

sasol
reaching new frontiers



*experience
the world
of sasol*



annual review 2004

vision

To be a respected global enterprise, harnessing our talents in applying unique, innovative and competitive technologies to excel in selected markets in the energy and chemicals sectors in Southern Africa and worldwide.



our company at a glance

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 technologies. We also have chemical manufacturing and marketing operations in Europe, Asia and the Americas. Our larger chemical portfolios include polymers, solvents, olefins and surfactants and their intermediates, waxes, phenolics and nitrogenous products.

The group produces crude oil in offshore Gabon, refines crude oil into liquid fuels in South Africa and retails liquid fuels and lubricants through a growing network of Sasol retail convenience centres and Exel service stations. During the first quarter of 2004, we began to supply Mozambican natural gas both to customers and to our petrochemical plants in South Africa. We are also developing in Qatar and Nigeria two gas-to-liquids fuel joint ventures that will incorporate the proprietary Sasol Slurry Phase Distillate™ process.

values

Sasol's global business principles and conduct are founded on, and inspired by, five shared values: customer focus, winning with people, excellence in all we do, continuous improvement and integrity.

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Notice of annual general meeting and form of proxy are included as a loose insert in the annual financial statements

Note on measurement: Besides applying barrels (bbl) and cubic feet (cf) for reporting on oil and gas reserves and production, Sasol applies *Système International (SI)* metric measures for all global operations. A ton (also spelt as tonne) denotes one metric ton equivalent to 1 000 kilograms (kg) or about 2 200 imperial pounds. Sasol's reference to a metric ton should not be confused with an imperial ton equivalent to 2 240 pounds (or about 1 016 kg). In addition, in line with a peculiar South African distinction under the auspices of the South African Bureau of Standards (SABS), all Sasol global reporting emanating from South Africa uses the decimal comma (eg 3,5) instead of the more familiar decimal point (eg 3.5) used in the UK, USA and elsewhere. Similarly, a hard space is used to distinguish thousands in numeric figures (eg 2 500) instead of a comma (eg 2,500).

our year at a glance



2003

August

- The cross-border transmission pipeline for the Mozambique Natural Gas Project (MNGP) passes the 80% construction mark.

September

- Construction commences for Sasol's first international gas-to-liquids (GTL) venture, the Oryx GTL plant at Ras Laffan in Qatar.

November

- Sasol Synfuels expands oxygen production capacity by commissioning its fifteenth air-separation unit at Secunda.
- Sasol Technology opens new research and development offices and laboratories at Sasolburg.

December

- Ceremony held at Ras Laffan for the laying of Oryx GTL foundation stone.
- Main Supply Agreement terminated between Sasol and other oil companies.

2004

January

- Sasol Oil enters the South African retail fuel market with the establishment of its first Sasol-branded retail convenience centres.
- Exel Petroleum integrated with Sasol Oil in a major step towards forming the Sasol liquid fuels business (LFB).

February

- Sasol Petroleum International completes development of the Temane natural gas field in Mozambique.
- First volumes of natural gas fed into the Temane central processing facility and piped from Mozambique to South Africa.
- World-scale Sasol Dia Acrylates acrylic acid and acrylates complex brought on stream at Sasolburg.
- Sasol and Petronas agree on principles to pursue a merger of their South African liquid fuels businesses.

March

- Sasol announces disposal of non-core or poor-performing foreign businesses in its chemicals portfolio.

May

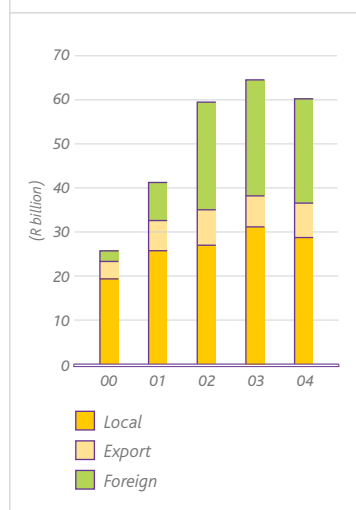
- Sasol Mining signs memorandum of understanding with Eyesizwe Coal in preparation for establishing an empowerment partnership in mining opportunities.
- Earthworks completed for Project Turbo, the fuel enhancement and polymer expansion project at Sasolburg and Secunda.

June

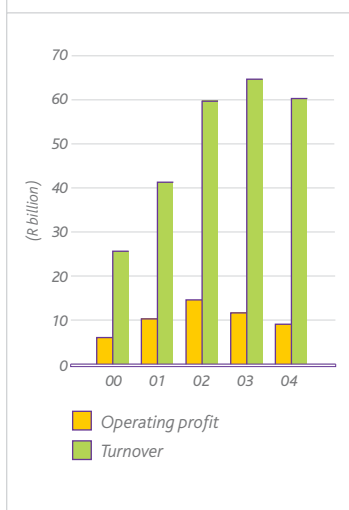
- President Thabo Mbeki of South Africa and President Joachim Chissano of Mozambique inaugurate the Mozambique Natural Gas Project.
- Sasol Servo, the non-core operations of Sasol Olefins & Surfactants in the Netherlands, is sold.
- Sasolburg petrochemical plant converts to natural gas feedstock.
- Sasol Gas converts Gauteng and Free State gas customers to natural gas.
- Oryx GTL plant approaches 40% development mark.
- Foreign shareholding in Sasol exceeds 30%.

financial highlights for the year ending 30 June 2004

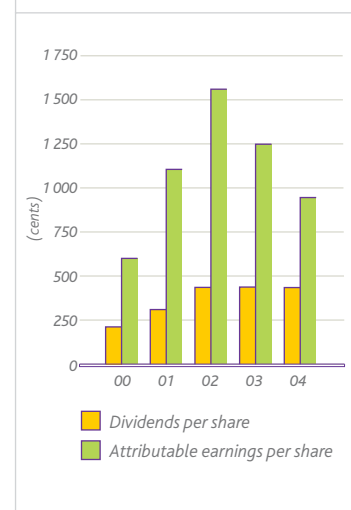
Local turnover, export turnover and foreign turnover



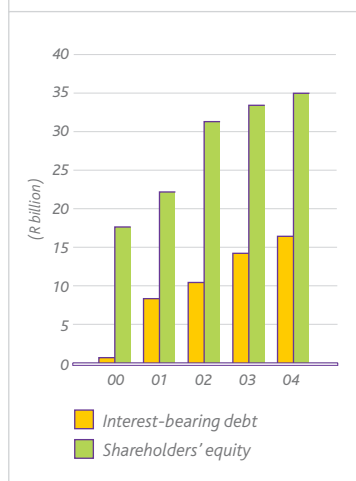
Operating profit and turnover



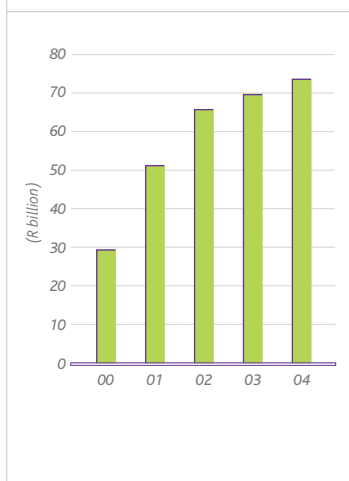
Dividends and attributable earnings per share



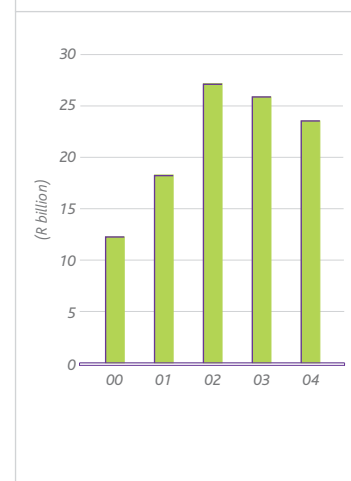
Interest-bearing debt and shareholders' equity



Total assets



Wealth created



2003	2004			2004	2003
US\$	US\$			Rand	Rand
7 149	8 747	Turnover	million	60 151	64 555
1 319	1 354	Operating profit	million	9 314	11 911
865	864	Attributable earnings	million	5 940	7 817
142	142	Attributable earnings per share	cents	974	1 283
58	71	Dividends per share	cents	450	450
734	923	Net asset value per share	cents	5 731	5 503
9 289	11 833	Total assets	million	73 486	69 619
1 772	2 203	Cash generated by operating activities	million	15 151	15 997
2 848	3 399	Wealth created	million	23 373	25 716
7 544	10 559	Market capitalisation	million	64 509	55 878

our group of companies

Sasol Limited The Sasol head office at Johannesburg, South Africa coordinates group activities and provides certain specialised services to group companies. The names and principal activities of the main businesses and divisions of the Sasol group of companies are featured here.

Oil and gas businesses

Sasol Mining

Sasol Mining supplies coal to Sasol Synfuels, Sasol Infrachem and international customers from two regional operations: Sigma Colliery, near Sasolburg, consisting of the Sigma/Mohlolo underground and Wonderwater strip-mining operations; and Secunda Collieries (Bosjesspruit, Brandspruit, Middelbult, Twistdraai and Twistdraai Export underground operations) and the nearby Syferfontein underground and strip-mine operations.

	<i>Rm</i>
Total turnover	5 244
Operating profit	1 194

Sasol Synfuels

Sasol Synfuels operates the world's only coal-based synfuels manufacturing facility. Located at Secunda, it uses Sasol's Fischer-Tropsch technology to produce synthesis gas from both coal and natural gas and converts this into petrol, diesel, liquified petroleum gas, chemical feedstocks and industrial pipeline gas. Sasol Synfuels produces most of South Africa's chemical building blocks, including ethylene, propylene, ammonia, phenolics and solvents.

	<i>Rm</i>
Total turnover	15 993
Operating profit	5 512

Sasol's liquid fuels business

Sasol's liquid fuels business manufactures and markets fuels and lubricants from its facilities at Secunda and its share in the Natref crude oil refinery. Products include petrol, diesel, jet fuel, fuel alcohol, illuminating paraffin, fuel oils and motor and industrial lubricants. It manages Sasol's interests in Natref and the Tosas bituminous products business. Sasol's liquid fuels business (LFB) launched a fuel retail network during 2004.

	<i>Rm</i>
Total turnover	18 851
Operating profit	1 429

Main chemical businesses

Sasol Olefins & Surfactants

Sasol Olefins & Surfactants is a global supplier of surfactants, surfactant intermediates and feedstocks, related products and comonomers from plants in Germany, Italy, USA, South Africa, China, Slovakia and Dubai. The division has four global business units: Alcohols & Surfactants, Alkylates & Surfactants, Monomers and Inorganic Specialities.

	<i>Rm</i>
Total turnover	17 382
Operating profit	(67)

Other chemical businesses

Sasol Nitro

Sasol Nitro manufactures and markets ammonia, nitric acid and ammonium nitrate-based products, including commercial explosives, fertilisers and related chemicals, as well as specialised blasting accessories. It manufactures phosphoric acid and a phosphate detergent and markets, on behalf of other businesses, their production of ammonia, sulphur and speciality gases.

Sasol Wax

Sasol Wax operates wax manufacturing, blending and marketing operations in South Africa, Germany, the Netherlands, the United Kingdom, Austria, Norway and the USA. The division also has marketing and sales operations in France, Denmark, Malaysia, Australia and Venezuela.

Specialist services

Sasol Technology

Sasol Technology is our business partner in the fields of research and development, technology and innovation, engineering and project management of, inter alia, capital projects. The company fulfils a strategic role by helping Sasol businesses worldwide to pursue growth and continuous improvement opportunities and to promote competitive advantage through appropriate technology solutions and services.



Sasol Gas

Sasol Gas distributes and markets natural gas from Mozambique and methane-rich gas produced at Secunda. The company delivers pipeline gas through a 2 265 km pipeline network to more than 500 industrial and commercial customers in Gauteng, Mpumalanga, Free State and KwaZulu-Natal.

	<i>Rm</i>
Total turnover	1 522
Operating profit	387

Sasol Petroleum International

Sasol Petroleum International (SPI) develops and manages our international upstream interests in oil and gas exploration and production from offices in London and Johannesburg. These interests are concentrated in Mozambique, South Africa, Gabon, Nigeria and Equatorial Guinea. SPI is developing Mozambique's Temane and Pande fields that started producing natural gas in February 2004. It is also producing oil off the coast of Gabon.

Sasol Synfuels International

Sasol Synfuels International (SSI) develops and implements international ventures based on the integrated, three-step Sasol Slurry Phase Distillate (SPD™) process for gas-to-liquids (GTL) fuel conversion. SSI also explores opportunities based on coal and other hydrocarbon sources that could entail the use of Sasol Fischer-Tropsch technology. SSI is developing its first GTL plant in Qatar.

Sasol Polymers

Sasol Polymers operates plants at Sasolburg and Secunda and produces ethylene, propylene, low-density polyethylene, linear low-density polyethylene, polypropylene, polyvinyl chloride, chlor-alkali chemicals and mining reagents. It also has an interest in two plants in Malaysia producing ethylene and propylene and low-density polyethylene.

	<i>Rm</i>
Total turnover	6 662
Operating profit	1 030

Sasol Solvents

Sasol Solvents is a supplier of a diverse range of solvents and associated products with manufacturing plants in South Africa and Germany. It has 11 business units: Blends & Hydrocarbons, C₃/C₄ Alcohols, Esters & Acids, Ethanol, Fine Chemicals, Glycol Ethers, Ketones, Methanol, Mining Chemicals, Acrylic Acid & Acrylates (a joint venture with Mitsubishi Chemical Corporation) and Maleic Anhydride (a joint venture with Huntsman Corporation).

	<i>Rm</i>
Total turnover	6 455
Operating profit	117

Sasol Infrachem

Since June 2004, Sasol Infrachem has been producing syngas derived from natural gas as feedstock for Sasol's Sasolburg chemical businesses. Sasol Infrachem's gas business has been transferred to Sasol Gas, and it now produces and distributes reformed natural gas on behalf of Sasol Gas. Sasol Infrachem provides on-site utilities, infrastructure support and support services to other businesses.

Merisol

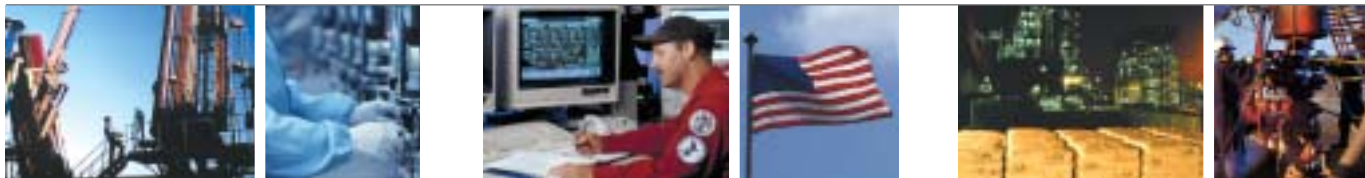
Merisol is a joint venture with Merichem Company of the USA. It is a leading global manufacturer and marketer of cresols, xylenols, alkylphenols and other phenolics. It has manufacturing facilities in South Africa and the USA and maintains two joint ventures, one at Oita in Japan, and one at Sasolburg in South Africa.

Sasol Financing

Sasol Financing is responsible for centrally managing group cash and liquidity, the group's credit rating processes, in-house banking, domestic and international financing arrangements, foreign exchange, interest rate and treasury risk management, as well as general financing and treasury matters. Sasol Financing also acts as business partner to Sasol subsidiaries and joint ventures for project-specific and company-specific specialised financing and financial risk mitigation strategies and arrangements. Assistance is provided in developing and implementing hedging strategies pertaining to commodity price risk, foreign exchange risk and interest rate risk.

Note: Please refer to pages 122 and 123 of the annual financial statements for a list of significant subsidiaries and incorporated joint ventures of Sasol Limited.

ten years of reaching new frontiers



<p>1994</p> <ul style="list-style-type: none"> Polifin joint venture (now Sasol Polymers) established. Sasol forms its own petroleum exploration and production company, Sasol Petroleum International (SPI). Sasol enters the world 1-pentene and 1-hexene markets. Sasol becomes a Responsible Care signatory.
<p>1995</p> <ul style="list-style-type: none"> First Sasol Advanced Synthol (SAS) reactor commissioned at Secunda. Sasol reports a 127% increase in export sales, up to R1 742 million. The group starts marketing its unique gas-to-liquids (GTL) conversion technology. SPI drills its first exploration well in offshore Namibia. Sasol Synfuels improves water management with wastewater desalination plant. Sasol forms the Schumann-Sasol International wax joint venture. Polifin Ltd listed on the JSE Securities Exchange.

<p>1996</p> <ul style="list-style-type: none"> Coal exports begin from Secunda to Europe and the Far East. Group receives first ISO 14001 certification for implementing environmental management system standards. Sasol Solvents commissions methyl iso-butyl ketone plant at Sasolburg. Sasol Oil launches unleaded petrol to South African consumers. Sasol Gas expands gas marketing and sales to KwaZulu-Natal.
<p>1997</p> <ul style="list-style-type: none"> Sasol commits to black economic empowerment (BEE) by forming Exel Petroleum. Sasol Solvents starts producing acetic acid and propionic acid at Secunda. Sasol Synfuels completes large project to revamp giant oxygen plants. Merisol phenolics joint venture formed with Merichem Company of the USA.
<p>1998</p> <ul style="list-style-type: none"> Commissioning starts for seven new-generation Sasol Advanced Synthol (SAS) reactors. Sasol Synfuels International (SSI) founded to market synfuels technology worldwide.

<ul style="list-style-type: none"> Construction commences for first Sasol 1-octene plant at Secunda. Sasol Solvents commissions methanol plant at Sasolburg. Group advances its employment equity programme in South Africa.
<p>1999</p> <ul style="list-style-type: none"> SPI finds natural gas in Mozambique. First consignments of 1-octene marketed to international customers. Sasol Chevron joint venture formed with ChevronTexaco to exploit new GTL opportunities. Sasol Polymers expands Secunda polypropylene plant. Sasol Synfuels commissions second plant for recovering krypton and xenon.
<p>2000</p> <ul style="list-style-type: none"> Sasol announces record profits on eve of 50th anniversary celebrations. Sasol acquires full ownership of Polifin to form Sasol Polymers.

■ global expansion
 ■ business optimisation
 ■ technological advantage
 ■ sustainable development



- Sasol Polymers initiates R1,2 billion investment in Malaysian plants for producing ethylene and polyethylene.
- The group integrates sustainable development as a strategic imperative.
- Sasol signs agreements with Mozambican government to develop natural gas reserves.

2001

- Sasol purchases Condea from RWE-DEA in Germany to expand global chemicals footprint.
- Sasol Synfuels commissions ninth SAS reactor at Secunda.
- Sasol Solvents brings a 50 000 tpa ethyl acetate plant on stream at Secunda.
- Sasol Oil introduces dualfuel™ petrol suitable for all petrol-fuelled car engines.

2002

- Sasol Olefins & Surfactants commissions detergent alcohols plant at Secunda.
- Construction commences for facilities to bring Mozambican natural gas to South African customers and plants.

- Sasol Gas forms black economic empowerment (BEE) joint venture, Spring Lights Gas.
- Sasol Mining receives International Coal Company of the Year Award.
- Sasol Oil launches turbodiesel™ brand of ultra-low-sulphur diesel.
- SPI commences first oil production as a 27,75% partner in Gabon's offshore Etame oilfield.

2003

- Sasol buys the remaining one-third share in Schumann-Sasol to form Sasol Wax.
- Sasol lists on the New York Stock Exchange.
- Construction of 865 km cross-border pipeline linking Mozambique to South Africa reaches 70% mark in June.
- Construction of the first international GTL venture, Oryx GTL in Qatar, commences.
- Expanded Natref oil refinery at Sasolburg begins operating close to nameplate capacity.
- Sasol Solvents commissions butanol plant at Sasolburg.
- Sasol terminates Main Supply Agreement with other oil companies in South Africa.

2004

- Sasol Oil and Exel Petroleum are integrated as a key step towards forming the Sasol liquid fuels business (LFB) including a 25% empowerment stake.
- Sasol Dia Acrylates brings its world-scale acrylic acid and acrylates complex on stream at Sasolburg.
- Sasol Mining signs a memorandum of understanding with Eyesizwe Coal as the first step towards establishing an empowerment partnership in mining opportunities.
- Mozambique Natural Gas Project completed and Sasol's South African plants and inland gas customers are converted to natural gas.
- Sasol Infrachem commences natural gas reforming at Sasolburg to substantially reduce emissions to the atmosphere.
- Project Turbo commences to allow Sasol Synfuels to remove lead from petrol from 2006.

chairman's statement

weathering the rand storm

This is a momentous year for South Africa. As we celebrate our country's 10 years of democracy, we congratulate the South African Government on its wide-ranging and notable achievements. We compliment President Mbeki on entering his second term of office, and reiterate our admiration and support for many of his initiatives, which collectively are resulting in growing international confidence in our country. We wish him and his cabinet much success in the years ahead.

Condolences

Sasol prides itself on its robust performance with regards to safety. We therefore deeply regret the loss of life in some industrial accidents recently, the most notable of which was the explosion at the ethylene plant at Secunda on 1 September 2004. We again offer our sincere condolences to the loved ones of the deceased and to those who were injured.

Positive interventions soften fiscal and market impacts

In my chairman's statement of 2003, I informed Sasol stakeholders that if the prevailing strength of the rand was to persist, it would be unlikely that rand earnings in the forthcoming financial year (2004) would match those of the previous year.

In this financial year, high international oil prices and the improvement of some US dollar-based chemical product margins somewhat reduced the serious unfavourable impact that the further strengthening of the rand had on earnings and cash flow. The average rand-to-US\$ exchange rate strengthened by about 24% and resulted in net adverse currency effects amounting to R6 billion relative to the previous financial year.

Productivity improvement and cost reduction initiatives have advanced successfully in most businesses in recent years. In these tough business conditions, however, the initiative by management to intervene and call for further cost reductions in all businesses was timely and necessary. The benefit of this intervention contributed meaningfully to earnings and much of it will be sustained into the future.

Attributable earnings of R5,9 billion was 24% lower than in the previous year. It is note-worthy that earnings in the second half of the year was 39% higher than in the first half, mainly because of the benefit of higher oil prices, cost reductions and improved margins in some chemical businesses. Earnings per share dropped by 24% from 1 283 cents to 974 cents. The total dividend declared for the year of 450 cents is equal to the dividend of the previous year. Gearing at 30 June 2004 was 41% and within the group's target range.

Last year we reported that various businesses in the chemical portfolio were being scrutinised and reviewed to ensure strategic fit and the ability to meet financial targets on a sustainable basis. Consequently, a number of businesses were closed or sold as this process of optimisation and increasing focus on core activities advanced. The review process continues.

The acrylates complex at Sasolburg was commissioned and is expected to be an important contributor to future group earnings. The Mozambique Natural Gas Project was completed by year-end when the autothermal reformers at Sasolburg were commissioned. The feedstock requirements of our chemical plants at Sasolburg provide the anchor demand for this project. Bringing this stranded gas to Southern African markets is a major contribution to the development of the region. Monetising the gas will have a material positive impact on Mozambique's economy and is a welcome addition to the group's commercial gas activities.

Notable projects authorised by the board during the year included Project Turbo – the fuel enhancement and polymer expansion project in South Africa, as well as a world-scale

"We appreciate that the future stability of South Africa is dependent, inter alia, on historically disadvantaged South Africans participating on a widely representative basis in the economy."



Paul du P Kruger, chairman.

ethylene and polymer project in Iran (Arya Sasol Polymers) in partnership with the National Petrochemical Company of that country.

Unity among business associations

Last year, I encouraged South African business leaders to pursue unification of our many business chambers, associations and related entities so that business collectively could play its rightful role in influencing the economic transformation and growth of our great country. It is therefore pleasing that business organisations are being unified under Business South Africa (BUSA). All role players are now obliged to ensure that this new association of business leadership grows into an effective force in order to serve the interests of the country's business community and thereby the economy at large. Business has such a key role to play and much to contribute as the transformation processes of our country advance. It is therefore imperative that strategic views and a

long-term vision prevail over short-term cost-driven approaches and that businesses throughout the country take heed of the need to promote and protect business interests and offer the required financial support to ensure the success of the unification.

Black economic empowerment (BEE)

During the year, important announcements were made about two major BEE initiatives in our liquid fuels and mining businesses. These are high-performing and core businesses at Sasol.

Our Main Supply Agreements with other leading fuel companies expired at the end of 2003, thereby enabling Sasol to accelerate plans to introduce BEE ownership into our liquid fuels business. This will be a substantial transaction and we wish to achieve a suitable combination of capacity building – with the associated need in our technically oriented businesses



Black empowerment contractors are integral to Sasol Mining's daily operations.

for competence, experience and skills – and broad-based BEE equity participation.

We are advancing discussions with a high-profile consortium of black business leaders who will both provide the necessary skills and arrange the required broad-based owners' representation. The latter is essential as far as we are concerned and we are determined to achieve it. It is envisaged that any ownership structure will probably migrate into the merged liquid fuels entity of Sasol Oil and Engen, assuming this exciting planned merger materialises and is approved by South Africa's competition authorities. This will result in this BEE venture becoming one of the most substantial and sustainable empowerment partnerships in the South African oil and fuels industry.

The highly successful BEE liquid fuels retailing venture, Exel, was integrated into Sasol Oil. Exel shareholders enjoyed substantial capital growth from their investment in this Sasol initiated enterprise and some shareholders have been offered a position in the larger liquid fuels business mentioned above.

We also announced the signing of an MOU with Eyesizwe Coal in terms of this empowerment company's expected equity participation in Sasol Mining. Likewise, this will be a substantial transaction and a meaningful partnership between two competent and successful mining companies. An equity empowerment opportunity in our chemicals portfolio is also being evaluated.

Our Mozambique Natural Gas Project, which has been successfully completed, also presents potentially significant empowerment opportunities. The South African and Mozambican governments together have an option on a 50% equity position in the gas pipeline which, if not retained by them, can contractually be sold to BEE enterprises. This could result in the entire natural gas value-chain having significant BEE ownership in the future.

We have made pleasing progress and have significantly increased the quantum and value of goods and services procured from empowered suppliers. In various instances, our businesses have coached and nurtured suppliers in order to ensure both their sustainability and ability to meet our stringent quality standards. We run complex and potentially hazardous plants and it is essential that at all times our quality standards are maintained in the interests of our employees, contractors, customers and surrounding communities.

Our commitment to these transformation processes is high and we fully understand the crucial role we play in them from a national perspective. We appreciate that the future stability of South Africa is dependent, inter alia, on historically disadvantaged South Africans participating on a widely representative basis in the economy. Succeeding with these transformation processes is clearly a strategic imperative and, as a patriotic South African company, we promote their merits both locally and internationally. We at Sasol believe firmly in the future of Southern Africa and, from an investment

perspective, have given ample tangible expression of our confidence by spending R21 billion on capital projects in the region over the last three years.

It is noteworthy that the foreign shareholding in Sasol increased by 20% during the year to 30%. This underscores the strong foreign interest in Sasol and the confidence held internationally in our management, technologies, operating skills and strategic intent. It also confirms the fine efforts made by management to convince foreigners of the merits of investing in South Africa.

specific plans to ensure we succeed and play a responsible and sustainable role in advancing historically disadvantaged South Africans.

A few years ago, our investment in black bursary holders and leadership development programmes was increased significantly with a longer-term view to meeting our obligations. We set ourselves a target of having 40% of our leadership positions filled by people from the designated groups by mid-2005, and I am pleased to say we should meet that target.



Presidents Thabo Mbeki and Joachim Chissano with chairman Paul Kruger at the natural gas inauguration ceremony.

I offered the view last year that changes in ownership are profound events in business, especially when they are directed by legislation, rather than being a consequence of market forces. In addition to investments being made by ourselves and other South African-based companies, our country needs direct foreign investment to boost job creation. While we South Africans understand and support the sense and motive for our transformation processes, we should appreciate that from a foreign investor's perspective it is important that certainty prevails and these processes are finalised expeditiously if major investments are to be made.

When offering views on empowerment matters it is also necessary to comment on progress relating to employment equity. Sasol is a technology-oriented and complex business and it relies on substantial technical skills for its success. Window dressing, when it comes to employment equity, does not work in our environment. As a result, we have established

We are conscious that this target can only be seen as an interim one and that this journey will continue. We also aspire to improving our position at the more senior levels of leadership. Recent interventions in this regard have had positive results and, generally, were well received by our employees throughout the group.

Currency and growth

We congratulate Tito Mboweni on his reappointment as the Governor of the South African Reserve Bank and compliment him on his achievements during his first term, particularly with respect to inflation control. We fully agree that inflation must be kept under control and managed between a lower and an upper limit. In this regard I would like to repeat the view expressed last year that the lower end (3%) of the targeted inflation range is probably too low and that the target should rather be toward the upper end (6%) of the range. Moreover, we emphasise again the importance of pursuing this target in a

chairman's statement

holistic manner that takes cognisance of other important priorities, notably the overriding need we have in South Africa to fight poverty and crime through job creation.

Not many currency experts forecast last year that the rand would strengthen from R7,50 : US\$1,00 on 30 June 2003 to R6,21 : US\$1,00 a year later on 30 June 2004. Some economists feel that the rand is overvalued at these levels, although its current strength can probably be attributed to many factors, including our continuing high real interest rates, relative to our trading partners.

A significant volume of South African exports cannot be sustained at the current levels of the rand, notably – for example – in our mining and agricultural industries, and grave economic consequences and social hardships may transpire should it strengthen even further. We know within Sasol the extent to which we have had to reduce costs and, in some instances also jobs, in our response to the strong currency and in our endeavours to reduce its punishing impact on our earnings. Our cost reduction efforts have also resulted in job losses at some of our suppliers.

South Africa's relatively high interest rates make investing in production assets costly and also make our money market an overly attractive destination for surplus short-term overseas funds. In order to stimulate investment and regain some of the competitiveness of the South African export industry, it is essential that the interest rate differential between South Africa and the developed world is reduced. In this regard, we welcome the recent 0,5% reduction in the interest rate. This was a bold move and we encourage the Reserve Bank to consider further easing of the rate in the near future should inflation remain at acceptable levels and the rand remains strong. Any temptation to follow the global interest rate cycle, which is currently on the rise, should be avoided at this stage.

It is important to stress that we are proposing a weaker and stable rand, and not a weak rand, and we appeal accordingly for a policy approach that will better take other key needs of our economy into account.

A sustainable business philosophy

Increasingly, and correctly, businesses worldwide are embracing the attitudes, principles and operating practices of sustainability

and, commendably, leading South African companies are at the forefront of this new-millennium shift. The introduction earlier this year of the JSE Securities Exchange Socially Responsible Investment (SRI) Index is welcomed and I am pleased that Sasol featured successfully in it. I am satisfied with the progress of wide-ranging initiatives by the board and management in the areas of people development, governance and compliance, environmental management, empowerment and social investment. The independent nature of audits and reviews such as the JSE Security Exchange SRI Index and the Dow-Jones Sustainability Index, in which the group also participates and has achieved pleasing progress, have an important role in the measurement of enterprise performance in these key aspects of business.

Profit outlook

We now have a few years of history to confirm that oil prices have repositioned and moved from the average range of US\$18,00 – US\$20,00 a barrel that prevailed in the 1990s to a long-term level closer to US\$25,00 a barrel. Overall, this is obviously beneficial to Sasol, although detrimental to the margins of some of our chemical products. In the year ahead it is expected that oil prices will remain relatively high, although their vulnerability to sociopolitical events makes forecasting risky. Likewise, it is not easy to forecast currency movements because even leading currencies have shown how susceptible they are to major institutional interventions. Nevertheless, it will be prudent to plan and run the company on the basis that rand strength will continue.

The substantial improvement in earnings during the second half of the year under review should maintain momentum, thereby probably resulting in a material increase in earnings in the new financial year. This outlook should be viewed, however, in the context of the views expressed above with respect to oil prices and currencies. This profit outlook has not been reviewed by our auditors.

In pursuit of our growth ambitions, the group is expected to reach a peak of investment spending over the next three years, especially because of the capital cost of Project Turbo and the initial roll-out of our GTL plans. Our stakeholders know that we have a self-imposed gearing limit of 50%, which was authorised last year by the board after careful deliberation.



"The substantial improvement in earnings during the second half of the year under review should maintain momentum, thereby resulting in a material increase in earnings in the new financial year."



In reviewing the capital expenditure forecast the board is satisfied that, while the funding capability of the group may be stretched to this limit, the balance sheet itself will not be stressed and its integrity and strength will be maintained.

Acknowledgements

During the past year we have again enjoyed strong support from our various business partners, including our customers, suppliers, contractors and bankers. I thank them all. I also thank the South African and other governments and regulatory bodies for the constructive engagements we have had with them.

Our employees at all our operations and offices around the world have again added much meaning to our company creed of 'reaching new frontiers' during a year of significant challenge. I am grateful to all of them and compliment them on what they have achieved.

Our board has a powerful mixture of skills and experience and I again express my appreciation to all members for their continuing sound counsel and advice.

Finally, I thank chief executive, Pieter Cox and his executive team for successfully leading the company through yet another challenging year from a trading perspective. The year has also been characterised by much consolidation that they have undertaken within our various businesses and it is clear that Sasol has emerged stronger and well positioned to embark on a further growth era.

Paul du P Kruger
Chairman



bringing special children into the light

Adopting a daycare centre to make a positive contribution.

In Malaysia they don't talk of children having mental or physical impairments. They talk of special children, meaning of course that they have special needs. We are helping to meet those needs through the activities and donations of people working at Petlin, a Malaysian company in which we hold a 40% shareholding (Petronas holds 40% and Sabc Euro Petrochemicals 20%).

Petlin makes low-density polyethylene at Kertih, Terengganu, on the east coast of the Malaysian Peninsula. Terengganu, famed for its beautiful white sandy beaches, offshore exotic islands and turtle nesting grounds, is also the heart of Malaysia's petrochemical industry.

Petronas initiated an 'adopt-a-school' scheme to encourage its operating units to provide material (such as computers and books), as well as staff time to conduct tutorials for the students.

Petlin's adopted school is a daycare centre for special children in Kertih.

They come from poor families and without the centre would probably spend each day alone at home. Petlin has provided the centre with physiotherapy equipment and visual and musical aids. Trained childminders, who teach the children basic living and social skills, also visit their homes weekly to teach their parents and care-givers how to better understand and look after their children, so that they can lead independent lives – indeed, to accept them and be proud of them.

In 2002 some Petlin employees, South Africans among them, delighted the teachers, childminders and their wards by spending a day painting murals all over the centre to brighten it up, and giving toys to the children. In August 2003 these children were hosted by Petlin for a three-day, two-night stay in the capital city of Kuala Lumpur. In June Petlin sponsored a two-day carnival aimed at raising public awareness of the needs and capabilities of special children, and also of the need to send them to daycare centres such as the one Petlin supports.



open house in brunsbüttel

Every third year for the past 15 years, the German Chemicals Industry Association has organised a nationwide open-house day. Here, the member companies have great opportunity to explain their work and intensify contacts with their neighbours. For the September 2003 open-day, 250 chemical plants and 40 universities played host to more than 400 000 guests. Sasol Germany's plants took part with our guides telling the Sasol story (the Fischer-Tropsch process, which is the bedrock of Sasol's unique achievements, was first patented in Germany), taking people behind the scenes of chemical plants and telling them how we go about research and development, protecting the environment, and providing vocational training. All perhaps too heavy for our youngest visitors, so for them we organised games and competitions.



South Africa's world-class high jumper, Hestrie Cloete, won a silver medal at the 2004 Olympic Games.

supporting excellence, backing winners

Our public face, especially as reflected in our sponsorship, has greatly changed over the years.

What remains unchanged is our conviction that people, given adequate and appropriate support, will surpass themselves. It informs all our activities, whether internal – technological research and people development – or directed outwards to the wider community.

We back orchestras, singers and choirs, support contemporary art, finance the South African under-23 soccer team – a valuable nursery for developing big-name players – and support the training of South Africa's Olympic hopefuls.

As one of the official sponsors of South Africa's team that recently participated in this year's Olympic Games, we gave millions of rands to the National Olympic Council of South Africa's (Nocsa) Operation Excellence programme, which provides training and other facilities for likely finalists and medal winners of the national team. For the 2000 Games, Nocsa had only R18 million to support this programme. This year it had R50 million.

South Africa's record-holding high jumper Hestrie Cloete described the practical difference that it has made for her. To the amazement of her international competitors, she used to have to train on grass (a slip

could cause serious injury). More funds backing Nocsa's programme provided her with a new training facility which included ground-covering fabric for her run-up and a new mat to land on. All of which, she declared, "enabled me to regularly jump over two metres this year."

Talking of Olympic teams, our German operations earlier this year financially supported some participants in the Special Olympics held at Hamburg. It's a year-round event for people with intellectual disabilities, and draws more than one million participants from over 150 countries. Our support went to a Hamburg school which in June entered 35 participants in the running and table tennis events. It helped pay for entrance fees and for providing ongoing care for the children during the event. We also provided them with kits bearing Sasol's logo.

All of which shows that our slogan, 'reaching new frontiers', is not confined to technology.



Though HIV/Aids is described as a pandemic in Southern Africa, widespread reluctance to be tested creates much uncertainty about its level of prevalence. Government and employers don't, in other words, know the size of the beast they have to slay.

message of hope ends aids silence

In 2003, after much consultation with employees and unions, Sasol Mining launched a programme called SHARP – Sasol HIV/Aids Response Programme. Its aim is to get all of Sasol Mining's 7 642 employees to submit voluntarily to HIV/Aids testing. That consultation, which produced assurances from Sasol about the confidentiality of test results and the free provision of counselling and antiretrovirals, saw a remarkably high level of response to our invitation to go for free HIV/Aids testing – 84%, against a general corporate average of 50%-60%. Fourteen percent of the 5 050 people so far tested have the virus, a figure well below the 25% national figure some have projected. The effect of the virus was sufficiently advanced in 53 of our people to require immediate antiretroviral therapy. Within a fortnight of beginning it, all were back at work and fully productive.

Perhaps they will become 'champions' of the programme, their experience enabling them to persuade others of the importance of HIV/Aids testing, and to demonstrate that antiretrovirals do work well. The value of such 'champions' has been recognised by SHARP, and built into its strategy. That there are

HIV-positive people willing to spread the message about testing and living fruitfully despite their HIV status has been proved by Ella and Paul Hartley.

Before their marriage they went for HIV testing. Paul immediately proved positive, but their wedding went ahead nevertheless. Some months later, by which time she was pregnant, further testing on Ella yielded a positive result. Fortunately, prenatal treatment enabled their daughter to be born free of the virus. She is now a healthy five-year-old.

Paul had been working for 16 years as a fitter. In July this year he accepted a transfer to Sasol Polymers' human resources department as an HIV/Aids assistant, and has since been helping the SHARP team in rolling out its programme at Sasolburg and elsewhere in South Africa.

nurturing business dreams

What do geraniums, paraffin, paprika and laminated glass have in common? They are the products around which new small businesses have been established over the past year with the help of expertise from Sasol Technology.



funfair at herne

Street processions, with floats representing various local organisations or activities, are popular in Germany. The annual Cranger Funfair at Herne, a small city north-west of Düsseldorf in the Ruhr industrial district, is one of the biggest of its kind. Sasol has a plant right in the city centre, so naturally it had its own float in the procession. With those manning it handing out Sasol-branded caps and sweets, and virtually every inhabitant turning out to watch, it received hearty applause.



craning necks and steeling nerves

Raising what is believed to be the tallest column in the southern hemisphere.

How do you raise into a perpendicular position a carbon steel column the equivalent of a 40-storey skyscraper, weighing about 550 tons?

That's exactly what our rigging department did at our Secunda operations. In fact, they did it twice, by raising two distillation columns of 107 and 111 metres in one piece, with just one crane. They are a part of nine distillation columns that will be installed at our Sasol

Olefins & Surfactants business to double our production of 1-octene. Octene is a comonomer that is used to enhance the properties of high-quality plastics.

For the riggers it was a familiar exercise, even if the columns were longer than they had previously raised. This new plant will be capable of producing 48 000 tons of 1-octene a year.

Over the decades we have devised a well-proven method for deciding whether to develop what initially seems a commercially interesting chemical compound newly identified in the brew that comes out of our reactors. We look carefully at recovery feasibility and cost, market potential and likely return on investment.

Such skills are not widely found in the small-business sector, which is perhaps why South Africa seems short on entrepreneurship, even as it desperately needs thousands more successful businesses to provide millions more people with livelihoods. Sasol Technology, within which those skills reside, decided to create a downstream chemical industry development department to offer them for free to those who believed they had a good business idea they wanted to pursue. We became the good neighbour involved, albeit briefly, with geraniums, paprika and other unlikely (for us) products.

Thus, black entrepreneurs in Limpopo province proposed growing geraniums to extract high-value essential oils for sale around the world to producers of soaps, perfumes and aromatherapy products. We collaborated with the Bio/Chemtek division of the Council for Scientific and Industrial Research to get the project up and running.

We ourselves identified an opportunity for emerging black farmers in the Eastern Cape to grow paprika. We developed the concept, identified what technical expertise was needed, secured a market, identified partners and collaborators and took the farmers off to visit paprika farmers elsewhere in the country. The first crop was planted in September 2003.

The idea of manufacturing laminated glass for the building industry in Durban was brought to us by

Rupert Dasarath who, with his son Ishan, was involved in selling it in KwaZulu-Natal. They knew a Mauritian, Pradeep Domah, who had been making it in Mauritius, but had relocated his manufacturing operation to Durban. They called on us to fashion a 50:50 partnership with him, to analyse the South African market for the product and to assist with market and business strategy. All of which we did for what looks like being a very viable business.

We also helped Clement Chalera investigate the idea of selling our odourless and smokeless paraffin to rural and semi-urban communities, using network marketing to get it directly to end-users and also provide a commission-based income for Chalera's agents. We helped him draw up a business plan that persuaded a bank to finance the initial phase of his project, a roll-out in the Soshanguve/Mabopane/Winterveld area, north-west of Pretoria.

protecting a colourful canine matriarchy

Well, first there is their uniquely individual coat patterning. No two dogs have the same pattern, yet all of them are thought to be unusually beautiful.

Then there is the fact that the leader of a pack of African wild dogs is always a female. She's the strongest and most dominant, of course, and it's presumably to keep the pack as genetically robust as possible that, come breeding time, she keeps all the males to herself – unless she thinks the pack needs more pups than she can provide that season, when she allows one or more other bitches to be impregnated.

Another interesting thing about African wild dogs is their stamina. They can run all day, without flagging, at 40 kilometres an hour. They pick the weakest member of a herd they'd like to dine on, literally run rings around it until it's completely disorientated, then quickly eliminate it.

Being ruled by a female, they are of course very considerate towards each other. They

What's so special about African wild dogs that we ought to be concerned that they face possible extinction?

swallow chunks of food and regurgitate them later in their dens for the old and weak, as well as the young, to feast on.

But rabies, distemper and other diseases or environmental conditions threaten their survival, and that is of concern to Sasol, which has an active interest in nature conservation as part of maintaining our South African heritage. For the past 10 years, therefore, we have financially supported the De Wildt Cheetah and Wildlife Trust in the North-West province of South Africa. It was formed by Ann van Wyk, and our financial support has enabled her to make a close study of African wild dogs, rehabilitating some and breeding 400 more at De Wildt for eventual release into various reserves.



seeding a new sunflower venture

We also provided finance for enough fertiliser and seed for the entire 370 hectares, and donated about 30 000 litres of diesel for agricultural machinery.

Ensuring both money and agricultural training are available to would-be black farmers to assist them to become productive requires various organisations to collaborate. If they are located in both the public and private sector, success looks even more likely since each sector brings its particular strengths and skills.

Which is why we jumped at the chance to materially support a young-farmer project in North-West province of South Africa. The Land Bank of

South Africa identified two farms in the province that together offer 370 hectares suitable for sunflower production. It has provided the land at no charge to young black farmers chosen by the National Youth Commission. The North-West Cooperative and the province's Department of Agriculture are providing technical advice and support, and the farmer members of Agri North-West offered themselves as mentors, providing time and skills right out there where the sunflowers grow.

from hearse to racing driver

A hearse was provided by the family funeral business, driven slowly in keeping with the solemnity of the occasion. A taxi was the choice of the son, who also drove soberly and was regarded by grateful passengers as a rare exception. But then, he was an advanced-driving instructor. What makes it the more remarkable is that speed was in his heart. He'd dreamed since boyhood of becoming a racing driver. It didn't happen until he was 30 because training as a racing driver needs heavy financial backing, not to mention the opportunity to drive on racing tracks, and neither were readily available to a young black man. So when Philip Kekana of Alexandra township, Johannesburg, rewired his engine at the start of a Class D production car race at Kyalami in 1995, he was the first black driver ever to participate in that highly competitive event. Seven years later, backed all the way by Sasol, he won it.



SET for some real careers?

Attitudes towards women's career aspirations are changing in South Africa. Many in our society still believe a young woman's chief responsibility is to prepare herself for life at the stove, and they don't mean as a professional caterer. As for thinking of a career in science, engineering or technology – some people still think they will never make it!

It's to overcome such put-downs that the Gauteng Education Department has arranged for young, practising female scientists to talk to black schoolgirls about their own careers, thereby presenting them with new role models. Dr Boni Mehlomakulu, a business planner in Sasol Oil's strategic planning group in Johannesburg, is one of them.

"We give these girls, in their last three years at school, detailed career guidance, information about universities' and technikons' entry requirements, and bursaries they offer, as well as what working professionally in a science, engineering or technology (SET) environment is like. Access to this information in townships and the rural environment is miserably limited," she says.

Which is why she has persuaded 10 of Sasol's female scientists and engineers to voluntarily help spread that information as widely as possible. It can't happen too quickly, she adds, pointing out that though women comprise more than half South Africa's population, their presence in the SET sector is only about 25%.



earning their stripes carrying our message

When you see four jet aircraft performing loops, barrel rolls and high-speed passes with no more than two metres separating their wing tips, and all that a few hundred metres above ground, it's... well, breathtaking. Which is why we seized the opportunity earlier this year to become sponsor of South Africa's remarkable Tiger Jet aerobatics team. The only one of its kind in Africa, the team performs at major sporting events and air shows, and will also appear at launches of our retail convenience destinations. Formed in 2003, the 12-member team flies the Czech-manufactured advanced trainer, the L29. The planes were originally flown by the Czech Air

Force's 41st squadron, and still carry its signature tiger-stripe paint scheme on their upper fuselages and wings. Our distinctive blue covers the lower part – that most easily seen from the ground – as a background to our name, logo and slogan. What most spectators won't know is that the plane's tanks will be filled with our semi-synthetic A1 jet fuel, which is a unique product in that it is produced from our coal-to-fuel technology. You can literally say they are flying on coal!

Watching the team in action makes us think of that well-known air-force motto, *per ardua ad astra*, which loosely translated means: 'We will meet the tough challenges and attain glory'.



delivering skills and style to our forecourts



Once we had decided on a national roll-out of our own Sasol service stations in South Africa from the beginning of this year, and that they would incorporate retail convenience centres, we knew we couldn't just recruit people off the street, give them a sponge and a bucket of water to wash windscreens and a quick rundown on the difference between our different fuels.

Still less could we entrust an expensive motor car or utility vehicle to someone who had little experience, let alone formal training. So in August 2003, in partnership with the Organisational Development and Learning Centre and the State-run Flavius Mareka College at Sasolburg, we created the Training Academy at Sasolburg. Its courses are residential. We recruit people from the areas where we have, or will have, service stations, and bring them to Sasolburg for state-of-the-art training.

The courses are for training in forecourt and car-wash skills and have already been officially accredited. Some courses deal with various aspects of retailing – handling sales, merchandising, operating a franchise and managing franchisees and an in-house bakery – and we confidently expect them to receive accreditation in due course. For one thing, the environment in which trainees get their instruction is unique in South Africa.

By June 2004 we had trained 4 000 people, most of them in forecourt and car-wash operation. Emphasis was placed on personal appearance, job and product knowledge, motivation and attitude, servicing customers well and retaining them, and on the importance of teamwork and selling skills.

really cool asphalt

Night time at Germany's Frankfurt airport. Men with large machines have started demolishing part of a runway on which long-haul aircraft are due to start landing only eight hours later. Divert those flights to other runways? No, their schedules are full. Same problem at the Berlin, Munich or Hamburg international airports. Chances are, anyway, that a runway is also being worked on at one or more of them.

No problem. By the time flights start touching down, those resurfaced runways will be as good as new – better, actually – thanks to one of our wonder products, Sasobit®.

It's a unique bitumen additive, formulated and developed by Sasol Wax, that keeps asphalt workable though it has been heated to temperatures up to 50°C lower than is usual. Once it has cooled to 85°C it is so hard that even planes with the greatest weight-per-wheel can safely land on it.

What it comes down to is getting old concrete removed and replaced with Sasobit®-containing asphalt in no more than eight hours – between 10 pm, when Germany's international runways are closed for the night, and 6 am, when they open for business again.

Construction companies using Sasobit® therefore have to work with the speed and efficiency of Formula One pit-stop teams because they may be removing 1 400 tons of concrete, and replacing it with as much asphalt, in a single night.

But they are getting plenty of practice because it's taking 300 such nights to replace just one of Frankfurt International's runways, not to mention their using it at Germany's other international and regional airports.

The value for construction companies working on other kinds of night-only contracts is obvious. Their workers welcome it, too, because heating asphalt to far lower temperatures greatly reduces production of noxious fumes and gases. Finally, it's money-saving in the long run; numerous tests confirm our magic potion provides greater resistance to rutting and deformation than conventional asphalt possesses, making roads safer and longer lasting.

All in all, then, it's not surprising that 3 million tons of Sasobit®-modified asphalt have already been exported around the world.



Teachers spend a week at the plant, taking tours, shadowing employees and generally learning about our processes and products, and how our people set about their tasks.



helping youngsters imagine the future

Getting many more young people interested in science, engineering and technology is crucially important for South Africa's future development. That's why, back in the 1990s, we gave full financial support to a proposed annual science festival in the Eastern Cape city of Grahamstown. The aim was to draw visitors from well beyond the normal catchment area of this academically orientated city and stimulate that interest through talks and demonstrations by local and sometimes world-famous scientists in all kinds of disciplines, interactive exhibitions and competitions.

Successfully launched seven years ago under the name Sasol SciFest, it has grown steadily in terms of both exhibitors and visitors. This year the theme was Imagining the Future. It drew 34 exhibitors and about 30 000 visitors. Among the speakers was Dr Jane Goodall, famous for her long and intensive study of chimpanzees in Tanzania. Her talk, Reason for Hope, drew the largest audience ever seen at the festival.

We were also active participants in the festival. Our workshop, Science with Sasol, was a sell-out and so were our stunning laser shows.

Two years ago we launched Sasol Techno-X in Sasolburg, another science fair focusing more on science and technology education.

Thousands of miles away, in Louisiana, we have also been winning plaudits from those wanting to learn more about our technological achievements. We have a chemical complex at Lake Charles, which lies about halfway between Baton Rouge and Houston. There we hold an annual event known as the Sasol Teachers' Institute. Teachers spend a week at the plant, taking tours, shadowing employees and generally learning about our processes and products, and how our people set about their tasks. When they return to the classroom, they are that much better informed on all those aspects; more able to help their students decide in which field they would like to work.

One of our operators working at the Lake Charles complex in the linear alkylbenzene (LAB) unit, Brady Gentry, plays a major role in getting teachers and students from more than 60 schools in the area involved in the Region V Science and Engineering Fair. Affiliated with the Intel Science and Engineering Fair, it attracts more than 350 exhibits each year. It wasn't always so successful. In fact, a few years ago it looked like it would fold due to lack of support. When Brady heard that, he volunteered to direct the event, which meant coordinating fundraising efforts, appointing judges, planning the logistics and organising awards and prizes for winning exhibits. "It's been very demanding," he says, "but also very rewarding." Rewarding too, no doubt, for about 15 of his Sasol colleagues who judge the projects.

chief executive's report

greater business optimisation in testing times

results and market trends

Pleasing performance in light of market realities

Tough global market conditions prevailed for most of the year, with their impacts on the first half being notably harsher, especially for our chemical businesses. Most of our main businesses performed well despite these conditions by maintaining or increasing sales volumes, while also advancing productivity, quality and cost-reduction initiatives.

Accordingly, turnover decreased by 7% from R64 555 million to R60 151 million. In line with expectations, profit was down year-on-year. Operating profit decreased by 22% from R11 911 million to R9 314 million, while attributable earnings dropped by 24% from R7 817 million to R5 940 million.

The overriding impact on Sasol's performance was the strength of the rand, which was, on average, 24% stronger against the US dollar than the previous year.

This impact was exacerbated by the unusually high energy and feedstock prices at our international operations and notably in Europe and the United States of America (USA). In general, most of our chemical businesses endured severe margin pressures, with our global Sasol Olefins & Surfactants business being the hardest hit. The overall effect of the rand's appreciation reduced operating profit by R6 billion.

It is important to highlight the substantial 34% improvement in operating profit for the second half compared with the first half of the year. In our interim financial results for the six months to 31 December 2003, we reported in March 2004 a reviewed operating profit of R3 979 million, which equates to 43% of the audited operating profit for the full financial year.

The average price of dated Brent crude oil increased by 12% from US\$27,83 a barrel (bbl) to US\$31,30/bbl and partly offset the adverse impacts described above. Several geopolitical factors drove oil prices upwards, including low petroleum inventories, robust Asian demand, unreliable Iraqi supplies, record US gasoline demand, the weaker US dollar and the escalation of political conflict in the Middle East.

International refining margins also displayed significant improvements since mid-2003. The improved refining margins – the highest since 2000 – were mainly supported by the USA's strong gasoline premiums and high natural gas prices, which supported residual fuel values.

“Tough global market conditions prevailed for most of the year, with their impacts on the first half being notably harsher.”



Pieter Cox, deputy chairman and chief executive.

"... our businesses have responded to their testing market challenges in quick, decisive and creative ways."



Several underperforming businesses, as well as those businesses that no longer have the desired strategic fit, have been closed down or disposed of, or are in the process of being sold. Sasol Nitro has focused its explosives activities in South Africa by disposing of its interests in Australia and North America. We have also sold Sasol Servo in the Netherlands to Elementis plc and have withdrawn from non-core elements of Sasol Wax.

In short, our businesses have responded to their testing market challenges in quick, decisive and creative ways, which confirms Sasol's ability to manage market-related cycles and challenges.

business optimisation

Promoting continuous improvement

Excluding the punishing effect of currency movements, the group performed well. In particular, it has been encouraging to witness the consummate efforts of our businesses to maintain stable production, enhance productivity and reduce costs, with some businesses delivering exceptional advances in these critical areas.

Without doubt, Sasol has undergone a testing two-year down cycle. This has motivated our businesses to sweat their assets and eradicate superfluous costs. Where we have direct control over costs and opportunities to improve our businesses, we have in general performed well, as these highlights indicate:

- the group reduced its annual cost base by about R893 million, with most of this reduction being sustainable;
- Sasol Mining achieved a further increase in in-section machine productivity, which brings its increase in machine productivity to 108% since commencing business renewal in 1998;
- Sasol Synfuels increased production by more than 5% off a notably large base; and
- Sasol Olefins & Surfactants reduced its nominal fixed costs by a further 3%, having reduced them by 5% in the previous year.

Growth drivers remain solid

We reiterate the ongoing soundness of our primary strategic growth drivers:

- commercialising and expanding our gas-to-liquids conversion technology;
- growing our chemicals portfolio; and
- exploiting upstream hydrocarbon opportunities.

Guided by our strategic growth drivers, we are confident that Sasol has evolved into a well-structured company with the robust foundations needed to maintain the impetus of our growth initiatives. These foundations embody the critical mass of skills, technologies, systems and customer bases that are prerequisites for harnessing new growth opportunities and strengthening competitive advantage in markets that are fiercely contested.

We remain confident that our businesses have the capacity and the will to continue implementing new initiatives to cut costs, boost productivity and optimise their businesses.

business highlights

Chemicals

Developing substantial new polymer capacity

Much of Sasol's envisaged growth in the shorter term will be from investments in new production capacity, most notably through new or expanded chemical plants and new gas-to-liquids (GTL) conversion plants.

Sasol Polymers will over the next two years provide the bulk of our new chemical production capacity. Before the close of our 2006 financial year, we shall have doubled our current polymer production capacity. Core to its South African expansion programme, Sasol Polymers is developing two world-scale polymer plants – a second polypropylene plant at Secunda and a second plant at Sasolburg for producing low-density polyethylene (LDPE). To complement these two Project Turbo-related investments (the fuel enhancement and polymer expansion project), Sasol Polymers is expanding the capacity of its Sasolburg polyvinyl chloride and linear low-density polyethylene plants.

We are starting to reap the rewards of our investments into our joint-venture gas cracker and LDPE plant at Kertih in Malaysia. These plants are operating well and contributed to earnings. We are now advancing the construction of integrated ethylene and polyethylene facilities at Bandar Assaluyeh on The Gulf in partnership with the National Petrochemical Company of Iran, which is scheduled for completion in 2006.

Expanding other chemical portfolios

Our successful commissioning of the Sasol Dia Acrylates complex at Sasolburg was one of the year's significant new business launches. This joint venture between Sasol and Mitsubishi Chemical Corporation of Japan has received enthusiastic response from its international customers.

We are fast approaching the final stages of commissioning our second 1-octene plant at Secunda. Once brought into operation in November 2004, Sasol Olefins & Surfactants will have another 48 000 tpa of capacity for producing high-purity octene.

We have over the last three years brought on stream significant new chemical production capacity and we have additional capital projects under way that will introduce significant further chemical capacity over the next three years.

Liquid fuels and gas businesses

Watershed gas project completed

In terms of exploiting upstream hydrocarbon opportunities, we completed shortly before year end one of our most significant projects in Sasol's 54-year history: the US\$1,2 billion Mozambique Natural Gas Project (MNGP) to bring gas from Mozambique to our pipeline gas customers and main petrochemical plants in South Africa.

We believe the MNGP was conceptualised, constructed and completed to world-class standards in such crucial areas as government and community relations, engineering and project management, procurement, construction, environmental management and social investment. The project was completed within budget and on schedule without incurring a lost-time injury.

Seeking upstream opportunities in West Africa

Besides its successes in developing Mozambique's Temane and Pande gas fields and commissioning the natural gas central processing facility on the Temane field, our petroleum exploration and production business, Sasol Petroleum International (SPI), remains active in West Africa. SPI is a 27,75% partner in Gabon's offshore Etame oilfield which has maintained steady oil production of about 15 000 bbl/d.

SPI has exploration under way elsewhere in offshore West Africa. This business will seek opportunities to become an upstream gas partner with Sasol Synfuels International and Sasol Chevron in future GTL projects.

Advancing our liquid fuels business

New supply agreements between Sasol and the other oil companies in South Africa were concluded following the expiry on 31 December 2003 of the Main Supply Agreement. The transition to a new commercial dispensation was smooth and we have met our commitments for supplying liquid fuels.

The termination of the Main Supply Agreement, along with the associated Blue Pump Agreement, enabled Sasol to enter the South African liquid fuels retail market. By financial year end, Sasol Oil had established 290 retail service stations comprising 115 Sasol-branded retail convenience centres (RCCs) and 175 Exel-branded service stations. Initial consumer response to our new Sasol RCCs has been pleasing.

Following the successful integration of Sasol's former associate empowerment company, Exel Petroleum, into Sasol Oil during the second half-year, we are advancing the new structures and systems for establishing our new liquid fuels business (LFB) in line with South Africa's Liquid Fuels Charter. The scope of the LFB has been defined and we shall endeavour to find a 25% partner representing a broad-based group of black economic empowerment (BEE) entities. Negotiations

chief executive's report

with these prospective empowerment partners are progressing and further announcements will be made in due course.

Similarly, discussions are progressing between Sasol and Petronas of Malaysia for the planned merger of the liquid fuels interests of Sasol and Engen. Should this merger proceed, Sasol and Engen would each hold a 37,5% stake in the merged business and empowerment partners the remaining 25%.

The merger will create South Africa's largest liquid fuels business with full value-chain integration, from crude oil importing and refining right through to liquid fuels and lubricant marketing, wholesaling, retailing and exporting.

Supporting the global clean-fuels drive

The South African Government is advancing a national programme to mandate the production and marketing of cleaner liquid fuels. By January 2006, it is anticipated that South African oil companies will be required to terminate the supply of leaded petrol, while also supplying diesel with a substantially reduced sulphur content.

While the new fuel specifications require a substantial capital investment that will not meet our targeted internal rates of return, we nevertheless welcome the initiative towards producing and selling cleaner liquid fuels in line with shifting global trends. To this end, we are advancing an amount of R4,4 billion at Secunda as part of this investment and expect it to be completed by the end of December 2005.

Our Project Turbo fuel enhancement investment will liberate further chemical feedstock and enables concomitant investments of almost R7,7 billion by Sasol Polymers to expand its South African polymer production capacity by more than 80% before the end of the first quarter of 2006.

Technology

Bolstering our technological advantage

Through our businesses, and particularly Sasol Technology, we continue to safeguard and advance our technological prowess with a focus on unlocking new growth opportunities and improving the efficiency of operations. Central to these objectives are our research programmes in the field of Fischer-Tropsch (F-T) synthesis and the beneficiation of F-T feedstocks into higher-value chemicals.

It is essential that Sasol retains a strong core of process scientists and engineers, while maintaining a vigorous university undergraduate bursary programme dedicated to nurturing future generations of intellectual capital. The Sasol Technology Research & Development group has 84 employees with doctorates in science or engineering. For a developing economy such as South Africa, this treasure chest of technological brainpower augurs well for our drive to optimise our technologies, particularly the development of unique chemical processes.

Managing capital projects with distinction

Sasol Technology's Engineering & Project Management group continues to manage our petrochemical capital projects worldwide in line with strict technical, commercial, environmental, governance and other project management criteria. We have evolved world-class engineering and project management capabilities and shall continue to safeguard these in support of our growth ambitions.

Our ambitious capital investment programme entailed capital expenditure (capex) on property, plant and equipment of about R10,9 billion during the year. We currently estimate that our capex for the 2005 financial year will be about R15 billion. Most of this capex will be committed to new production capacity, including the GTL plant in Qatar, Project Turbo and several new or expanded chemical plants, most of which are in South Africa.

Despite the magnitude of our capex programme, Sasol's gearing remains below the self-imposed limit of 50%. Our gearing at year end was 41%. We are confident that our gearing in the year ahead, which may approach or be at our limit, will not impact adversely on Sasol's balance sheet.

Gas-to-liquids ventures

GTL offers exciting opportunities

There is now a greater focus on opportunities to develop competitive GTL plants in gas-rich regions. Through Sasol Synfuels International (SSI) and our global joint venture with ChevronTexaco, Sasol Chevron, we are exploring opportunities to create an installed GTL capacity of 500 000 bbl/d by 2013, of which our share will be about 260 000 bbl/d.

This is significant capacity considering that our Sasol Synfuels operations have an installed capacity of about 160 000 bbl/d.



“... the Oryx GTL plant at Ras Laffan in Qatar was 40% complete at year end.”



Further investments into GTL plants incorporating the Sasol Slurry Phase Distillate™ process could enable Sasol to produce more than 50% of its liquid fuels outside of South Africa within 10 years.

Oryx GTL project advancing

The US\$950 million project to develop our first international GTL venture, the Oryx GTL plant at Ras Laffan in Qatar in partnership with Qatar Petroleum, was 40% complete at year end. The project is on track to introduce its first tranches of ultra-low-sulphur GTL diesel to the world market during the first quarter of 2006.

EGTL project contract to be awarded

Subject to the evaluation of the engineering, procurement and construction (EPC) bids now in hand for the planned GTL venture at Escravos in Nigeria (EGTL), an EPC contract for the EGTL project could be awarded in the year ahead.

sustainable development

Sustainability ethic and aspirations

Strengthening our commitment

Highlights of our commitment to sustainable development are featured in our sustainable development review starting on page 60. This review, in turn, serves as a preface to our next detailed biennial Sasol sustainable development report, which is scheduled for publication before December 2004.

It is pleasing to report that Sasol remains in the top quartile of the international Dow-Jones Sustainability Index (DJSI). Shortly after year end, Sasol was nominated as runner-up in South Africa's 2004 ACCA (Association of Certified and Corporate Accountants) Sustainability Reporting Awards in recognition of the frank and insightful disclosures made in our previous biennial sustainable development report.

Staying focused on priority challenges

Among other salient themes, our global sustainable development strategies and activities are focused on a series of priority challenges, most notably the ongoing need to:

- promote responsible and sustainable economic development within the ambit of good corporate governance and constructive community relations, with special emphasis in our South African operations of promoting black economic empowerment;
- partner with our host communities to promote the quality of life, particularly in underresourced communities in the vicinity of our Southern African operations, through focused social investment projects;
- appreciate the value of our human capital, with special emphasis on advancing employment equity in South Africa;
- counter and reduce the Aids scourge;
- reduce workplace accidents and promote process safety;
- lower emissions to air, water and ground; and
- encourage improved eco-efficiency at our plants and mines.

Economic development and empowerment

Making a positive economic contribution

Sasol is a major contributor to South Africa's economic development. We contributed about R56 billion during the year to the country's gross domestic product (GDP) and we help to maintain more than 100 000 jobs outside of our own operations.

With the completion of the MNGP, we are positioned to contribute to Mozambique's economic development over the next two decades. Independent economists have estimated that our commercialisation of Mozambique's natural gas reserves has the potential to increase that country's GDP substantially.



Our successful South African university undergraduate programme complements our promising employment equity programme in that more than 70% of our bursaries are now benefiting people from designated groups.

Facilitating economic transformation

During the year we emphasised on several occasions our vision for advancing and promoting BEE: "Sasol believes sustainable economic growth is a necessary condition for a peaceful and prosperous South Africa and that it is also a key requirement for the future success of our company. We are therefore committed to promoting and enhancing the participation of historically disadvantaged South Africans in our primary businesses and mainstream activities and, accordingly, seek to build sustainable empowerment partnerships."

Our BEE programme has five core principles:

- introducing into our South African businesses equity ownership by companies owned and controlled by historically disadvantaged South Africans;
- facilitating the procurement of goods and services, on a preferential basis, from companies owned, controlled or influenced by historically disadvantaged South Africans;
- building capacity in human resources development in industry and progressing employment equity in our South African businesses;
- facilitating the development of small, micro and medium-sized enterprises; and
- advancing the Sasol corporate social plan, which incorporates our social upliftment objectives.

Advancing plans for equity ownership

We have made good progress in each of these key areas. Besides progressing discussions between Sasol Oil and prospective BEE partnerships, Sasol Mining announced in May 2004 that it had

selected Eyesizwe Coal as its lead BEE mining partner. Eyesizwe Coal is the largest South African coal-mining company that is owned and managed by historically disadvantaged people.

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. Further announcements on this prospective partnership will be made in due course.

Sasol Gas maintains its 49:51 joint venture of Spring Lights Gas with the Durban-based empowerment company, Coal Energy and Power Resources. Spring Lights Gas supplies gas to industrial and commercial customers and has established the desired platform for pursuing growth in the Durban South region. It has inspired Sasol Gas to seek other potential joint ventures with empowerment companies.

Promoting procurement equity

Sasol continues to target new empowerment suppliers in South Africa with a view to increasing our allocations of procurement spend to BEE companies. During the year, we increased our procurement spend with empowerment companies to approximately R1 495 million, which amounts to 16% of our defined procurement spend in South Africa.

Human capital

Nurturing workplace diversity

Our South African businesses continue to advance employment equity. It is encouraging to note that we are on track to achieve our target in the year ahead of having 40% of our South African management and professional posts held by people from designated groups. Our successful South African university undergraduate bursary programme complements our promising



employment equity programme in that more than 70% of our bursaries are now benefiting people from designated groups.

Worldwide, we are maintaining and, in some instances, expanding a series of vigorous training and development programmes designed to attract, develop and retain high levels of skills throughout our businesses, right up to senior executive levels.

Aids intervention gathers impetus

We are taking our HIV/Aids responsibilities seriously, having rolled out the Sasol HIV/Aids Response Programme (SHARP) at many of our South African operations during the year. Significantly, our SHARP intervention is not limited to the workplace where we have the interests of our employees at heart. Our Aids initiatives also have a strong emphasis on providing educational and support services to the communities in which our employees live.

Social investment

Unrelenting commitment to social upliftment

In line with our commitment to advancing the principles and practices of BEE and sustainable development, we remain one of South Africa's largest corporate investors in social development and upliftment programmes. During the year, we allocated more than R80 million to social investment programmes, most of which were undertaken in underresourced communities in South Africa and Mozambique.

foreign shareholding

Significant increase in foreign shareholding

Since listing on the New York Stock Exchange (NYSE) in April 2003, the value of a Sasol American depositary receipt (ADR) has increased appreciably. At the end of trading on the day of our listing, our ADR closed at US\$10,73. During August 2004, Sasol's ADRs were trading at about US\$17,00, a 60% increase since listing on the NYSE.

Our foreign shareholding has increased by 20% over the last year or so and the daily traded volumes on the NYSE have quadrupled. We are pleased with the progress achieved since listing on this bourse.

prospects

Looking ahead with greater confidence

It is unrealistic to try to forecast the relative value of the rand in the year ahead. Our view is that we shall not see any further substantial appreciation of the rand against the US dollar and euro. Should the rand not weaken significantly in our 2005 financial year, we are nevertheless positioned to cushion some of the impact as a result of major cost reductions achieved over the last year.

With additional production capacity to market and the prospects of chemical margins improving, we are more favourably positioned than a year ago to again target growth in earnings. Many new investments are coming into fruition by delivering targeted returns on investment, and other focused investments will follow suit in the year ahead. We shall also be targeting further cost reductions and productivity gains.

The combined benefits of these initiatives are expected to yield encouraging contributions to our bottom line.

acknowledgements

Appreciation for passionate teamwork

I thank our valued employees worldwide for their ongoing enthusiasm, hard work and shared commitments to promoting innovation, business optimisation and customer relations. Our employees have shown that committed teamwork can gain ground, even when markets lull and test the depth of our mettle.

I also thank our customers, suppliers and business associates worldwide for their ongoing support and goodwill. I have every confidence that we shall in the year ahead continue to nurture good relations and partner to meet familiar and new challenges and opportunities with undaunted enthusiasm.

Pieter Cox

Deputy chairman and chief executive

review of operations

oil and gas businesses

sasol mining

- **Operating profit decreased by 6% to R1 194 million.**
- **Cash cost per ton increase contained to 1,9%.**
- **In-section machine productivity up by 3,8%.**
- **Highest volumes of quality product supplied.**
- **New business optimisation initiative implemented to unlock further value.**

continuous improvement drive gains ground

Sasol Mining remains a star performer focused on meeting progressively more challenging business enhancements. Our coal-mining business achieved its budgeted profit, productivity improvements and cost containments in a year of stable operations, improved safety performance and enhanced quality management.

Stronger coal prices and marginally higher volumes increased turnover by 5% from R5 016 million to R5 244 million. Operating profit decreased by 6% from R1 273 million to R1 194 million. The increase in cash cost per ton was contained to 1,9% when expressed on a dry, ash-free (DAF) basis. The DAF measure indicates the gas-yielding portion of our coal, our most meaningful cost measure. Mining costs per ton have decreased by 15% in real terms over six years since initiating the business renewal programme.

The average number of tons produced by a continuous-miner in one production shift – our measure for in-section machine productivity – increased by 3,8%. Machine productivity has advanced by 108% since commencing business renewal. Per-capita productivity increased by 5,8%.

Once again, productivity increased while further improving the quality of coal delivered to Sasol gasifiers. Sasol Mining



achieved its lowest rate of non-conformance in supplying more than 40,2 million tons (Mt) of coal to Sasol Synfuels. Coal quality was enhanced, with the percentage of fines and non-coal contaminants in coal, such as stone, decreasing further.

Underground dust levels remained well within statutory limits at an acceptable level of 3 mg/m³ throughout the year. On the safety front, the recordable case rate and the number of lost workdays decreased significantly. Sigma Colliery closed the year without a single lost workday incident. These satisfactory safety advances, however, were regrettably marred by two unfortunate workplace fatalities.

Responding to new challenges

The pursuit of continuous improvement has become mandatory at Sasol Mining since implementing business renewal. To strengthen the renewal drive, Sasol Mining introduced its Vuselela programme during the 2001 financial year that continues to deliver benefits.

New business challenges and opportunities continue to face Sasol Mining, including the need to facilitate the advancement of black economic empowerment (BEE) and sustainable development in a fast-changing operating environment, part of which entails a reduced demand for coal at Sasolburg. In addition, Sasol Synfuels will most likely base future volume growths on converting higher volumes of natural gas rather than coal.

Sasol Mining therefore developed and introduced its Project 2010 business enhancement strategy and operating framework founded on such key pillars as:



- pursuing continuous improvement;
- winning with people;
- strengthening product and market optimisation and logistics;
- optimising reserve utilisation;
- promoting safety, health and environmental management; and
- maintaining compliance with the Mining Charter and the spirit of socioeconomic transformation in South Africa.

Through Project 2010, Sasol Mining is focused on meeting four key objectives:

- fulfilling external stakeholder requirements;
- further reducing direct cost;
- increasing sales and driving top-line growth; and
- improving indirect cash flow by minimising capital investments.

Sasolburg output to be downscaled

One of the challenges facing Sasol Mining is the recent introduction of natural gas from Mozambique, which supersedes coal as the primary hydrocarbon feedstock for producing synthesis gas at Sasolburg.

In recent years, Sasol Mining has been supplying between 6 Mt and 7 Mt of coal a year to the Sasolburg petrochemical complex. In the year ahead, this complex's annual coal demand will drop to about 2 Mt because coal will only be needed to operate the steam and electricity plants.

Lead empowerment partner chosen

In accordance with South Africa's Minerals and Petroleum Resources Development Act of 2002 and the Mining Charter,

Sasol Mining is working to introduce a 15% BEE ownership into its operations by 2009.

Sasol Mining announced in May 2004 that it had reached a mutually beneficial agreement with Eyesizwe Coal, the country's largest black-owned and operated coal-mining company, to become Sasol's leading BEE mining partner. The Sasol Mining and Eyesizwe memorandum of understanding covers various areas of possible cooperation that could lead to a long-term relationship.

We are also developing our R229 million Sigma-Mooikraal Mine near Sasolburg. Once brought into operation in May 2005, this new mine will supply coal to the utility plants operated by Sasol Infrachem at Sasolburg.

Sasol Mining financial highlights

		2004	2003	% change
Turnover	Rm	5 244	5 016	5
Operating profit	Rm	1 194	1 273	(6)
Capital items	Rm	17	(4)	–
Operating margin	%	23	25	–
Contribution to:				
group operating profit	%	13	11	
attributable earnings	Rm	837	911	(8)
Cash flow from operations	Rm	1 714	1 790	(4)

Sasol Mining operational highlights

		2004	2003	% change
Sasolburg sales				
to Sasol Infrachem	Mt	6,8	6,4	6
Secunda sales				
to Sasol Synfuels	Mt	40,2	39,4	2
Export sales from Secunda	Mt	3,6	3,6	–
Additional domestic markets	Mt	0,5	–	100
Total sales	Mt	51,1	49,4	3
Sales per employee	t	6 687	6 136	9

sasol synfuels

- **Operating profit decreases by 26% mainly as a result of the stronger rand, offset by a higher oil price.**
- **Production increases by 5% from a high base.**
- **Major cost-reduction drive yields initial fruits with a 2% lowering of cash unit costs.**
- **R4,4 billion project commences to meet cleaner fuel specifications.**
- **Natural gas reforming commences in tandem with coal-derived syngas production.**

greater production and cost reductions secure profits

Sasol Synfuels performed well, most notably during the second half, by reducing costs, increasing production and contributing substantially to group earnings, while also completing a series of major capital projects.

Turnover decreased by 6% from R16 976 million to R15 993 million, and operating profit decreased by 26% from R7 423 million to R5 512 million. Operating profit, however, has grown by 212% over the last five years – a compound growth rate of 25,5% a year. Production increased by 5% from 7,28 million tons (Mt) to 7,67 Mt.

Intensified productivity drive

Average per-capita production rose by 9% from 1 244 t to 1 357 t. The product cash cost per ton was reduced by 2%, which is well ahead of the South African Producer Price Index decrease of 0,5% for the year.

The Sasol Advanced Synthol reactors continue to perform well and presented an opportunity to improve production economics and flexibility, especially with the addition of natural gas as a supplementary feedstock. Dedicated efforts were also invested in other initiatives to improve profitability.



The fifteenth oxygen train at Sasol Synfuels, Secunda, is world-scale.

As part of our profit-improvement drive, we partnered with Air Liquide of France to construct and commission the world's largest air-separation unit – our fifteenth oxygen plant. The plant has a nominal capacity of 3 500 t/d. In this new unit, liquid oxygen pumps replace the oxygen compressor to provide a safer, more efficient process.

Our operational highlight was the introduction of natural gas as a supplementary hydrocarbon feedstock to coal during the first quarter of 2004. Since then, we have been producing synthesis gas for downstream synthesis by reforming the natural gas.

Progress in lowering costs

Building on our fruitful business transformation initiatives of the past decade, we have set our sights on achieving and sustaining world-class operational benchmarks. We intend to further reduce costs per ton, raise efficiency and promote the group's sustainability ethic, with particular emphasis on increasing the value of human capital and reducing emissions.

Focused efforts to contain costs and remove non-core expenditure enabled us to eliminate more than R238 million from costs during the year. In the information management arena, we reduced costs by 30%, while also unlocking new benefits from our systems.

Cleaner-fuels project under way

Integral to the group's R12 billion Project Turbo, we are investing R4,4 billion to upgrade our fuel production and refining facilities to ensure compliance with the South African specifications for cleaner formulations of petrol and diesel, which will be mandatory from January 2006.



Sasol Synfuels applies unique technology to manufacture fuel and chemical components.

We are also modifying our liquid fuel refining and blending operations, and are constructing new production facilities to increase our synthetic petrol's octane rating. Our project necessitates multiple refinery unit changes, as well as some new refinery units and the installation of a selective catalytic cracker to produce additional tranches of ethylene, propylene and high-octane fuel components.

The selective catalytic cracker will incorporate process technology licensed from Kellogg, Brown and Root. It will be used primarily to crack the return streams from Sasol Olefins & Surfactants' alpha-olefin plants at Secunda. The cracker technology allows for optimal processing flexibility and versatility.

While the capital investment in the cracker and associated fuel production and refining facilities is high, it will unlock significant benefits for Sasol Synfuels and the group. Besides allowing Sasol to meet South Africa's future diesel and petrol specifications and enabling motorists to use cleaner-burning fuels in more advanced ignition engines, Project Turbo is building a substantial growth platform for Sasol Polymers. This project will provide enhanced economies of scale, along with greater production flexibility and better integration of our fuel and chemical feedstock production.

Sasol Carbo-Tar integrated

Sasol Carbo-Tar, formerly a business unit of the LFB, was incorporated into Sasol Synfuels as an operating division. This business transfer brings optimisation opportunities for the Secunda tar value chain.

Difficult trading conditions led to a 14% decline in turnover from R692 million to R597 million. Operating profit dropped by 43% from R148 million to R84 million. Own production sales volumes increased slightly to 372 464 t.

Sasol Synfuels financial highlights

		2004	2003	% change
Turnover	Rm	15 993	16 976	(6)
Operating profit	Rm	5 512	7 423	(26)
Capital items	Rm	(3)	5	
Operating margin	%	34	44	
Contribution to				
group operating profit	%	59	62	
attributable earnings	Rm	3 696	5 037	(27)
Cash flow from operations	Rm	6 743	8 193	(18)

Sasol Synfuels operational highlights

		2004	2003	% change
Total production	Mt	7,67	7,28	5,3
Production per capita	t	1 357	1 244	9,1
Production slate				
Liquid and gaseous fuels	%	66	67	
Petrochemical feedstock	%	20	19	
Carbon and nitrogenous feedstock	%	11	11	
Specialised cokes, creosote and related carbon and tar products	%	3	3	

sasol's liquid fuels business

- **Operating profit maintained in challenging conditions.**
- **New structure created for Sasol's liquid fuels business.**
- **Fast-track rollout of Sasol-branded retail convenience centres is progressing.**
- **Introducing Sasol products to the Exel-branded service stations.**
- **Announcement of another black economic empowerment initiative is imminent.**

pleasing performance amid major changes

Sasol Oil had a challenging year. Highlights were the successful launch of distinctive Sasol retail convenience centres (RCCs), the successful integration with Exel Petroleum, the termination of the Main Supply and Blue Pump agreements, the start of the Natref Clean Fuels Project and the completion of key steps towards forming our new consolidated liquid fuels business (LFB).

Progressing our new LFB

In line with the requirements of South Africa's Liquid Fuels Charter of 2000 and our commitment to advancing black economic empowerment (BEE), we have been focused on creating the new LFB.

The LFB encompasses the established Sasol Oil liquid fuels and lubricants marketing, distribution, commercial and retailing interests, including the Exel business, our shareholding in the Natref crude oil refinery, and the acquisition of fuel components and the fuel blending and storage facilities at Secunda. Sasol Synfuels' Secunda fuel blending and logistics operations were



Testing Sasol-developed diesel on a test engine at Sasolburg.

transferred to, and successfully integrated into, the LFB. The LFB also encompasses crude oil procurement and shipping, as well as final product supply to, and trading with, other oil companies operating in South Africa.

Good performance despite new challenges

The financial reporting includes the economic value of the refinery section of Sasol Synfuels as part of the liquid fuels value chain.

The impact of terminating the Main Supply Agreement on 31 December 2003 constrained wholesale volumes during the second half of the year. Turnover decreased by 4% from R19 651 million to R18 851 million, while operating profit increased by 2% from R1 403 million to R1 429 million.

Higher sales volumes, disciplined cost management and higher refining margins, especially during the second half, all contributed to profit. Lower sales to other oil companies and the rand's strengthening were the main constraints on achieving further profit growth.

The operating profit from fuels marketing improved by 86% due to the successful launch of our retail network, which resulted in higher sales volumes.

In the commercial sector, we are targeting three primary business sectors for marketing and supplying Sasol liquid fuels and lubricants: the mining industry, the transport industry and government organisations. Our successful marketing of trendsetting products, most notably our low-sulphur Sasol turbodiesel™, has been a boon to promoting our successes in both the commercial and retail markets.



To complement our Sasol branded RCC development programme and the extension of our Exel service stations, we have launched a programme to develop Sasol-branded truck stops. Our first Sasol truck stop is being developed outside Sasolburg and will provide tanker-washing facilities, as well as rest and refreshment facilities for truck drivers.

On the aviation front, we – through our joint venture with ExxonMobil – have established a 15% market share for the supply of jet fuel at Johannesburg International Airport, Africa's highest-volume airport. In addition, we are also the major supplier of jet fuel to the fleets of Lufthansa and South African Airways.

Natref performs well

Despite less-than-optimum throughput, the Natref crude oil refinery performed well. The refinery achieved a total product yield of 97,6% and a white-product yield of 92,3%. Unintended downtime was reduced from 0,94% to 0,52%, and no major unit interruptions occurred.

The Natref Clean Fuels Project is progressing to schedule. This project is aimed at meeting the more stringent legislation for the introduction of low-sulphur diesel and lead-free petrol production in January 2006. This project will allow Natref to produce to the 2006 specifications, but at a reduced maximum output. New processing units will have to be built to meet the required fuel specifications in 2008.

Increase in exports

Exports of petrol, diesel, jet fuel and other white products to neighbouring Southern African states more than doubled as a

result of increased marketing efforts, enhanced export systems and increased opportunities. We also increased exports to East Africa, West Africa and the Indian Ocean Islands.

New wholesale agreements concluded

After terminating the Main Supply and Blue Pump agreements, Sasol Oil negotiated new supply agreements with the main oil companies operating in South Africa. Our new wholesale agreements came into effect from January 2004.

These agreements cover the supply of liquid fuels, including petrol, diesel, liquefied petroleum gas, jet fuel and kerosene. The transition to the new agreements was reasonably smooth and we met all supply commitments.

Sasol's liquid fuels business financial highlights

		2004	2003	% change
Turnover	Rm	18 851	19 651	(4)
Operating profit	Rm	1 429	1 403	2
Capital items	Rm	–	1	
Operating margin	%	8	7	
Contribution to				
group operating profit	%	15	12	
attributable earnings	Rm	943	903	4
Cash flow from operations	Rm	1 932	1 514	28

Sasol's liquid fuels business operational highlights

		2004	2003	% change
Crude oil processed (million m ³) [§]		3 115	2 751	13
White product yield (% of raw material)		90,7	91,6	(1)
Total liquid fuel sales (million m ³)		9 318	8 868	5
Fuel and bitumen exports (million m ³)		739	158	368

[§] Based on the 63,6% share held by Sasol in the Natref crude oil refinery

sasol's liquid fuels business



One of the 115 new Sasol retail convenience centres that were opened in 2004.

Retail marketing gains ground

The distinctive commercial, logistical, marketing and technical operations of Exel Petroleum and Sasol Oil were integrated into one new company and culture during the second half of the year. At year end, we had established our target of 115 Sasol RCCs and 175 Exel service stations in line with maintaining a dual-branding approach to support two distinctive, but complementary marketing strategies.

Our programme to roll out Sasol RCCs across South Africa within an extremely tight timeframe is being executed on schedule, and enabled us to achieve our interim objectives in terms of market share for both retail petrol and diesel. We remain confident that Sasol has the potential to achieve 15% of the South African retail fuels market by 2010.

Empowerment deal

Following our signing of the Liquid Fuels Charter in 2000, Sasol presented a charter-specific plan to the parliamentary portfolio committee for minerals and energy. This plan outlined our commitment to include a 25% BEE ownership in our LFB by 2010. Our discussions with potential BEE partners in an envisaged broad-based empowerment deal are progressing well.

In February 2004, we announced our intention, subject to approval by the regulatory authorities, to merge our LFB with Engen. A joint business plan is being developed and further discussions on structuring the 25% BEE participation in the

joint-venture transaction are ongoing with our respective BEE partners. Dr Penuell Maduna was appointed as a consultant to facilitate and structure the BEE consortium associated with Sasol's LFB.

Tackling legislative concerns

Sasol has noted with concern that certain oil companies have started to import fuel components and finished liquid fuels into South Africa at a time when South African fuel producers, combined, have sufficient capacity to meet domestic demand and when South Africa needs to protect its balance of payments. The South African Government's White Paper on the Energy Policy for South Africa emphasises the need to promote South African liquid fuel refining and production, first and foremost, as a way to protect the country's foreign exchange reserves.

Investments in local liquid fuels manufacturers and capacity need to be encouraged and nurtured for the benefit of the greater South African economy. The preservation of jobs in an economy that currently has a high unemployment rate by world standards is of great importance. The goal going forward should be for South African oil companies to add maximum value to imported crude oil and to maximise fuels produced from indigenous feedstock.

Maintaining productive technology portfolio

Our research and development (R&D) and technical groups, unique in the South African liquid fuels industry, continue to



advance their crucial roles, thereby helping to maintain Sasol's technical leadership in the liquid fuels market and, specifically, as a world leader in developing and manufacturing synthetic fuels.

Key to Sasol's growing presence in the South African liquid fuels market and, potentially, the group's GTL ambitions, we continue to advance our understanding of the application advantages of synthetic fuels, especially the ultra-low-sulphur GTL diesel produced through the Sasol Slurry Phase Distillate (Sasol SPD™) process. Sasol Oil is collaborating with Sasol Synfuels International and Sasol Chevron in promoting the technical, economic and environmental advantages of using GTL diesel.

The presentation of several technical papers at major scientific, technical and industry-related conferences and symposia during the year featured a strong emphasis on the distinctive properties and benefits of using GTL diesel.

Integral to our comprehensive R&D and testing work conducted at Sasolburg is the successful establishment of the Sasol Advanced Fuels Laboratory at the University of Cape Town. Working in partnership with Sasol Technology, we have also successfully developed and tested experimental blends of bio-diesels. In addition, Sasol Oil is developing a new range of fuels and additives for our retail marketing.

Several of our Sasol-branded lubricants were approved by original equipment manufacturers and also received the mark of approval of the South African Bureau of Standards.

We continue to support and participate – with the South African liquid fuels industry and the national departments of Minerals and Energy and of Environmental Affairs and Tourism – in the comprehensive technical programme towards finalising South Africa's national vehicular emission strategy. The final draft strategy is due to be presented to the South African Cabinet for ratification before the end of 2004.

We have also been participating in, and contributing to, the National Optimum Octane Study with a view towards defining an optimum octane structure for petrol in South Africa once octane-enhancing lead additives are removed, by law, by January 2006.

sasol gas

- **Natural gas successfully introduced.**
- **Sales volumes increase by 8,6%.**
- **More than 500 customers successfully converted to natural gas on time.**
- **First black-empowered joint venture establishes a solid platform for growth.**
- **Co-generation and other new-market opportunities are being explored to increase gas sales.**

natural gas provides exciting growth platform

Sasol Gas' most significant highlight has been the successful introduction of natural gas from Mozambique's Temane field to industrial and commercial customers in Gauteng, Mpumalanga and Free State, including Sasol Infrachem at Sasolburg and Sasol Synfuels at Secunda. In the year ahead, natural gas will provide the platform for Sasol Gas to pursue its longer-term growth objectives.

The company had successfully converted more than 500 inland customers to natural gas by the end of June 2004. The conversion project required meticulous planning and high levels of teamwork to ensure minimal interruptions in supplying gas to customers.

Sasol Gas is well placed to achieve significant growth in the decade ahead. During the year, however, demand for gas from external markets remained largely flat. While pleasing growth in sales volumes was achieved in certain market sectors, several of Sasol Gas' high-volume industrial customers have implemented a concerted energy-efficiency drive as part of their wider corporate programmes to reduce operating costs.



Sasol Gas has facilities for testing the properties of pipeline fuel gas.

Turnover impacted by lower prices and volumes

The average gas sales price for the year was 7,2% lower than that of the previous year. Sasol Gas has for the last five years maintained a variable gas pricing mechanism based on the price fluctuations of alternative energy sources and linked to oil-derived and PPI pricing indices. In general, the international oil price was lower in rand terms, year-on-year.

Despite the 8,6% increase in sales volumes (mostly new sales to Sasol Synfuels) lower prices led to a modest 1% increase in turnover from R1 504 million to R1 522 million. Once-off costs had to be incurred to prepare for the introduction of natural gas. The net result was that operating profit decreased by 28% from R535 million to R387 million.

When the once-off income of R84 million in the previous year (for the sale of business rights to the BEE joint venture of Spring Lights Gas) and the once-off customer conversion operating cost of R80 million during the year are excluded, then operating profit increased by 4% from R451 million to R467 million.

On the supply front, stable operations were maintained with gas leaks declining year-on-year despite the extended pipeline network and the magnitude and tight schedule of the project to convert customers to natural gas.

Promoting gas as an energy of choice

The increasing shift towards using more energy-efficient and environment-friendly gas-burning equipment is an international trend that has already been factored into Sasol Gas' growth strategy. Accordingly, Sasol Gas is aggressively



Two autothermal reformers for reforming natural gas were commissioned in 2004.

marketing natural gas as an energy of choice to a growing base of potential new customers, many of whom are using less efficient and less environment-friendly energy sources.

In addition, several co-generation opportunities are being explored with international developers for the supply of electricity and steam to large industrial users.

While the introduction of pipeline gas to new industrial and commercial customers did not offset the decrease in demand from the larger, cost-focused industrial customers, higher volumes of gas were sold to Sasol businesses. In the year ahead, Sasol Gas expects to sell about 15 million GJ of gas to Sasol Synfuels at Secunda and about 32 million GJ to Sasol Infrachem at Sasolburg.

Looking towards the year ahead, Sasol Gas will be well placed to supply gas at a rate of about 85 million GJ a year and to increase this figure incrementally to about 120 million GJ before the end of this decade.

Empowerment venture performs well

Spring Lights Gas, our 49:51 gas marketing joint-venture company with the Durban-based Coal Energy and Power Resources black empowerment company, successfully completed its second year of commercial operations and increased operating profit.

Sasol Gas signed a memorandum of understanding in 2002 with another black empowerment company, Umkhumbi We Afrika, for the potential distribution and marketing of natural gas in the Nelspruit region of Mpumalanga. Umkhumbi We

Afrika and Sasol Gas are continuing with their study to assess the feasibility of constructing the necessary spur pipeline and support infrastructure. The companies intend to complete their study before December 2004.

Sasol Gas financial highlights

		2004	2003	% change
Turnover	Rm	1 522	1 504	1
Operating profit	Rm	387	535	(28)
Capital items	Rm	–	84	
Contribution to:				
group operating profit	%	4	4	
attributable earnings	Rm	487	483	1
Cash flow from operations	Rm	476	559	(15)

Sasol Gas operational highlights

		2004	2003	% change
Total gas sales (millions of gigajoules)	m-GJ	52,9	48,7	9
Sales per employee (gigajoules)	GJ	345 607	367 248	(6)
Cash fixed costs per gigajoule	R	3,47	1,67	(108)
Number of unscheduled supply interruptions [§]		9	5	80
Number of reported gas leaks		2	5	(60)

[§] Increase in supply interruptions due mainly to the substantially increased pipeline activities before and during the customer conversion project

sasol petroleum international

- **Commercial gas production commences in Mozambique's Temane field.**
- **Gabon's offshore Etame oilfield sustains steady, profitable production.**
- **Exploration success in Mozambique and Gabon.**
- **Continued exploration in South Africa and Equatorial Guinea under review.**
- **Development of deepwater Nigerian petroleum portfolio is advancing.**

upstream petroleum operations achieve breakthroughs

Sasol Petroleum International (SPI), our dedicated oil and gas exploration and production (E&P) company, had a breakthrough year. The company commenced full-scale commercial production and supply of natural gas in Mozambique's Temane field during the first quarter of 2004 and made new discoveries in offshore Gabon and onshore Mozambique.

The first few months of commercial gas production in Mozambique, coupled with continuing production as a 27,75% partner in Gabon's Etame offshore oilfield, generated a turnover of R312 million. SPI has now established the desired production critical mass to lay the foundations for self-financing its future oil and gas exploration projects.

Mozambican production commences

Working through its subsidiary company in Mozambique, Sasol Petroleum Temane Limitada (SPT), SPI completed its work



The central processing facility, under construction in Mozambique, was completed in 2004.

scope successfully and Sasol's US\$1,2 billion Mozambique Natural Gas Project (MNGP) was completed on time and within budget. SPT was responsible for developing the first 12 production wells in the Temane field, along with the field's central processing facility (CPF).

The CPF was commissioned during the first quarter of 2004 and can currently be fed gas from nine of the 12 production wells. The first tranches of gas were fed into the pipeline at Temane on 18 February 2004 and reached Secunda three days later.

SPI previously reported that Sasol and its partners had access to Mozambican gross proved and probable gas reserves of about 3,2 trillion cubic feet (tcf) – an oil equivalent of more than 500 million barrels. Current production and consumption plans are based on gross proved reserves of 2,7 tcf, which are sufficient for 25 years at planned production rates.

SPI conducted a successful exploration drilling programme in and around the Temane and Pande fields and made several additional gas discoveries during the year. The additional reserves related to these discoveries are still under review. Continued exploration and appraisal activity is planned.

South African exploration under review

SPI maintained its prospecting sublease agreement in Block 3A/4A off South Africa's west coast. The agreement covered a 28 395 km² area in shallow Atlantic waters. After appraising the extensive data gathered from the three-dimensional seismic survey of this block, SPI is still considering whether to extend its prospecting licence with the Petroleum Agency South Africa and the Ministry of Minerals and Energy for the year ahead.



Gabonese oil production sustained

The Etame oilfield in offshore Gabon came into production in September 2002 and has since sustained steady production at a rate of about 15 000 bbl/d. SPI retains a 27,75% shareholding in this field and will continue to explore in this region. The Etame field gross proved reserves ultimately recoverable were increased from 37 million bbl to 49 million bbl during the year. Following this upward revision, an additional production well, Etame 5H, was drilled and brought on stream in August 2004 in order to increase production.

The year saw the successful completion of a further exploration drilling campaign in the Etame licence area with the discovery of the Ebouri and Avouma oilfields. The Ebouri discovery was made in January 2004 and was immediately appraised by two additional sidetrack wells. Development studies are now under way. The Avouma discovery was made in June 2004 and a successful drill stem test produced an oil flow rate of 6 600 bbl/d. The Etame partners are now considering what further work may be required before finalising development plans.

To the south, SPI (the operator with a 50% share) and its exploration partners remain active in Gabon's offshore Dussafu block, where drilling of the first exploration well commenced in August 2004. A detailed environmental impact assessment has been conducted in this area because it is adjacent to a marine national park.

SPI has opted to exit exploration in blocks H and L in Equatorial Guinea in favour of concentrating on its emergent exploration programme in Nigeria. Here, SPI is awaiting Nigerian government approval to its entry into two new licences.

Focus on world-class environmental standards

Working mostly through Sasol Gas, Sasol Petroleum International and Sasol Technology, Sasol undertook far-sighted environmental measures for the MNGP as part of our determination to bring world-class environmental standards to all new and planned future projects, irrespective of location and project type.

One of the critical primary measures was our commitment to execute a series of comprehensive environmental impact assessments (EIAs) for each of the MNGP's seven main development components. In executing the EIAs with independent environmental consultants, we sought not only to comply with local South African and Mozambican regulatory requirements and development guidelines, but also took into account some of the major international benchmark standards, including World Bank environmental guidelines.

Sasol Petroleum International operational highlights

	2004	2003	% change
Temane field, Mozambique			
Natural gas production (five months) m-GJ	8,0	–	–
Etame field, Gabon (27,75%)			
Crude oil production million bbl (FY 2003 production for nine months)	1,2	0,9	33

sasol synfuels international

- **Qatari gas-to-liquids (GTL) plant passes 40% development stage.**
- **Nigerian GTL engineering, procurement and construction bid process is progressing.**
- **Discussions progressing with a view to investigating the potential for developing GTL plants in the Middle East, Australia and other gas-rich regions.**
- **Ongoing drive to lower future GTL capital and operating costs.**
- **Pre-feasibility study to start for potential coal-to-liquids facilities in China.**

first international GTL production set for 2006

Sasol Synfuels International (SSI) continues to advance the development of our first international gas-to-liquids (GTL) plant for converting natural gas into an ultra-low-sulphur GTL diesel. Shortly after the financial year end, the US\$950 million project to develop the Oryx GTL plant at Ras Laffan in Qatar had passed the 40% mark.

The Oryx GTL plant will be owned and operated by Oryx (QSC), a 49:51 joint venture between SSI and Qatar's state-owned national petroleum company, Qatar Petroleum (QP). The 34 000 barrels/day (bbl/d) plant will convert some of Qatar's lean natural gas from its extensive North Field reserves into syngas 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.

Oryx GTL was formed in the Qatari capital of Doha in March 2003 with the mandate to develop, construct and operate



A view of the Escravos site in the Niger Delta region of southern Nigeria.

the world's first commercial-scale GTL plant (outside of South Africa) for the dedicated production of high-quality GTL diesel and GTL naphtha. SSI will oversee and coordinate all product marketing, sales and distribution once the first tranches of GTL diesel and naphtha become commercially available during the first quarter of 2006.

Oryx construction contract progressing

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 finalising 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, will be completed in mid-2005. All major pieces of long-lead-order equipment, including the two low-temperature Fischer-Tropsch Slurry Phase reactors being fabricated in Japan, Haldor Topsøe autothermal reformers, a ChevronTexaco Isocracking™ unit and the compressors will arrive at Ras Laffan in phases during our 2005 financial year. Plant start-up is scheduled for first quarter 2006.

Most of the Oryx GTL diesel (about eight million barrels a year) will be marketed to customers in Europe, where much of this



The Oryx gas-to-liquids plant under construction at Ras Laffan in Qatar.

ultra-low-sulphur diesel will most likely be used as blend stock for higher-sulphur diesel derived from conventional oil refining.

The stone-laying ceremony for the Oryx GTL plant was held in December 2003 and was attended by dignitaries from both the State of Qatar and South Africa.

The Oryx GTL site covers an area of 72 ha. The construction site, at its busiest, will involve as many as 5 000 construction workers, including project engineers and project managers.

Expanded Qatari GTL capacity under review

In March 2004, Sasol Chevron 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 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.

Bidding phase progressing for EGTL

Sasol Chevron 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 Chevron Nigeria Limited, two companies with established petroleum production interests at Escravos. The EPC bidding process is progressing.

EGTL will be the first GTL project to be licensed by Sasol Chevron. This plant will also have a design production capacity of about 34 000 bbl/d. It will enable significant environmental merits by beneficiating, rather than flaring, the associated gas accompanying crude oil production.

Iranian GTL study planned

A potential GTL project opportunity exists in gas-rich Iran, for which SSI recently completed a pre-feasibility study. 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. SSI and NPC plan to commence a feasibility study for this potential project in the year ahead.

Further opportunities being explored

Sasol Chevron and SSI continue to be involved in exploratory discussions and feasibility studies with some of the world's other gas-rich countries, including Australia, with a view to developing other GTL plants over the next decade.

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

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 would be based entirely on the Sasol SPD™ process.

Coal beneficiation study for China

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

SSI is about to commence a pre-feasibility study with a consortium of Chinese companies for the potential development of two 60 000 bbl/d to 80 000 bbl/d coal-to-liquid fuels (CTL) facilities in the People's Republic of China.

review of operations

main chemical businesses

sasol olefins & surfactants

- **Competitive markets and increased feedstock costs suppress turnover and profit.**
- **Balanced alcohols market leads to improved margins.**
- **Overcapacity keeps alkylates and surfactants markets under pressure.**
- **Further substantial reduction in fixed costs.**
- **World-class performance in lowering injury rate.**

major cost reductions to soften market pressures

Sasol Olefins & Surfactants achieved turnover of R17 382 million (€2 122 million; US\$2 528 million), which was 12% lower in rand terms and 1% higher in euro terms than the previous year (R19 833 million; €2 107 million; US\$2 196 million). Reduced turnover was due to lower sales prices in highly competitive markets, which was partly countered by a 5% increase in sales volumes.

Profit remained severely constrained because of the greater pressure on product prices and persisting high feedstock costs. Operating loss amounted to R67 million (€8 million; US\$10 million).

Stronger international oil and energy prices increased feedstock costs. When compared with the previous year, this resulted in continued high ethylene costs in Germany, significantly higher natural gas and ethane costs in the USA and slightly increased kerosene and benzene costs in the USA and Italy, but lower rand-based feedstock costs in South Africa.

We are sustaining our drive to counter the impacts of difficult trading conditions. This commitment includes restructuring to reduce costs and improve operational efficiency. Regarding business management, a strategic decision was implemented to reorganise the division along value chains to enhance business alignment and efficiency. The three former business



A 550 t distillation column being erected for the second 1-octene train at Secunda.

units of Alcohols, Alkylates and Surfactants were reorganised into two business units, Alcohols & Surfactants and Alkylates & Surfactants, shortly before year end.

Having taken a strategic view that Sasol Servo in the Netherlands did not fit into the division's strategy, we sold this company to Elementis at year end for a total consideration of €48,5 million, which yielded a small book profit.

Continued pressure on Alkylates

The Alkylates business' margin pressure was even higher than in the previous year as product prices weakened further and feedstock unit prices increased. The main reasons for this continued pressure are the significant overcapacity in the global linear alkylbenzene (LAB) industry and extremely competitive market conditions.

In spite of the increased margin pressure, this business performed marginally better by increasing sales volumes and lowering fixed costs. The Porto Torres LAB plant in Italy remains idled, thereby allowing us to achieve good capacity utilisation on our other LAB plants. In the year ahead, crude oil and the resultant kerosene and benzene price levels will largely determine our financial performance, with benzene prices currently being at record high levels.

Strong performance by Alcohols

The international alcohols industry was characterised by an improving balance between supply and demand in the wake of several alcohol plants either being idled or shut down around the globe. The industry's production streamlining led to improving margins for the Alcohols business during the year in spite of increases in petrochemical and oleochemical feedstock prices. These improved market conditions are expected to persist in the year ahead, with a beneficial effect on this business' performance.



The ethylene oxide plant at Marl in Germany.

Steady performance by Surfactants

The Surfactants business performed slightly worse than the previous year because of further margin compression due mainly to increased ethylene and intermediate feedstock prices. This margin pressure was countered by slight volume increases, fixed cost optimisation and good volume performance by the Marl ethylene oxide plant in Germany.

The global surfactant industry has been plagued by plant overcapacity for many products. Excess capacity will keep margins depressed in the year ahead, especially in light of further expected increases in the prices for alcohol intermediates.

Decline in Monomers' financial performance

In spite of increased volumes, the ethylene part of the Monomers business performed worse than the previous year. This was primarily due to replacement of expiring contract volumes with lower-margin business and increased energy costs in the USA. Although the ethylene market is currently well balanced, further erosion in average Sasol margins is expected as additional beneficial legacy contract volumes expire.

The comonomer part of the Monomers business, with plants at Secunda, continued the depressed performance of the previous year. This was due primarily to the rand's further strengthening. Demand for 1-hexene as a polyethylene comonomer remained flat, while 1-octene demand continued to be strong. The planned start-up of our second 1-octene train before December 2004 will benefit our Monomers business in the year ahead.

Steady improvement at Inorganic Specialties

The Inorganic Specialties business continued its constant upward trend in performance by continuing to develop and introduce new products. The business benefits from the continued move towards higher-value-added products.

Continued drive to lower costs and lift efficiency

Our plants worldwide ran well. Initiatives pursued included the continuation of the project to reduce the overall cost of ownership, as well as ongoing profitability improvement initiatives and efforts to improve feedstock and energy efficiency.

In Germany, the biggest initiative is our shared services project, which provides common infrastructure and services to all five of our German operating sites. Our objective is to substantially improve the efficiency of services.

In Sasol Italy, a restructuring project was initiated to reduce the employee complement and lower our workforce's age profile. This project will substantially reduce our fixed costs in Italy once completed in the year ahead.

Our restructuring efforts at Sasol North America led to a more than 10% reduction in our US workforce. The new research and development (R&D) facility at Lake Charles, Louisiana was completed and our R&D staff and equipment relocated from the standalone facility at Austin, Texas.

Following the fixed cost reduction of 5% in the previous year, the division's fixed cost was reduced by a further nominal 3%.

Sasol Olefins & Surfactants financial highlights

		2004	2003	% change
Turnover	Rm	17 382	19 833	(12)
Operating loss	Rm	(67)	(5)	
Capital items	Rm	(21)	(72)	
Contribution to				
attributable earnings	Rm	(102)	(95)	(7)
Cash flow from operations	Rm	1 465	1 316	11

Sasol Olefins & Surfactants operational highlights

		2004	2003	% change
Total sales	Mt	2 312 265	2 207 567	4,7
Total production	Mt	2 291 139	2 070 936	10,6
Production per capita in	t	563	497	13,3

sasol polymers

- **Operating profit up by 17%.**
- **Excellent cost control and asset usage.**
- **Per-capita productivity increased.**
- **Offshore investments yield pleasing returns.**
- **Polymer production set to almost double in 2006.**

world-class ethos yields additional fruits

Sasol Polymers had a successful year by achieving record sales, containing costs and increasing productivity. The strong rand made trading conditions especially difficult during the year. The business' performance, however, improved notably during the latter half-year when international market conditions recovered and world polymer prices firmed.

Turnover increased by 5% from R6 361 million to R6 662 million on the strength of both higher prices and volumes. Operating profit increased by 17% from R884 million to R1 030 million.

In general, our Sasolburg and Secunda plants ran well for most of the year, with the chemical and polymer business units all achieving production records.

Optimisation gains ground

As it grows, Sasol Polymers retains its strong focus on increasing productivity and containing costs. Per-capita annual productivity improved by 11% from 652 t to 721 t. Employee productivity has risen by 208% over the last 10 years. Fixed cash costs were contained and, combined with good production, brought the division's reduction in fixed cash costs per ton, in real terms, to 46% over the last 10 years.

Focused business rationalisation and optimisation measures have also enabled Sasol Polymers to reduce its staff complement by about 50% since its formation in 1995



Work in progress for Project Turbo at Secunda in South Africa.

without impacting on customer service, safety performance or operational efficiency. We also maintained our general upward trend of improving the quality of products and deliveries. We achieved a 98,8% quality compliance for all products combined, and a 99,5% success rate in delivering orders on time and in full.

Offshore investments contribute to earnings

Our investments at Kertih on the east coast of mainland Malaysia performed well during the year and contributed to earnings. These investments comprise our 12% share in the 600 000 tpa Optimal Olefins ethane cracker and our 40% share in the 255 000 tpa Petlin (Malaysia) LDPE plant. Both facilities exceeded a 90% capacity utilisation for the year.

We also increased our stake in Wesco China Limited from 25% to 40% during the year. This growing associate distributor, with offices at Hong Kong and four other Chinese cities, blends, compounds and markets about 180 000 t of polymers a year.

Sasol Polymers and Wesco China have formed another Chinese associate company, Wesco Polymers (Shanghai) Holdings Ltd. A new polymer distribution warehouse will be opened at Hangzhou, south-west of Shanghai, in 2005. The new venture will further facilitate the marketing and distribution of polymers in eastern and northern China.

Monomers overcomes setbacks with strong production

After experiencing some production difficulties during the first half of the year, our Monomers business had a good year and contributed significantly to operating profit.



Project Turbo will unlock major new polymer capacity.

Margins, however, came under pressure during the latter half-year as a result of increased feedstock prices from Sasol Synfuels.

Polymer businesses achieve record sales

Our Polypropylene, Polythene and Vinyls businesses performed well by each contributing appreciably to operating profit. The Polypropylene business ended the year with record sales of 243 896 t. About 51% of this tonnage was sold to export customers in more than 30 countries.

The Polythene business also achieved record sales. Combined LDPE and LLDPE sales, dedicated almost exclusively to customers in South Africa, totalled 231 096 t.

The Vinyls business achieved record sales of 194 359 t, with 24% of volumes being sold to export customers. This business has almost completed its project to expand PVC production from 165 000 tpa to 200 000 tpa. The additional PVC capacity is scheduled to be brought on stream during December 2004.

Chemicals business extends rationalisation

The Chemicals business – specialising in the production of chlorine, caustic soda and related chlor-alkali chemicals – performed well in the wake of a continued portfolio rationalisation. Chemicals production has been fully consolidated at the Sasolburg Midland site and the closed sites at Klipspruit, Witbank and Umbogintwini are being rehabilitated.

Project Turbo initiates new growth phase

As part of the group's Project Turbo investments, Sasol Polymers is to build two new world-scale polymer plants in South Africa: a second polypropylene plant at Secunda; and a second LDPE plant at Sasolburg. The capacity of our LLDPE plant at Sasolburg, as well as the existing Monomers plant at Secunda, will also be increased.

SPG advances new Iranian investments

Through Sasol Polymers Germany GmbH (SPG), Sasol Polymers International Investments is advancing construction of a US\$900 million, integrated production facility in Iran at Bandar Assaluyeh on The Gulf. The facility comprises a one million tpa ethane cracker integrated with two 300 000 tpa polyethylene plants: one for producing LDPE and the other for high-density polyethylene. This facility is being developed in partnership with the National Petrochemical Company of Iran.

The cracker is expected to come on stream towards mid-2005 and the two polyethylene plants in early 2006.

Sasol Polymers financial highlights

		2004	2003	% change
Turnover	Rm	6 662	6 361	5
Operating profit	Rm	1 030	884	17
Capital items	Rm	59	(6)	
Operating margin	%	15	14	
Contribution to				
group operating profit	%	11	7	
attributable earnings	Rm	881	635	39
Cash flow from operations	Rm	1 436	1 240	16

Sasol Polymers operational highlights

		2004	2003	% change
Total sales	Mt	1 265 278	1 123 020	13
Total production	Mt	1 932 483	1 800 640	7
Production per capita	t	721	652	11

sasol solvents

- Record sales of 1,48 Mt up 20% on previous year.
- Operating profit eroded by margin pressures and currency effects.
- New butanol plant running to capacity.
- Acrylates facilities commissioned and strong global demand for new acrylates offering.
- Strong focus on value-chain optimisation and cost reduction.

solid performance diluted by currency impacts

Despite the difficult global economic climate, coupled with sharply increasing raw material costs, in particular for the German-based operations, Sasol Solvents performed satisfactorily by increasing global sales by almost 20% from 1,24 Mt to 1,4 Mt. Turnover decreased by 2% from R6 572 million to R6 455 million in rand terms; in US dollar terms, however, turnover rose by 29% from US\$728 million to US\$939 million.

Margins, however, remained under pressure, which resulted in an operating profit before currency effects of R392 million compared with the R728 million of the previous financial year. The rand's strong appreciation against the US dollar also contributed to a 73% decrease in the operating profit after translation effects, down from the previous year's R436 million to R117 million.

Most of our sales were again undertaken through our regional sales operations in Europe, South Africa, Asia-Pacific, North America and the Middle East. Recent buoyant global demand for our portfolio of solvents has enabled us to keep most of our major German and South African plants running to capacity. Most of the growth in sales volumes was attributable to higher sales of butanol and iso-propanol, as well as mixed C₃/C₄ alcohols.



At work on the new Sasolburg acrylates complex in South Africa.

Strong commitment to lowering costs

A strong focus on cost management in all areas of our business, positive contributions to cost reduction through the group's NetGain programme and the German and South African shared services project, as well as the initial inflow of benefits of participating in the group-wide Project Rand cost-reduction programme, helped to mitigate the margin pressure and to stabilise results in a difficult economic environment.

Our projected cost reductions through Project Rand are expected to materialise fully in the year ahead and will support the cost-reduction drive of both the division and the group.

Restructure to enhance value chain

The 11 business units were clustered into four business groups to place greater emphasis on optimising the whole product value chain with the clear target to deliver on recent major investments and to focus on continuous margin improvements.

Strong demand for new acrylates production

The successful commissioning of the world-scale Sasol Dia Acrylates acrylic acid and acrylates complex at the Sasolburg Midland site added another promising product line to our solvents portfolio.

Sasol Dia Acrylates is our new marketing and production joint venture with Mitsubishi Chemical Corporation of Japan. This joint venture successfully brought on stream its 80 000 tpa acrylic acid and 115 000 tpa acrylates complex in February 2004. The R2,2 billion production complex has since been producing high-quality product to specification.



Site work progressing for the now completed acrylates complex.

The integrated, four-plant facility produces acrylic acid, glacial acrylic acid, butyl acrylate and ethyl acrylate from Sasol feedstock, including butanol from the adjacent butanol plant brought on stream in the previous year. This new 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 feedstocks of propylene, butanol and ethanol. The complex also underscores our commitment to expand our chemical portfolio by adding value to our chemical feedstocks.

Strong demand in world markets is expected to result in a high capacity utilisation in the year ahead, which would further increase our global solvents sales volumes.

Maleic anhydride joint venture integrated

During the last quarter of 2003, the 50:50 maleic anhydride joint venture with the Huntsman Corporation of the USA, Sasol Huntsman (formerly known as Condea-Huntsman), was transferred to Sasol. The Sasol Huntsman headquarters and plant are based at Moers, Germany as one of the key business units of this Sasol-owned site.

The plant has the capacity to produce 56 000 tpa of maleic anhydride, a chemical used mainly for producing unsaturated polyester resins, lubricant additives and copolymers. The product is marketed exclusively in Europe. Our share of the business results are reflected in Sasol Solvents as from November 2003.

Strong performances by Ketones and C₃/C₄Alcohols

Our Ketones business, with its major products being acetone, methyl ethyl ketone and methyl iso-butyl ketone, has again

displayed a strong performance. A weaker performance for certain products was offset by strong demand for acetone in conjunction with higher prices.

Our C₃/C₄Alcohols business, with its major products including butanol, propanol and mixed alcohols, exceeded previous year's results in terms of volume and turnover. Strong international demand for propanol contributed to this performance. Another significant contribution to this was the successful commissioning of our world-scale butanol plant at Sasolburg in the previous financial year, which enabled the C₃/C₄Alcohols business to continue supplying satisfactory volumes of high-quality n-butanol and iso-butanol to the world market.

Our Ethanol business retained a stable performance both in terms of volume and turnover. Following a difficult start-up, the ethyl acetate plant at Secunda has performed beyond expectations with sales volumes exceeding budget. Most of the other Sasol Solvent business units performed as expected and, in general, provided comparable profit contributions relative to the large-volume business units.

Sasol Solvents financial highlights

		2004	2003	% change
Turnover	Rm	6 455	6 572	(2)
Operating profit	Rm	117	436	(73)
Capital items	Rm	(18)	–	
Operating margin	%	2	7	
Contribution to				
group operating profit	%	1	4	
attributable earnings	Rm	169	588	(71)
Cash flow from operations	Rm	454	634	(28)

Sasol Solvents operational highlights

		2004	2003	% change
Total sales	Mt	1 478 092	1 235 610	19,6
Total production	Mt	1 417 446	1 179 288	20,2
Production per capita	t	1 062	886	19,9

other chemical businesses

- **Sasol Nitro explosives business returns to profitability.**
- **Further explosives portfolio streamlining to bolster Sasol Nitro's 2005 profit.**
- **New European emulsion business boosts Sasol Wax's volumes and earnings.**
- **Sasol Infracem converts to natural gas on time and within budget.**
- **Merisol reduces costs in South Africa and the USA.**

focus on portfolio consolidation and value addition

sasol nitro

Portfolio streamlining targets better returns

Sasol Nitro's consolidated turnover decreased by 18% from R3 927 million to R3 226 million, mainly because of climatic impacts on fertiliser sales, the discontinuation of unprofitable ammonium nitrate exports, decreased phosphoric acid sales, the rand's appreciation and the disposal during 2003 of Sasol DHB in the USA. Operating profit, before capital items of R184 million, decreased from R411 million to R32 million, primarily due to the rand's appreciation, an increase of R138 million in provisions relating to our phosphates business as well as lower fertiliser and phosphoric acid sales.

The exploitation of synergy following the integration of our ammonia, fertiliser and explosives businesses, along with aggressive cost containment in all business activities, saw



Sasol Nitro record a 4,1% decrease in cash costs for its South African operations.

Significant progress was made towards further consolidating Sasol Nitro's portfolio. Losses of R340 million were incurred as a result of disposing of Sasol Roche Blasting Services in Australia, provisions for our withdrawal from Sasol Southwest Energy in the USA and the phosphates value chain, and for a repositioning of our electronic detonator business.

Ammonia poised for increased capacity

Sales of ammonia, along with sulphur and speciality gases produced by Sasol Synfuels, decreased by 0,3% from R1 550 million to R1 545 million. Our ammonia business benefited from firm global ammonia prices, but its contribution to operating profit was lower mainly because of the stronger rand and lower-than-expected ammonia production. The latter resulted from gas feedstock restrictions leading up to the introduction of natural gas at Sasolburg.

Delayed rains dampen fertiliser sales

Turnover from our fertiliser business, including phosphoric acid sales, decreased by 20% from R2 229 million to R1 782 million. Delays in rain over the Southern African summer rainfall area resulted in a 20% reduction in maize plantings. This, along with below-average rainfall in the Western Cape, severely restrained fertiliser sales.

Our phosphoric acid value chain posted a loss because of severe sulphur price increases, low selling prices and the stronger rand. Phosphoric acid production was



reduced by 30% following the mothballing of the smaller phosphoric acid plant at Phalaborwa.

Turnaround for explosives

Our explosive business' turnover decreased by 15% from R1 182 to R1 003 million mainly because of the significantly lower exports of Expan® ammonium nitrate, which the stronger rand rendered uneconomical to export. The available ammonia was redirected for the production of other products in our nitrogen value chain. In spite of decreased turnover, our explosives business' returned to profitability.

This turnaround was achieved through cost containment and a renewed focus on the profitability of individual business activities and product lines. A toll-manufacturing agreement with African Explosives Limited ended the continuous underutilisation of cartridge emulsion capacity. This, along with other initiatives aimed at optimising our explosives manufacturing plants, contributed towards the explosives business' turnaround.

Sales of explosives accessories by the Sasol Dyno Nobel joint venture reached record levels mainly as a result of sales growth in niche markets. Sales of UNI Tronic™ electronic detonators were severely impacted by the mining industry's reaction to cost pressures caused by the strong rand. The sale of the UNI Tronic™ technology and marketing rights to Orica Explosives, along with an associated supply agreement, are expected to turn our electronic detonator business to profitability in 2005.

sasol wax

Consolidation strategy targets higher margins

In the wake of integrating the former ExxonMobil European wax emulsion business, Sasol Wax has been largely focused on consolidating its international business portfolio with the objective of increasing competitiveness and margins. The world markets for waxes and associated paraffin wax products remain highly competitive. Accordingly, Sasol Wax intends to continue evolving its portfolio of higher-margin speciality wax products to counter the market impacts of low-cost, low-margin waxes produced in Asia.

The business has been exiting from underperforming investments, notably its joint-venture wax blending operations in China and its participation in the EST business in the USA. Plans are afoot to exit from the Ceraven joint venture in Venezuela.

Better financial performance

In keenly contested wax markets, Sasol Wax performed satisfactorily by increasing volumes by 14% from 682 400t to 779 900t. Most of the volume increase resulted from the benefits of buying the ExxonMobil European wax emulsion business in the previous year. Turnover, however, decreased by 15% in rand terms from R4 773 million (€507 million; US\$528 million) to R4 042 million (€493 million; US\$587 million) mainly because of exchange rate effects and downward pressure on market prices.

Operational highlights for other chemical businesses

		2004	2003	% change
Sasol Nitro total sales	Mt	1 574 374	1 946 652	(19)
Sasol Wax total sales	Mt	779 900	682 400	14
Sasol Infrachem syngas production (million gigajoules)		53,4	53,7	(1)
Merisol total sales	Mt	108 200	108 800	(0,5)

other chemical businesses



Merisol cresylics plant at Greens Bayou in Houston, USA.

Contribution to group operating profit increased by 81% in rand terms (by 72% in euro terms) from R149 million (€18 million; US\$17 million) to R270 million (€31 million; US\$39 million).

Severe oil prices drove feedstock prices to notable highs in Europe and the USA. This trend constrained margins in most global commodity markets, which remain highly price-sensitive. Fluctuating exchange rates also impacted on the South African operations.

Value-addition focus to be sustained

Prices for paraffin waxes are starting to strengthen in Europe, which could augur well for improved margins in the year ahead for our European wax manufacturing and blending operations. Although volumes have remained relatively flat in North America, the US operations continue to perform satisfactorily as increasing percentages of volumes are dedicated to higher-value niche markets and cost increases continue to be contained.

Our South African operations' sales volumes reached a record 244 500 t, which only just covered the buoyant global demand for Fischer-Tropsch waxes. About 75% of the Sasolburg production of hard waxes is dedicated to high-value speciality grades.

sasol infrachem

Natural gas reforming commences

For almost 50 years, Sasol Infrachem operated coal gasifiers to produce coal-derived syngas at Sasolburg. A new era dawned shortly before financial year end with the commissioning of two autothermal reformers for reforming natural gas. The project to convert from coal gasification to natural gas reforming was Sasol Infrachem's largest engineering project since terminating synfuel production in 1993.

The new reformers feature technology licensed from Haldor Topsøe of Denmark. They each have a capacity to produce more than 20 million gigajoules (GJ) of reformed gas a year and have been operating well since being brought into operation. Sasol Infrachem is operating and maintaining the reformers on behalf of Sasol Gas.

Stable production, assisted by price increases, record syngas and utility volumes, and increased service contracts, enabled Sasol Infrachem to increase turnover by 12% from R2 072 million to R2 329 million. Comparative coal-based syngas production increased by 4,8% from 48,1 million GJ to 50,4 million GJ (comparative period: July 2002 to May 2003 vs July 2003 to May 2004).



Two autothermal reformers were commissioned at Sasolburg to reform natural gas into synthesis gas.

merisol

Margin squeeze offsets pleasing growth

Despite higher sales revenues and reduced fixed costs, Merisol, our 50:50 joint venture with Merichem Company, posted a lower profit because of significantly tighter margins. Higher US petroleum feedstock prices and the stronger rand's impact on South African exports were the main contributors to margin reduction. Turnover increased by 6% from US\$136 million to US\$144 million. In rand terms, however, turnover decreased by 19% from R614 million to R497 million.

To compensate for higher feedstock prices, product prices have been increasing in general – and are expected to rise to more satisfactory levels in the year ahead. Fixed costs in US dollar terms have been reduced by 8%.

Merisol commenced its R400 million project to expand and improve feedstock recovery and processing operations. This investment includes a new Sasolburg plant to extract and refine additional volumes of Secunda depitched tar acids to enable Merisol to grow with future market demand and compensate for the decrease of other feedstock globally. The Houston operations are being streamlined to enable Merisol to rationalise production at its Houston site. The project is on track to be completed before June 2005.

african amines

Restrained by tougher market conditions

Despite sustaining good production and cost management, African Amines, our 50:50 alkylamines joint venture with Air Products, endured tough trading conditions. This business recorded an almost 40% decline in turnover and a significantly lower operating profit.

Alkylamine exports only achieved 74% of target because of the rand's appreciation and the more acute global competition that resulted from weaker international demand and prices. Encouraging efforts to reduce all operating costs are ongoing.

review of operations

specialist services

sasol technology

- **World-scale, R2,2 billion acrylic acid and acrylates complex at Sasolburg commissioned successfully.**
- **US\$1,2 billion Mozambique Natural Gas Project completed to world-class standards.**
- **New pilot-plants commissioned to enhance research and development capabilities.**
- **Sustained research programmes to improve Fischer-Tropsch reactors and catalysts, and to reduce the environmental footprint of Sasol's operations.**
- **Complex, high-value capital projects remain well planned and managed.**

technology programmes create significant value

Sasol Technology fulfils an indispensable role as our technology, engineering and project management custodian and innovator. This business' primary objective is to help our oil, gas and chemical businesses to sustain competitiveness and unlock shareholder value.

Our technology business is particularly focused on strengthening our competitive advantage in Fischer-Tropsch (F-T) technology and on new opportunities to add value to the primary products of Sasol's unique F-T processes.

Developing new-generation F-T technology

To strengthen its focus on programmes aimed at developing enhanced process technologies, catalysts and higher-value chemicals, our Research & Development (R&D) group commissioned some of its new Sasolburg pilot-plant facilities. This infrastructure is expected to provide greater operational scale, flexibility and efficiency when piloting processes and catalysts.



Besides maintaining and optimising our global petrochemical technology, Sasol Technology – through our R&D, Technology Management and Process Design groups and external strategic technology partners – is advancing Sasol's future generations of gas-to-liquids (GTL) fuel technology, which is based on the Sasol Slurry Phase Distillate™ process. The core objective is to lower GTL capital and operating costs.

There are indications that a higher-performing version of Sasol's advanced cobalt catalyst can be developed commercially to enable increased GTL plant throughputs. This work is being complemented by our research unit at Twente University in the Netherlands for the advancement of F-T synthesis reactor design and performance. The significant R&D work being progressed at Sasolburg and Twente indicates there is an opportunity to develop a higher-performing F-T reactor design.

Our R&D group is developing enhanced iron-based catalysts for beneficial use in Sasol's F-T-based coal-to-liquids (CTL) processes, with the aim of producing a more efficient and environment-friendly process. The same objective dominates our ongoing focus on enhancing gasification for Sasol's current CTL process, with particular emphasis on increasing conversion rates and reducing greenhouse gas emissions.

Advancing catalysts and chemical processes

Our R&D group continues to build its expertise in the field of homogeneous catalysis and this is starting to yield encouraging results. The ongoing development of higher-performing homogeneous catalysts is integral to Sasol's commitment to sustain competitiveness and growth. In line with its strategic growth drivers, Sasol seeks to increase the production of a



The new Sasolburg pilot plants will enhance research and development capabilities.

diverse spectrum of chemicals through F-T synthesis and allied downstream beneficiation.

Our R&D, Technology Management and Process Design groups therefore remain focused on opportunities to increase our production of higher-value chemicals and on opportunities to optimise process flexibility when beneficiating Sasol feedstocks. The flexibility drive includes studies into alternate processes for producing feedstocks and beneficiating these into chemicals to facilitate the growth of core chemical portfolios.

As a result of our studies of using various processes to convert odd-numbered alpha olefins into even-numbered counterparts, which are in greater demand worldwide, we plan to commercialise a unique three-step process for producing 1-octene from 1-heptene.

In addition, a process such as metathesis has the potential to convert large volumes of 1-butene into additional volumes of propylene for the production of polypropylene, butanol and other derivatives.

Our patents on ethylene tetramerisation were published during the year. We are evaluating the merits of commercialising our tetramerisation process for selectively producing 1-octene from ethylene. This process is the result of our ongoing research efforts in the field of homogeneous catalysis.

Our Operations Improvement and Process Design groups continue to help our South African production plants to improve operational efficiencies. A highlight was the project undertaken with Sasol Synfuels to reconfigure the operating mode of the Sasol Advanced Synthol reactors to increase

throughputs significantly. The introduction of gas-heated heat-exchange reforming on autothermal reformers has also enabled Sasol Synfuels to increase reforming capacity.

Seeking enhanced environmental performance

Sasol Technology is strengthening its focus on eco-efficiency with a view to developing petrochemical processes that use less water and energy. We are also researching opportunities to increase the efficiency of water consumption by treating brine, using underground mine water and treating process water. Projects to improve our future performance in managing ash, black products and gaseous emissions are also progressing at various plants.

Keeping capital projects on track

Several major capital projects, supervised by our Engineering and Project Management group, were completed during the year, including the:

- R670 million fifteenth oxygen train at Secunda;
- R2,2 billion acrylates complex at Sasolburg; and
- US\$1,2 billion MNGP, including the central processing facility in Mozambique's Temane field, the pipeline linking this field to Sasol's Secunda operations and the project to convert the Sasolburg operations to natural gas.

Sasol Olefins & Surfactants' R870 million second train for producing 1-octene from Sasol Synfuels feedstock at Secunda will be brought into production before the end of 2004.

As with the first octene train, the new one features proprietary Sasol technology. Our technology, however, has since been enhanced to yield a higher-purity octene.

Orchestrating fuel and polymer projects

Sasol Technology is partnering with Sasol Synfuels and Natref through Project Turbo and the Natref Clean Fuels Project, respectively, to meet South Africa's stricter fuel specifications that will become mandatory in January 2006. Project Turbo includes the development of world-scale polyethylene and polypropylene plants for Sasol Polymers. These plants will convert the ethylene and propylene feedstock from the new Sasol Synfuels catalytic cracker.

sasol financing

- **Several major financial agreements were concluded to sustain Sasol's expansion in the fields of chemical and GTL fuel production.**
- **The R2 billion corporate bond was oversubscribed 1,7 times.**
- **The group's commercial paper programme was increased to R6 billion.**

retaining a sound strategy for financing growth

Sasol Financing (Pty) Limited and Sasol Financing International Limited (together known as Sasol Financing) are based at Johannesburg and the Isle of Man, respectively, and are responsible for centrally managing Sasol's cash and liquidity, the group's credit rating processes, in-house banking, domestic and international financing arrangements, foreign exchange, interest rate and treasury risk management, as well as general financing and treasury matters.

Sasol Financing also acts as a business partner to Sasol subsidiaries and joint ventures for project-specific and company-specific specialised financing arrangements and financial risk mitigation strategies. Assistance is provided in evaluating, developing and implementing hedging strategies for managing the risks associated with commodity prices, foreign exchange and interest rates.

In addition, Sasol Financing, working with Standard & Poor's, is responsible for Sasol's corporate credit rating. Standard & Poor's assigned to Sasol in 2003 a long-term foreign currency rating of BBB, stable outlook, and a short-term foreign currency rating of A-2. These ratings were reviewed and confirmed by Standard & Poor's during the year.



Major deals concluded

The Sasol Financing team concluded several major financing arrangements during the year.

The Sasol Financing team is also working, advising and assisting on various financing arrangements for group activities, including Arya Sasol Polymer Company, the Natref Clean Fuels Project, Sasol Chemie and Sasol Wax's financing requirements and Sasol Mining's proposed transaction with Eyesizwe Coal, as well as the Oryx GTL venture in Qatar and Merisol's Project Value in the USA and South Africa.

The Sasol R2 billion corporate bond (BESA code SFL2) was jointly lead-managed by ABSA Bank and Nedbank. It has a four-year tenor and a coupon of 10,5% per annum. The bond was oversubscribed 1,7 times.

The commercial paper programme was updated and increased to R6 billion during the year with Standard Bank acting as arranger. Commercial paper with nominal values totalling R12,8 billion were issued at various instances during the year, and with tenors up to one year. Commercial paper is used to diversify sources of debt and as a lower cost alternative to normal bank borrowings.

Financing arrangements for Sasol Dia Acrylates (a new joint venture with Mitsubishi Chemical Corporation of Japan) consisting of two facilities – one for US\$58,5 million and the other for US\$90 million – were concluded with the Japanese Bank for International Cooperation at Libor plus 12,5 basis



points. Some risks inherent in these facilities were mitigated by converting the facilities to rand by means of cross-currency swaps and by fixing a portion of the South African interest rate exposure.

Sasol Financing's new revolving credit facility was lead-arranged by Dresdner Kleinwort Wasserstein and Calyon. This €375 million, three-year dual-currency revolving credit facility was successfully syndicated to 16 banks at a margin of 60 basis points.

Natref was assisted by the Sasol Financing team to conclude a 10-year term loan facility of R632 million with ABSA Bank for its Project 2000 expansion project. Interest is payable half-yearly on a 50% fixed and a 50% floating basis. The Natref shareholders, Sasol and Total South Africa, have guaranteed this facility.

An important objective of the financing arrangements for the Mozambique Natural Gas Project was to achieve sufficient political risk insurance and mitigation, which resulted in a complex transaction. These financing arrangements were concluded during the year with the Standard Bank Group lead-arranging the commercial bank tranche of about R1,5 billion, the Development Bank of Southern Africa lead-arranging the Development Finance Institution (DFI) tranche of about R1,5 billion and the European Investment Bank providing a €100 million facility.

The African Development Bank, DEG, Proparco and FMO participated in the DFI tranche. The World Bank Group and the

export credit agencies of South Africa, Australia and Italy are covering the political risk for the commercial bank tranche.

A portion of Sasol Chemie's asset-based facility was refinanced during the year through an asset swap, which resulted in interest savings. At year end, the outstanding balance on this facility had been reduced to about €150 million.

Proactive treasury risk management

Interest rate risk is managed proactively by structuring loan profiles using a combination of fixed and floating interest rates, term structures and interest rate derivative products, such as zero-cost collars, caps and swaps.

Sasol's foreign exchange risks are managed within approved policies and guidelines. Foreign exchange transactions of South African operations are executed centrally by Sasol Financing's treasury.

Integration solution for financial management

Sasol Financing is implementing an integrated treasury and financial information system. Our new computerised SAP corporate finance management system will provide Sasol Financing with an integrated solution to assist in managing the daily treasury and financial risks associated with the business.

global activity

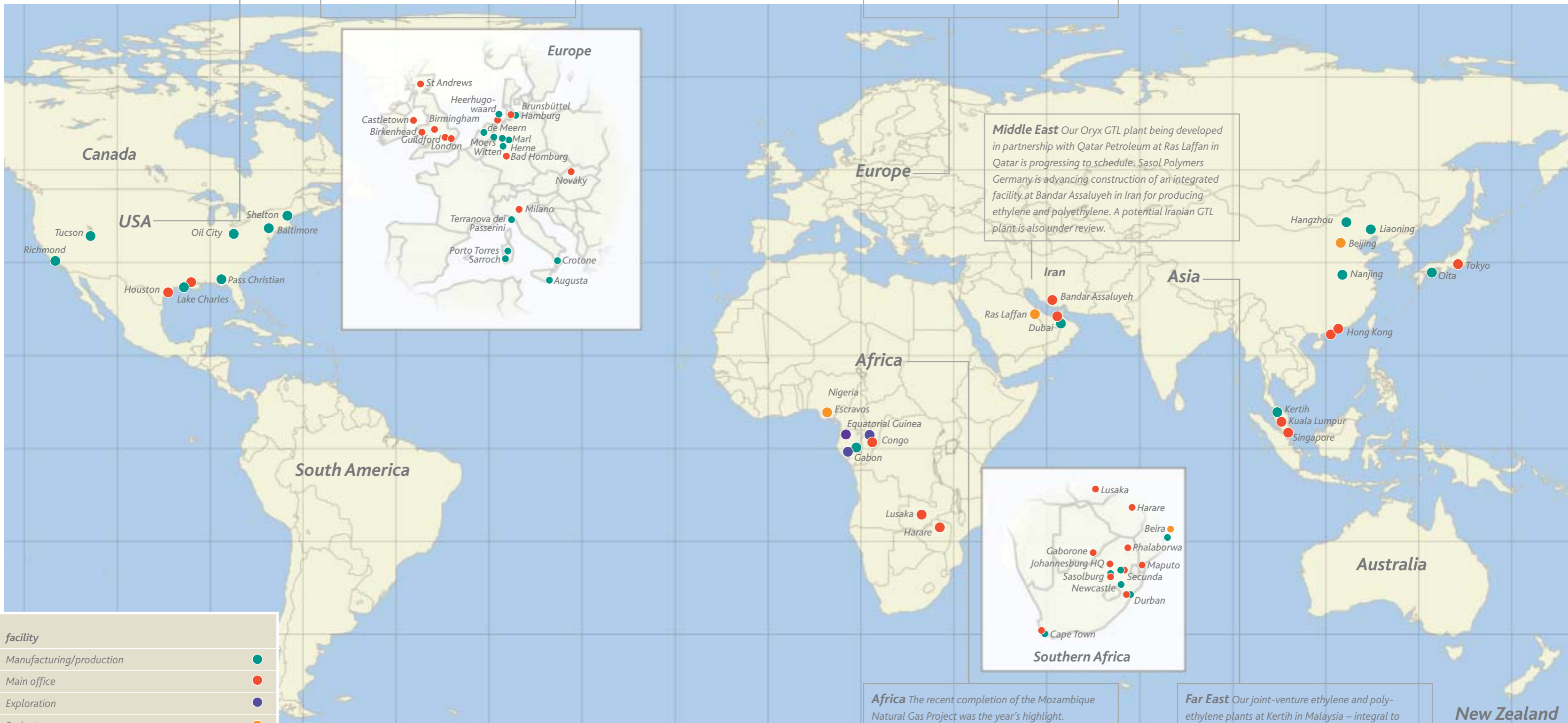
USA (North America) We continue to optimise our chemical operations in the USA, which include plants for the manufacture and blending of surfactants and their intermediaries, as well as phenolics and waxes. In the year ahead, we shall continue to focus on new opportunities to reduce costs.

Europe Our European chemical operations have presented us with opportunities to optimise businesses and reduce costs. We have sold Sasol Servo in the Netherlands and have optimised some of our German and Italian operations.

Middle East Our Oryx GTL plant being developed in partnership with Qatar Petroleum at Ras Laffan in Qatar is progressing to schedule. Sasol Polymers Germany is advancing construction of an integrated facility at Bandar Assaluyeh in Iran for producing ethylene and polyethylene. A potential Iranian GTL plant is also under review.

Africa The recent completion of the Mozambique Natural Gas Project was the year's highlight. New chemical capacity is being built in South Africa. We are also advancing our West African petroleum exploration and production portfolio.







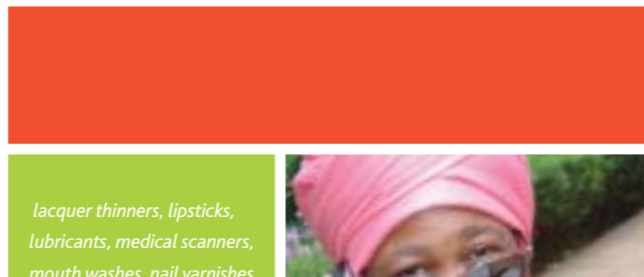







Far East Our joint-venture ethylene and polyethylene plants at Kertih in Malaysia – integral to our Asian chemical expansion plans – contributed to earnings. Sasol Polymers has increased its stake in the Wesco China marketing joint venture, and has formed another Chinese joint venture, Wesco Polymers (Shanghai) Holdings.



experiencing sasol

sasol touches us when we work, sleep, play, read, travel and communicate...

Our treasure chest of products touch the lives of millions of people around the globe each day, whether we are working, sleeping, playing, reading, travelling or communicating. We manufacture many of the ingredients that contribute to our quality of life – from unleaded petrol for transport to polyethylene bags, and from computer and cellphone microchip coatings to paints, toiletries, medicines and sport equipment.

	<p>adhesives and glues, aftershave lotions, aircraft windows, antiseptics, artificial leathers, baby diapers (nappies), ballpoint pens, bath soaps, battery casings,</p>			<p>bottles for oils, soft drinks and certain foods, brake pads, bread, butter, cable sheathing, car bumpers, car tail-light covers, car and truck tyres, car windscreens, carbonated soft drinks, carpets and carpet backings,</p>				
	<p>cassette tapes (audio and video), cellphones, cereal boxes, chewing gum, cigarette filters, coat hangers, compact discs (CDs), computer microchips, crayons, deodorants, detergents, digital videodiscs (DVDs), dry-cleaning materials, dust suppressants, explosives, fertilisers, flavourants, floor polishes,</p>			<p>food additives, footwear, furniture glues, furniture polishes, garden furniture, glass bottles (green), greases, gutters, herbicides, hi-fis and radios, hosepipes and garden irrigation systems, lasers, leatherware and other leather goods, lights and lighting systems,</p>				
								
		<p>lacquer thinners, lipsticks, lubricants, medical scanners, mouth washes, nail varnishes, paints, perfumes, pharmaceuticals, pigments, plastic boxes and cases,</p>						
<p>plastic film, plastic kitchenware, plastic netting, printing inks, sandwich bags, sewage piping and plumbing ware, shampoos, shopping bags, sport equipment, tool boxes,</p>					<p>toys and children's play pools, varnishes, water piping, water tanks, water-treatment chemicals, welding gases, white goods and woven bags.</p>			

sustainable development review

striving for continuous improvement



Economic contribution

Social performance

Empowering and developing people

Promoting workplace equity and diversity

Environmental performance

commitment to sustainable development

Sustainable development is core to Sasol's businesses worldwide. Our group executive committee formally adopted the principle of sustainable development as a group-wide strategic business philosophy in 2000.

Since then, several important steps have been taken towards integrating sustainable development as a key management imperative throughout the group in the belief that effective sustainability practices yield an important competitive advantage. At a broad strategic level, our shared values underpin our commitment to sustainable development.

Our shared values provide the foundation for our group's overall strategic direction and give effect to maintaining the highest levels of ethics, fairness and transparency in our interaction with each other and our stakeholders.

Maintaining the right governance structure

The group executive committee (GEC) maintains primary responsibility for the effective management of sustainability throughout Sasol. The GEC receives input from the group risk management forum, which meets quarterly to quantify and oversee the risk profile of Sasol's global operations, and from the group safety, health and environment (SH&E) and sustainable development (SD) forum that meets quarterly to review performance and consider and approve recommendations on sustainable development and SH&E guidelines and policy.

The Sasol Safety, Health and Environmental Centre, based at our corporate head offices at Rosebank in Johannesburg, oversees sustainability, as well as safety, health and environmental management across the group. The centre is responsible for global SH&E and SD direction, policy, review and governance. It also provides a range of expert services to Sasol business units.

Promoting our SH&E policy and strategy

We have developed a systems-oriented approach towards managing key sustainability risks throughout Sasol. All our

operations are governed by an integrated safety, health and environmental policy and a series of SH&E policy guidelines. To give effect to these guidelines, the GEC has approved the establishment of three group-wide SH&E targets:

- to achieve an annual average recordable case rate (RCR) of not more than 0,5 – or at least a 50% reduction on the 2001 baseline;
- to reduce the number of significant process safety incidents (fires, explosions and releases) by at least 50% on the 2001 baseline; and
- to achieve at least a 90% overall practice in place of the six Responsible Care management codes of practice.

These targets have been set for all businesses by the end of our 2006 financial year and they supplement existing commitments made at the level of the individual company and/or plant. Additional group-wide targets are being finalised for greenhouse gases, volatile organic compounds and transportation incidents.

Undertaking SH&E corporate governance audits

We undertake regular SH&E corporate governance audits throughout our global operations to ensure our performance is aligned with our group policies and objectives, and that critical risks and liabilities are identified and communicated at a senior level. Our internal audits are supplemented by annual external verification audits associated with our independent sustainable development report, as well as by external audits undertaken as part of ISO 14001 and OHSAS 18000 (or equivalent) certification, or in fulfilment of regulatory requirements.

All of our businesses are required to track their performance and to furnish quarterly reports to their respective boards, as well as to the group SH&E and SD forum and to the risk and SH&E committee of the Sasol Limited board. These quarterly reports outline each business' major risks and liabilities, identify progress against the group's sustainability targets and report on any major incidents and non-compliances.



During 2003, Sasol Germany, Sasol UK, Sasol France and Condea Huntsman together achieved certification in terms of ISO 9001:2000 (quality management) and ISO 14001 (environmental management) for a matrix organisation.

Revising our code of ethics

We recently revised our code of ethics and an accompanying guide for applying this code after consulting extensively with many employees. The new code consists of four fundamental ethical principles – responsibility, honesty, fairness and respect – and 15 ethical standards. These cover such issues as bribery and corruption, fraud, insider trading, human rights and discrimination, and include a commitment to conducting our business with due regard to the interests of all our stakeholders and the environment.

An ethics forum has been established to monitor and report on ethics best practices and compliance requirements, and to recommend amendments to the code and the guide as required. Employee performance against Sasol's values, which incorporate the code of ethics, will be assessed as part of Sasol's performance appraisal system.

During our 2002 financial year, external advisors established – and have since been operating – an ethics reporting telephone line. Our ethics hotline provides an independent facility for our stakeholders to anonymously report fraud, deviations from the procurement policy and other instances of deviation from ethical behaviour.

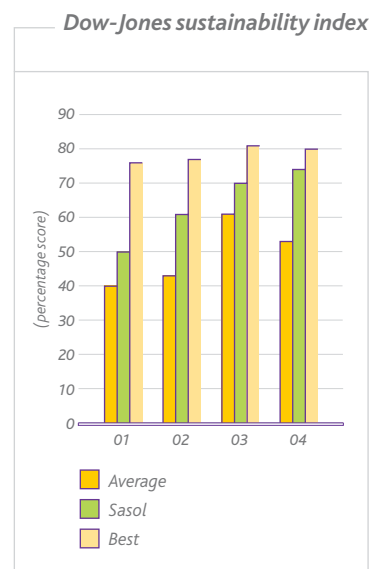
Lifting our DJSI rating

During the year, Sasol's overall score on the Dow-Jones Sustainability Index (DJSI) improved from 70% to 74%, while the industry average decreased from 61% to 53%, and the best-performing company from 81% to 80%. The lowest score of the companies in the top 10% of the index was just one percent above our total score. Sasol is therefore the next

company in line for inclusion in the index. We are committed to gaining and maintaining membership on the DJSI, and we have therefore implemented a formalised improvement plan. From the 2004 reporting period, Sasol has been assessed as part of the chemicals sector, rather than as part of the oil, gas and coal sector as in the past.

Supporting the UN Global Compact

Since 2001, Sasol has been a signatory of the United Nations Global Compact, an international initiative that addresses human rights, labour, environmental and corruption issues through commitment to 10 principles. During the year, an



independent, externally researched case study was commissioned to assess Sasol's implementation of the seventh principle of the Global Compact, which relates to the 'precautionary approach'.

The case study was shared internationally at a meeting of the Global Compact Learning Forum in Brazil in December 2003. A more detailed account of our implementation of each of the Global Compact principles is provided in our separate 2002-2004 Sasol Sustainable Development Report.

economic contribution

Sasol is an integrated oil and gas group with substantial chemical interests with operations on four continents. It is one of South Africa's largest and most successful industrial companies, producing consistently positive returns for shareholders, as well as providing substantial tax and other revenues to the governments of the countries in which we operate.

We contribute significantly to South Africa's energy supply, have a valuable positive impact on the Mozambican economy and make smaller, but nevertheless positive, contributions to the countries in which we operate in Europe, North America, Asia and elsewhere in Africa.

Globalising, but remaining patriotically South African

Following our increasingly successful strategy of globalisation, we now market an expanding range of products to customers in more than 90 countries. While we will continue to pursue opportunities to increase our activities in Europe, the Americas, Asia and Australasia, we remain loyal to our corporate domicile in South Africa, where we are one of the top five companies (by market capitalisation) listed on the JSE Securities Exchange South Africa (JSE). This commitment has many positive economic benefits for the South African economy, to which Sasol is a meaningful contributor.

During our 2004 financial year, Sasol created wealth of R23,4 billion, of which 37% or R8,7 billion was distributed to employees and 15% or R3,4 billion to the State in the form of taxes and related revenue. Through our integrated South African energy and chemical operations, we provide direct and indirect employment for about 170 000 people and contributed about R56 billion to South Africa's annual gross domestic product during the year.

We are strongly committed to the New Partnership for Africa's Development (Nepad) and to investing in Southern Africa to achieve further growth, primarily by commercialising Mozambican natural gas, constructing new chemical plants and expanding or optimising existing production facilities in South Africa. Through the MNGP we have begun to make a valuable contribution to the economy of Mozambique and we intend to contribute to the economies of several West African countries through proposed investments in the oil and gas sector.

Advancing black economic empowerment in South Africa

One of the key challenges facing South Africa is the need to transform the South African economy to more accurately reflect the country's cultural and racial diversity. We recognise that Sasol has an important role to play in this respect. We believe there is a sound moral motivation and deep economic rationale for advancing black economic empowerment (BEE) within the company. We are therefore committed to promoting BEE in a manner that extends beyond the parameters of empowerment-related charters, legislation and regulations.

Our commitment to promoting empowerment is implemented through five core activities:

- *introducing into our South African businesses equity ownership by historically disadvantaged South Africans;*
- *facilitating the procurement of goods and services from historically disadvantaged South Africans;*
- *facilitating the development of small, micro and medium-sized enterprises;*
- *progressing employment equity in our South African businesses; and*
- *integrating empowerment goals in our corporate social investment programme.*

Our Sasol BEE office at Johannesburg coordinates our ongoing BEE activities and enjoyed a fruitful year in helping our key South African businesses to further advance various empowerment initiatives. Our chief executive, executive directors and executive committee members are all routinely involved in reviewing and championing our BEE strategies and programmes.



Sasol strives to maintain a safe, productive and equitable workplace, while at the same time making a positive contribution to the wider community.

Achieving encouraging progress in BEE

While we acknowledge that Sasol still has a long way to go in advancing BEE, our progress in recent years has been encouraging, as these highlights testify:

- Sasol was the catalyst in establishing one of South Africa's most successful BEE fuel retailers, Exel Petroleum, in 1997.
- Sasol established South Africa's first BEE-led joint venture for marketing and selling pipeline gas, Spring Lights Gas of Durban, in 2002.
- The formation of our new liquid fuels business to facilitate the biggest BEE venture in the South African fuel industry with full value-chain participation.
- We are progressing plans to establish 15% BEE ownership opportunities within our South African mining business in accordance with the Mining Charter.
- People from designated groups form two-thirds of our South African employee complement (16 000 out of 24 000 people).
- People from designated groups hold 38% of our South African management and professional positions. We intend to increase this percentage to 50% in the medium term.
- Our Secunda mining, synfuels and chemical operations host Africa's highest geographic concentration of black graduate engineers.
- We award at least 70% of our university bursaries to students from historically disadvantaged groups.
- We commit more than R80 million a year to social investment programmes aimed at empowering historically disadvantaged South Africans through education, skills development, capacity building and other empowerment initiatives.
- We more than doubled our group procurement with BEE suppliers, from R640 million to R1 495 million during our 2004 financial year.

Empowering our key South African businesses

Further progress was achieved during the year in advancing our plans for introducing empowerment partnerships into our future mining and liquid fuels operations. In May 2004, Sasol Mining signed a memorandum of understanding with Eyesizwe Coal, South Africa's largest coal-mining company owned and operated by people from historically disadvantaged groups.

In addition, we are progressing with discussions with potential BEE partners to create a broad-based empowerment partnership in our liquid fuels business (LFB). Sasol recently appointed Dr Penuell Maduna as an empowerment consultant to facilitate and structure the BEE consortium associated with Sasol's LFB that may participate in the proposed joint venture between Engen and Sasol.

We are also evaluating another BEE transaction in our chemicals portfolio and have relaunched our ChemCity concept with the aim of establishing various entrepreneur-based BEE ventures.

social performance

Sasol strives to maintain a safe, productive and equitable workplace, while at the same time making a positive contribution to the wider community. In addition to improving performance in occupational health and safety, we seek to nurture the intellectual capital of our employees and to foster a culture of equal opportunity.

Due to the nature of our operations, we recognise the importance and benefits of being responsive to the



expectations of the wider community, both directly in terms of how we manage our operations and employment expectations, as well as through our corporate social investment programmes.

Human resource management

Employee complement

At financial year end, Sasol had 24 888 employees in South Africa of whom 23 459 were full-time employees. Employee turnover was within normal ranges of between 4% and 6%. This included the termination of 423 employment contracts as a result of retrenchments. These retrenchments were predominantly due to the need to streamline and rationalise businesses to ensure their sustainability and achieve targeted levels of profitability.

Developing our workforce

Our commitment to creating a culture of continuous learning is evident in the structured and extensive approach to people development across the organisation, including our complement of 5 643 employees outside of South Africa. A particular challenge has been the continued support of our international business ventures in the areas of technical and management training and building leadership capacity. This has been achieved through an effective, company-wide learning blueprint focused on international and regional issues to ensure our business teams remain adaptive, competitive and successful.

Our vision to be a respected global enterprise and our rapid growth over the last years necessitate the application of accelerated development programmes for our employees. Over the last financial year, we invested about R172 million on development and training initiatives throughout the group. This investment includes in-house technical training, further funding of self-learning centres and a stronger commitment to our undergraduate bursary programme.

Sasol sponsors almost 450 undergraduate bursaries in South Africa each year, with an emphasis on developing scientific, engineering and technological skills. We committed R22,5 million for undergraduate bursaries in 2004 and have budgeted a similar amount for the 2005 academic year.

We are now at the second intake of employees participating in our accelerated leadership development programme (ALDP) in South Africa. The experience gained since the launch of the programme in 2001 has underlined the importance and benefits of business leadership development. We are currently developing a further 15 high-potential, professionally qualified and historically disadvantaged South Africans from different disciplines through the ALDP.

Embedding an integrated talent management approach

In entrenching our quest for a high-performance company ethic and becoming the employer of choice, we have further consolidated our worldwide human resources efforts through a talent management strategy. This integrated approach will ensure systems and practices are in place to deliver on the identification and development of high-calibre leadership, effective performance management and risk management of human capital through resourcing and succession planning.

The talent management strategy forms part of the strategic business planning process and enjoys commitment from both senior leadership and human resources teams.

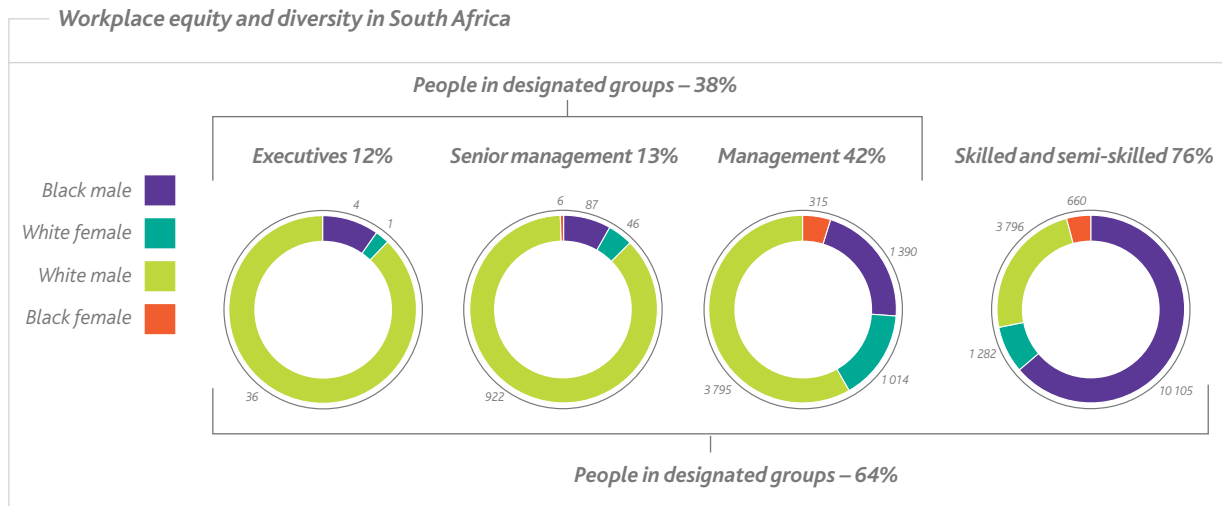
Entrenching a high performance ethic

We have also introduced a best practice performance management system that serves as a platform in aligning a global approach towards targeting and achieving high performance. Central to the system is a shared approach to business performance contracting and coaching for effectiveness. All line managers will be trained in the system, which will be implemented in the year ahead.

The performance management system also supports the recognition of a world-class rewards and remuneration approach that reinforces a performance-based culture. We have continued to ensure internal and external pay equity through a structured job evaluation process that has been well accepted by employees.

Promoting workplace equity and diversity in South Africa

In line with South Africa's Employment Equity Act of 1998, we are determined to increase the percentage of our South African employees drawn from historically disadvantaged groups. These



Composition of workforce – outside SA

Germany	2 737
United Kingdom	73
The Netherlands	534
USA	841
Italy	1 083
Australia	7
Malaysia	12
Mozambique	7
Belgium	11
China	145
Dubai	46
Venezuela	6
Japan	9
Singapore & Hong Kong	23
Rest of the world	109
Total	5 643

groups – classified as designated groups – comprise Africans, Coloureds, Indians, women and people with disabilities.

All our South African businesses maintain employment equity forums to ensure we stay focused on achieving our employment equity targets. We are confident of achieving our target of having 40% of all our South African leadership and professional positions held by people from designated groups (including women) by 2005.

Encouraging worker participation and good union relations

We believe we have made valuable progress in encouraging employee participation in our business. In conjunction with developing our set of values, we have held many workshops to

solicit the views of employees at all levels. Regular, open meetings are held at the various businesses to inform and consult employees. Joint forums on diversity, employment equity and training are designed to further enhance employee input.

About 54% of our employees in South Africa belong to trade unions. We enjoy constructive relationships with all representative unions throughout the company. Unions enjoy consultative or negotiating powers on issues of mutual interest. Joint forums have been established between unions and management to address various issues, including health and safety, and community care. All representative unions and their pensioners are represented on our medical scheme board and senior employees serve on the boards of union funds.

Employee relations outside of South Africa

As a signatory to the UN Global Compact and as a company committed to sustainable development, we uphold the principles of the International Labour Organisation (ILO) and therefore endeavour, at all times, to maintain fair, open and constructive relations with all employees and, where applicable in the relevant countries, with representative trade unions and employee associations.

Sasol today has exploration and production, manufacturing, and marketing and sales operations in more than 30 countries, including the USA, Qatar, China, Singapore, Malaysia and Japan in Asia, Germany, the UK, the Netherlands and Italy in Europe, and Equatorial Guinea, Gabon, Mozambique and Nigeria in Africa.



Upholding human rights

We are committed to complying with all legal requirements within the countries in which we operate. This commitment is further upheld by our commitment to the principles of the UN Global Compact, including the requirements relating to the elimination of all forms of forced and compulsory labour, the recognition of the right to collective bargaining, the effective abolition of child labour and the elimination of employment discrimination.

As we extend our operations into countries that have been regarded as having 'human rights concerns', we recognise the importance of exercising extra diligence to ensure, as a minimum, that our activities comply with internationally accepted standards of behaviour.

Tackling the HIV/Aids challenge

Recognising the significant challenge of managing South Africa's HIV/Aids pandemic, we launched the Sasol HIV/Aids Response Programme (SHARP) in September 2003. This initiative – which involved input from business, trade unions, and community representatives and a team of independent experts – is an integrated approach focused on reducing the rate of infection throughout the group, and extending the quality of life of infected employees through the provision of managed healthcare.

Through this initiative we are facilitating access to counselling, HIV testing, HIV/Aids education, treatment of such opportunistic illnesses as tuberculosis and malaria, treatment of sexually transmitted infections and the provision of managed healthcare (including antiretroviral treatment) for our employees.

A principal focus of the initiative over the last year has been on providing voluntary counselling and testing (VCT), an essential first step in facilitating appropriate access to healthcare options and a critical component of promoting behavioural change. Sasol Mining, our most labour-intensive business, has had particular success in promoting a high level of uptake for VCT, with 84% of workers choosing to be tested. This compares well with a rate of between 50% and 60% that is typical among most corporate programmes.

This success has been attributed to the high level of management responsibility for the initiative, the active participation of trade union representatives on the SHARP

team and a commitment to providing free antiretroviral treatment for all employees. The successful programme is now being extended beyond Sasol Mining into other Sasol businesses, as well as into our host communities through partnerships with community stakeholders, government bodies and other companies.

Measuring the impact of HIV/Aids

The impact of the HIV/Aids pandemic in our South African operations has large financial implications. The group committed about R6 million to fund the SHARP initiative during the year. We expect to increase this funding for our 2004/2005 financial year.

After having tested about a third of our employees in South Africa, we are pleased that our HIV/Aids prevalence rate of 11% is way below the South African estimate of 25%. We do, however, face a major challenge of encouraging all HIV-positive employees to participate in voluntary treatment programmes. To date, more than 700 South African employees have voluntarily registered for treatment. We shall endeavour to encourage other affected employees to join our confidential treatment programme in the year ahead.

Occupational health and safety

Targeting zero fatalities

While the explosion that occurred at the Sasol Polymers' ethylene plant in Secunda on 1 September 2004 falls outside the reporting period of this report we again express our deepest sympathy to those affected.

During the year three employees and three contractors were fatally injured in workplace incidents.

Any work-related fatality in the group is unacceptable, and this figure is of great concern. This compares with 10 workplace fatalities in the previous financial year, five fatalities in the 2002 financial year and 12 in the 2001 financial year. Our goal remains to have zero fatalities.

Improvement in recordable case rate

The group recordable injury rate for the year reflects a general trend of improvement, with a decline in the numbers of minor injuries, lost workday cases and the recordable cases for most of our businesses. The group's year-end recordable case rate

sustainable development review

(RCR) was 1,05 compared with 1,39 in our 2003 financial year and 2,24 in our 2001 financial year.

The recordable case rate is calculated as the number of fatalities, lost workdays, medical treatment beyond first aid and job transfer cases for every 200 000 man-hours worked. While the year's RCR is an improvement, it is evident that additional efforts are required if we are to meet the group target of 0,5 before the close of the 2006 financial year.

Progressing process safety management

Petrochemical manufacturing involves using high volumes of flammable substances, often under high pressure and at high temperatures. Ensuring the effective management of the risk of fires, explosions and releases of hazardous substances is a critical part of our business. Over the last year we achieved further progress in implementing the recently approved process safety management system throughout our operations, with the aim of minimising the risks of accidents and releases of hazardous substances.

During the year, there were 23 significant fires, explosions and releases throughout the group. This compares with 25 such incidents in financial 2002 and 63 incidents in financial 2001. In accordance with Sasol's definition, an incident is registered as 'significant' where it has a financial impact of more than US\$25 000. The reduction in significant fires, explosions and releases means that we have achieved our 2006 targets ahead of schedule.

Managing occupational health risks

Our principal potential occupational health risks throughout the group relate to handling chemicals, potential exposure to non-methane hydrocarbons, exposure to dust in our mining operations and the potential for noise-induced hearing loss. Potential risks in the workplace are identified and addressed, and, where they cannot be eliminated, all affected staff are provided with the necessary protective equipment and receive appropriate training. All of our operational staff – comprising about 90% of the workforce – are subject to annual medical evaluations. There is growing focus throughout the group on behavioural-based safety practices.

We developed an occupational health policy and guidelines during the year. An internationally accepted, standardised

occupational hygiene risk assessment process has also recently been finalised for Sasol-wide implementation. Occupational health audits have been undertaken at several operations throughout Sasol. A community of practice has been established to identify and share best practice activities on occupational health throughout the group.

Sasol in the community

Promoting community outreach and stakeholder engagement

During the year, many initiatives were undertaken in fulfilment of our commitment to appropriate stakeholder engagement and community outreach and involvement throughout our worldwide operations. In addition to the various public participation initiatives implemented as part of new projects – including most notably the extensive consultation processes associated with the Mozambique Natural Gas Project – we continued to undertake community outreach initiatives at most of our existing operations.

These initiatives included holding public meetings, hosting explanatory tours of our operations and implementing structured systems for responding effectively to any community complaints. This constructive approach towards community outreach has provided our management teams with a deeper understanding of the nature of community concerns and interests.

In developing our 2002-2004 sustainable development report, we commissioned a team of independent consultants to engage a sample of Sasol's stakeholders by e-mail, telephone, personal interviews and small focus groups. The process focused on a selection of Sasol employees internationally, a sample of regulatory authorities in South Africa, investors from around the world and, in South Africa, civil society bodies.

Sustaining a strong social investment programme

Sasol granted more than R80 million to support a diverse spectrum of socioeconomic development projects, mostly in the Sasolburg and Secunda communities and in central Mozambique where we have developed the Mozambique Natural Gas Project. The bulk of Sasol's corporate social investments are made in Southern Africa, where they are dedicated to five priority areas:

- education with particular focus on empowering and developing people in science and technology;



Following the conversion from coal to natural gas feedstock at our Sasolburg operations, significant reductions will be achieved in the emission of hydrogen sulphide.

- job creation by investing in initiatives that promote the sustainable creation of employment;
- health and welfare with a priority emphasis on HIV/Aids prevention;
- environmental education and conservation by supporting specific conservation projects, as well as various education and capacity-building programmes;
- arts and culture with particular emphasis on identifying opportunities for uplifting the quality of life of communities.

As part of the MNGP, Sasol is advancing a social development action plan in Mozambique. To date, 68 community development projects to the value of about US\$2 million have been implemented in Mozambique. Another 12 projects to the value of about US\$3 million are in progress.

While the bulk of our social investments are undertaken in Southern Africa, several important community-based initiatives are also regularly undertaken by our US and European operations. During the year, these operations and their employees contributed more than US\$319 000 to community projects.

During the year, for example, employees in our various US operations donated thousands of volunteer hours to help with projects such as Partners In Education, Teachers' Institutes, Inland Waterways Cleanup, Habitat for Humanity, home refurbishing efforts, the Chemistry Expo and mentoring elementary school students needing help with academic concepts or role models.

environmental performance

Due to the nature of Sasol's activities as a global petrochemical company, we recognise that we have the potential to impact significantly on the natural environment.

The group is committed to minimising its environmental footprint by implementing measures aimed at:

- reducing waste, atmospheric emissions, and water and energy consumption;
- minimising the negative impacts of our products through their life cycles; and
- managing our impacts on land and biodiversity.

Reducing greenhouse gas emissions

One of our principal environmental challenges relates to the management of greenhouse gas (GHG) emissions.

Following an extensive process of internal review and external benchmarking, we are currently finalising group-wide targets on GHG emissions with the aim of reducing Sasol's GHG emission-intensity, while pursuing opportunities to trade in carbon credits. Sasol has contributed to the activities of a working group of the Intergovernmental Panel on Climate Change that is examining possibilities for the sequestration of carbon dioxide.

During the year, the overall emission of carbon dioxide (CO₂) and methane (CH₄), as measured in terms of CO₂ equivalent per ton of production, was reduced by more than 7% compared with the levels of 2003. It is estimated that our US\$1,2 billion Mozambique Natural Gas Project in South Africa will result in a reduction of more than 3-million metric tons (Mt) of CO₂ equivalent by the end of 2004, which equates to about 5% of the group's emissions in 2003.

Targeting other atmospheric pollutants

Some notable milestones were achieved in reducing atmospheric emissions throughout the group, primarily in South Africa. Following the conversion from coal to natural gas feedstock at our Sasolburg operations, significant reductions will be achieved in the emission of hydrogen sulphide (H₂S), historically a major source of complaints regarding odour.



Environmental custodianship, including responsible mining development and rehabilitation, as well as water management, are integral to our sustainable development commitment.

At our Secunda operation, more than R400 million was invested in reducing hydrogen sulphide emissions, and we have committed to making further reductions by 2007. Several projects were implemented at our Natref crude oil refinery in South Africa, which have since resulted in reduced emissions of low-level non-methane hydrocarbons (volatile organic compounds: VOCs).

Capital expenditure has also been approved to achieve similar VOC reductions at our Secunda plant. A group-wide target relating to the emission of VOCs is currently being finalised. More detailed quantitative performance data on our atmospheric emissions at a group level is provided in our separate sustainable development report.

During the year, extensive work has been undertaken to assess the implications of the proposed new air quality regulations in South Africa and to ensure that appropriate measures are in place for compliance with these regulations. We have continued to actively monitor ambient air quality within those regions potentially affected by our operations. Our most significant air quality monitoring programmes are in our Sasolburg and Secunda operations in South Africa, where we have commissioned a number of monitoring stations in community areas, as well as undertaking continuing research and analysis of atmospheric chemistry.

Working to minimise waste

Potential risks associated with waste remain a priority for us. Historical legacies are addressed in accordance with relevant legal requirements, and cleaner production techniques are being implemented throughout the group to minimise future risks.

During the year, we generated 1 467 kilotons of non-hazardous waste (excluding ash, recycled waste and mining rock discard), which constituted a 20% reduction in absolute levels reported over the previous year. By contrast, it is disappointing to report that in 2004 there was an increase in hazardous waste generated, with total hazardous waste for the year amounting to 534 kilotons.

Improving water and energy efficiency

Water is increasingly becoming a source of concern in many of our operations, most particularly in South Africa, which is an arid country. Over the last year, total water efficiency has improved by almost 10% throughout the group. A number of significant water saving projects have been implemented at many of our operations.

The year also saw a reduction in energy usage relative to our continuing increase in total production levels. Sasol North America received two awards for energy-efficiency improvements. The identification and implementation of additional energy-efficiency initiatives remains a priority, particularly in light of imminent internal commitments relating to greenhouse gas emissions.

Land remediation and rehabilitation

As a legacy of our chemicals and fuels processes, we have several areas where soil or groundwater may have been polluted in the past. We have recently approved the establishment of a group-wide approach to identify and manage potential liabilities associated with land remediation and rehabilitation.

The potential environmental liability for our European and North American operations was quantified as part of the



comprehensive due diligence process undertaken when Condea was purchased and is managed and indemnified according to an agreed process. At the beginning of the 2004 financial year we made a provision of R443 million, of which R153 million was invested in a trust fund for future mine closure and rehabilitation. This figure is reviewed annually to ensure adequate provision is made at all times, taking into account all relevant circumstances.

Managing impacts in new global activities

Sasol is currently undertaking new investments in countries such as Mozambique, Nigeria, Gabon, Equatorial Guinea and Qatar, where we are involved – or are about to become involved – in exploration, extraction, processing and transportation activities relating to natural gas, petroleum and chemical substances.

Our operations in these jurisdictions are subject to numerous regulations relating to exploration and mining rights and to the protection of safety, health and the environment. In addition, securing external funding for projects of this nature generally requires that we comply with the social and environmental requirements of the World Bank Group, particularly following the adoption by many major commercial banks of the Equator Principles.

Furthering product stewardship

Sasol's SH&E policy contains an explicit commitment to adopting a cradle-to-grave approach to all the products we develop, manufacture, use, distribute and sell. In mid-2003, a formalised global support structure – with assigned responsibilities in each of the key individual companies – was established with the aim of ensuring a structured response to product stewardship.

Product safety groups currently exist in Germany, Italy, South Africa and the USA, with individual experts appointed elsewhere in the business. A community of practice assists in sharing best practice throughout the company, while sharing knowledge with industry peers is largely undertaken through relevant industry associations.

The classification of product risks is currently being aligned through a corporate-wide risk exercise, with the development of uniform material safety data sheets being coordinated at

a corporate level. Sasol supports the development of the Global Harmonised System for Classification and Labelling of Chemicals and will be adopting this in future. Every Sasol chemical business is required to implement the Responsible Care product stewardship code.

These activities have been undertaken in the context of the general global policy shift towards focusing on the risk and impact of products rather than solely on processes, as well as with an appreciation of the marketing and risk management benefits associated with environmentally preferred products.

An important policy development in this regard has been the proposed EU REACH legislation on the registration, evaluation and authorisation of chemicals. An extensive assessment has been undertaken of the potential implications for Sasol of this directive issued by the European Commission.

looking ahead

Quest for continuous improvement

We at Sasol remain committed to the principle and practice of sustainable development. Accordingly, we aim to meet the needs of today's generation without compromising the ability of future generations to grow and prosper.

This crucial credo is integral to the ways in which we strive to uphold our values at all our operations across the globe. Our sustainability ethic is now considered mandatory to all Sasol businesses and we shall therefore continue to promote and safeguard it with continuous improvement always being our primary aspiration.

Fifth sustainability-related report imminent

Sasol reports on sustainable development issues in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The fifth in our series of biennial sustainability-related reports is to be published in October 2004 and will be available from the Sasol head office and on our website. This sustainable development report, covering our 2002-2004 reporting period, has been produced in accordance with the GRI's Sustainability Reporting Guidelines, and has drawn on the findings of an independently conducted process of stakeholder engagement. It is our intention to move to annual sustainable development reporting.

board of directors

Paul Kruger (67) BSc Eng (Mining), MBL
Non-executive chairman

Chairman of the nomination and governance committee and the compensation committee and member of the risk and safety, health and environmental committee.

Chancellor of the Rand Afrikaans University, vice-president of the South African Foundation and past chairman of Business South Africa (BSA) and now a member of the board of trustees of BSA. He is a director of most major Sasol companies and several other companies, including ABSA Bank Limited, ABSA Group Limited and Abagold (Pty) Limited. He serves on the King Committee on Corporate Governance and was recently appointed as a trustee of the State President's International Marketing Council.

He joined the group in 1964, was appointed to the board in 1986 and appointed as non-executive chairman in 1997.

Pieter Cox (61) BSc Eng (Mining), BSc Eng (Metall)
Executive director

Chief executive and deputy chairman and member of the risk and safety, health and environment committee.

Director of all major companies in the Sasol group. Joined the group in 1971. In 1985 he was appointed a group general manager. He was appointed chief executive officer of Polifin Limited in 1993, chief operating officer of Sasol Limited in May 1996, chief executive of Sasol Limited in January 1997 and deputy chairman and chief executive in March 2001.

Appointed to the board in 1996.

Warren Clewlow (68) OMSG, CA (SA), DEcon (hc)
Non-executive director

Member of the audit committee, the nomination and governance committee and the compensation committee.

Chairman of Barloworld Limited, Nedcor Limited and Nedbank Limited. Director of Old Mutual plc, Pretoria Portland Cement Limited and deputy chairman of Old Mutual Life Assurance Company (South Africa) Limited. Past chairman of the State President's Advisory Council and recipient of the Order of Meritorious Service, Gold Class for service to South Africa. Chairman of the audit committee until 6 September 2004.

Appointed to the board in 1992.



Brian Connellan (64) CA (SA)
Non-executive director

Chairman of the audit committee and member of the risk and safety, health and environment committee.

Director of Nampak Limited, Tiger Brands Limited, Absa Group Limited, Reunert Limited, Illovo Sugar Limited, Oceana Group Limited and alternate director of the Bidvest Group Limited.

Chairman of the risk and safety, health and environment committee until 6 September 2004.

Appointed to the board in 1997.

Jürgen Schrempp (60) BSc Eng
Non-executive director

Chairman of the board of management of DaimlerChrysler AG, director of Vodafone Group and Compagnie Financière Richemont SA. He is founding chairman of the Southern Africa Initiative of German Business (SAFRI), and a member of the advisory council of Deutsche Bank AG, the European advisory board of Harvard Business School, the German Council of INSEAD and the South African President's International Investment Council. He is Honorary Consul-General in Germany of the Republic of South Africa and he holds a Professorship of the Federal State of Baden-Württemberg, Germany, and Honorary Doctorates of the Univ of Graz, Austria and the Univ of Stellenbosch, South Africa.

Appointed to the board in 1997.

Sam Montsi (59) BA Econ, MA Dev Econ
Non-executive director

Chairman of the risk and safety, health and environment committee and member of the nomination and governance committee.

Chairman of Montsi Investments (Pty) Limited and director of Independent News & Media SA (Pty) Limited and Business Arts South Africa and all companies in which Montsi Investments has invested.

Appointed to the board in 1997.

Steven Pfeiffer (57) BA, MA, JD
Non-executive director

Member of the risk and safety, health and environment committee.

Chairman of the executive committee of Fulbright & Jaworski LLP, a US-based international law firm. He is a director of Barloworld Limited, Iridium Holdings LLC, a satellite telephone company based in Washington and Riggs National Corporation. He is also chairman emeritus of Wesleyan University in Middletown, Connecticut, USA, a director of The Africa-America Institute in New York and a director of Project HOPE in Washington, DC

Appointed to the board in 2003.

Jan Fourie (61) BSc, MBA
Non-executive director

Director of Sasol Synfuels, Sasol Synfuels International, Sasol Technology, Sasol Olefins & Surfactants divisional board, Sasol Polymers divisional board and Sasol Nitro divisional board. Chairman of Birdlife South Africa. He has 38 years experience in the South African chemical, fertiliser, mining and synfuels industries. Appointed to the board in 1997.



Trevor Munday (55) BCom
Executive director

Member of the risk and safety, health and environment committee.

Director of all major companies in the Sasol group. Chief financial officer. Responsible also for Sasol's chemical businesses, (Sasol Olefins & Surfactants, Sasol Nitro, Sasol Polymers, Sasol Solvents, Sasol Wax) planning, investor relations, corporate affairs and brand management. He has held several key senior commercial and financial management positions in Southern Africa and Europe and was managing director of Polifin Limited prior to its acquisition by Sasol. Appointed to the board in 2001.



Pat Davies (53) BSc Eng (Mech)
Executive director

Member of the risk and safety, health and environment committee.

Director of most major companies in the Sasol group. Responsible for the group's oil and gas businesses, including Sasol Synfuels, Sasol Petroleum International, Sasol Synfuels International, Sasol Oil, Sasol Gas and Sasol Technology. Also responsible for the globalisation of Sasol's GTL technology. He joined the group in 1975 and has held various positions in engineering design, project management, operations management and corporate affairs. Appointed to the board in 1997.



Elisabeth Bradley (65) BSc, MSc
Non-executive director

Member of the nomination and governance committee and the compensation committee.
Chairman of Toyota South Africa (Pty) Limited, Wesco Investments Limited, Metair Investments Limited, Rosebank Hotel and the Winkler Hotel. Director of the Standard Bank Group Limited, the Tongaat-Hulett Group Limited and AngloGold Ashanti Limited. She is deputy chairman of the SA Institute of International Affairs and chairman of the Centre for Development and Enterprise. Appointed to the board in 1998.



Mandla Gantsho (42) CA (SA), MSc
Non-executive director

Member of the risk and safety, health and environment committee.
Chief executive officer and managing director of the Development Bank of Southern Africa (DBSA). Previously chief financial officer of the DBSA. Between 1999 and 2000 was seconded as advisor to a vice-president of the International Finance Corporation in Washington, DC. Appointed to the board in 2003.



Conrad Strauss (68) BA, MSc, PhD
Non-executive director

Member of the audit committee and nomination and governance committee.
Former chairman of Standard Bank Investment Corporation Limited. He still serves as a director of the Standard Bank of South Africa Limited, Afrox Limited and Hans Merensky Holdings (Pty) Limited. He was chairman of the Presidential Commission of Enquiry into Rural Finance, the South African Foundation and the South African Institute of International Affairs. Appointed to the board in 2000.



Anshu Jain (41) BA (Hons), MBA
Non-executive director

Managing director and head of global markets at Deutsche Bank AG and member of the group executive committee. Previously a managing director with Merrill Lynch in New York. Appointed to the board in 2003.



corporate governance

upholding international best practice

Introduction

Sound corporate governance structures and processes have been in operation at Sasol since its inception. They are constantly reviewed and adapted to accommodate internal corporate developments and to reflect national and international best practice.

The company's ordinary shares are listed on the JSE Securities Exchange South Africa (JSE) and on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs). The company is accordingly subject to the ongoing disclosure, corporate governance and other requirements imposed by the JSE, US Securities and Exchange Commission (SEC) and the NYSE.

The company complies with the JSE Listing Requirements and the applicable US governance requirements of the SEC, the NYSE and legislation such as the Sarbanes-Oxley Act.

Sasol endorses the principles of the South African Code of Corporate Practices and Conduct as recommended in the second King Report (King II).

The nomination and governance committee and the board of directors (board) critically review and benchmark the governance structures and processes of the group on an ongoing basis. The board considers the issue of corporate governance as a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with new legislation, regulatory or listing requirements.

Issues of governance will continue to receive the board and its committees' consideration and attention during the next financial year and thereafter. Sound governance is also one of the top priorities of executive management.

the board of directors and non-executive directors

The company's articles of association provide that the board of the company consists of a maximum of 15 directors of whom a maximum of five may be executive directors. During the

reporting year four directors were executive directors (Messrs P V Cox, L P A Davies, J H Fourie and T S Munday) and 10 of the directors were non-executive directors. Mr J H Fourie retired as an executive director with effect from 28 February 2004 and became a non-executive director.

All the non-executive directors, with the exception of Messrs M S V Gantsho, J H Fourie and S B Pfeiffer, were considered by the board to be independent directors in accordance with King II and the rules of the NYSE. The board was precluded from categorising Mr S B Pfeiffer as an independent director in view of the US legal services provided by him and his firm to the company from time to time. These services constitute less than 1% of the turnover of his firm. The board is of the view that all non-executive directors bring independent judgement to bear on material decisions of the company.

The offices of chairman and chief executive are separated and are filled by a non-executive independent director (Mr P du P Kruger) and an executive director (Mr P V Cox), respectively.

In terms of the company's articles of association, the directors appoint the chief executive. Such an appointment may not exceed a period of five years at a time. Mr P V Cox was reappointed as the chief executive of the company by the board at its meeting of 3 December 2001. Subject to a reciprocal notice period of one month, Mr P V Cox's tenure as chief executive expires at the end of September 2005.

Details of directors of the board appear on page 72 and 73 of the annual report.

Board powers and procedures

The board has adopted a board charter. It provides a concise overview of:

- the demarcation of the roles, functions, responsibilities and powers of the board, the shareholders, individual directors, officers and executives of the company;
- the terms of reference of the various board committees;
- matters reserved for final decision-making or pre-approval by the board; and

- the policies and practices of the board in respect of matters such as corporate governance, trading by directors in the securities of the company, declarations of conflicts of interest, board meeting documentation and procedures and the nomination, appointment, induction, training and evaluation of directors and members of board committees.

Within the powers conferred upon the board by the articles, the board has determined its main function and responsibility as adding significant value to the company by:

- a) retaining full and effective control over the company;
- b) determining the strategies and strategic objectives of the company and group companies;
- c) determining and setting the tone of the company's values, including principles of ethical business practice;


- d) bringing independent, informed and effective judgement to bear on material decisions of the company and group companies, including material company and group policies, appointment and removal of the chief executive, approval of the appointment or removal of group management members, capital expenditure, transactions and consolidated group budgets and company budgets;

- e) satisfying itself that the company and group companies are governed effectively in accordance with corporate governance best practice, including risk management and internal control systems to:

- maximise sustainable returns;
- safeguard the people, assets and reputation of the group;
- ensure compliance with applicable laws and regulations (continued on page 77);

The board meets at least four times a year. The record of attendance by each director at Sasol Limited board meetings and Sasol Limited board committee meetings for the financial year ended 30 June 2004 is reflected in the tables below:


Sasol Limited board of directors				
Director	5/9/03	28/11/03	5/3/04	4/6/04
P du P Kruger	√	√	√	√
P V Cox	√	√	√	√
E le R Bradley	√	√	√	√
W A M Clewlow	√	√	√	√
B P Connellan	√	√	√	√
L P A Davies	√	√	√	√
J H Fourie	√	√	√	√
M S V Gantsho	√	√	√	√
A Jain	–	√	–	√
S Montsi	√	√	√	–
T S Munday	√	√	√	√
S B Pfeiffer	√	–	√	√
J E Schrempp	–	√	√	–
C B Strauss	√	√	√	√



√ Indicates attendance

– Indicates absence with apology


Audit committee				
Member	29/8/03	27/11/03	4/3/04	3/6/04
W A M Clewlow (chairman)	√	√	√	√
B P Connellan	√	√	√	√
C B Strauss	√	√	√	√



Nomination and governance committee				
Member	4/9/03	27/11/03	4/3/04	5/6/04
P du P Kruger (chairman)	√	√	√	√
E le R Bradley	√	√	√	√
W A M Clewlow	√	√	√	√
S Montsi	√	√	√	–
C B Strauss	√	√	√	√



Risk and safety, health and environment committee			
Member	26/8/03	3/3/04	2/6/04
B P Connellan (chairman)	√	√	√
P V Cox	√	√	√
L P A Davies ⁺	–	–	√
J H Fourie*	√	–	–
M S V Gantsho	√	√	–
P du P Kruger	√	√	√
T S Munday	√	√	√



⁺Appointed on 5 March 2004

*Retired with effect from 28 February 2004.

Compensation committee				
Member	5/9/03	5/3/04	5/6/04	
P du P Kruger (chairman)	√	√	√	√ Indicates attendance
E le R Bradley	√	√	√	– Indicates absence with apology
W A M Clewlow	√	√	√	

f) monitoring implementation by group companies, board committees and executive management of the board's strategies, decisions, values and policies by a structured approach to reporting, risk management and auditing.

Non-executive directors are chosen for their business skills and acumen. Considerations of gender and racial diversity, as well as diversity in respect of business, geographic and academic backgrounds, are taken into account by the nomination and governance committee and the board when appointments to the board are considered.

Newly appointed directors are inducted in the business of the company, board matters and their duties as directors in accordance with their specific needs.

The nomination and governance committee annually reviews the effectiveness and performance of the board, its committees and the individual directors.

All directors have access to the advice and services of the company secretary, whose appointment is in accordance with the provisions of the South African Companies Act, and who is responsible to the board for ensuring the proper administration of board proceedings.

The company secretary also provides guidance to the directors with regard to their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities (including not dealing in the company's shares during restricted periods) should be discharged. A report on directors' dealings in the company's shares is tabled at each board meeting and is disclosed in terms of the applicable JSE and NYSE listings requirements.

The directors are entitled to seek independent professional advice at Sasol's expense concerning the affairs of the company and have access to any information they may require in discharging their duties as directors.

In terms of the company's articles of association, one-third of directors are obliged to retire at every annual general meeting and are eligible for re-election.

Board committees

Several committees have been established to assist the board in discharging its responsibilities. The committees have an important role in enhancing high standards of governance and achieving increased performance within the group.

The terms of reference of the various board committees form part of the board charter and can be viewed on the website of the company (www.sasol.com).

The company's subsidiaries, as well as their operating businesses, have established board and committee structures to ensure the maintenance of high standards and best practice in respect of corporate governance and internal control throughout the group. The business of group subsidiaries and businesses are conducted on a decentralised basis.

The company requires a decision-making involvement for a defined list of material matters of the businesses of its subsidiaries. This list includes matters such as the appointment of directors, strategy charters, large capital expenditures and mergers, acquisitions and disposals.

The boards of the main subsidiaries and divisions of the company are constituted in such a way that a majority of directors of each main subsidiary or divisional board are non-executive directors of the subsidiary or division.

The chairman of the Sasol Limited board and members of the group executive committee serve on boards of all the main Sasol businesses. The attendance of the chairman at main subsidiary board meetings provides an essential link between the various Sasol businesses and the non-executive directors of Sasol Limited.

group executive committees

Group executive committee (GEC)

Members: Messrs P V Cox (chairman), J A Botha, L P A Davies, A de Klerk, T S Munday, M V Sisulu, J A van der Westhuizen, R van Rooyen and Dr N L Joubert.

The board has delegated a wide range of matters relating to the management of the Sasol group to the GEC, including financial, strategic, operational, governance, risk and functional issues. The focus of the GEC is on the formulation of the group strategy and policy and the alignment of initiatives and activities within the group. The committee meets weekly and reports directly to the Sasol Limited board.

The GEC's functioning is supported by two of its subcommittees, the Southern African executive committee (SAEC) and the international executive committee (IEC), each of which focuses on issues relating to the management of the Southern African and international businesses, respectively. The meetings of both the SAEC and the IEC are deemed meetings of the GEC with regard to the powers delegated to the GEC by the board of directors.

The Southern African executive committee (SAEC)

Members: Members of the GEC and Ms C D M Learmonth and Messrs T Bates, J Furter, B E Klingenberg, C F Rademan, M Sieberhagen and G J Strauss.

The GEC meets monthly with managing directors and senior functional managers of Sasol's Southern African businesses to address material issues pertaining to Sasol's Southern African businesses, as well as regional issues. Among the issues addressed are material business matters, government relations, legal and regulatory issues, empowerment of historically disadvantaged South Africans, employment equity, HIV/Aids, socioeconomic trends and indicators, and social responsibility.

The SAEC consists of the members of the GEC and the managing directors of Sasol's Southern African businesses, including Sasol Polymers, Sasol Oil, Sasol Synfuels, Sasol

Infrachem, Sasol Technology, Sasol Mining and Sasol Nitro, as well as senior executives of departments, including financial, corporate affairs, government policy and planning, and such other executives as the GEC may determine from time to time.

The international executive committee (IEC)

Members: Members of the GEC and Drs R G Groh, G Safran, C F Putnik and Messrs G Couvaras, T F O'Brien, O Pepler, A H Putter and D Schrenk.

The GEC also meets monthly with managing directors and senior functional managers of its businesses outside South Africa. The focus of the IEC is on the general business and strategic issues of international businesses and joint ventures and the performance of its businesses. It also focuses on regional issues such as the general business climate, market trends and indicators, the legal and regulatory framework, human resources and social responsibility.

In addition to GEC members, the IEC comprises representatives of Sasol Chevron, Sasol Solvents, Sasol Olefins & Surfactants, Sasol Wax and other non-South African managers, as shown above, to be rotated on an annual basis. Depending on the regional and/or business focus of particular meetings, other members of our international businesses may also be invited to participate.

The compensation committee

Members: Mr P du P Kruger (chairman), Ms E le R Bradley and Mr W A M Clewlow.

The compensation committee was established in 1989. All the members of the committee are independent non-executive directors. The functions of the compensation committee are to:

- assist the board in exercising its function of ensuring that affordable, fair and effective compensation practices are implemented in the Sasol group;
- determine the compensation of group management members;

- *make recommendations to the board in respect of directors' fees and the compensation and service conditions of the executive directors, including the chief executive; and*
- *provide a channel of communication between the board of directors and management on compensation matters.*

The compensation committee is mandated to:

- *review and approve general proposals for salary and wage adjustments in the group;*
- *review and approve proposals for the general adjustment of standard conditions of service, including matters relating to leave, housing, motor vehicles, bonuses, incentives, pension funds, provident funds, medical aid, deferred compensation, share schemes and the like;*
- *review, from time to time, the compensation policies and practices of the group and proposals to change such policies and practices and to make recommendations in this regard to the board;*
- *determine and approve any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;*
- *review (at least annually) and approve the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies;*
- *determine and approve any grants to executive directors and other senior employees made pursuant to the company's executive share scheme;*
- *review and approve any disclosures in the annual report or elsewhere in respect of compensation policies or directors' compensation; and*
- *at least annually assess the performance of the committee and its members.*

The compensation committee has determined the remuneration philosophy of the company, which is to offer remuneration that will attract, retain, motivate and reward employees with the skills required for the company to achieve its business goals and to base remuneration on personal and company performance in accordance with competitive market practices.

Directors' emoluments and other relevant remuneration information are disclosed in the directors' remuneration section on pages 29 to 33 of the annual financial statements.

The committee meets at least twice a year and is empowered to obtain such external or other independent professional advice as it considers necessary to carry out its duties.

The audit committee

Members: Messrs W A M Clewlow¹, B P Connellan (chairman) and Dr C B Strauss.

The audit committee was established in 1988 and is an important element of the board's system of monitoring and control. The audit committee meets at least three times a year and all its members are independent non-executive directors. Mr W A M Clewlow has been designated as the audit committee financial expert for purposes of compliance with the US SEC rules.

All the members of the audit committee have extensive audit committee experience and are financially literate. The chairman of the board and the chief executive attend audit committee meetings on invitation. The board has also requested Mr M S V Gantsho to attend all audit committee meetings.

The audit committee has been established primarily to assist the board in overseeing:

- *the quality and integrity of the company's financial statements and public disclosures thereof;*
- *the scope and effectiveness of the external audit function; and*
- *the effectiveness of the company's internal controls and internal audit function.*

¹ Mr Clewlow was the chairman of the audit committee up to 6 September 2004 when Mr Connellan was appointed as chairman of the committee.

corporate governance

The board has delegated extensive powers in accordance with King II and US corporate governance requirements to the audit committee to perform the above functions. In line with these requirements, the audit committee has, among other things, determined which categories of non-audit services provided by the external auditors should be pre-approved by the audit committee and which could be approved by a designated member of the audit committee.

The audit committee meets the group's external and internal auditors and executive management regularly to consider risk assessment and management, review the audit plans of the external auditors and to review accounting, auditing, financial reporting, corporate governance and compliance matters.

The audit committee approves the external auditors' engagement letter and terms, nature and scope of the audit function and the audit fee. The internal audit charter, internal audit plan and internal audit conclusions are similarly reviewed and approved by the audit committee.

Interim and annual results of the group and trading statements of the company are reviewed by the audit committee before publication.

Both the audit committee and the board are satisfied that there is adequate segregation between the external and internal audit functions and that the independence of the internal and external auditors is not in any way impaired or compromised.

The nomination and governance committee

Members: Mr P du P Kruger (chairman), Ms E le R Bradley, Dr C B Strauss and Messrs W A M Clewlow and S Montsi.

The nomination and governance committee was formed in June 2002 and consists entirely of independent non-executive directors.

The functions of the nomination and governance committee include reviewing and making recommendations to the board on the general corporate governance framework of the company, the composition and performance of the board and its committees, legal compliance and the company's ethics policy and programmes.

The risk and safety, health and environment committee (risk and SHE committee)

Members: Messrs S Montsi¹ (chairman), B P Connellan, P V Cox, L P A Davies², J H Fourie³, M S V Gantsho⁴, P du P Kruger, T S Munday and S B Pfeiffer⁵.

The risk and SHE committee was formed in November 2002. As from 6 September 2004 it comprises three executive and four non-executive directors. The committee meets at least twice a year. The functions of the committee include reviewing and assessing the integrity of the company's risk management processes, including the effective management of those covering safety, health and environmental matters.

internal control and risk management

The directors are ultimately responsible for the group's system of internal control, which is designed to provide reasonable assurance against material misstatement and loss. The group maintains a system of internal financial control that is designed to provide assurances regarding the maintenance

¹ Mr Montsi was appointed as member and chairman of the risk and safety, health and environment committee on 6 September 2004. Mr Connellan resigned as chairman of the risk and safety, health and environment committee and was appointed chairman of the audit committee on the same date. He is still a member of the risk and safety, health and environment committee.

² Appointed on 5 March 2004.

³ Retired with effect from 28 February 2004.

⁴ Resigned on 6 September 2004.

⁵ Appointed on 6 September 2004.



of proper accounting records and the reliability of financial information used within the business and for publication.

The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. The internal control system includes:

- a documented organisational structure and reasonable division of responsibility;
- established policies and procedures (including a code of conduct to foster a strong ethical climate), which are communicated throughout the group; and
- established mechanisms to ensure compliance.

As required by the SEC rules, the general disclosure controls and procedures of the company have been formalised and are assessed periodically by management and the board for effectiveness. A project to ensure compliance with the requirements of section 404 of the US Sarbanes-Oxley Act in respect of disclosure controls over financial reporting was launched during the year.

Internal audit

The group has an internal audit function covering its global operations. Internal audit is responsible for:

- assisting the board and management in monitoring the effectiveness of the company's risk management process; and
- assisting the board and management in maintaining effective controls by evaluating those controls on an ongoing basis to determine their efficiency and effectiveness and recommend improvements.

The controls subject to evaluation encompass:

- the information management environment;
- the reliability and integrity of financial and operating information;
- the safeguarding of assets; and
- the effective and efficient use of the company's resources.

Audit plans are based on an assessment of risk areas, as well as on issues highlighted by the audit committee and management. Audit plans are updated as appropriate to ensure they are responsive to changes in the business. A comprehensive findings report is presented to the risk and SHE committee and the audit committee at each of their scheduled meetings.

Follow-up audits are conducted in areas where significant internal control weaknesses are found.

corporate governance

Corporate governance best practice requires that the internal audit function reports directly to the audit committee. Such a direct reporting requirement is ensured by the audit committee's mandate to:

- evaluate the effectiveness of internal audit;
- review and approve the internal audit charter, internal audit plans and internal audit conclusions in respect to internal control;
- review significant internal audit findings and the adequacy of corrective action taken;
- assess the performance of the internal audit function and the adequacy of available internal audit resources;
- review significant differences of opinion between management and the internal audit function; and
- consider the appointment, dismissal or reassignment of the head of internal audit.

The charter of the internal audit department provides that the head of internal audit has direct access to the chief executive and the chairman of the audit committee.

The head of internal audit reports administratively to the group general manager responsible for the company secretarial, the legal and risk management and insurance departments.

Risk management

The board is responsible for governing risk management processes in the Sasol group in accordance with corporate governance best practice.

A more formalised enterprise-wide risk management process was initiated during the 2002 financial year with the principal aim of providing the board with the assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in order to achieve an optimal

risk-reward profile. Key features of this process, some of which are still in the process of being fully implemented, include:

- the appointment of a group risk manager and risk management officers for all the major businesses of the company;
- risk management is a line function and is to remain fully embedded in all business processes across all business units;
- the use of a single enterprise-wide risk management framework across the various business units;
- coordinated risk assessment and management across the different risk types facing the group, as well as an integrated risk evaluation across the group's geographical locations, legal entities and business lines;
- the issuing by the chief executive of a risk management policy statement, which was endorsed by the board and which commits the company to effectively managing its business risks and opportunities in the interests of all stakeholders;
- the ongoing monitoring of the process, as well as the risk profiles of business units and major capital projects, by the group risk management forum (established as a subcommittee of the group executive committee) and the board risk and safety, health and environment committee;
- the establishment of risk tolerance levels;
- the undertaking, at least annually, of a systematic documented assessment of the processes surrounding key risks.

In addition, the company's insurance services department, with the assistance of external consultants, undertakes regular risk control audits of all the company's plants and operations using recognised international procedures and standards. The group participates in an international insurance programme that provides, at competitive cost, insurance cover for losses above tolerable deductibles.

Most significant risks

The most significant risks currently faced by the group are:

- volatility in currency exchange rates;
- volatility in crude oil, natural gas and petroleum product prices;
- cyclicalities in petrochemical product prices;
- not succeeding with the expedient exploitation of technological advances;
- our gas-to-liquids projects not proving sufficiently viable as planned;
- the sustainability of beneficial supply agreements entered into after termination on 1 January 2004 of the agreements in terms of which petroleum products are sold to South African oil companies;
- sociopolitical and other risks relating to the countries in which we operate;
- regulatory changes impacting on our mining and petroleum businesses;
- an inability to attract and retain desired levels of sufficiently skilled employees;
- patent and related intellectual property competition;
- changes in consumer and safety, health and environmental laws and regulations;
- increasing competition by products originating from countries with low production costs;
- industry-related accidents causing property damages, personal injuries and/or environmental contamination;
- an inability to interpret correctly and ensure ongoing compliance with legal requirements; and
- not succeeding in implementing initiatives for the empowerment of historically disadvantaged South Africans.

The responsibility for monitoring the management by line management of each of these risks is assigned to a senior group executive member.

Disaster recovery plans are continually reviewed for critical information management systems that could have a material impact on the group's continuing operations. Certain of these plans are subject to regular testing and, in other cases, are subjected to ongoing tests to ensure their robustness and reliability.

sustainability reporting

The company currently reports on all aspects of its social, transformation, ethical and safety, health and environmental policies and practices to the board and from time to time to its stakeholders. A comprehensive sustainability report dealing with these issues is to be published by the company in October 2004. See also page 60 for more information on Sasol's sustainability reporting.

worker participation and employment equity

The group has established participative structures on issues that affect employees directly and materially and is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender. Several programmes have been implemented to ensure practical application of the group's commitment to worker participation and employment equity, while maintaining the company's high standards and statutory compliance.

code of ethics

The company maintains the highest standards of compliance with the laws and regulations, integrity and ethics in dealing with all its stakeholders. During the year the board adopted a revised code of ethics (the code), which embodies the set of ethical principles and standards that all Sasol employees are required to apply. The principles contained in the code have been communicated throughout the group and are available on the company's website (www.sasol.com).

corporate governance

The revised code consists of four fundamental ethical principles – responsibility, honesty, fairness and respect – and 15 ethical standards. These cover such issues as bribery and corruption, fraud, insider trading, human rights and discrimination and include a commitment to conducting our business with due regard to the interests of all our stakeholders and the environment. An ethics forum has been established to monitor and report on ethics, best practice and compliance requirements, and to recommend amendments to the code and the guide as required. Employee performance against Sasol's values, which incorporate the code of ethics, will be assessed as part of Sasol's performance appraisal system.

An ethics hotline, operated by one of the major international accounting firms, was established in 2002.

The hotline provides an independent facility for stakeholders of the company to anonymously report fraud and other crimes, deviations from the procurement policy, financial reporting irregularities and other irregularities.

insider trading

The company secretary regularly disseminates a written notice to all directors, senior employees, management and executives throughout the group to inform them of the provisions of the South African Insider Trading Act and that dealing in Sasol shares may not be undertaken during prescribed restricted periods.

investor relations and shareholder communication

The company's chief executive, the chief financial officer and investor relations management conduct regular presentations on the group's performance and strategy to analysts, institutional investors and the media in South Africa, the United States of America, Canada, Europe and the United Kingdom.

The company's investor relations management maintains regular contact with the investment community and analysts.

In order to ensure that the company communicates with its smaller shareholders and those stakeholders who do not have access to the electronic media, the company publishes and reports on details of its corporate actions and performance (including its interim and final results, as well as the chairman's statement) in the main daily newspapers circulating in South Africa.

The company's communications department also maintains regular contact with the media by disseminating relevant information. In addition, the company maintains a website (www.sasol.com) at which access is available to the company's latest financial, operational and historical information, including its annual report.

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