 000 tpa) and the Petlin low-density polyethylene (40% of 250 000 tpa) plants in Malaysia;
- 2002: the 120 000 tpa Sasol Olefins & Surfactants detergent-range alcohols plant at Secunda;
- 2003: the Sasol Solvents butanol plant at Sasolburg; and
- 2004: the Sasol Dia Acrylates acrylic acid and acrylates facilities at Sasolburg (Sasol has a 75% interest in the plant and Mitsubishi Chemical Corporation a 25% interest).

Our third capex category relates to acquisitions. Our major acquisitions in recent years included:

- the acquisition of the shares in Polifin Limited held by AECI Limited and other shareholders, in 2000, to form the wholly owned business of Sasol Polymers;
- the acquisition of the former CONDEA chemical businesses of RWE-DEA, in 2001; and
- the purchasing of the remaining one-third shareholding in Schumann Sasol International, in 2002, to form Sasol Wax International.

Chemicals core to organic growth

Looking back over the past six financial years (1999-2004), most of Sasol's capex has been focused on harnessing new organic growth opportunities, with the exception of the three aforementioned chemical acquisitions.

Sasol's current and envisaged future growth will be founded on organic growth – and not on major acquisitions.

Interestingly, through 11 major chemical projects brought on stream during our 1999 to 2004 financial years, about 960 000 tpa of new capacity was added. Of this massive capacity, almost 80% of it (763 000 tpa) was back-integrated into the Secunda fuel pool (eg the new plants for producing detergent-range alcohols, 1-pentene, 1-hexene, 1-octene, ethanol and propylene).

During the last six years, more than 50% of our capex – inclusive of acquisitions – has been for our chemical businesses, with the bulk of the chemical investments outside of acquisitions being devoted to our Sasol Olefins & Surfactants, Sasol Polymers and Sasol Solvents divisions. Underscoring the chemical growth drive is the strong emphasis on integrating back into competitive feedstocks: either through our established Fischer-Tropsch feedstocks at Sasolburg and Secunda, or through alternative sources, such as natural gas, where these are deemed to be cost-competitive.

The Sasol Polymers portion of the Project Turbo capex and the construction of the second 1-octene plant at Secunda for Sasol Olefins & Surfactants are good examples of competitive back-integration into South African Fischer-Tropsch feedstocks. On the international front, the integrated Arya Sasol Polymer facilities under construction at Bandar Assaluyeh on the Arabian Gulf are a good example of back-integration into competitive feedstock outside of our established Fischer-Tropsch operations in South Africa.

Our new chemical capacity under construction includes:

- the second 1-octene plant, due to be brought on stream at Secunda in November 2004;



Petlin low-density polyethylene plant at Kertih, Malaysia.

robust capex strategy targets expansion and enhancement (continued)

- the Sasol Polymers investment, as part of Project Turbo, to increase South African polymer capacity by more than 90% by early-2006 by, among other initiatives, building a second polypropylene plant at Secunda and a second low-density polyethylene plant at Sasolburg; and
- the Sasol Polymers Germany investment in a 1-million tpa ethylene plant and two downstream polyethylene plants, each with a 300 000 tpa capacity, in partnership with Iran's National Petrochemical Company.

Increasing focus on gas monetisation

In more recent years, Sasol's capex programme has been swinging towards our upstream hydrocarbon thrust (oil and gas exploration and production), as well as the much-sought development of our first generation of international gas-to-liquids (GTL) conversion plants.

The successful monetisation of natural gas is becoming an increasingly important strategic driver for Sasol, both in Southern African through the recently commissioned Natural Gas Venture (NGV) and by developing GTL ventures in the Middle East and other gas-rich regions.

The recent completion of virtually all design, engineering, procurement and construction work for the group's US\$1,2-billion NGV will provide an unprecedented growth platform for Sasol Gas and, potentially, also for Sasol Synfuels and some of our chemical businesses, over the next two decades.

During Sasol's 2001, 2002 and 2003 financial years, for example, Sasol Gas sold an average of 45-million gigajoules (GJ) of gas a year. With the recent advent of natural gas, our gas marketing and distribution business has, in the shorter term, the potential opportunity to increase annual sales to about 80-million GJ, mostly due to increased internal sales to Sasol Synfuels at Secunda and Sasol Infrachem at

Sasolburg. In the medium term, Sasol Gas could increase annual gas sales volumes to about 120-million GJ. Pipeline gas currently contributes a nominal 2% of South Africa's national energy requirements, which is well below the international average of at least 15%.

Sasol Synfuels, too, has growth potential – and is well placed to meet future increases in demand for liquid fuels in Southern Africa, as well as for chemical feedstock in line with expanding demand from the international customers of our South African chemical businesses. This business' recent introduction of natural gas as a supplementary feedstock at Secunda can allow an initial 3% increase in syngas production.

Besides developing and operating the natural gas fields in Mozambique, including the central processing facility on the Temane field, Sasol Petroleum International (SPI) is active in petroleum exploration and production in West Africa. Here, SPI has been involved (as a 27,75% shareholder) in the Etame oilfield in offshore Gabon, which came into production in September 2002. The Etame oilfield has since sustained a steady production rate of about 15 000 bbl/d.

First international GTL project heralds new era

As indicated in Oryx GTL update on page 9, Sasol's global GTL strategy is gaining

Current Sasol capital projects

| Project | Approved capital (millions) | Scheduled ready-for-operation date |
|--|-----------------------------|------------------------------------|
| Sasol Synfuels | | |
| Project to increase sulphur production | R275 | May 2004 |
| Long-term development of ash stacking | R141 | May 2004 |
| Waste recycling facility | R520 | April 2005 |
| Black product site remediation | R150 | June 2008 |
| Project Turbo for Sasol Synfuels | R4 300 | November 2005 |
| Includes cracker, plant upgrade and removal of lead in petrol | | |
| Control optimisation (west site) | R122 | January 2009 |
| Sasol chemical businesses | | |
| Octene plant 2 at Secunda | R870 | November 2004 |
| Project Turbo scope for Sasol Polymers | R7 647 | February 2006 |
| Includes new Secunda polypropylene plant and new Sasolburg polythene plant | | |
| Natural Gas Venture | | |
| This project is almost 100% complete | US\$1 200 | June 2004 |
| Sasol Synfuels International | | |
| Oryx gas-to-liquids (GTL) plant in Qatar | US\$466 | December 2005 |
| Figure indicates Sasol's 49% share | | |
| Sasol Chevron | | |
| Escravos gas-to-liquids (GTL) plant in Nigeria | – | 2007 |
| Cost subject to value of engineering and construction contract | | |
| Sasol Polymers International Investments (SPII) | | |
| Ethylene and polyethylene plants in Iran | US\$155 | 2005 |

robust capex strategy targets expansion and enhancement (continued)

momentum and, potentially, could lead to a combined installed GTL capacity in Qatar and Nigeria of more than 260 000 barrels a day (bbl/d) by about 2010.

In March 2004, Sasol Chevron and Qatar Petroleum (QP) announced plans to expand the Oryx GTL plant in order to increase its capacity to about 100 000 bbl/d. In support of these plans, Sasol Chevron and QP signed a memorandum of understanding for the expansion project that would add a further capacity of about 65 000 bbl/d.

In addition, QP and Sasol Chevron have agreed to pursue the opportunity of developing an upstream-downstream integrated GTL project, also at Ras Laffan, with a capacity of about 130 000 bbl/d. These envisaged projects are still

in their early study phases and, should they proceed, would only begin to impact on capex as from our 2006 financial year.

Strong capex drive to be sustained

In our new financial year to 30 June 2005, we anticipate a capex commitment of about R15-billion, including our ongoing investments in Project Turbo, Arya Sasol in Iran, Oryx GTL in Qatar and various chemical expansion and optimisation projects in South Africa, Europe and the USA.

Further into the future, the group remains upbeat about the potential for expanding its global GTL footprint, working through Sasol Synfuels International (SSI) in partnership with

ChevronTexaco. In fact, SSI estimates that the potential opportunity exists to install a global GTL capacity of as much as 500 000 bbl/day by 2013. This capacity equates, conservatively, to a combined annual production of more than 120-million bbl of ultra-low-sulphur diesel, alone.

GTL plants would also produce liquefied petroleum gas and premium-quality GTL naphtha, which would be ideal for cracking into chemical feedstocks. GTL plants also have the potential to produce high-value base oils for new-generation lubricants, which is just one of the new Fischer-Tropsch-related business opportunities being considered by Sasol Technology, SSI and Sasol Chevron, our global joint venture with ChevronTexaco.

Gas-to-liquids projects

oryx GTL nears 40% mark

Sasol continues to advance its global strategy to develop competitive, new-generation gas-to-liquids (GTL) plants in the Middle East, West Africa and other gas-rich regions. In support of this strategy, the project to develop and construct our first international GTL plant, the Oryx GTL venture at Ras Laffan in north-east Qatar on the Arabian Gulf, reached the 39% completion mark on 30 June 2004.

The Oryx GTL plant – with a capacity of about 34 000 barrels a day (bbl/d) – will be owned and operated by Oryx (Q.S.C.), a 51:49 joint-venture company between Qatar Petroleum (QP) and Sasol. Oryx has already established a complement of 41 employees as part of its ongoing staff recruitment drive. Some of the new Oryx employees will undergo specialised plant operations training in South Africa during the latter half of 2004.

Sasol's global GTL strategy has the potential to play a key part in enabling the emergent international GTL industry to produce close to 10% of the world's diesel by 2020 at current consumption rates. GTL plants will be used to convert natural gas into low-emissions GTL diesel and other premium-grade hydrocarbon products using the Sasol Slurry Phase Distillate (Sasol SPD™) process at the heart of an integrated, three-step process. This proprietary process is currently expected to produce the world's cleanest diesel, on the basis of independent scientific tests, in that this fuel will be virtually free of sulphur and aromatics.

The Oryx GTL plant is being developed at a cost of US\$950-million, about 70% of which has been sourced through international debt financing. The plant will convert some of Qatar's lean natural gas from its extensive North Field reserves in the Arabian Gulf into synthesis gas for the downstream production of about 24 000 bbl of GTL diesel, 9 000 bbl of GTL naphtha and 1 000 bbl of liquefied petroleum gas a day. The first consignments of Oryx GTL products will most likely be shipped to customers in Europe during the first quarter of 2006.



Oryx GTL plant under construction at Ras Laffan, Qatar.



oryx gtl nears 40% mark (continued)**Plans to expand Qatari capacity**

In March 2004, Sasol Chevron – our joint venture with ChevronTexaco – and QP announced plans to expand the Oryx GTL plant in order to increase its capacity to about 100 000 bbl/d. In support of these plans, Sasol Chevron and QP signed a memorandum of understanding for an intended expansion project that would add a further capacity of about 65 000 bbl/d by installing another three GTL production trains. Should this project proceed,

the enlarged GTL plant could be commissioned as early as 2009.

In addition, QP and Sasol Chevron have signed a letter of intent to examine the opportunities for manufacturing and marketing GTL base oils for potential use in international lubricant markets.

Integrated GTL project under consideration

QP and Sasol Chevron have also agreed to pursue the opportunity of developing an upstream-downstream integrated GTL plant

with a capacity of about 130 000 bbl/d, also at Ras Laffan. Should this plant be built, it would most likely be brought into operation as early as 2010 and have six production trains. It would also utilise the comprehensive upstream capabilities of ChevronTexaco.

The combined plans of QP and Sasol Chevron for expanding the GTL base in Qatar could entail an investment of more than US\$6-billion, making these plans some of the most significant developments in the world's emerging GTL industry thus far.

Project Turbo**clean-fuels drive will unleash major polymers growth**

Project Turbo construction site at Secunda.

The South African Government's programme to mandate the production and marketing of cleaner liquid fuels – in line with improving global standards for automotive engine design and fuel specifications – has created a growth platform for Sasol Polymers to pursue its largest investment programme.

Stricter fuel specifications will become mandatory in South Africa in January 2006. These new specifications, among others, will prohibit the use of lead additives in petrol and will necessitate significantly lower levels of sulphur in diesel. Sasol has therefore embarked on a phased, R12-billion capital investment programme to ensure our compliance with the new specifications, while also expanding production of olefins to provide substantial impetus for Sasol Polymers' next major growth phase.

Sasol Synfuels is advancing project work at Secunda in partnership with Sasol Technology and Sasol Oil. This business is investing about R4,3-billion to modify its liquid fuel refining operations and to establish additional new plant in order to increase the octane rating of its synthetic petrol.

The Sasol Synfuels project entails multiple refinery unit changes, as well as the installation of some new refinery units and a large selective catalytic cracker to produce additional tranches of ethylene, propylene and high-octane fuel components. The world-scale cracker – due to be completed in November 2005, along with the remainder of the Project Turbo work scope – will feature flexible process technology licensed from Kellogg, Brown and Root of the United States. In addition, other major changes and additions are planned for the utility supply, general infrastructure and the tankage of feed and products at Secunda.

The 100m-high cracker, under construction in the Secunda central corridor between the east and west sites, will be used primarily to crack the return streams from Sasol Olefins & Surfactants'

alpha-olefin plants. The cracker technology allows for optimal processing versatility and, among other benefits, will enable Sasol Synfuels to produce fuel components with a research octane number as high as 110.

Two world-scale polymer plants

Sasol Polymers, through an investment of almost R7,7-billion, is set to increase its South African polymers production by about 545 000 tpa (see table), primarily as the result of building two new polymer plants that will incorporate licensed process technology:

- the 300 000 tpa, second Secunda polypropylene plant (PP 2), featuring BP Innovene gas-phase technology; and

clean-fuels drive will unleash major polymers growth (continued)

- the 220 000 tpa, third Sasolburg Midland polyethylene plant (Poly 3), featuring ExxonMobil high-pressure tubular technology.

New polypropylene plant supports bi-regional strategy

Sasol Polymers' commitment to build these world-scale polymer plants underscores its confidence in the longer-term future of polymers. It also reinforces Sasol Polymers' intention to expand its strong customer base in Africa, including South Africa and its neighbouring states, and in Asia as part of its bi-regional growth strategy.

The PP 2 plant will produce homopolymers, random copolymers and impact copolymers for both local and export customers. Exports will be destined mostly for customers in China, South-East Asia, East Africa, West Africa, Southern Africa and South America. This plant is due to be brought into beneficial operation before the second quarter of 2006.

Polyethylene and PVC capacity to be increased

Once the new Poly 3 LDPE plant is brought into beneficial operation in January 2006, the Sasol Polymers Polythene business will downscale its long-serving Poly 1 LDPE plant at Sasolburg from 100 000 tpa to 40 000 tpa by decommissioning two of its four autoclaves. Sasol Polymers will also uprate its Poly 2 plant at the Sasolburg Midland site to produce 150 000 tpa of linear low-density polyethylene (LLDPE), an increase of 50 000 tpa.

In addition, the Sasol Polymers Vinyls business is uprating its polyvinyl chloride (PVC) plant at the Sasolburg Midland site to increase production by 35 000 tpa to 200 000 tpa by December 2004. Sasol Polymers is also uprating its ethylene cracker at Secunda to process additional feedstock to be produced by the Sasol Synfuels catalytic cracker.

When both the Project Turbo and Iranian investments are on stream, Sasol Polymers (inclusive of its share in offshore production capacity) will have an installed polymers production capacity of more than 1,5-million tons (Mt) a year. This capacity will raise this division's status to that of a global player with a strong regional focus.

Sasol Polymers' capacity after 2005

| | Current annual production capacity (tons) | Future (tons) |
|--|---|------------------|
| South African operations (all 100%) | | |
| Polypropylene plant 1 at Secunda – existing | 225 000 | 225 000 |
| Polypropylene plant 2 at Secunda – under construction | – | 300 000 |
| Poly 1 LDPE plant at Sasolburg – to be downscaled | 100 000 | 40 000 |
| Poly 2 LLDPE plant at Sasolburg – to be expanded | 100 000 | 150 000 |
| Poly 3 LDPE plant at Sasolburg – under construction | – | 220 000 |
| PVC plant at Sasolburg – to be expanded | 165 000 | 200 000 |
| Total installed capacity in South Africa | 590 000 | 1 135 000 |
| Malaysian operations (40%) * | | |
| Established Petlin (Malaysia) LDPE plant at Kertih 40% of 250 000 t | 100 000 | 100 000 |
| Iranian operations (50%) * | | |
| Arya-Sasol LDPE plant at Bandar Assaluyeh 50% of 300 000 t – under construction | – | 150 000 |
| Arya-Sasol HDPE plant at Bandar Assaluyeh 50% of 300 000 t – under construction | – | 150 000 |
| Total installed capacity in South Africa and Asia | 690 000 | 1 515 000 |

* Sasol's interests in the Petlin (Malaysia) and the Arya-Sasol joint ventures are held and administered by Sasol Polymers International Investments (SPII)

Biennial sustainable development report due in November

Our next biennial corporate sustainable development report, for our 2003 and 2004 financial years, is scheduled to be published in November 2004. The report will be based on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

It will also be available electronically through our website (www.sasol.com). Some of the highlights of this report will also be featured in our 2004 annual report, in the group sustainable development review.

empowerment drive gathers stride

Sasol has reached a vital phase in building the desired critical mass for its longer-term black economic empowerment (BEE) programme in South Africa. In mid-May, Sasol Mining selected Eyesizwe Coal as its lead BEE mining partner. In addition, we expect Sasol Oil to name its lead BEE partner for our future liquid fuels business before the end of 2004.



Sasol Mining maintains partnerships with black-empowered mining services contractors.

Sasol Mining moves ahead

Eyesizwe Coal (Pty) Ltd is South Africa's largest coal-mining company owned and managed by historically disadvantaged South Africans. Eyesizwe Coal produces about 25-million tons of coal a year. Sasol Mining currently produces about 50-million tons annually. Sasol Mining and Eyesizwe have entered into a memorandum of understanding covering various areas of possible cooperation that could lead to a mutually beneficial, long-term relationship, according to the chief executives of Sasol and Eyesizwe, Pieter Cox and Siphso Nkosi, respectively.

In accordance with South Africa's Minerals and Petroleum Resources Development Act of 2002 and the country's Mining Charter, we intend to introduce a 15% BEE ownership into our South African coal-mining operations by 2009. This BEE ownership could be increased to 26% on a willing-buyer, willing-seller basis by 2014.

Discussions progressing for liquid fuels empowerment deal

On the liquid fuels front, exploratory discussions with potential BEE partners are progressing satisfactorily. Sasol Oil intends to announce its lead BEE partner before December 2004.

Sasol signed South Africa's landmark Liquid Fuels Charter in November 2000. In September 2002, we presented our charter-specific plan in the South African Parliament to the parliamentary portfolio committee for minerals and energy and to an empowerment evaluation committee appointed by the Minister of Minerals and Energy. Our plan outlined our commitment to include a 25% BEE ownership in our South African liquid fuels business (LFB) by 2010.

Our South African LFB encompasses Sasol Oil's liquid fuel and lubricants marketing, distribution, commercial and retailing interests, our 63,6% shareholding in the Natref crude oil refinery at Sasolburg and the economic value of Sasol Synfuels' refinery, as well as fuel blending and storage facilities at Secunda (through an agreement to buy all of Sasol Synfuels' liquid fuel components). The LFB also encompasses our international involvement in crude oil procurement and our supply to, and trading with, other oil companies operating in South Africa.

Our LFB also incorporates Exel Petroleum, which we merged with Sasol Oil in 2004 as part of our drive to create a viable liquid fuels business with a 25% BEE ownership. Our intention is to retain the Exel brand, along with the Sasol brand, because the Exel trademark is highly

recognisable and we intend to promote a competitive South African retail fuel sector.

In February 2004, Sasol announced its intention to merge its LFB with Engen, which is currently 80%-owned by Petronas of Malaysia and 20% by its black empowerment partners, Worldwide African Investment Holdings. A joint business plan is currently under development, and further discussions around structuring and the 25% BEE participation in the joint-venture transaction will take place with our respective BEE partners.

We also recently announced that Dr Penuell Maduna will facilitate and structure the BEE consortium associated with Sasol's LFB that will participate in the joint venture. A more detailed announcement about the BEE consortium and its participation in the liquids fuels venture will be made in due course.

The LFB would most likely generate a turnover of more than R15-billion during our 2005 financial year.

BEE brochure published

Stakeholder interest in our corporate BEE vision and plans has been growing in recent months. In an effort to answer some of the common stakeholder questions about our BEE programme, we published in April 2004 our first BEE brochure, *Partnership and Growth: Sasol's Commitment to Advancing Black Economic Empowerment in South Africa*.

This brochure can be viewed on Sasol's website (www.sasol.com). Hard copies can be obtained by contacting our investor relations team (see contact box page 14).



new, world-scale projects to boost growth impetus

Of the major Sasol capital expansion projects completed in recent months, the most notable one is the virtual completion of all the main components of the US\$1,2-billion Natural Gas Venture in Mozambique and South Africa.

Gas flows in from Mozambique

Through the Natural Gas Venture (NGV), we have linked the Temane and Pande gas fields in Mozambique to our Secunda site through an 865-kilometre cross-border pipeline. The presidents of Mozambique and South Africa, Joaquim Chissano and Thabo Mbeki, respectively, officiated at the pipeline inauguration ceremony in Mozambique in June 2004 and heralded the milestone as a significant socioeconomic opportunity for the two countries.

Sasol Petroleum International has been producing and supplying natural gas to specification since February 2004. Sasol Synfuels at Secunda commenced in late-February the reforming of natural gas as a supplementary feedstock to coal. Sasol Synfuels now has the capacity to supplement coal-derived synthesis gas production by reforming up to 15-million gigajoules of natural gas a year.

Sasol Infrachem followed suit towards the end of June when it brought into beneficial operation new-generation autothermal reformers at Sasolburg. In the year ahead, this division will decommission its coal gasifiers. Sasol Infrachem is now positioned to achieve substantial reductions in emissions to air. Sasol Gas has converted more than 500 customers to natural gas from the coal-based gas previously produced by Sasol Infrachem.

15th oxygen train brought on stream

Sasol Synfuels has completed its R668-million project for the construction of its fifteenth oxygen train at Secunda. This project is part of a wider capital investment programme focused on optimising production stability and flexibility, as well as creating the capacity for the future growth of synthetic fuels and chemical



Presidents Thabo Mbeki and Joaquim Chissano at the inauguration of the natural gas pipeline.



Fifteenth oxygen train at Secunda.

feedstock. The oxygen train was brought on stream in December 2003 and has since been operating to specification. It incorporates licensed Air Liquide process technology.

Sasol Synfuels can now increase its production of process oxygen by at least 10%, up from 35 000 t/d to 38 550 t/d. Almost 80% of the oxygen is used to gasify coal for raw syngas production. The remaining volumes are fed directly into the autothermal reforming plants for producing additional tranches of syngas.

As an additional benefit, the new oxygen plant allows Sasol Synfuels to increase its extraction of two high-value noble gases, a mixture of krypton and xenon. The krypton-xenon mixture is sold to Air Liquide for separation in France and onward marketing to the high-speed photographic equipment, laser and other high-tech industries worldwide.

Strong demand for acrylates

Sasol Dia Acrylates – our new joint venture with Mitsubishi Chemical Corporation of Japan –brought on stream its world-scale acrylic acid (80 000 tpa) and acrylates (145 000 tpa) complex at the Sasolburg Midland site during February 2004. The R1,7-billion complex has

since been producing product to specification. This complex produces acrylic acid, glacial acrylic acid, butyl acrylate and ethyl acrylate entirely from Sasol feedstock.

Current global demand for acrylic acid and acrylates is notably strong. Particularly strong demand from bullish Chinese customers is keeping the new complex running to full capacity. Most of these products find their way into such end applications as coatings, inks, adhesives and water treatment.

Second octene train nearing completion

Our second train for extracting and producing 1-octene is nearing completion. It is being developed to produce high-purity octene comonomer for supply to the global market. Octene is used primarily as a comonomer in the production of linear low-density polyethylene (LLDPE), as well as elastomers. Once brought into beneficial operation during November 2004, this R870-million plant will enable the South African operations of Sasol Olefins & Surfactants to supply a further 48 000 tpa of octene to the international merchant market.

This plant, as with its sibling facility at Secunda, incorporates proprietary Sasol process

new, world-scale projects to boost growth impetus (continued)

Arya Sasol ethylene cracker in Iran.



Second Octene train – lifting the tallest distillation column in Africa.

technology, which has since been refined to achieve a higher-purity product. Sasol remains the world's only petrochemical company with the requisite product streams and technology to process in large, commercial volumes both odd- and even-numbered alpha olefins, including 1-pentene, 1-hexene, 1-heptene and 1-octene.

Sasol Synfuels produces a large pool of alpha olefins – and a higher percentage of these could be beneficiated further in the future. Sasol Technology and Sasol Olefins & Surfactants are currently investigating potential new opportunities to beneficiate additional volumes of alpha olefins through new investments in line with projected world demand for hexene, octene and other alpha olefins.

Arya Sasol plastics project is progressing

Sasol Polymers International Investments' 50:50 joint venture, established through Sasol Polymers Germany GmbH (SPG), with the National Petrochemical Company (NPC) of Iran to build integrated ethylene and polyethylene facility at Bandar Assaluyeh on the Arabian Gulf is progressing to schedule.

SPG is investing US\$155-million in a world-scale, 1-million tpa ethylene plant and two downstream polyethylene plants each with a 300 000 tpa capacity: one for producing low-density polyethylene (LDPE) and the other for

producing the medium and high-density version (MD/HDPE).

The ethylene plant is expected to come on stream by mid-2005 and the two polyethylene plants before the close of 2005. The Arya Sasol Polymer Company joint venture will operate all three plants. Sasol Polymers and NPC will each market a 50% share of the LDPE and the MD/HDPE under their own brands.

Once operating at design capacity, the Iranian plants will provide Sasol Polymers with an international polymer production capacity outside of South Africa of 400 000 tpa. This capacity will account for 26% of Sasol Polymer's total installed polymer capacity in 2006.

investor relations

stay in touch for investor-related insights

Sasol's investor relations team is on hand to field questions, provide information and insight, and generally assist investment analysts and other members of the South African and international investment community. We look forward to hearing from you!

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