

our group of companies

Oil and gas businesses

Sasol Mining	pg 24	Sasol Synfuels	pg 26	Sasol Liquid Fuels Business	pg 28
<p>Sasol Mining currently mines around 43 million tons (Mt) a year of saleable coal in the Sasolburg and Secunda regions for our South African petrochemical plants and exports about 3,6 Mt of coal annually. As from the 2006 financial year, it will increase its annual supply of coal to Eskom to 1,8 Mt for the next three years. Its main operations at Secunda comprise five underground operations: Bosjesspruit, Brandspruit, Middelbult, Syferfontein and Twistdraai. An export coal beneficiation plant supports the Twistdraai operations.</p>		<p>Sasol Synfuels operates the world's only coal-based synfuels manufacturing facility at Secunda. It produces synthesis gas (syngas) through both coal gasification and natural gas reforming, and uses Sasol's high-temperature Fischer-Tropsch technology to convert this syngas into components for making synfuels, as well as chemical feedstock and pipeline gas. Sasol Synfuels produces most of South Africa's chemical building blocks, including ethylene, propylene, ammonia, solvents and phenolics.</p>		<p>The Sasol Liquid Fuels Business (LFB) manufactures and markets fuels and lubricants from its facilities at Secunda and through its 63,6% share in the Natref crude oil refinery at Sasolburg. Products include petrol, diesel, jet fuel, illuminating paraffin, fuel oils, bitumen and automotive and industrial lubricants. It manages Sasol's interests in Natref and the Tosas bituminous products business. Since launching a fuel retail network in January 2004, the Sasol LFB has established 345 Sasol and Exel service stations around South Africa.</p>	
Rm		Rm		Rm	
Total turnover		Total turnover		Total turnover	
5 215		18 684		23 712	
Operating profit		Operating profit		Operating profit	
1 247		7 560		1 900	

Main chemical businesses

Sasol Olefins & Surfactants	pg 38
<p>Sasol Olefins & Surfactants manufactures and markets a diverse range of surfactants and surfactant intermediates such as linear alkylbenzene (LAB) and alcohols, as well as monomers and inorganic speciality chemicals, mainly at plants in Germany, Italy, the USA and South Africa, for customers across the globe. The division has four global business units: monomers (ethylene and comonomers), alcohols & surfactants (alcohols in the C₆-C₂₂ range, other surfactant intermediates and their derived surfactants), alkylates & surfactants (n-paraffins, n-olefins and LAB, as well as their derived surfactants) and inorganic specialties (mostly alumina and related products).</p>	
Rm	
Total turnover	
18 394	
Operating loss	
(221)	

Other chemical businesses

Sasol Nitro	pg 44	Sasol Wax	pg 45
<p>Sasol Nitro manufactures and markets ammonia, nitric acid and ammonium nitrate-based products, including commercial explosives and fertilisers, as well as specialised blasting accessories. It also manufactures phosphoric acid and a phosphate detergent, and markets ammonia, sulphur and speciality gases produced by other Sasol businesses.</p>		<p>Sasol Wax operates wax manufacturing, blending and marketing operations in South Africa, Germany, the Netherlands, Belgium, Austria, the United Kingdom and the USA. The division also has marketing and sales operations in Switzerland, France, Denmark, Malaysia, Australia, New Zealand and Venezuela.</p>	

Specialist services

Sasol Technology	pg 48
<p>Sasol Technology is our specialist in the fields of research and development, technology and innovation, engineering and project-managing the design, construction and commissioning of new plants. The company fulfils a strategic role by helping Sasol businesses worldwide to pursue growth and continuous improvement, and to promote competitive advantage through appropriate technology solutions and services.</p>	



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.

Sasol Gas <i>pg 32</i>		Sasol Petroleum International <i>pg 34</i>		Sasol Synfuels International <i>pg 36</i>	
<p>Sasol Gas distributes and markets natural gas from Mozambique's Temane field and methane-rich gas produced at Secunda. The company delivers pipeline gas through a 2 265 km pipeline network to more than 530 industrial and commercial customers in Gauteng, Mpumalanga, Free State and KwaZulu-Natal.</p>		<p>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, Equatorial Guinea and Nigeria. SPI has been producing gas from Mozambique's onshore Temane field since February 2004, with production being 77,1 million gigajoules for the 2005 financial year. It is also producing oil in Gabon through its 27,75% share in the offshore Etame field.</p>		<p>Sasol Synfuels International (SSI), together with the joint venture with Chevron of the USA, Sasol Chevron, develops and implements international ventures based on the integrated, three-step Sasol Slurry Phase Distillate™ (Sasol 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, in partnership with Qatar Petroleum, will bring its first GTL plant into production in our 2006 financial year</p>	
	Rm		Rm		
Total turnover	2 404	Total turnover	841		
Operating profit	932	Operating profit	281		

Sasol Polymers <i>pg 40</i>		Sasol Solvents <i>pg 42</i>	
<p>Sasol Polymers operates plants at Sasolburg and Secunda and produces ethylene, propylene, low-density polyethylene (LDPE), linear low-density polyethylene, polypropylene, vinyl chloride monomer, polyvinyl chloride, chlor-alkali chemicals and mining reagents. It has shareholdings in two Malaysian companies: Optimal Olefins for producing ethylene and propylene; and Petlin (Malaysia) for producing LDPE.</p>		<p>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 and hydrocarbons; C₃/C₄ alcohols; esters and acids; ethanol; fine chemicals; glycol ethers; ketones; methanol; mining chemicals; acrylic acid and acrylates (a joint venture with Mitsubishi Chemical Corporation); and maleic anhydride (a joint venture with Huntsman Corporation).</p>	
	Rm		Rm
Total turnover	7 282	Total turnover	8 404
Operating profit	1 484	Operating profit	1 243

Sasol Infrachem <i>pg 46</i>		Merisol <i>pg 47</i>	
<p>Sasol Infrachem has been producing syngas derived from natural gas as feedstock for Sasol's Sasolburg chemical businesses since July 2004. The company 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.</p>		<p>Merisol is a joint venture with Merichem Company of the USA. It is a leading global manufacturer of cresols, xylenols, alkylphenols and other phenolics. It has manufacturing facilities in South Africa and the USA and maintains two joint ventures: one at Sasolburg; and the other at Oita, Japan.</p>	

Sasol Financing <i>pg 50</i>	
<p>Sasol Financing is responsible for centrally managing group cash and liquidity, credit rating processes, in-house banking, domestic and international financing arrangements, and 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- and company-specific specialised financing and financial risk mitigation strategies and arrangements. Assistance is provided in developing and implementing hedging strategies for risks associated with commodity prices, foreign exchange and interest rates.</p>	

Note: Please refer to pages 129 and 131 of the annual financial statements for a list of the significant subsidiaries and incorporated joint ventures of Sasol Limited.

chairman's statement



Paul du P Kruger, chairman.

Record-breaking financial performance

It is a pleasure to report that Sasol achieved record headline earnings in the financial year ended 30 June 2005. Headline earnings per share of R17,49 represent an 87% increase on the previous financial year. Earnings per share of R15,60 represent a 60% improvement on the previous financial year.

Most of our businesses achieved commendable improvements in operating profits. In our energy portfolio, for example, the operating profit of Sasol Synfuels increased by 37%, mainly because of higher oil prices, and that of Sasol Gas increased by 141% primarily because of higher volumes. The chemicals businesses achieved a 130% increase in operating profit despite substantial asset impairments. (These impairments have arisen as a consequence of investments made in previous years, when the weaker rand negatively impacted capital costs, and which are now earning income streams based on a much stronger rand.) The excellent improvement in the performance of our chemical businesses resulted from substantially improved margins and the benefits of closing down or disposing of non-core or poor-performing businesses.

The adverse impact of impairments was more or less offset by the beneficial group-wide reduction in depreciation charges, following the revision of the estimated remaining useful lives of our assets, which we did in accordance with the revised International Financial Reporting Standard.

In the closing decade of the previous century, international oil prices averaged about US\$20,00/b (dated Brent). In 2000 these prices changed structurally and for the first five years of the new millennium were about 35% higher, averaging about US\$27,00/b. These higher prices placed pressure on chemical margins because of their impact on oil-derivative feedstock costs. It was only (four years later) in 2004 that chemical prices responded to these higher feedstock costs, seemingly as a consequence of the further upward movement in oil prices triggered by the Iraq War, surging demand for oil from China and the weakening of the US dollar. Chemical margins improved and the resulting benefits to chemical businesses worldwide were self-evident.

International oil prices have further increased to levels above US\$60,00/b over the last year. These prices may not be sustainable and some industry pundits are forecasting long-term oil prices in the range US\$30,00 to US\$35,00/b. This represents a further structural change which will enhance the anticipated returns from our planned gas-to-liquids (GTL) projects, but may again place pressure on chemical margins until market forces take effect and cause them to adjust accordingly. Of course, for Sasol the higher oil prices have been beneficial, although this benefit has been more or less offset by the negative effects of a stronger rand.



“A final dividend of R3,10 has been declared, which brings the total dividend for the year to R5,40 which is 20% higher than the previous year”

Gearing (net debt to shareholders' equity) was reduced from 41% to 38% despite the year's significant capital expenditure of R13,2 billion and remains within our targeted range of 30% to 50%. Major capital projects advanced included the Oryx GTL venture in Qatar, the Ayra Sasol Polymers venture in Iran and the fuel-enhancement project in South Africa (Project Turbo), which also enables polymer expansions.

A final dividend of R3,10 has been declared, which brings the total dividend for the year to R5,40 which is 20% higher than the previous year. The resulting dividend cover of 2,9 is suitably within our preferred range of 2,5 to 3,5 times cover.

The leadership change

After a highly successful 34-year career at Sasol, Pieter Cox retired as chief executive on 30 June 2005. During his eight-year tenure at the helm, Sasol became a truly globalised group. He led many exciting and beneficial initiatives, including: a substantial expansion of our chemical operations; the commencement of our GTL projects in Qatar and Nigeria, which will spearhead the growth of Sasol in future years; the Mozambique Natural Gas Project, which brought gas into the industrial heartland of South Africa; and the listing of Sasol on the New York Stock Exchange (NYSE).

Pieter's contributions were recognised in many ways, including being elected the Sunday Times Businessman of the Year in 2002 and

receiving an honorary doctorate from the University of St Andrews in Scotland. Pieter will succeed me as chairman of Sasol Limited on 1 January 2006. I thank him for his immense contribution to the group and wish him much success in his new role.

On 1 July 2005, Pat Davies succeeded Pieter as chief executive. Pat has been with Sasol for 30 years and has held various positions in engineering design, project management, operations management and corporate affairs. He has been responsible for the group's oil and gas businesses and Sasol Technology, and has served on the boards of most major companies in the group. He is well equipped to lead the group as it embarks on a further growth path that will be dominated by the global deployment of our GTL technology, a responsibility which has also fallen to Pat.

With effect from the same date, Trevor Munday was appointed deputy chief executive. Trevor joined Sasol when Polifin Limited, which he led successfully for five years, was acquired in 1999. In 2001, he was appointed chief financial officer with responsibility also for corporate affairs and, in 2003, he assumed responsibility for our global chemical businesses.

In my view, Pat and Trevor have complementary skills and experience and will form a highly effective team. I am confident they will successfully lead Sasol in "reaching new frontiers" in the years ahead.



The transformation imperative

Sasol has been criticised for its apparent tardiness in responding to the transformation imperative and, more recently, particularly with respect to the appointment of Pieter Cox to succeed me as chairman, and those of Pat Davies and Trevor Munday. These appointments were made by the Sasol Limited board following a comprehensive selection process. The South African non-executive members of the board at end June were 50% represented by people from the so-called designated groups and 75% of these directors were black people. We intend to increase this representation further in due course.

We are on public record acknowledging that we aspire to have more black leaders in the senior executive positions of the group. Already, we are pleased to have appointed Ms Nolitha Fakude, president of the Black Management Forum (BMF), as an executive director responsible for our worldwide human resources and strategy functions. We welcome Nolitha to Sasol and are actively seeking suitable black candidates for other key positions.

Sasol is a large, complex and growing global business with governance and other obligations resulting from its listings on the JSE Limited (JSE) and the NYSE. Recruiting senior financial people, for example, in these circumstances is challenging when only a fraction of the estimated 540 black (African) chartered accountants in South Africa have more than three years of post-qualifying experience, and when many of the remaining potential candidates have moved on to other careers outside the finance and accounting disciplines.

Nevertheless, we are persisting in our endeavours to recruit and develop suitable black leaders and are confident that within the

foreseeable future the demographic profile of our senior leadership structures will have become more representative of South Africa. We understand our obligations in this regard – to us they are morally, socially and business-driven and not just prompted by statutes.

In the middle management ranks of Sasol, we are fortunate that the substantial investment we have made over many years in our bursary scheme is providing us with a steady source of high-calibre candidates. In the past five years, 170 Sasol bursary-holding black engineers have graduated from South African universities and joined the group. Presently, we have nearly 500 bursary-holders of whom about 400 are undergraduate students and, of these, some 60% are black students. Several other initiatives, including our in-house advanced leadership development programme (ALDP), which has been running for several years and at any time has 20 to 25 black candidates participating, will position us to meet the transformation imperative from an employment equity perspective.

We are keenly awaiting the decision of the Competition Tribunal on the proposed Uhambo Oil joint venture between our liquid fuels business and Engen. The merged business is expected to be a national champion in the South African fuel industry. It will provide an exciting equity empowerment opportunity, across an entire value-chain in this industry, ie from refinery to the fuel pump. We expect it to be sustainable and credible. The model developed by Sasol, together with our empowerment partners, will achieve broad-based ownership from gender and geographic perspectives. It is also financially facilitated by Sasol in an imaginative manner, to the benefit of our prospective new partners, without prejudicing the rights of our existing shareholders.



“The transformation imperative is clear and we must progress within an overall commitment to protecting or enhancing the competitiveness of our businesses ... in the interest of our economy and all our people”



The competition law adjudication process will have taken a year if the deliberations of our competition authorities are completed by end-November 2005. They are working diligently within the requirements of set statutes and we appreciate the importance of them properly reviewing this proposed transaction and of giving third-parties the opportunity to scrutinise and challenge it. This length of time is, however, both frustrating for the potential partners and demotivating for those people employed in the entities planned for merger.

In turn, the resulting uncertainty adversely affects the efficiency and focus of those involved, causing a potentially anti-competitive situation in itself, especially if it is exploited by competitors in the marketplace, or if their legal counsels are allowed to frustrate and further protract the process. We earnestly hope that the joint venture is cleared soon by the Competition Tribunal.

We have also initiated equity empowerment transactions in Sasol Mining and certain other parts of Sasol. We are, however, carefully considering how we can advance the equity empowerment imperative across our various other businesses. Of course, the regulatory requirements in this respect are only now in the process of being clarified through the progressive development and gazetting of the South African Government's black economic empowerment (BEE)-related codes of good practice. We look forward to responding constructively to these codes.

From a competitive South Africa Incorporated position, this process will have to be carefully managed by all businesses throughout the country. The transformation imperative is clear and we must progress within an overriding commitment to protecting or

enhancing the competitiveness of our businesses in South Africa, in the interest of our economy and all our people.

It is an exciting, albeit a daunting task and encouragement by the Government of businesses' endeavours through closer engagement will be welcome. I am concerned about the divisive tone of communiqués that are usually accorded much media prominence. I would encourage a far more collaborative association and dialogue being fostered between the Government and the business community. Certainly, we at Sasol are aware of our obligations in this regard and desire a constructive and mutually beneficial relationship with the Government. After all, we are important key joint-stakeholders in the success and development of our country.

Our governance obligations

It is a compliment to the governance standards set by the JSE that at Sasol the step up to the stringent governance requirements of the Securities and Exchanges Commission (SEC), as a consequence of our listing on the NYSE, was not onerous. During the year, we were privileged to have received governance and disclosure awards, including the prestigious Ernst & Young Award for excellence in corporate reporting and the JSE Award for sustainability reporting.

As a major corporation, we continue to place prime emphasis on sound governance throughout our worldwide operations and have increased our disclosure to levels that have been applauded by the investment, banking and other communities. We shall continue to place priority on this critical aspect of running our businesses.



In addition, I am pleased to report the extent to which we have now embedded risk management practices throughout our operations, and that risk assessments for all our businesses, major functions and projects are regularly undertaken and presented to the responsible governance committees for review.

The safety issue

After several years of continuous improvement in safety performance across all our businesses, we were shocked in 2004 by the spate of serious accidents we had at our plants and mines that tragically resulted in fatalities and serious injuries to some of our employees and contractors. It is conventional wisdom in the petrochemical industry worldwide that a deteriorating safety performance, measured according to internationally accepted metrics, is a pointer to management problems and the likelihood of a pending serious incident.

Our experiences in 2004 confounded this paradigm and showed us that vigilance and management focus on safety matters must also be increased, even in an environment of improvement. For example, the tragic explosion at our Secunda ethylene plant on 1 September 2004 happened in an area which had for years been successfully achieving improvements in safety performance, confirming that complacency must be guarded against.

On behalf of the board and all the people of Sasol, I again express my deep regret about these incidents. It is our dearest wish that all people working at Sasol sites should be safe. The intervention that took place following these incidents was profound and I am confident that a stronger safety culture will develop quickly as a result.

We have benefited from much intra-company introspection and learning as a consequence of these safety incidents and the interventions that followed to put our situation right. We accept that every incident can be avoided and have committed ourselves unreservedly to world-class safety performance. We appreciate the collaborative spirit of our leading trade unions and have welcomed the contribution they also are making to strengthen Sasol's safety culture. The signing of our safety charter bears testimony to the growing cooperation with our trade unions in this key aspect of our operations.

Profit outlook

During the year ahead, we shall be commissioning various large projects and notably Project Turbo, our polymers project in Iran and our first international GTL project in Qatar. The incremental earnings benefits of these projects will start to flow in the financial year beginning 1 July 2006.

For the year ahead, we are anticipating satisfactory headline earnings growth, although uncertainty in oil and exchange rates again makes forecasting difficult. Furthermore, this forward view is dependent upon no major disruptions occurring in currency or energy markets.

From a rand currency perspective, we are fortunate that the South African fiscal environment and economy are stable and we again express our admiration and appreciation to the South African Government in this regard. The recent upgrading of South Africa's international credit rating reflects the strength of our economy and is testimony to its sound management.



The integrity of our balance sheet is high and our cash flow planning is efficient and so we again expect to operate during the year comfortably within our targeted gearing range of 30% to 50%.

The end of my tenure as chairman – acknowledgements

This is my final statement as chairman of Sasol before stepping down on 31 December 2005, after which I shall assume responsibility as a non-executive director and hand over the chairman's role to Pieter Cox. It has been a privilege to serve Sasol as chairman for the past nine years. I have been fortunate to have had sound counsel and support from my non-executive directors whom I thank most sincerely. They have made my task both manageable and gratifying. During my tenure, Pieter Cox was chief executive until end-June 2005 and I also thank him for the constructive relationship we had and the significant contribution he made to Sasol.

During the year, one of our international non-executive directors, Steven Pfeiffer, and a previous executive director, Jan Fourie, retired. I thank them for their valuable contributions. I also welcome Ms Imogen Mkhize, who joined the board as an independent non-executive director on 1 January.

I thank the members of the group executive committee and all the people of Sasol for the ongoing success of the group. It is their individual and collective efforts that create our success and I compliment them.

During the past year, we have again benefited from the support of 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 valuable engagements we have had with them.

In closing, I express my appreciation also to the public of South Africa for their support of Sasol. Over the last year the group has been under intense and often critical scrutiny.

The organisation is undergoing significant change and its transformation will accelerate under the new executive leadership. It is a successful and patriotic corporation that is rapidly expanding globally and which proudly has its primary domicile in South Africa. I look forward to it prospering under the guidance of its new leadership.

Paul du P Kruger
Chairman

turning natural gas into low-emissions diesel



The world's energy paradigm will change in 2006 with the emergence of the international era of commercial GTL production, which enables gas-rich countries to convert remote or underutilised natural gas into GTL diesel, GTL naphtha and other higher-value products.

What is GTL technology?

GTL technology is the combination of three chemical processing technologies to convert natural gas or a similar gaseous hydrocarbon into liquid fuels and related petrochemicals. The heart of GTL technology is the conversion of synthesis gas into a waxy syncrude (a form of synthetic crude oil) through Fischer-Tropsch synthesis. In the case of the Sasol Slurry Phase Distillate™ (Sasol SPD™) process, Sasol uses its proprietary Slurry Phase Fischer-Tropsch technology to convert natural gas into GTL diesel, GTL naphtha and some liquefied petroleum gas.



Why are GTL plants being developed?

Sasol is developing GTL plants because they:

- produce high-quality, high-performance, premium-grade, low-emissions energy products in line with consumer demands and the requirements of future markets and market regulators;
- enable gas-rich countries to monetise remote or underutilised gas reserves;
- are coinciding with a fast-emerging trend of dieselisation in many markets; and
- can help gas-rich countries to diversify their energy base.

Where might GTL plants be developed?

GTL plants can be developed in or near any gas-rich country, especially where the reserves are remote or underutilised – or in countries where large amounts of associated gas are flared during oil production. Sasol and its GTL partners are developing GTL plants in Qatar and Nigeria, and are exploring opportunities in Australia, Iran and other regions.



Australia



Iran



Nigeria



Qatar



What have SSI and Sasol Chevron achieved to date?

The 34 000 barrels-per-day (b/d) Oryx GTL joint venture at Ras Laffan in Qatar between SSI and Qatar Petroleum (QP) will be starting up in 2006. SSI is also working with the National Petrochemical Company of Iran for the possible development of a GTL plant at Bandar Assaluyeh.

Sasol Chevron and QP plan to increase the Oryx GTL plant capacity to 100 000 b/d, and are at an early stage of discussion regarding an integrated GTL plant at Ras Laffan, with further capacity of about 130 000 b/d. Sasol Chevron is discussing the potential development of a GTL plant in Australia and is providing technical and managerial support to the 34 000 b/d EGTL plant at Escravos, Nigeria. This plant is owned by the National Nigerian Petroleum Corporation and Chevron Nigeria Limited and is planned to start full commercial production in 2009.



What is the potential for GTL technology?

Sasol Chevron and other GTL players have the potential to produce 10% of the world's diesel requirements through GTL plants by 2020. Sasol Chevron wants to develop at least three foundation GTL plants, through joint ventures, over the next decade.

What is Sasol's role in developing GTL plants?

To spearhead its international Fischer-Tropsch synfuel production ambitions, Sasol formed Sasol Synfuels International (SSI) in 1997 and then a joint venture with Chevron of the USA, Sasol Chevron, in 2000. SSI aims to be the company of choice in developing partnerships to enable the successful commercial application of proven Sasol Fischer-Tropsch technology globally. The primary expression of this vision is Sasol Chevron, which is dedicated to commercialising GTL technology in projects that offer the highest rate of return for the investors.

How does Sasol convert gas into GTL diesel in three steps?

- by reforming natural gas in an autothermal reformer with oxygen and steam over a catalyst to produce synthesis gas (syngas), a mixture comprising mostly carbon monoxide and hydrogen;
- by converting syngas through Fischer-Tropsch synthesis into long-chain waxy hydrocarbons in the low-temperature Sasol Slurry Phase reactor; and
- by selectively cracking the waxy hydrocarbons through Chevron Isocracking™ technology to produce the mildly isomerised middle-distillate products of GTL diesel, kerosene and GTL naphtha.

What are the advantages of GTL products?

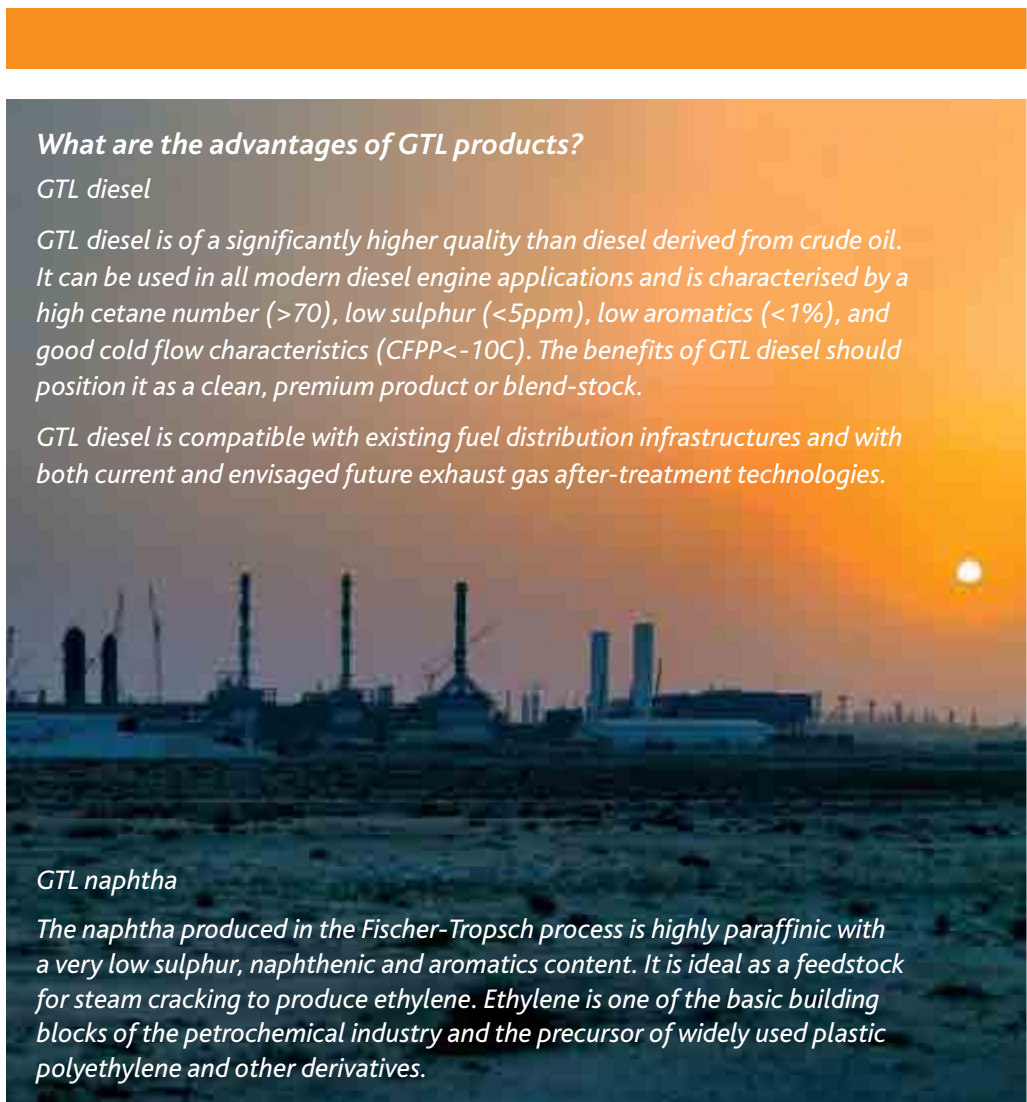
GTL diesel

GTL diesel is of a significantly higher quality than diesel derived from crude oil. It can be used in all modern diesel engine applications and is characterised by a high cetane number (>70), low sulphur (<5ppm), low aromatics (<1%), and good cold flow characteristics (CFPP<-10C). The benefits of GTL diesel should position it as a clean, premium product or blend-stock.

GTL diesel is compatible with existing fuel distribution infrastructures and with both current and envisaged future exhaust gas after-treatment technologies.

GTL naphtha

The naphtha produced in the Fischer-Tropsch process is highly paraffinic with a very low sulphur, naphthenic and aromatics content. It is ideal as a feedstock for steam cracking to produce ethylene. Ethylene is one of the basic building blocks of the petrochemical industry and the precursor of widely used plastic polyethylene and other derivatives.



chief executive's report



Pieter Cox, deputy chairman and chief executive (until 30 June 2005).

Robust strategy and improved conditions fuel growth

Results and market trends

Returning to solid growth

In the wake of two tough financial years, in which the appreciation of the rand led to reduced earnings, Sasol lifted its overall performance on the strength of higher prices and margins for oil, gas and chemicals. Ongoing efforts to reduce costs and improve productivity, quality and customer service also contributed to better performance.

On the downside, the continuing strength of the rand against the US dollar impacted performance. The adverse impact of impairments was more-or-less offset by reduced depreciation charges following a review of the remaining useful lives of our assets as required by accounting standards. Unscheduled shutdowns at Sasolburg and Secunda lowered fuel and chemical production and, in some cases, adversely impacted on supplies to our customers. These incidents are regretted and the affected Sasol businesses have since done everything possible to restore required service levels.

Looking back at Sasol's performance of the last three years, several factors have enabled the group to withstand dramatic changes in prices, exchange rates and demand:

- our continuing focus on unlocking further value from our integrated value chain;
- a commitment to develop our natural gas business;
- our investments to expand and improve our chemicals portfolio; and

- our drive to reduce costs, improve productivity, develop new markets and strengthen customer relations.

Achieving record earnings

Turnover increased by 15% from R60 151 million to R69 239 million, and operating profit rose by 56% from R9 314 million to R14 506 million. Earnings attributable to shareholders increased by 61% from R5 940 million to R9 573 million. Wealth creation rose by 18% from R23 373 million to R27 493 million.

Having increased by 12% in the previous year, the average price of dated Brent crude oil rose by 48% from US\$31,30 a barrel (b) to US\$46,17/b. Besides the strength of the world economy during the year, the main geopolitical factors influencing the oil price were a combination of a weaker US dollar, lower petroleum inventories, strong Asian demand, uncertainty over Iraqi supplies, robust US gasoline demand and concerns about political conflict in the Middle East. International refining margins were notably higher.

Business optimisation

Reaffirming our safety commitment

During the year, we reported 17 work-related fatalities, 10 of which resulted from an explosion at our Secunda ethylene plant in September 2004. Once again, we extend our sincere condolences to the families, friends and colleagues of those who died as a result of these tragic workplace accidents. These statistics are unacceptable and we have intensified our efforts to achieve our goal of zero fatalities.



“The Sasol safety charter, signed in May 2005, demonstrates our common goal of making safety the first priority of everyone at Sasol”

To bolster our safety culture and performance, we appointed DuPont Safety Resources in November 2004 to independently review our South African safety systems and practices. DuPont was asked to recommend opportunities for improving our safety programmes, including process safety, as well as employee and contractor training and management. DuPont conducted its safety review in the first quarter of 2005. In the interests of transparency, DuPont's findings and recommendations have been posted on our website.

Committing to a renewed safety drive

We are acting on the DuPont recommendations. This commitment has been integrated into the Sasol safety improvement plan, a change-management programme covering safe behaviour, contractor safety, process safety and other key safety matters. Through such sustained efforts, we aim to achieve world-class safety standards throughout our South African operations.

Sasol and three trade unions representing a high percentage of our South African workforce – the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union, the South African Chemical Workers' Union and Solidarity – also signed the Sasol safety charter in May 2005. This charter demonstrates our common goal of making safety the first priority of everyone at Sasol. In addition, we revised our values to better emphasise safety as one of Sasol's six shared values.

As a result of these initiatives, Sasol's leaders and employees have been demonstrating a stronger commitment to good safety performance. We are optimistic, therefore, that we shall achieve the results we all wish for Sasol.

Promoting black economic empowerment

Besides investing in social upliftment and development programmes in communities around our operations, Sasol's transformation initiatives centre on our growing black economic empowerment (BEE) programme.

The intention is to introduce the required BEE ownership to our liquid fuels business (LFB) and coal-mining business within the next year. The final structure and timing of the Sasol LFB transaction – which should result in the formation of Uhambo Oil, a joint venture with Petronas – depends on final approval from South Africa's Competition Tribunal.

Engen is a major South African oil company controlled by Petroliaam Nasional Berhad (Petronas) of Malaysia. The BEE partners in the planned Uhambo joint venture are Worldwide African Investment Holdings and Tshwarisano LFB Investment. Their investment in Uhambo will be the single largest BEE investment across the fuel industry value chain and will be broad-based with significant gender and geographic representation. The Competition Tribunal is scheduled to review the Uhambo transaction in October 2005.

Sasol Mining is advancing plans with Eyesizwe Coal, which was selected in May 2004 as our lead BEE partner for our South African coal-mining activities. Sasol Mining and Eyesizwe plan to announce details of their BEE deal in the year ahead.

Other BEE deals are being explored and it is likely that smaller ones will be pursued through our renewed ChemCity initiative, which focuses on creating new downstream businesses. This initiative is at the forefront of our drive to develop small, medium and micro enterprises in the South African chemical industry.



We are, however, also reconsidering our entire empowerment strategy. Once the BEE Codes of Good Practice have been classified and gazetted, businesses in South Africa will have a clearer understanding of the South African Government's empowerment expectations.

Through specific empowerment programmes under way in our South African businesses, Sasol is well set to meet its transformation challenges over the next decade. Notably, we approach the broader issue of socioeconomic transformation prudently, based on two prerequisites:

- we create partnerships with BEE players with whom we can establish synergy based on shared values and commitments; and
- we seek sustainable BEE equity deals with the potential to economically benefit a broad base of historically disadvantaged South Africans.

Furthermore, our annual procurement spend with BEE suppliers in South Africa rose by 65% from R1 495 million to R2 473 million. We intend to increase this amount in the year ahead.

Seeking top-level black executives

We continue to advance employment equity in our South African operations in line with the Employment Equity Act of 1998. A major initiative is under way to develop black South Africans at senior executive positions, an area in which we have been lacking. Shortly after year end, we announced the appointment of Nolitha Fakude as an executive director responsible for our global human resource and strategy functions.

At year end, 39% of our South African managerial, professional and supervisory posts were held by people from designated groups: blacks (Africans, Coloureds and Indians), women of all

racas and people with disabilities. We intend to increase this to 50% over the next few years.

Sustaining continuous improvement

The pursuit of continuous improvement remains a cornerstone of Sasol's culture. All businesses are retaining a disciplined approach towards cost containment. Last year, we reported a largely sustainable reduction of almost R900 million in our annual cost base. This was maintained during the year under review.

Outside unscheduled shutdowns, several fuel and chemical businesses increased their plant throughputs and per-capita productivity. Continuous improvement also covers ongoing programmes to:

- reduce our environmental footprint;
- expand our knowledge base and promote the sharing of best practices;
- pioneer better technologies; and
- increase our production and sale of higher-margin products.

Safeguarding a successful strategy

The group's strategic framework dating back to the late 1990s remains resilient and appropriate. Sasol's ability to withstand changing currency and market cycles against the backdrop of global markets that have become more competitive is further testimony that we have the required vision, values, leadership and investments to stay focused on achieving growth and improvement.

Our growth drivers remain unchanged:

- commercialising and expanding our Fischer-Tropsch gas-to-liquids (GTL) and coal-to-liquids (CTL) technology;
- growing our chemical portfolio in selected areas; and
- exploiting upstream hydrocarbon opportunities.



“Through specific empowerment programmes under way in our South African businesses, Sasol is well set to meet its transformation challenges ...”

Business highlights

Mining, oil and gas

Adapting to a new paradigm

Sasol Mining has entered a new era following the conversion of our Sasolburg chemical plant to natural gas feedstock, as well as the introduction of natural gas to our Secunda plant as a supplementary feedstock. As a result of these strategic developments and a new coal supply agreement with Anglo Coal, group coal production is being downscaled by more than 10%, using 2004 as the baseline. For the foreseeable future, our Secunda operations most likely will use natural gas, rather than coal, to increase production.

Consequently, Sasol Mining faces new pressures in containing cost per ton, having improved productivity, quality and financial performance in the previous six financial years. This well-performing business, however, is adapting to its new paradigm having launched its Project 2010 initiative in 2003. Among other objectives, Project 2010 is aimed at sustaining Sasol Mining's drive to remain stable, innovative and profitable. We are confident this business will remain an important contributor to earnings.

Retaining status despite lower production

Despite unscheduled shutdowns and the associated loss of production, Sasol Synfuels remains a solid performer. Besides contributing substantially to profit on the strength of higher crude oil prices and greater efficiency, this business has been working to increase operational stability and flexibility and reduce costs.

In partnership with the Sasol Liquid Fuels Business (LFB) and Sasol Technology, Sasol Synfuels is advancing Project Turbo to ensure Sasol's compliance with South Africa's new liquid fuel specifications after December 2005. Project Turbo will also provide additional monomer feedstock to support Sasol Polymers' growth plans.

Expanding our fuel retail network

The Sasol LFB posted a pleasing contribution to earnings. This business maintained its retail service station rollout launched in

January 2004. By financial year end, it had established 345 Sasol- and Exel-branded service stations, 73 of which were opened during the year. The business had another 25 retail sites under development.

Whatever the outcome of the Competition Tribunal decision on the planned Uhambo joint venture, we are confident Sasol LFB has the foundations to build a successful liquid fuels business in South Africa and sub-Saharan Africa.

Harnessing gas for new growth

Natural gas promises to play an important role in driving future growth. We have completed our first full financial year as a natural gas producer in Mozambique. Sasol Petroleum International (SPI) maintained steady gas production in Mozambique's Temane field and is set to become a reliable and profitable gas producer.

While Sasol's proven gas reserves, according to the definitions of the US Securities and Exchange Commission, have remained unchanged, we can report significant increases in our access to combined proven and probable reserves in Mozambique. SPI entered into a new agreement with the Government of Mozambique to commence exploration of a large offshore block east of the Temane and Pande fields in the year ahead.

The introduction of natural gas to customers in South Africa's industrial heartland has benefited Sasol Gas. This business increased its sales volumes by 71% largely on the strength of introducing natural gas to established and new external customers, as well as our Sasolburg and Secunda plants.

Compared with developed countries, South Africa is a small consumer of natural gas as a percentage of its total energy requirements. This presents Sasol Gas with opportunities to increase sales of environmentally preferred natural gas.

This potential could be boosted if South African power producers and consumers exploit the benefits of using gas for cost-competitive and environmentally preferred co-generation, a technology for the concurrent generation of steam and electricity in industry.



Gearing for the GTL era

An exciting development in our oil and gas portfolio is our ambition to be a key player in the world's emerging GTL industry. Through Sasol Synfuels International (SSI) and our joint venture with Chevron, Sasol Chevron, we are pioneering the international GTL industry at Ras Laffan, Qatar, with the construction of the first-phase (34 000 b/d) Oryx GTL plant in partnership with Qatar Petroleum (QP).

SSI and QP expect the Oryx GTL plant to start producing GTL diesel and GTL naphtha for the international market during 2006. Sasol Chevron and QP plan to increase the installed GTL capacity at Ras Laffan in the future by about 195 000 b/d by expanding the Oryx GTL plant and building an integrated GTL plant.

In April 2005, Chevron Nigeria Limited (CNL) and the Nigerian Petroleum Corporation (NNPC) awarded the US\$1,7 billion engineering, procurement and construction contract to the multinational Team JKS consortium for a GTL plant at Escravos, Nigeria. While this plant will be owned and operated by NNPC and CNL, Sasol will provide technology and operating expertise, as well as 50% of the risk-based project finance required by CNL for this venture. Plant start-up currently is targeted for 2009. This GTL plant will use the Sasol Slurry Phase Distillate™ (Sasol SPD™) process to produce GTL diesel, GTL naphtha and some liquefied petroleum gas.

Based on the Sasol SPD™ process, there is potential for Sasol and its partners to install a global GTL capacity of about 450 000 b/d by 2014. To this end, we are holding discussions with Australia, Iran and other gas-rich countries.

Pursuing CTL studies for China

The growth of emerging economies, along with continuing concerns about high crude oil prices and security of energy supplies, has revived interest in CTL conversion technology, particularly Sasol's coal-based Fischer-Tropsch technology. Sasol and a Chinese consortium are undertaking a pre-feasibility study for the potential development of two CTL plants in China early in the next decade.

Chemicals

Growing our polymers portfolio

Besides our world-scale South African and Asian polymer expansion projects, we have eased the pace of our large-capacity chemical expansion programme. While we shall continue to evaluate chemical opportunities that meet our investment criteria, the group is moving into an exciting era of expansion in GTL ventures, which should also provide chemical expansion opportunities.

Sasol Polymers remains a strong performer and posted a record earnings contribution on the strength of higher international polymer prices, as well as cost reduction and improved efficiencies. Once the two new Project Turbo-related polymer plants are completed in the year ahead, this capacity – along with the new capacity following two other plant expansions – will increase our global polymer capacity by about 80% to about 1,5 million tons. This augurs well for Sasol Polymers' plans to significantly increase future profit streams.

Through Sasol Polymers Germany, we are developing the Arya Sasol joint-venture polymer facilities at Bandar Assaluyeh, Iran, in partnership with that country's National Petrochemical Company. As a 50% partner in Arya Sasol, these new investments will provide us with an additional 500 000 tons per annum (tpa) of ethylene and 300 000 tpa of polyethylene. Most of this polyethylene will be targeted for sales to customers in China, South-East Asia and Africa.

Planning to sell surfactants operations

On 1 August 2005, we announced our intention to dispose of much of the assets we acquired in 2001 from RWE-DEA, subject to fair value being secured. While we shall retain the German-based assets of Sasol Solvents, as well as our South African comonomer activities, we plan to sell the international surfactants and inorganic speciality businesses of Sasol Olefins & Surfactants.

It has been a pleasure and a privilege for us to develop relationships with the excellent people in these businesses over the last four years. We are grateful for the contributions they have made to strengthening this business and to ensuring that it is poised for success and growth.



“An exciting development in our oil and gas portfolio is our ambition to be a key player in the world’s emerging GTL industry”



The surfactants business, however, is not integrated to the extent Sasol requires and, from a portfolio management perspective, the proceeds arising from their sale will be better utilised to reduce our gearing, or to advance our GTL ambitions, which leverage Sasol’s proprietary technology and are core to our future growth objectives.

Sasol Solvents released sparkling results for the year, while both Sasol Nitro and Sasol Wax have posted solid results.

Technology

Maintaining focused innovation

We continue to invest substantially in programmes to advance those core petrochemical processes that form the bastion of our competitive advantage. We are advancing the next generation of our GTL technology and are seeking opportunities to leverage chemicals expansion in the process. Our project management resources are being bolstered in anticipation of future projects, particularly those related to offshore GTL and potential CTL ventures.

Sustainable development

Sustainability framework

Building our commitment

Sasol remains in the top quartile of the international Dow-Jones Sustainability Index for our industrial category. It also is pleasing that our efforts to improve our sustainability reporting and increase transparency on our economic, social and environmental challenges were again acknowledged when, in June 2005, we jointly won the best sustainability report award of the Association of Chartered Certified Accountants.

In 2004, we were one of the first companies to be listed on the socially responsible investment index (JSE SRI) of the JSE Limited (JSE). This year, we were ranked in the five top performers of the 22 high-impact companies listed on the JSE. In addition, we continue to advance a worldwide Responsible Care programme for our fuel and chemical interests, and uphold our commitment to the tenets of the Global Compact as a signatory to this United Nations initiative.

Economic development

Unlocking wealth in Africa and the Middle East

Sasol is a major contributor to economic development in South Africa and, increasingly, also in other African countries and the Middle East.

In South Africa, our operations sustain about 170 000 jobs, directly and indirectly, which accounts for about 2% of the formal employment sector. We contribute about R40 billion (4%) to national gross domestic product (GDP) and save the country more than R30 billion in foreign exchange. Sasol also remains the country’s single largest industrial investor, with our R24 billion invested over the last four years equating to almost 90% of South Africa’s total foreign direct investment over the same period.

Economists estimate that our US\$1,2 billion investment to develop the Temane and Pande gas fields and to pipe natural gas to South Africa has enabled Mozambique to increase its GDP by about 20%.

This contribution to Mozambique’s economic development is vital at a time when African leaders are engaged in new initiatives to reduce poverty and promote further socioeconomic development. During the year, in addition to providing a portion of the royalty obligation by way of gas in kind, Sasol also paid R19 million (US\$3 million) to the Government of Mozambique in the form of taxes and royalties. Our operations in Mozambique, directly, have created about 280 permanent jobs.

Elsewhere in Africa, the licensing of our proprietary Sasol SPD™ process to CNL and NNPC for the Escravos GTL plant will begin to contribute to the Nigerian economy after the plant’s start-up in 2009. Our joint-venture investments in the Oryx GTL and Arya Sasol Polymer projects will contribute to economic development in the Middle East Gulf region.

Human capital

Nurturing talent for growth

Our substantial investment in employee training and development entails striving to be an employer of choice that offers safe, stimulating and rewarding workplaces and career opportunities.



We invested R172 million in employee training and development, most of which was spent in South Africa, Germany, Italy and the USA. We also are transferring and developing skills in neighbouring Mozambique. We intend to replicate this commitment whenever we invest in other economies, such as Qatar and Nigeria. Our successful bursary programme continues to gain momentum and, in line with South Africa's social transformation, we are allocating more than 62% of our undergraduate bursaries to students from historically disadvantaged groups.

Waging war on Aids

The Sasol HIV/Aids Response Programme (SHARP) has been introduced to all our businesses in South Africa, as well as neighbouring Mozambique. SHARP is an integrated approach focused on sustaining positive measures to reduce the rate of HIV/Aids infection throughout our company, and on extending the quality of life of infected employees by providing managed healthcare solutions. In addition, SHARP is benefiting communities surrounding our Southern African operations, particularly in the Sasolburg, Secunda and central Mozambique regions.

Social investment

Furthering social upliftment

Sasol is one of South Africa's largest corporate investors in social upliftment and development. Most of this investment is channelled into education and training, capacity building and job creation, health and welfare, environmental education and conservation, and arts and culture.

In South Africa, alone, we invested almost R47 million during the year in social investment, which was complemented by a further investment of R2,5 million in Mozambique. We also contribute to community programmes in Europe, the USA and Asia through our international operations. In addition, Sasol contributed funds to the relief programmes that followed the South-East Asian tsunami disaster of December 2004.



“Sasol’s contribution to Mozambique’s economic development is vital at a time when African leaders are engaged in new initiatives to reduce poverty ...”

Foreign shareholding

Attracting new foreign investors

Foreign investors continue to invest in Sasol. By year end, foreign shareholding had risen to 33% of total ordinary shares issued.

Since listing on the New York Stock Exchange (NYSE) in April 2003, the price of a Sasol American depositary receipt (ADR) continues to appreciate. On the day of our NYSE listing, a Sasol ADR closed at US\$10,73. In July and August 2005, a Sasol ADR was trading in the region of US\$34,00, a threefold increase.

Prospects

Sustaining growth through new capacity

Forecasting exchange rates, oil and petrochemical prices and energy costs remains difficult. We are, however, expecting satisfactory growth in headline earnings in the year ahead.

Our plans to increase production capacity in the year ahead as the Oryx GTL, Arya Sasol Polymer and Project Turbo plants begin to build up production and sales are well known. The income streams from these investments will benefit the financial year beginning on 1 July 2006.

Acknowledgements

Looking back with appreciation

This is my final chief executive’s report and I wish to express a special appreciation this year. Not only do I thank our employees worldwide for their continued hard work and contribution to Sasol’s good results, but I also thank them for contributing to many group successes during my stimulating and enjoyable tenure as chief executive.

I also thank our many valued customers, suppliers and business associates worldwide for their continuing goodwill and support. We look forward to working with you in the year ahead.

Welcoming Sasol’s new leaders

On 1 July 2005, I handed the reins to the group’s new chief executive, Pat Davies, to lead Sasol in an exciting new phase of growth and innovation. To strengthen our leadership, the board of directors also appointed Trevor Munday to the newly created post of deputy chief executive. Both Pat and Trevor bring much experience and insight to our executive team. I thank them for their significant contributions, support and the constructive relationship we enjoyed over many years.

Sasol is in capable hands. I believe our talented leaders and employees around the world will continue to safeguard our values, work for growth and improvement, and uphold the principles of good corporate citizenship.

Acknowledgements

I thank Paul Kruger for his support as chairman over the past nine years. I have appreciated the guidance and sound advice from him and our non-executive board members during my tenure as chief executive. I thank them all.

Pieter Cox
Chief executive (until 30 June 2005)

sasol's integrated business model

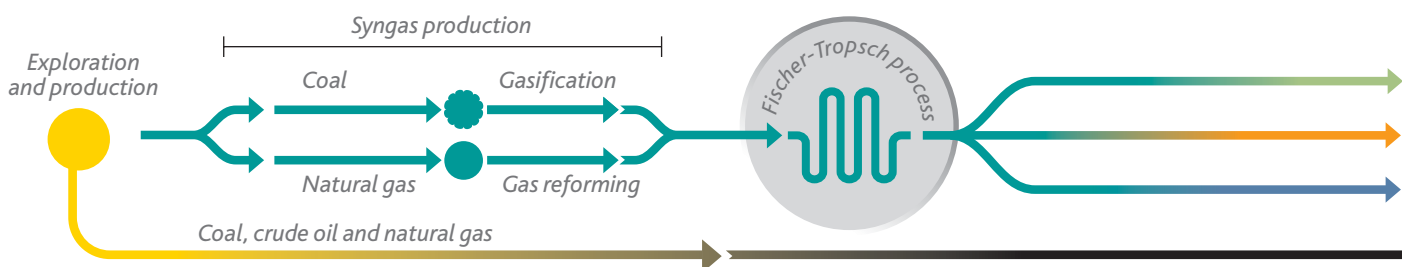
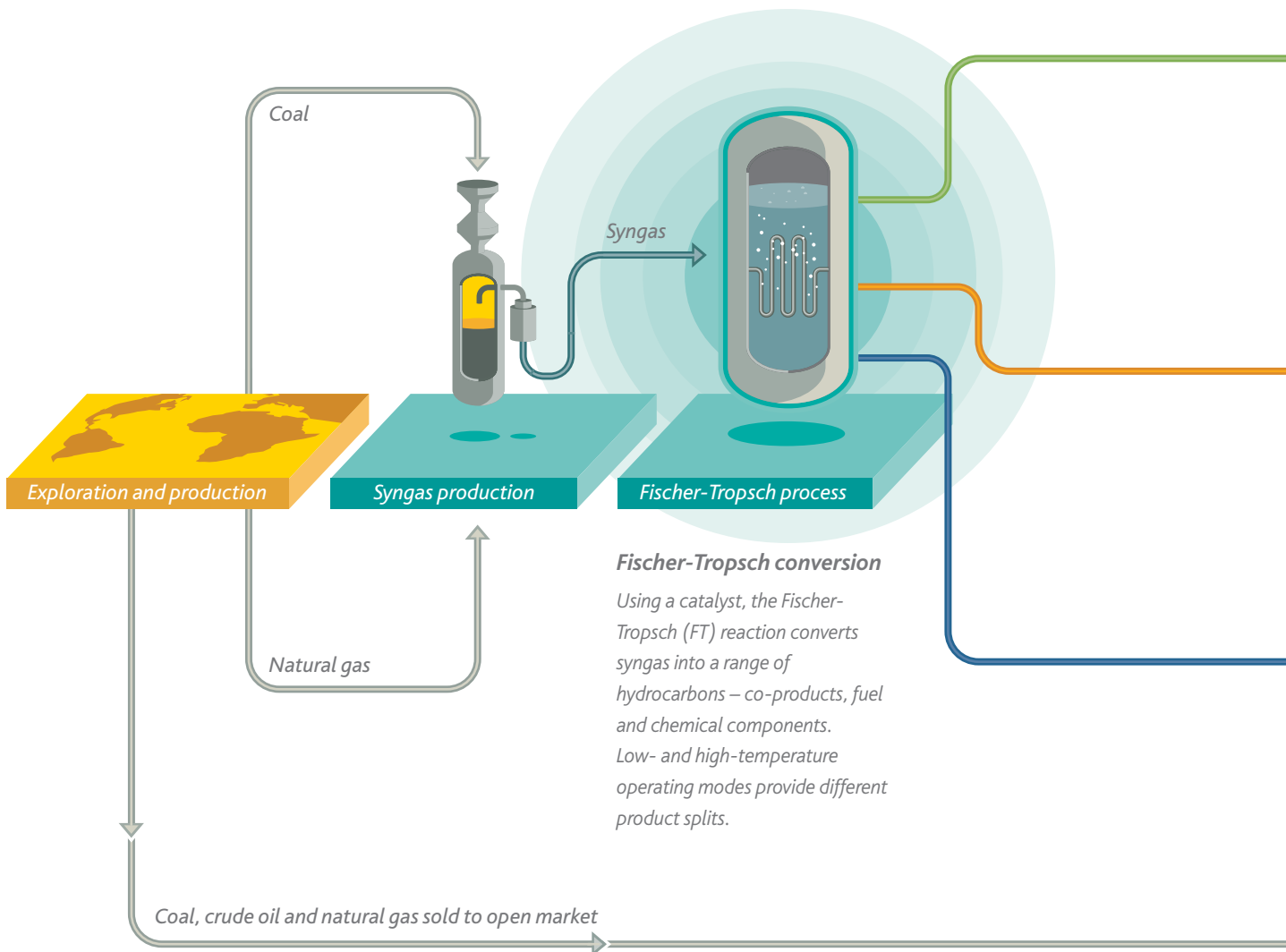
Exploiting the benefits of Fischer-Tropsch technology

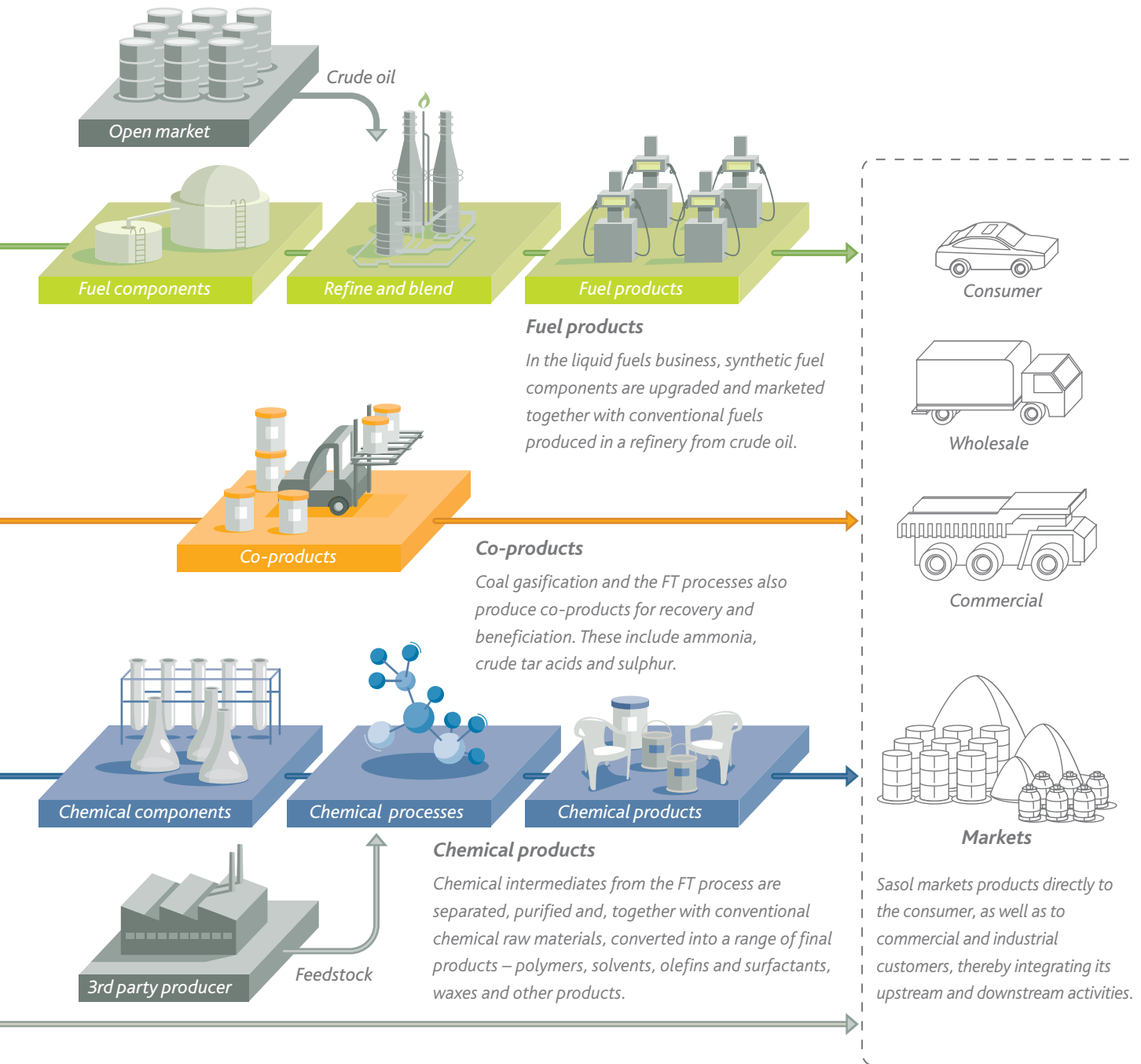
Exploration and production

Sasol obtains its raw materials (coal, gas and crude oil) through its coal-mining activities and oil and gas exploration and production activities, which are supplemented by purchases from the open market. Some raw materials are sold directly to external markets.

Syngas production

Using steam and oxygen at high temperatures, coal is gasified and natural gas reformed to produce synthesis gas (syngas, a mixture of carbon monoxide and hydrogen).





operational review *oil and gas businesses*

Sasol Mining

- *Healthy profit contribution of R1 247 million despite lower sales.*
- *Mining has entered a new paradigm following the introduction of natural gas and reduced group coal demand.*
- *Exports continue to perform well and benefited from higher global prices.*
- *Work is progressing towards our empowerment deal with Eyesizwe Coal.*
- *New Sasolburg mine is set to go into production in November 2005.*



Rising to meet new challenges

In the wake of Sasol's introduction of Mozambican natural gas to inland gas customers and the Sasolburg and Secunda plants during the previous year, Sasol Mining is building a new business model based on reduced volumes of coal production. This transformation has impacted on results, particularly sales volumes, productivity and cost containment.

In the previous six years, Sasol Mining was a star performer as a result of successful business renewal initiatives launched in the 1999 financial year. These initiatives were aimed at improving employee morale and safety, productivity, product quality and technology utilisation, while also reducing workplace injuries, cost per ton and underground dust levels. The benefits of renewal led to an overall sustained growth in profit contribution, as well as productivity (an average of 14% a year for machine productivity).

With internal annual coal demand decreasing within a changing mining environment, Sasol Mining launched an initiative in 2003, called Project 2010, to guide it into the future. The division has set its 2005 financial, production and related business metrics as a baseline for future comparative reporting.

Delivering profit growth despite lower sales

Further increases in international coal prices helped Sasol Mining to soften some of the impact of selling less coal to the Sasolburg and Secunda plants. Turnover dropped marginally to R5 215 million, but operating profit increased by 4% to R1 247 million, mainly on the strength of disciplined production and cost management, as well as higher margins achieved in the stable-volume export business. Total production for the year dropped by 9% from 52,4 million tons (Mt) to 47,7 Mt.

Improving without volume benefits

We have a distinctive challenge as one of the main Sasol businesses: to achieve continuous improvement and a sustained contribution to group profit without the advantage of shorter-term growth opportunities.



Sasol Mining continues to harness technology to improve safety and productivity.



Sasol Mining financial highlights

		2005	2004	% change
Turnover	Rm	5 215	5 244	(1)
Operating profit	Rm	1 247	1 194	4
Capital items	Rm	23	17	
Operating margin	%	24	23	
Contribution to:				
group operating profit	%	9	13	
attributable earnings	Rm	801	837	(4)
Cash flow from operations	Rm	1 689	1 714	(1)

Sasol Mining operational highlights

		2005	2004	% change
Total sales	Mt	46,5	51,1	(9)
Total production	Mt	47,7	52,4	(9)
Sales per employee	t	6 535	6 687	(2)

Following the introduction of natural gas during 2004, coal-mining at Sasolburg has been downscaled from an annual rate of about 6 Mt to around 2 Mt. In addition, with Sasol Synfuels using natural gas as a supplementary feedstock, the Secunda operations can be expected to use natural gas, rather than coal, to expand future production.

We produced 52,4 Mt of coal at Sasolburg and Secunda in the previous year and, by the end of the 2006 financial year, annual production will have dropped to around 45 Mt. Our shorter-term financial growth, therefore, will stem mainly from productivity improvements and cost reductions.

Moving Project 2010 forward

For these and related optimisation reasons, we implemented our Project 2010 business enhancement strategy and revised operating framework two years ago. This initiative is founded on:

- improving safety, health and environmental performance;
- supporting South Africa's socioeconomic transformation to ensure Mining Charter compliance;
- winning with people;
- pursuing continuous improvement;
- strengthening product and market optimisation and logistics; and
- optimising reserve utilisation.

Consolidating our Secunda operations

To support Project 2010, we have been consolidating our Secunda operations. The lower Secunda production volumes have presented an additional challenge at a time when we have been working successfully to reduce unit cost. Since commencing business renewal and optimisation in the 1999 financial year, unit cost has reduced by 7% in real terms.

Our Syferfontein strip-mining operations reached the end of their economic life, and our underground complex adjacent to the Secunda factories was consolidated further. In addition, the Kriel South Project – aimed at optimising effectiveness at Secunda – remains on schedule and budget, and the first coal from Anglo Coal was delivered on 1 July 2005. As a result of this project, entailing a swap of reserves for supplies between the two mining companies, Anglo Coal will supply Sasol Mining with 3,7 Mt of coal during the 2006 financial year and thereafter at a rate of 5 Mt a year, and we shall further reduce our Secunda production volumes.

We have defined our customer profiles and markets more clearly. At Secunda, we are focused on three main customers: Sasol Synfuels; exports through Richards Bay Coal Terminal to power generators and Eskom, South Africa's state-owned power company. The established underground operations of Bosjesspruit, Brandspruit, Middelbult and Syferfontein serve Sasol Synfuels. The Twistdraai operations have been consolidated to serve the export business, while also producing middlings for Sasol Synfuels. The plan is to ensure that Twistdraai no longer supplies run-of-mine coal to Sasol Synfuels.

The Sigma-Wonderwater strip-mining operation near Sasolburg is being closed and rehabilitated. In its place, we are developing the Sigma-Mooikraal mine to supply the 2 Mt of utility coal required for the Sasolburg power and steam plants. Situated near Sasolburg, Sigma-Mooikraal is scheduled to commence supply in November 2005.

In the year ahead, we shall continue to work with Eyesizwe Coal, our lead empowerment partner, towards introducing BEE ownership to our mining operations. We intend to conclude the terms of an empowerment deal in the year ahead.

Sasol Synfuels

- *Renewed commitment to improve safety performance.*
- *Strong contribution of R5 310 million to earnings despite lower production.*
- *Cost-optimisation drive unleashes new benefits.*
- *Complex Project Turbo enters final construction phase.*
- *Ongoing investments to reduce environmental footprint.*



Pleasing results despite lower production

Prevailing high oil prices and other macroeconomic influences were favourable for Sasol Synfuels, along with our focus on safety, optimising cost and improving production planning.

These benefits, however, were offset partially by lower production following a few non-scheduled shutdowns, the most severe of which occurred in January 2005 after unusually high rainfall, the highest recorded in Sasol Synfuels' history. Flooding on the eastern site kept plants offline for up to 14 days because several electrical motors were damaged.

Despite the 2,7% drop in production from a record 7,67 Mt to 7,46 Mt, Sasol Synfuels remained the leading contributor to group earnings.

Sustaining our growth

Turnover increased by 17% from R15 993 million to R18 684 million, and operating profit rose by 37% from R5 512 million to R7 560 million.

Our rand/ton cost, however, increased by 9,4% mainly because unscheduled shutdowns reduced volumes. We continue to work hard to reduce unit cost through our five-year operational excellence strategy.

Our continuing focus on reducing our staff complement through natural attrition enabled us to increase productivity by almost 0,5% from 1 357 t to 1 364 t per capita despite lower total production.

Further improvements to Fischer-Tropsch technology

We continue to exploit new opportunities to streamline production and enhance economy of scale. In the previous financial year, we identified an opportunity with Sasol Technology to operate some of the Sasol Advanced Synthol™ (SAS™) reactors in a more efficient configuration, and this yielded higher



Sasol Synfuels is close to completing Project Turbo at Secunda in South Africa.



Sasol Synfuels financial highlights

		2005	2004	% change
Turnover	Rm	18 684	15 993	17
Operating profit	Rm	7 560	5 512	37
Capital items	Rm	(110)	(3)	
Operating margin	%	40	34	
Contribution to:				
group operating profit	%	52	59	
attributable earnings	Rm	5 310	3 696	44
Cash flow from operations	Rm	8 504	6 743	26

Sasol Synfuels operational highlights

		2005	2004	% change
Total sales	Mt	7,45	7,92	(5,9)
Total production	Mt	7,46	7,67	(2,7)
Production per employee	t	1 364	1 357	0,5

outputs and greater operational flexibility. We exploited further opportunities to enhance the operations of all nine SAS™ reactors and achieved improved efficiencies.

We completed our first full year of using Mozambican natural gas as a supplementary feedstock to Secunda coal. Year-on-year, natural gas consumption increased by 320%, from a low base, and we have proven that this supplementary feedstock enables us to achieve greater production flexibility and higher gas loads. These benefits offset the disadvantage of natural gas being more expensive than coal-derived gas.

Preparing for cleaner fuels

The R13,5 billion Project Turbo clean-fuels and polymer-expansion project in partnership with Sasol Polymers is advancing well towards completion. This is the largest and most complex project undertaken at Secunda since building the original Sasol Two and Sasol Three plants. Our final Turbo-related production units, including the new selective catalytic cracker, are expected to start up in March 2006.

In partnership with the Sasol Liquid Fuels Business, we shall be compliant with South Africa's new fuel specifications in January 2006. This means all petrol produced from natural gas and coal will be unleaded as from 1 January. Our low-sulphur Secunda diesel already meets the new South African specifications for substantially reduced sulphur in diesel.

Supporting renewed safety drive

We are implementing Sasol's groundbreaking safety charter and safety improvement plan with the aim of eliminating work-related accidents and injuries. We are confident that our employees and their representative trade unions will work closely with management in the year ahead to strengthen our safety culture and lower our recordable case rate.

The spirit of renewed safety commitment extends to our environmental programmes and, in particular, our sustained drive to reduce emissions to air for each ton of product. This drive is underscored by our commitment of more than R4 billion to

various environmental enhancement programmes over the next 10 years. We shall execute these programmes in parallel with our business growth programme.

Targeting further emissions reduction

South Africa's Air Quality Act of 2005 sets stringent standards for ambient concentrations of the priority air pollutants. Sasol began work several years ago to measure and reduce emissions of these priority pollutants. Despite the high costs of these projects, we are well prepared to address the air-quality issues, which will take several years to implement due to the scale and complexity of the projects.

Hydrogen sulphide emissions at Secunda have been reduced significantly in recent years following an investment of more than R400 million to increase the recovery and processing of sulphur. We have committed to make further improvements by 2008. We are focusing on opportunities to lower emissions of low-level non-methane hydrocarbons (volatile organic compounds) and are advancing a series of investments to this end.

In addition, we are committed to improving waste management and are executing capital projects with a combined value of almost R800 million. In one major initiative, we are developing a R520 million waste recycling facility for completion before the end of 2005. In another initiative, we are spending R150 million to rehabilitate a waste site for storing black products. This project will take several years to complete.

Improving our sound fundamentals

Our strategic fundamentals are sound, and augur well for the year ahead as we continue to focus on opportunities to improve volumes, good safety practices, competitive skills and both human and plant productivity.

Specific programmes are being implemented to improve operational excellence over the next five years. This will be the foundation for both growth and environmental programmes that are planned for the next decade.

Sasol Liquid Fuels Business

- Operating profit up 33% on strength of higher refining margins, cost discipline and retail expansion, with 146 Sasol convenience centres and 199 Exel service stations operating at year end.
- R600 million Natref clean-fuels project is nearing completion.
- Planned Uhambo Oil joint venture with Engen awaits Competition Tribunal approval.
- Improved range of turbo™ fuels launched.
- Supply agreements signed with other oil companies operating in South Africa.



Sasol's convenience centre rollout established critical mass during the year.

Maintaining growth and innovation

The Sasol Liquid Fuels Business (LFB) performed well and posted a strong profit on the strength of higher refining margins. The financial impact of lower-than-planned production was offset by the sustained efforts to contain costs, improve efficiency and build brand awareness.

Other operational highlights include:

- the establishment of mutually beneficial individual supply agreements with each of the other major oil companies operating in South Africa; and
- our drive to expand market share in the South African liquid fuel wholesale and retail markets through marketing and promotional initiatives, including Sasol's expanded corporate sport sponsorship programme.

The combination of higher prices and sales enabled Sasol LFB to increase turnover by 26% from R18 851 million to R23 712 million, while operating profit rose 33% from R1 429 million to R1 900 million largely on the strength of better refining margins. The South African liquid fuels market grew by about 3% during the year.

We also are marketing and selling on behalf of Sasol Petroleum International the condensate recovered by the Temane natural gas central processing facility in Mozambique.

Expanding retail network and market share

Consumers have been responding favourably to our retail network expansion programme. During the year, 73 new Sasol- and Exel-branded retail service stations were opened and another 25 were under development at year end. To date, Sasol LFB has established 345 Sasol- and Exel-branded retail service stations around South Africa. These facilities contributed appreciably to our increased market share, which rose to 7% for the combined South African petrol and diesel market.



Sasol Liquid Fuels Business financial highlights

		2005	2004	% change
Turnover	Rm	23 712	18 851	26
Operating profit	Rm	1 900	1 429	33
Capital items	Rm	(63)	–	
Operating margin	%	8	8	
Contribution to:				
group operating profit	%	13	15	
attributable earnings	Rm	1 201	943	27
Cash flow from operations	Rm	2 405	1 932	24

Sasol Liquid Fuels Business operational highlights

		2005	2004	% change
Crude oil processed *	M m ³	3,18	3,1	2
White product yield (% of raw material)		89,5	90,7	(1)
Total liquid fuel sales	M m ³	9,60	9,32	3
Fuel and bitumen exports	M m ³	0,9	0,7	29

* Based on the 63,6% share held by Sasol in the Natref crude oil refinery.

Significantly, 35% of the Sasol- and Exel-branded service stations are operated by historically disadvantaged South Africans. It is our intention to franchise at least 50% of all future service stations to historically disadvantaged people in line with a wider national programme to economically empower a far greater percentage of South Africans.

Creating a world-class retail experience

The distinctive Sasol delight!TM convenience stores with bakeries at our Sasol convenience centres (SCCs) have been exceptionally well received by consumers around South Africa. Based on market research findings, our Sasol delight!TM facilities are meeting and exceeding their retail performance criteria.

We commenced our SCC rollout programme in January 2004 determined to create a new retail service station experience in South Africa and to emulate world-best practices. We believe we have met our initial SCC design and performance targets.

The SCC franchisees, in general, have been performing well and their combined turnover has been higher than expected. Our retail rollout strategy is not driven by growth purely for growth's sake, which can be disruptive to our industry. Since launching our SCC rollout programme, we have focused successfully on areas where there is a real market need for these facilities within the ambit of responsible development and competition.

In April 2005, we held the ceremonial opening at Sasolburg of our first integrated truck service centre, which we regard as a first of its kind in South Africa. This centre offers refuelling, internal and external tanker washing and ablution facilities, along with a restaurant, convenience store and secure parking to benefit transport companies operating in the region.

Besides our well-established programme of sponsoring motor sport in South Africa, including the annual Sasol Rally in the province of Mpumalanga, Sasol is sponsoring national rugby

(including the Springboks), the national under-23 soccer team, Amaglug-glugTM, and the South African Olympics team. The 2005 Sasol Rally had 71 participating teams and drew more than 30 000 live spectators.

We also sponsor the Exel cycling team, which has a strong focus on developing top-class cyclists from historically disadvantaged groups. The motor sport sponsorship specifically focuses on developing people from disadvantaged groups as well.

Sustaining product innovation

The launch of improved formulations of Sasol turbodieselTM and Sasol turboTM unleaded petrol contributed to our pleasing growth in the retail market. Consumers have responded enthusiastically to these new products, particularly Sasol turbodieselTM, which is considered to be the cleanest diesel currently being sold at South African forecourts. This diesel already exceeds the new South African fuel specifications to be introduced in January 2006.

For several years, we have been supplying a semi-synthetic jet fuel to international airlines operating to and from Johannesburg International Airport. We are working with international airlines and aviation officials, as well as jet-engine manufacturers, to obtain approval to supply a fully synthetic jet fuel, which would be manufactured at Secunda from a combination of coal and natural gas feedstock.

Waiting for approval of joint venture

The planned Uhambo Oil Limited (Uhambo) joint venture between the liquid fuel interests of Sasol and Engen, predominantly owned by Petroliam Nasional Berhad (Petronas) of Malaysia, was recommended for conditional approval in May 2005 by South Africa's Competition Commission. It has been referred to the Competition Tribunal for final review and approval. The tribunal hearing is set for October 2005.

sasol liquid fuels business

Should the Uhambo deal proceed, Sasol and Petronas will partner with two black economic empowerment (BEE) groups, Worldwide African Investment Holdings (Worldwide) and Tshwarisano LFB Investment (Tshwarisano), to create the largest liquid fuel business in South Africa. The business will have the annual capacity to produce about 13 million cubic metres (m³) of white petroleum products, mostly comprising petrol, diesel and kerosene.

Sasol and Petronas – Malaysia's national oil company – will each own a 37,5% share in Uhambo. The empowerment partners, Worldwide and Tshwarisano, will each hold a 12,5% share. Subject to final approval, Uhambo will comprise the following key operations:

- Engen's Enref oil refinery at Durban;
- Sasol's share in the Natref oil refinery at Sasolburg;
- a network of about 1 600 service stations currently operating under the Engen, Sasol, Exel and Zenex brands;
- Engen and Sasol's liquid fuel operations in sub-Saharan Africa, including Botswana, Burundi, Democratic Republic of the Congo, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe; and
- the purchase and blending of liquid fuel components produced by Sasol Synfuels at Secunda.

The planned Uhambo company will be looking to sell its output to its own marketing network and to the other oil companies operating in South Africa. Some volumes will be exported, mostly into Africa.

Engen currently operates more than 1 250 Engen- and Zenex-branded service stations in South Africa. These will be

complemented by a further 350 Sasol- and Exel-branded service stations. The planned joint venture's head office will be in Cape Town.

Preparing our refinery for cleaner fuels

The Natref oil refinery at Sasolburg, owned by Sasol and Total South Africa, continues to perform well and throughput increased to 3,2 million m³. Total liquid fuels production, however, was negatively impacted by several unscheduled shutdowns at our Sasolburg and Secunda production facilities. Fortunately, lower production did not impact on domestic supply agreements, but compelled us to limit our targeted export volumes.

Natref's excellent safety record was marred by a tragic incident that killed two people in a fire at the dispatch area.

The R520 million Natref clean-fuels project is progressing according to schedule and on budget. In partnership with Total and Sasol Technology, we are expanding the Natref diesel hydrotreater to enable the production of a low-sulphur diesel. The Natref gasoline processing units are being modified to enable the termination of leaded-petrol production.

Once completed in October 2005, this investment will ensure Natref's compliance with South Africa's new fuel specifications that become mandatory in January 2006. As a result of the new fuel specifications, the production and marketing of leaded petrol will be discontinued and the maximum sulphur content of diesel will be reduced from 3 000 parts per million (ppm) to 500 ppm.

Building a new supply dispensation

As reported last year, the long-serving Main Supply and Blue Pump agreements between Sasol and the other oil companies





operating in South Africa expired at the end of 2003. The expiry of these agreements paved the way for a more liberalised dispensation in the South African oil industry and brought new manufacturing and supply challenges to Sasol's LFB.

During the year, we successfully negotiated and signed individual supply agreements with each of the major oil companies operating in South Africa. In our view, these arm's-length agreements with member companies of The South African Petroleum Industry Association augur well for the development of the country's liquid fuels industry.

We formed an empowerment joint venture, Namibia Liquid Fuel, with a Namibian company to supply 50% of Namibia's white product requirements (about 500 000 m³ a year) for at least three years. In addition, we entered into a major new supply agreement with the Government of Lesotho.

We met all term supply requirements throughout the year, and are committed to remaining a reliable supplier in the year ahead as we continue to focus on building strong relations with our industry peers. We also signed a new agreement with South Africa's state-owned gas-to-liquids fuel producer, PetroSA, in May 2005 to increase our purchases of liquid fuels from this company.

Our overland and marine exports of fuel were sustained throughout the year and volumes grew by 20% despite production interruptions at Sasolburg and Secunda. Most of our fuel exports were supplied to customers in Southern African Development Community countries.

Up until 31 March 2005, we sold all our base bitumen exclusively through Tosas. The black-product value chain, however, was redesigned and we started to market base bitumen directly with effect from 1 April 2005.

Rising to environmental opportunities

In keeping with Sasol's wider commitment to sustainable development and the international Responsible Care programme, we remained focused on opportunities to reduce environmental impacts and maintain our ISO 14001 management system. The rapid rollout of our new retail service stations has been founded on a comprehensive environmental programme, which includes a mandatory environmental impact assessment for each new retail site.

A disciplined approach is maintained when designing, installing and maintaining underground fuel tanks at retail forecourts to prevent fuel from leaking into soil and aquifers. In addition, we are working to ensure our road tankers' emissions are restricted and that our vehicles are used in a more eco-efficient manner.

Natref received a renewed environmental permit from the South African Government, which will be valid until the end of 2007. In addition, the refinery is installing a sour-water stripper as part of a wider commitment to reduce future levels of sulphur dioxide emissions to air.

Sasol's South African bio-diesel study is advancing and has been formally approved by the group executive committee to proceed to a full-scale feasibility study. This study is aimed at establishing a technically and economically feasible process for producing a high-performance diesel from a renewable source such as soybeans.



Sasol Gas

- *First full year of natural gas supply enables significant growth.*
- *Operating profit up by 141%.*
- *Sales volumes increase by 71%.*
- *Opportunities are being pursued to advance black economic empowerment.*
- *Co-generation and other growth opportunities are being explored.*



Natural gas sparks new growth momentum

Sasol Gas performed well, having successfully introduced natural gas to all inland customers who were targeted for conversion from coal-based hydrogen-rich pipeline gas to the supply of natural gas produced in the Temane field of Mozambique.

Natural gas supply from Sasol Petroleum Temane (SPT), a Mozambican subsidiary of Sasol Petroleum International (SPI), was sustained at volumes required by the market. Most customers who were converted to natural gas have expressed satisfaction with the performance of the natural gas product and service received.

Sasol Gas achieved a substantial 71% increase in sales volumes from 50,7 million gigajoules (GJ) to 86,9 million GJ, mostly on the strength of selling a combined 38,5 million GJ to the Sasol plants at Sasolburg and Secunda. Gas sales to external customers increased by 2,8% from 42,9 million GJ to 44,1 million GJ. Gas optimisation initiatives at larger customers were offset by new sales to new customers.

Sasol Gas benefited from higher selling prices, which are based on indices linked to domestic inflation and alternative energy prices. Accordingly, turnover increased by 58% from R1 522 million to R2 404 million. Operating profit rose by 141% from R387 million to R932 million, because of the higher sales volumes and prices.

Targeting growth for gas

Now that the Sasolburg plant has converted to natural gas and the Secunda plant most likely will increase gas volumes gradually, most of Sasol Gas' shorter-term growth will be determined by its ability to attract new external gas customers, along with its success in working with other energy stakeholders to develop a gas-based co-generation market in South Africa.

Pipeline gas, including the 16,8 million GJ of methane-rich gas produced at Secunda, accounts for less than 4% of South Africa's total energy requirements. This is substantially lower than the percentage achieved in more developed economies.



Natural gas is providing Sasol Gas with a range of exciting growth opportunities.



Sasol Gas financial highlights

		2005	2004	% change
Turnover	Rm	2 404	1 522	58
Operating profit	Rm	932	387	141
Capital items	Rm	–	–	
Operating margin	%	39	25	
Contribution to:				
group operating profit	%	6	4	
attributable earnings	Rm	517	487	6
Cash flow from operations	Rm	1 197	476	151

Sasol Gas operational highlights

		2005	2004	% change
Total gas sales	M GJ	86,9	50,7	71
Sales per employee	GJ	499 494	331 176	51
Cash fixed cost per GJ	R	2,33	3,62	(36)
Number of unscheduled supply interruptions		15	9	67
Number of reported gas leaks		4	2	100

Maintaining sound supply record

Reliability of supply to our customers was sound but deteriorated relative to the previous year. In one case, unauthorised third-party excavation work led to a severe pipeline gas leak and fire at an industrial site in Centurion in August 2004. Fortunately, no one was injured, and the damaged pipeline section and some associated equipment were repaired and supplies to affected customers restored within 38 hours.

We launched a comprehensive pipeline integrity management initiative to ensure that regional and local authorities, including emergency services, local communities and other stakeholders along our pipeline routes, are better informed on the location of underground gas pipelines and the importance of maintaining pipeline integrity for safety, environmental and supply reasons.

Post-commissioning problems were experienced with the two newly installed autothermal reformers at Sasolburg. These problems caused syngas supply interruptions to Sasol Nitro, Sasol Solvents and Sasol Wax. Innovative cooperation and gas mixture configuration by Sasol Infrachem, which operates and maintains the reformers on behalf of Sasol Gas, enabled Egoli Gas in Johannesburg to continue without interruption.

On the safety front, our recordable case rate (RCR)* of two is a major disappointment, despite most of the cases being relatively minor injuries. In support of a wider Sasol initiative in South Africa, we are implementing a comprehensive safety improvement plan.

Seeking empowerment opportunities

Our drive to promote BEE in the South African gas sector is gaining momentum. The 49:51 Sasol Gas joint venture with the Durban-based BEE company of Coal Energy & Power Resources,

Spring Lights Gas, continues to perform well. This company increased its sales volumes from 2,7 million GJ to 3 million GJ.

Another BEE potential opportunity exists for the cross-border transmission pipeline linking the Temane central processing facility to the Sasol Gas network at Secunda. This 865-km pipeline is owned and operated by Republic of Mozambique Pipeline Investments Company (Rompc), formerly a wholly owned Sasol subsidiary company. The South African Government – through iGas, a member of the state-owned Central Energy Fund group of companies – acquired a 25% stake in Rompc in July 2005.

iGas intends to use its 25% share to enable BEE participation in the pipeline at a later date. The Mozambican Government has expressed its intent to take up its option for a share of up to 25% in Rompc, but no final commitment has yet been made.

The feasibility study with another BEE company, Umkhumbi We Afrika of Mpumalanga, for the installation of a gas supply network in the Nelspruit region, has been completed. The findings indicate that the project, as originally envisaged, is not feasible and a smaller-scale project is being considered.

Gaining recognition for gas project

The group's natural gas project and its project teams received four awards during the year:

- the 2005 project management excellence award from Project Management South Africa;
- the 2004 Project Finance deal of the year in the African oil and gas category;
- the 2004 premium award from the International Association for Impact Assessment; and
- a 2004 South Africa Technology Top 100 award.

* An RCR is the number of fatalities, lost workdays and medical treatments beyond first-aid cases for every 200 000 employee hours worked.

Note: A gigajoule (GJ) is a standard measure used for the heating value of any fuel gas supplied to customers. A joule is an international unit of energy defined as the energy produced from one watt flowing for one second. Giga – denotes a measure of a billion (10⁹). For gas, one gigajoule is equal to 0,96 thousand cubic feet under standard temperature and pressure conditions.

Sasol Petroleum International

- Stable gas production sustained in Mozambique's Temane field.
- New gas exploration programme to commence off the coast of Mozambique.
- Sales volumes from Gabon's offshore Etame oilfield increased by more than 20%.
- South African seismic data is being reappraised with BHP Billiton.
- Upstream integration opportunities being sought with Sasol Chevron and Sasol Synfuels International.



Sasol Petroleum International completed its first full financial year as a commercial gas producer in Mozambique's Temane field.

Upstream producer establishes critical mass

Sasol Petroleum International (SPI) has established critical mass having enjoyed its first full financial year as a reliable producer of natural gas in Mozambique. Having produced and sold – jointly with its 30% partner, Empresa Nacional de Hidrocarbonetos de Moçambique (ENH) – 77,1 million gigajoules (GJ) of natural gas to Sasol Gas and a further 1,8 million barrels (b) of crude oil for its own account through its 27,75% stake in Gabon's offshore Etame field, SPI has become a positive contributor to group profit. SPI's share of the gas production was 54 million GJ.

SPI increased turnover from R312 million to R841 million, maintained a strong cash flow and recorded an operating profit of R281 million. The group's investments since 1995 to fund SPI's fledgling oil and gas exploration and production (E&P) interests are starting to yield desired returns. SPI is set to be a sustainable contributor to group profits as a result of its expected continuation as a reliable and consistent supplier of natural gas from Mozambique's onshore Temane and Pande fields. The Pande field will not be used for production until the high pressure in the Temane field drops and is comparable with the lower pressure of the Pande field.

Maintaining stable Mozambican production

SPI – through its Mozambican subsidiary company of Sasol Petroleum Temane (SPT) – maintained steady operations of the Temane central processing facility (CPF), where we collect, clean and compress natural gas before feeding it into the main transmission line linking the gas fields to the Sasol Gas network at Secunda.

We also continue to explore for additional gas reserves in and around the Temane and Pande gas fields as part of an exploration licence that enables exploration across an onshore area of almost 17 000 km². While gas proven reserves, according to the definitions of the US Securities and Exchange Commission, have remained unchanged, we can report significant increases in our access to combined proven and probable reserves.



Sasol Petroleum International financial highlights

		2005*
Turnover	Rm	841
Exploration cost expensed	Rm	121
Operating profit	Rm	281
Operating margin	%	33
Contribution to group operating profit	%	2
Cash flow from operations	Rm	557

No comparisons are provided due to 2005 being SPI's first year of profit contribution.

Sasol Petroleum International operational highlights

	2005
Total gas sales (Mozambique) M GJ	54
Total condensate sales b-thousand	225
Total oil sales (Gabon) b-million	1,8

Oil and gas reserves (according to the definitions of the US Securities and Exchange Commission)

	Crude oil and condensate (Millions of barrels)			Natural gas (Billions of cubic feet)		
	Consolidated operations			Consolidated operations		
	Mozambique	Other areas	Total	Mozambique	Other areas	Total
<i>Proved developed and undeveloped reserves</i>						
Balance at 30 June 2004	–	7,7	7,7	1,438	–	1,438
Revisions	7,5	2,7	10,2	(25)	–	(25)
Extensions and discoveries (Avouma)	–	1,0	1,0	–	–	–
Production	(0,2)	(1,6)	(1,8)	(45)	–	(45)
Balance at 30 June 2005	7,3	9,8	17,1	1 368	–	1 368
<i>Proved developed reserves</i>						
At 30 June 2004	–	4,3	4,3	375	–	375
At 30 June 2005	3,1	4,7	7,8	386	–	386

Compared with international norms, SPI has established a good success rate in Mozambique, with 60% of its promising seismic prospects leading to commercially viable quantities of natural gas after completing exploration wells.

Pursuing offshore gas exploration

Besides Temane and Pande, we have the right to explore other Mozambican gas fields and commenced a new cycle of seismic surveys outside the Temane and Pande areas shortly before year end. We intend to widen our exploration programme over the next two years.

Following the signing of an exploration, production and concession agreement with the Mozambican Ministry of Mineral Resources shortly before year end (which became effective on 1 July 2005), we plan to explore two offshore blocks east of the Pande and Temane fields, Block 16 and Block 19. SPI is the 85% operating partner. Mozambique's national oil company, ENH, holds the remaining 15% share.

Reappraising South African seismic data

The seismic data gathered from block 3A/4A off South Africa's west coast under a prospecting sublease agreement with Petroleum Agency South Africa and the Ministry of Minerals and Energy has been processed and appraised. We have since decided to partner with BHPBilliton to re-evaluate this data.

Expanding Gabonese oil production

Further north in the Atlantic Ocean, we continue to focus on our West African portfolio, which currently is concentrated in the Gulf of Guinea. In the Etame oilfield off the coast of southern Gabon oil is being produced at a rate of about 18 500 barrels a day (b/d) at year end. The Etame 6H well was being drilled at year end and was subsequently brought into production during July 2005.

Elsewhere in the Etame licence area, we are involved in developing the Avouma oilfield, discovered in June 2004. It currently is scheduled to be brought into production during the 2007 financial year. Two other exploration wells were drilled and abandoned in southern Gabon. We are further evaluating discoveries abandoned by previous operators in the Dussafu block where we have a 50%-operated interest following the failure of an exploration well in the first half of the year.

Outside Africa, we continue to work closely with Sasol Synfuels International and Sasol Chevron in their pursuit of back-integrated gas-to-liquids (GTL) opportunities. SPI is seeking opportunities to become an upstream partner in supplying gas to plants based on Sasol's integrated, three-step GTL process.

Sasol Synfuels International

- Oryx gas-to-liquids (GTL) plant in Qatar is nearing completion.
- Construction of Nigerian GTL plant will commence in the year ahead.
- Pre-feasibility study under way for two potential coal-to-liquids (CTL) plants in China.
- Sasol Chevron and Qatar Petroleum continue to develop GTL expansion opportunities in Qatar.
- GTL opportunities in other gas-rich regions are under consideration.
- CTL opportunities in other coal-rich regions are being explored.



The Oryx GTL plant in Qatar will be brought into production in the year ahead.

Preparing for start of GTL production

Sasol Synfuels International (SSI) is well on track towards becoming a key player in the world's emerging GTL industry and will be the first to enter the market with commercial-scale GTL products. The US\$950 million Oryx plant – the first GTL plant outside South Africa to feature Sasol's unique Fischer-Tropsch (FT) synthesis gas (syngas) conversion technology – has entered its final construction phase at Ras Laffan, Qatar. Systems commissioning is well advanced and the plant is on schedule to begin full commercial production in 2006.

SSI continues to work closely with Sasol Chevron, Sasol's joint venture with Chevron of the USA, in seeking additional GTL investment opportunities, one of which is under way at Escravos in Nigeria. The Escravos facility is scheduled to begin full commercial production in 2009. It will be the next GTL venture to come on stream after Oryx.

In another significant development, SSI is working with a Chinese consortium to advance pre-feasibility studies for the potential development of two CTL plants in inland China.

Approaching Oryx GTL start-up

The Oryx GTL plant will be owned and operated by Oryx GTL (QSC), a 49:51 joint venture between SSI and Qatar Petroleum (QP), the Qatari state-owned petroleum company. The 34 000 b/d plant will incorporate the integrated, three-step Sasol Slurry Phase Distillate™ (Sasol SPD™) process. It will convert lean natural gas from Qatar's extensive North Field reserves into syngas for the downstream conversion and upgrading to GTL diesel, GTL naphtha and some liquefied petroleum gas (LPG).

The Sasol SPD™ process uses Sasol's unique low-temperature FT (LTFT) Slurry Phase reactor technology. Two of these LTFT reactors were fabricated in Japan and arrived at Ras Laffan from Yokohama in April 2005. Technip is executing the US\$675 million lump-sum, turnkey engineering, procurement and construction (EPC) contract for the GTL plant.



Launching new-generation GTL diesel

The GTL diesel from the Oryx plant will be among the cleanest in the world with a sulphur content of less than five parts per million (ppm). Typical low-sulphur diesels in Europe and North America have a sulphur content of between 50 ppm and 300 ppm. GTL diesel has a low aromatic content, and a cetane number higher than 70, whereas most conventional diesels derived from crude oil have a cetane number of between 45 and 55.

These properties will enable significant reductions in tailpipe emissions generated by compression-ignition vehicle engines. The benefits include substantially reduced emissions of nitrous oxides, sulphur oxides, carbon monoxide, aromatics, unburnt hydrocarbons and particulates. The higher cetane number also enables easier engine starting in cold weather. In addition, GTL diesel is significantly more efficient when comparing its use in a compression-ignition car with that of petrol in a spark-ignition counterpart.

The commercial launch of GTL diesel in the current decade is significant given the rapid growth in the diesel engine's market share recently, especially in Europe. While diesel engines, traditionally, have been confined mostly to the commercial-vehicle market, recent and projected technical improvements to compression-ignition engine and diesel technology are helping to promote diesel as a fuel of choice, including the passenger-vehicle market.

Advancing expansion plans for Qatar

Sasol Chevron and QP continue to develop the expansion of the Oryx GTL plant to about 100 000 b/d. Additional studies for an integrated GTL plant at Ras Laffan, which is planned to have a capacity of 130 000 b/d, are at an early stage of development.

In another value-adding drive, Sasol Chevron and QP signed a memorandum of understanding in March 2005 to develop an 8 000 b/d lubricating base-oils production facility. This facility would use proprietary Chevron Isodewaxing™ technology and would be built at Ras Laffan.

Proceeding with EGTL plant in Nigeria

Our global GTL strategy gained momentum in April 2005 when Chevron Nigeria Limited (CNL) and the National Nigerian Petroleum Corporation (NNPC) announced their award of the EPC contract to Team JKS, an international consortium, for the construction of the Escravos GTL plant (EGTL) in Nigeria. Team JKS comprises Japan Gas Corporation of Japan, KBR of the USA and Snamprogetti of Italy. Sasol is providing 50% of the risk-based project finance required by CNL for this venture.

The EGTL plant will be owned and operated by the NNPC and CNL, with Sasol, through Sasol Chevron, providing technology, operating expertise and product marketing support. The plant is being developed on the established CNL production site at Escravos in the Niger Delta region.

Site work for the lump-sum, turnkey EGTL EPC contract is likely to commence towards the end of 2005. The targeted plant start-up date, based on current planning, will be 2009. Like Oryx GTL, EGTL will have a 34 000 b/d capacity and will use the Sasol SPD™ process to produce GTL diesel, GTL naphtha and some LPG.

Sasol Chevron continues to seek other GTL opportunities in select gas-rich regions around the world, including Australia.

Considering other Asian projects

SSI continues to review the potential of developing a GTL plant in association with the National Petrochemical Company of Iran. Discussions between SSI and Iranian counterparts, on entering a full feasibility study, are progressing. A decision on their GTL plans could still be reached before the end of 2006.

SSI is advancing a pre-feasibility study with a Chinese consortium for the potential development of two CTL plants in China: one with Shenhua Corporation, which is focusing on a site in Shaanxi Province about 650 kilometres west of Beijing; and the other with Ningxia Coal Company, which is owned by the semi-autonomous Ningxia Province, and is developing a site about 1 000 kilometres west of Beijing.

In January 2004, the Chinese Government and Sasol agreed the two potential CTL projects would be studied under the leadership of the National Development Reform Commission, a major Chinese government agency. SSI and the consortium are exploring the potential of developing CTL plants each with an 80 000 b/d capacity. Combined, these capacities are roughly equivalent to that of our existing Secunda operations. Should these CTL projects advance, they are likely to go into production by 2012.

Potential CTL opportunities in the USA and other coal-rich regions are being considered.

Sasol Olefins & Surfactants

- Margins stabilised in spite of substantially higher feedstock costs.
- Surfactant and surfactant intermediate markets remain strong.
- Problems hamper supply of product from Secunda Sasol plant.
- Further substantial reduction in fixed costs achieved.
- World-class performance in lowering injuries.



Margin stabilisation key to improved performance

Sasol Olefins & Surfactants (O&S) achieved turnover of R18 394 million (€2 331 million; US\$2 962 million), which was 6% higher in rand terms and 10% higher in euro terms than the previous year (R17 382 million; €2 122 million; US\$2 528 million). Increased turnover was due to higher sales prices, but this benefit was fully absorbed in the higher feedstock and energy costs.

Profit was constrained to lower levels because of further increases in feedstock prices and higher energy costs. Product prices increased strongly during the year and further progress was made in reducing costs and improving efficiency. EBITDA* (before capital items) amounted to R1 500 million (€190 million; US\$242 million) and operating loss to R221 million (€28 million; US\$36 million) including capital items amounting to R783 million (€99 million; US\$126 million).

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

Countering higher feedstock costs

Contrary to the previous year, we were able to significantly increase product pricing to counter the impact of increased feedstock costs. Furthermore, we sustained our drive to counter the impacts of difficult trading conditions through efforts such as restructuring, to reduce costs and improve operational efficiency.

Towards year end, strategic and growth projects again received attention in addition to our ongoing rationalisation efforts. Announcements were made on:

- an ethylene pipeline and related expansion projects at Brunsbüttel, Germany;
- the intention to build, pending final board approval, an oleochemical-based alcohol plant in China together with a potential joint-venture partner, Wilmar; and



Sasol Olefins & Surfactants continues to focus on new opportunities to reduce costs and streamline operations.

* earnings before interest, taxation, depreciation and amortisation.



Sasol Olefins & Surfactants financial highlights

		2005	2004	% change
Turnover	Rm	18 394	17 382	6
Operating loss	Rm	(221)	(67)	(230)
Capital items	Rm	(783)	(21)	
Contribution to:				
group operating profit	%	(2)	(1)	
attributable earnings	Rm	(317)	(102)	
Cash flow from operations	Rm	1 520	1 465	4

Sasol Olefins & Surfactants operational highlights

		2005	2004	% change
Total sales	Mt	2,29	2,31	(1,0)
Total production	Mt	2,26	2,29	(1,2)
Production per employee	t	619	563	9,9

- an investigation into business opportunities in Russia together with a Russian company, Nizhnekamskneftekhim.

Easing ongoing pressures with cost reduction

Although the variable costs of the alkylates and surfactants business unit were substantially higher than the previous year, it was possible to increase product prices to keep margins fairly constant. Apart from kerosene feedstock costs that increased by about 50%, benzene feedstock costs almost doubled year-on-year. The benzene prices were not only driven by higher oil prices and refinery margins, as were the kerosene prices, but also by a shortage of benzene in the market.

Apart from the increases in product prices, especially linear alkylbenzene (LAB) prices, the business unit performance benefited from reduced fixed cost, improved efficiency and longer-term customer relationships. Towards year end, the LAB plant at Porto Torres, Italy, was restarted to meet customer demand and replace volumes lost during maintenance turnarounds on other LAB plants. In the year ahead, oil prices will continue to be the main driver, but, under constant feedstock conditions, the expectation is that this business unit will perform appreciably better.

Delivering another strong performance

The supply/demand equation in the international alcohols industry remained well balanced, which enabled the alcohols and surfactants business unit to increase product pricing for many of its products. These strong market conditions also attracted some new competitors and announcements have been made on several new oleochemical-based alcohol plants in South-East Asia. This will lead to a substantial increase in alcohol capacity from 2006 onwards with the accompanying expected pressure on alcohol margins.

Supply problems, of which the biggest was the cloudburst at Secunda in January 2005, severely restricted our ability to meet customer demand. Following the cloudburst we were forced to declare force majeure on supplies of Safol. This situation impacted significantly on this business unit, but is not expected to persist in the year ahead and should enable us to better our performance of the 2004 financial year.

Achieving strong monomers performance

Contrary to expectations, the ethylene part of the monomers business unit had another good year when ethylene margins in the USA were much stronger than forecast. These strong margins compensated for the replacement of expiring contract volumes with lower-margin business and increased energy cost.

The comonomer part of the monomers business, with plants at Secunda, had a better financial performance. This was due primarily to the rand's stabilisation later in the year and much-improved supply/demand conditions in the 1-hexene market. The successful commissioning of the second 1-octene train at the end of November also contributed to this improvement.

Improvement at inorganic specialities

The inorganic specialities business unit maintained its upward trend in performance by continuing to develop and introduce new products. The business benefits from the continuing move towards higher-value-added products. The performance further gained from the successful introduction of precipitated aluminas to the market from the new facility at Crotona, Italy.

Working to lower costs and lift efficiency

Our plants outside South Africa ran well and at high utilisation rates. Initiatives to improve operational performance, such as the restructuring project in Sasol Italy, the shared services project in Sasol Germany and the profit improvement drive in Sasol North America delivered further value. Coupled with the ongoing efforts and projects to improve feedstock and energy efficiency, reduce the overall cost of ownership and align employees with business objectives through performance management, this improved the competitiveness of our production and delivery of products.

Following the nominal fixed cost reduction of 3% in the previous year, Sasol O & S' fixed cost was reduced by a further nominal 2%. This fixed-cost-saving programme will be concluded in the year ahead. The result of this programme will be a real reduction in fixed costs, greater than 20%.

Sasol Polymers

- Excellent overall performance achieved despite tragic explosion at Secunda.
- Operating profit up 44% on the strength of higher prices and efficiencies, as well as cost containment.
- Two new world-scale South African polymer plants under construction.
- Asian interests continue to generate good earnings.
- Total installed polymer production capacity set to almost double.



Sterling performance in aftermath of a tragedy

The explosion at the Secunda ethylene plant on 1 September 2004 and the tragic loss of life was a major upset during the year. Sasol Polymers recovered from the tragedy to achieve a record trading profit on the strength of good sales prices and margins, and continuing efforts to enhance efficiency and control costs.

Monomers, polymers and chemicals, in general, enjoyed strong international and domestic prices and higher margins, which eased much of the impact of a stronger rand and higher feedstock costs. A basket made up of the average of these prices was about 18% higher in rand terms than the previous year.

Production volumes dropped by 11% mostly because of the 90-day loss of ethylene production and the subsequent impact on polyethylene and polyvinyl chloride (PVC) production at Sasolburg. A flood at Secunda in January 2005 also temporarily restrained production. Combined annual sales volumes declined by 9% from a record 1,27 million tons (Mt) to 1,15 Mt.

Turnover increased by 9% from R6 662 million to R7 282 million, and operating profit rose by 44% from R1 030 million to R1 484 million. Because of the unscheduled shutdowns, per-capita productivity dropped by 3% from 721 t to 701 t.

Sasol Polymers achieved a 99% success rate in delivering orders on time and in full. We attained 96% quality compliance for all products combined. Our fixed cash cost per ton has dropped by 42% in real terms over the last 11 years.

Restoring monomer production

The ethylene plant was restored to normal production levels by December 2004. The monomers business sold 682 000 t of ethylene and propylene, which was 8% lower than the previous year. The financial impact of the plant explosion was mitigated by an insurance claim.



Bold investments will enable Sasol Polymers to increase its South African polymer capacity in the year ahead.



Sasol Polymers financial highlights

		2005	2004	% change
Turnover	Rm	7 282	6 662	9
Operating profit	Rm	1 484	1 030	44
Capital items	Rm	(12)	59	
Operating margin	%	20	15	
Contribution to:				
group operating profit	%	10	11	
attributable earnings	Rm	1 548	881	76
Cash flow from operations	Rm	1 778	1 436	24

Sasol Polymers operational highlights

		2005	2004	% change
Total sales	Mt	1,15	1,27	(9)
Total production	Mt	1,73	1,93	(10)
Production per employee	t	701	721	(3)

As part of Sasol's Project Turbo work scope, the monomers business will substantially increase its production of ethylene and propylene in the year ahead. Our Sasolburg and Secunda ethylene crackers are being debottlenecked to increase ethylene production. Once brought into beneficial operation in 2006, our new and debottlenecked plants will increase our installed South African polymer production capacity by about 80%.

Achieving satisfactory polymer sales

The polypropylene business, in general, performed well, but reported a 7% reduction in sales volumes. Of its sales volumes of 226 200 t, 49% (110 000 t) was sold to customers in export markets, mostly in Asia-Pacific and Africa.

The polythene business recorded lower sales because of the Secunda incident. Combined sales of low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE) fell by 15% to 195 500 t.

The vinyls business performed well considering the reduced availability of ethylene, which is used to make vinyl chloride monomer (VCM). The VCM and PVC plants were successfully upgraded to 205 000 tpa and 200 000 tpa, respectively. This business had to limit VCM production because of the prolonged interruption of ethylene supply. As a result, PVC sales were 13% lower at 169 600 t.

Harnessing desired returns in Asia

The two ventures with Petronas at Kertih, on the east coast of mainland Malaysia, continue to perform satisfactorily and contribute to profit. These interests are a 12% share in the Optimal Olefins ethane cracker, which produces ethylene and some propylene, and a 40% share in the 250 000 tpa Petlin LDPE plant.

Through a 40% interest in Hong Kong-based Wesco China, Sasol Polymers remains a significant distributor of polymers in the emerging Chinese market. Wesco China distributed almost 142 000 t of polymers, of which 30 000 t was produced by Sasol Polymers.

Advancing South African expansion

As part of Project Turbo, we are constructing a 300 000 tpa polypropylene plant (PP 2) to complement the 225 000 tpa polypropylene plant at Secunda. PP 2 will produce homopolymers, random copolymers and impact copolymers for customers in Southern African and offshore export markets.

At the Sasolburg Midland site, a 220 000 tpa LDPE plant (Poly 3) is under construction. Once this plant is brought into operation, we plan to downscale the Sasolburg Poly 1 LDPE plant from 100 000 tpa to 20 000 tpa. The Sasolburg Poly 2 plant was upgraded to increase LLDPE production from 105 000 tpa to 150 000 tpa.

SPG moves ahead in Iran

Sasol Polymers Germany GmbH, a subsidiary of Sasol Polymers International Investments, is investing US\$516 million in new monomer and polymer production facilities at Bandar Assaluyeh, Iran. These world-scale facilities are being developed through Arya Sasol Polymer Company, a 50:50 joint venture with the National Petrochemical Company of Iran.

The Arya Sasol facilities will comprise an ethane cracker for producing 1 Mt of ethylene annually. Some ethylene will be exported, but most of it will be converted in two 300 000 tpa polyethylene plants: one for producing LDPE and one for high-density polyethylene. The cracker construction schedule has been revised and mechanical completion is targeted for the first quarter of 2006. The polyethylene plants will be completed soon afterwards.

Once the Arya Sasol facilities are operational – and combined with the two Project Turbo plants under development and the share in the Petlin plant in Malaysia – Sasol will have an installed annual global polymer production capacity of about 1,5 Mt.

Sasol Solvents

- Record turnover with healthy profit contribution.
- Main businesses and joint ventures performed above expectation and made solid profit contributions.
- Temporary production difficulties due to plant failures and interrupted feedstock supply.
- Strong focus on cost management and qualitative growth maintained.
- Injury rate lowered to a targeted world-class benchmark.



The new Sasol Dia Acrylates plant at Sasolburg in South Africa contributed to Sasol Solvents' record profits.

Robust performance despite high feedstock prices

Sasol Solvents had a good year as a result of buoyant global demand for most of the products in its diverse portfolio of solvents and related chemicals. The second and third quarters, in particular, were an exceptional period of robust sales and strong prices, with some prices reaching record, but unsustainable highs. Performance cooled in the fourth quarter, mainly because of price reductions as a result of dampened demand in most regional economies.

Towards year end, most global solvents prices were approaching average historical levels, particularly in the European market. Much of the benefit of higher selling prices, however, was countered by the impact of higher feedstock prices, most of which are linked to global petrochemical price indices.

Benefiting from strong global demand

Global sales were largely unchanged at 1,6 Mt. Turnover in rand terms increased by 30% from R6 455 million to R8 404 million. In US dollar terms, turnover rose by 44% from US\$939 million to US\$1 354 million. Operating profit, before currency effects, increased by 194% from R392 million to R1 151 million. The rand's depreciation against the US dollar and euro benefited operating profit by R92 million.

All our key geographic markets remained strong for most of the year, with Asian-Pacific and North American markets being particularly robust. China has developed into the main market of our Asian-Pacific sales and is set to remain an important growth market for the foreseeable future.

The Middle East and, in particular, Europe had a strong performance in the second and third quarters before returning to more historical performance in the last few months. The South African and wider African markets showed a continued robust performance without the peaks seen in some of the other geographic regions.



Sasol Solvents financial highlights

		2005	2004	increase
Turnover	Rm	8 404	6 455	1 949
Operating profit	Rm	1 243	117	1 126
Capital items	Rm	(382)	(18)	
Operating margin	%	15	2	
Contribution to:				
group operating profit	%	9	1	
attributable earnings	Rm	1 106	169	937
Cash flow from operations	Rm	1 883	454	1 429

Sasol Solvents operational highlights

		2005	2004	% change
Total sales	Mt	1,58	1,48	7,0
Total production	Mt	1,59	1,42	12,5
Production per employee	t	1 177	1 062	10,8

Increasing volumes almost threefold in five years

The combination of increased production, new products and focused marketing worldwide has enabled us in recent years to increase sales and geographic spread. Five years ago, we sold close to 510 000 t of products to customers in almost 90 countries. Today, we are selling a broader portfolio of solvents, more than 1,5 Mt a year, to customers in more than 110 countries across all continents.

During the first half, our South African-based sales potential was constrained by a few production problems in our own plants, as well as other Sasol plants providing feedstock to Sasol Solvents. This temporarily limited sales of certain products in most overseas regions. All South African assets have since been restored to full capacity and are operating smoothly. In some instances, we have achieved new South African production records.

Our German operations at Herne, Marl and Moers performed well without major interruptions and met expected production output.

Approved low-capital debottlenecking projects are under way to increase the capacity of our methyl ethyl ketone (MEK) plant at Moers and our iso-propanol plants at Herne and Moers. In South Africa, two projects are being developed:

- the construction of a second methyl iso-butyl ketone (MIBK) train; and
- an incremental debottlenecking of our n-propanol production.

Exceeding group safety targets

We are pleased with the achieved year-end recordable case rate of 0,3 for our operations. In both Germany and South Africa, we are significantly below the group's set target of 0,5 for June 2006. Our continuing safety efforts, especially in South Africa, have led to a significant reduction of recordable-case injuries.

Rising above expectation in most cases

The C₃/C₄ alcohols business performed well due to the higher-than-anticipated product prices achieved during the middle of

the year. In particular, iso-propanol performed well in Europe and contributed significantly to the business unit's results. The glycol ethers business also had a strong performance for similar reasons.

The ketones business unit also performed well and enjoyed good market conditions and excellent demand for its major products of acetone, MEK and MIBK. The ethanol business globally did not perform as planned, mainly because of the disappointing performance of the German operation due to exceptionally high feedstock costs. The esters and acids business reported better results with improved production and sales volumes and higher selling prices.

Enjoying robust demand for acrylates

The Sasol Dia Acrylates joint venture with Mitsubishi Chemical Corporation of Japan at Sasolburg also performed well, and is benefiting from strong global demand for acrylic acid and acrylates. The new Sasolburg complex enjoyed its first full financial year of operation. This joint venture posted a healthy contribution to profit.

Although new capacities went on stream in China in the second quarter of 2005, global acrylates demand seems to remain robust.

Sasol Solvents and Mitsubishi Chemical Corporation are exploring the merits of expanding the Sasol Dia Acrylates plant. The first step will be an incremental debottlenecking of the existing facilities, and the next step will entail the construction of a second train to produce additional volumes of acrylic acid and its derivatives.

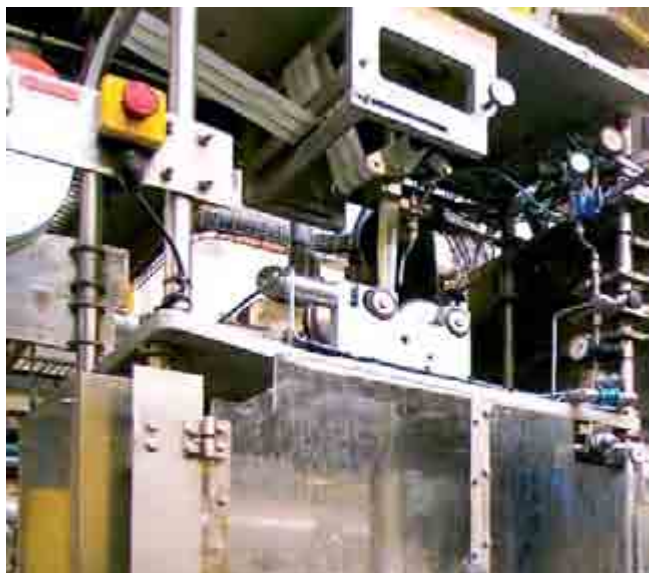
Exceeding targets for maleic anhydride

The Sasol-Huntsman joint venture with Huntsman Corporation at Moers experienced a strong year for the production and sale of maleic anhydride. Demand for unsaturated polyester resins, the largest market for maleic anhydride, remained healthy.

The recent approvals of low capital expenditure for a pastillation unit and debottlenecking of the existing facilities in Europe will enable this business to increase its focus on European markets.

Other chemical businesses

- All Sasol Nitro business activities profitable.
- Sasol Wax sustains drive to increase higher-value niche applications for waxes.
- Sasol Infrachem's conversion to natural gas reforming augurs well for the future of our Sasolburg operations.
- Merisol maintains profit despite the impact of higher feedstock costs.



Continuing drive to streamline and unlock new value

Sasol Nitro

After amalgamating Sasol's disparate ammonia, fertiliser and explosives interests into an integrated nitrogen value-chain business, Sasol Nitro has been successful in exploiting its renewed focus on continuous improvement. The division's consolidated turnover increased by 8% from R3 226 million to R3 485 million, mainly because of stronger selling prices, as well as higher explosives and accessories volumes, partially offset by a further strengthening of the rand, lower phosphoric acid sales and the disposal of the Sasol Southwest Energy joint venture in the USA.

Operating profit before capital items and provision for exit costs in 2004 more than doubled from R187 million to R426 million primarily due to higher selling prices, cost reduction and greater efficiency, as well as the benefits arising from the repositioning of the electronic detonator business and the increased sales volumes from the Sasol Dyno Nobel joint venture.

Cost containment in all business activities enabled us to decrease cash fixed cost for our South African operations by 8,5% in addition to the previous year's 4,1% reduction. The successful rehosting of our three SAP accounting systems into a single SAP system on a hub shared with other Sasol divisions contributed significantly towards cost reduction and enhanced accounting efficiency and governance.

Following a decision to exit the underperforming phosphoric acid business, an in-principle agreement was reached with Foskor whereby this company will purchase our phosphoric acid manufacturing assets at Phalaborwa in Limpopo. The transaction is awaiting approval from the South African competition authorities.



Sasol Nitro continues to improve its performance and all three businesses contributed to profit.



Operational highlights for other chemical businesses

		2005	2004	% change
Sasol Nitro total sales	Mt	1,56	1,57	(0,4)
Sasol Wax total sales	t	821 600	779 900	5
Sasol Infrachem syngas production	M GJ	38,4	53,4	(28)
Merisol total sales	t	103 330	108 200	(4,5)

Rebounding from ammonia setbacks

Sales of ammonia, along with sulphur and speciality gases produced by Sasol Synfuels, increased by 8,2% from R1 545 million to R1 671 million. Our ammonia business benefited from higher global ammonia prices, but its contribution to operating profit was lower than expected due to the stronger rand and teething problems that limited Sasolburg production following the conversion to natural gas.

Our ammonia business is poised to improve performance on the strength of greater plant efficiency and increased production capacity derived from the conversion to natural gas.

Returning fertilisers to profitability

Turnover from our fertiliser business, including the phosphates value chain, decreased marginally from R1 782 million to R1 780 million. Our fertiliser business, however, returned to profitability and contributed satisfactorily to operating profit.

Our fertiliser business benefited from favourable weather for most of the Southern African summer rainfall area, as well as increased demand from the Southern African export market. Benefits were reaped from greater operational efficiency and strategies to improve our overall value proposition, with renewed focus on product quality, logistical efficiency and training of our sales teams to improve customer service.

The 2004/2005 South African maize crop is likely to reach 12 Mt, thereby exceeding local consumption by more than 50%. The combined impact of a drastic increase in the maize surplus and sustained low export prices for maize is likely to constrain planting for the 2005/2006 season. Consequently, the envisaged lower demand for fertilisers in Southern Africa is expected to reduce profit in the year ahead.

Maintaining momentum for explosives

Our explosives business increased turnover by 1,8% from R1 003 to R1 021 million. Following a return to profitability

in 2004, this business posted a significant further increase in contribution to operating profit.

Benefits were reaped from a renewed focus on the domestic South African market and by capitalising on a global shortage of ammonium nitrate, which saw a significant increase in export sales of Expan™ ammonium nitrate in spite of the stronger rand. Profitable exports of Expan™ ammonium nitrate are expected to continue in 2006.

Sales and profits of the Sasol Dyno Nobel joint venture reached record levels, mainly as a result of growth into niche markets. Following the sale of the UNI Tronic™ technology and marketing rights to Orica Explosives, along with an associated supply agreement, our electronic detonator business posted a profit for the first time.

Sasol Wax

Value-addition remains focus of wax portfolio

Sasol Wax's business was challenging as a result of strong competition and higher feedstock prices in South Africa and Europe, as well as feedstock-related production interruptions at Sasolburg. These factors severely impacted operating profit, but were countered by maintaining programmes to improve efficiency and the cost base, and to increase the percentage of wax production dedicated to higher-value niche applications.

The global wax market remains keenly contested, with supply of many commodity paraffin-wax grades exceeding demand. In addition, higher oil-based feedstock prices kept margins under pressure. Sales volumes of wax and associated paraffinic products increased by 5% from 779 900 t to 821 600 t primarily as a result of securing new business.

Turnover increased by 5% in euros. The rand-equivalent increase was 1%, up from R4 042 million (€493 million; US\$587 million) to R4 075 million (€516 million; US\$656 million). Our contribution to group operating profit in rand terms decreased by 22% from R270 million to R211 million.

other chemical businesses



The Sasol Wax plant at Hamburg in northern Germany.



Sasol Infrachem employees working on a Sasolburg autothermal reformer.

Increasing demand for FT waxes

Global demand for Fischer-Tropsch (FT) waxes produced at Sasolburg has been increasing and favourable margins are being realised. The targeted sales volume of these speciality products was not achieved due to the production setbacks after the Sasolburg chemical plant converted to natural gas. We lost about 8% of our scheduled annual Sasolburg FT wax production. We have since been restoring customer confidence, having placed South African and international customers on limited supply.

Our German wax operations at Hamburg operated at full capacity throughout the year and enjoyed excellent stability. The toll-production of wax emulsions at Oslo, Norway, was ceased and integrated with the Hamburg operations to streamline production and reduce cost. Paramelt in the Netherlands acquired Honeywell's wax-blending business at Eupen, Belgium, and at Suzhou, China.

Continuing drive to increase value

Increasingly, successes are being achieved by developing new wax applications, which are resulting in greater sales of higher-margin speciality products. These value-adding opportunities apply to waxes made from both oil-based feedstock outside South Africa and gas-based feedstock in South Africa. One such opportunity is the use of the proprietary Sasobit™ wax additive for bitumens, which brings major advantages for road builders and related bitumen coating applications.

New opportunities are emerging in China, through Sasol Polymers and its Chinese joint-venture distributor, Wesco, to sell speciality grades of polyethylene and polypropylene with FT-wax additives. These modified grades help polymer converters to improve both extruder energy-efficiency and the quality of their final extruded plastic goods.

The planned wax joint venture with Total SA (France) was abandoned for competitive reasons. In addition, the European Union Competition Commission recently initiated an investigation into the European paraffin wax industry, as did the competition authorities in the USA. Sasol Wax declared at the outset that it would cooperate with the competition authorities.

Sasol Infrachem

Rebounding from conversion setbacks

The conversion from coal gasification to natural gas reforming at Sasolburg towards the end of the previous financial year was completed by Sasol Infrachem when the two new autothermal reformers were brought into commercial production. Reformer production during the year, however, alternated between prolonged periods of stable operations in line with planned production and intermittent downtime to resolve post-commissioning technical shortcomings that limited full reformer capability.

As a result of these interruptions, turnover dropped by almost 14% from R2 329 million to R2 013 million. Gas production fell by 28% from 53,4 million coal-based gigajoules (GJ) to 25,9 million natural gas-based GJ and 12,5 million coal-based GJ, a total of 38,4 million GJ.

In July 2004, the coal gasification facilities were temporarily recommissioned to support gas supply to our customers while the complex reformer control systems were refined and feed lines were upgraded. The coal gasification facilities were finally decommissioned in February 2005.

In May 2005, cracks were detected in the heater piping on the gas pre-heaters. As a safety precaution, we decommissioned the reformers, which led to a four-week cessation of synthesis gas (syngas) production. The reformers were recommissioned in June 2005 and have since been operating at planned design parameters.

We intend to increase natural gas-based gas production in the year ahead to about 35,4 million GJ in line with projected demand from the other Sasol businesses that require syngas.

Reducing emissions to air

The envisaged environmental benefits of converting from coal to natural gas are being realised and audited results of the Sasolburg plant's substantial reduction in emissions to air (including hydrogen sulphide, carbon dioxide, nitrous oxides and volatile



Two autothermal reformers at Sasolburg reform natural gas into synthesis gas.



Merisol cresylics plant at Greens Bayou in Houston, USA.

organic compounds) will be reported in Sasol's 2005 sustainable development report. We have commenced a project to rehabilitate the waste-management sites associated with coal gasification, including the ash dump and tar residue pits.

In the utilities and services area, Sasol Infrachem had an excellent year. We have been expanding our utility infrastructure to accommodate the water, steam and electricity requirements of the new polyethylene plant under construction at Sasolburg as part of Project Turbo. We also completed a project to enhance the reliability of electricity supply to the Sasol One and Sasol Midland sites at Sasolburg.

Merisol

Maintaining profit despite higher feedstock costs

Merisol, our 50:50 cresylic acids joint venture with Merichem Company, performed well and increased total turnover by 6,4% in rand terms from R993 million to R1 057 million. In US dollar terms, turnover rose by 18% from US\$144 million to US\$170 million, largely on the strength of higher prices and sustained good sales across the portfolio.

Higher oil prices drove up the costs for Merisol products manufactured in South Africa, Japan and the USA. Merisol was able to absorb cost increases through price increases. Feedstock constraints, however, reduced sales volumes to 103 330 t.

At the beginning of the previous year, Merisol announced the start of its R400 million investment to ensure the availability of raw material and to optimise its established cresylic acid operations in South Africa and the USA. The first and major part of this investment, a new raw-material recovery plant at Sasolburg, to extract and purify crude tar acids from Sasol's coal-based petroleum and chemical operations in South Africa, was completed on schedule and below budget.

The 33 000 tpa plant uses novel technology developed by Merisol and Sasol Technology and went into operation shortly before year end. It enables Merisol to purify existing South African raw material previously treated at its Houston

operations. The new raw-material recovery plant at Sasolburg not only compensates for the loss of certain historic sources of feedstock, but also gives Merisol the flexibility to expand its production of high-purity feed material for the downstream production of phenol, cresols and xylenols in line with growth in the global market. In the year ahead, the operations at Houston, Texas, will be modified and old sections shut down to reduce costs and streamline operations.

Planning meta-cresol production increase

Shortly before year end, the Merisol board approved funding to proceed with engineering for the planned expansion of the meta-cresol capacity at Oil City, Pennsylvania, in the USA. We intend to increase in-house meta-cresol production by about 20% by early 2007. Meta-cresol is an important chemical precursor, and its growth in recent years has been driven largely by increased demand for vitamin E, for which it is an important intermediate. The vitamin E market currently accounts for about 40% of global meta-cresol consumption.

Sumitomo Chemical Company's share in the ortho-cresol novolac manufacturing joint venture at Sasolburg was sold to Chang Chun of Taiwan. The synthetic cresols manufacturing and marketing joint venture with Sumitomo Chemical at Oita, Japan, continues to contribute positively to Merisol, despite significantly higher feedstock costs due to high oil prices.

African Amines

Withstanding tough market conditions

Despite sustaining good production, safety and cost management, our alkylamines joint venture with Air Products, African Amines, continued to endure tough trading conditions.

This business recorded a further 6% decline in turnover, but a slightly improved operating profit.

Alkylamine exports were still well below target because of the rand's continuing strength. Efforts to reduce operating cost are ongoing. The business achieved ISO 14001 certification for its environmental management system.

Sasol Technology

- *Strong commitment to enhancing Sasol's Fischer-Tropsch technology for converting coal and natural gas into higher-value products.*
- *Massive scale of new Sasol capital projects brings new challenges to engineering and project management teams.*
- *Further expansion of new research and development piloting facilities under way.*
- *Focused chemical process innovation drive retains vigorous pace.*
- *Special award received for excellent project management of the natural gas project.*



Project Turbo work in progress under the vigilant eyes of Sasol Technology engineers and project managers.

Building technological advantage

During the year Sasol Technology built on its well-established research and development, process design, engineering, project management and associated portfolios. These important functions support Sasol's ongoing growth and optimisation in the fields of fuel and chemical manufacturing and marketing.

Exploiting new pilot-plant investments

Our research and development (R&D) group retained its core focus on applied R&D. The recent investment of about R500 million in new pilot-plant facilities will play an important role in refining existing Sasol process technologies, as well as new ones under development. A further R250 million has been earmarked for additional new piloting facilities over the next two years. Most of the new piloting facilities are dedicated to advancing both Sasol's low-temperature (LT) and high-temperature (HT) Fischer-Tropsch (FT) technology.

To support the group's growing gas-to-liquids (GTL) ambitions, Sasol Technology continues to advance Sasol's new-generation cobalt catalyst for use in future GTL plants incorporating the Sasol Slurry Phase Distillate™ process, which uses the LT Slurry Phase reactor at the heart of its integrated, three-step process.

Our second-generation cobalt catalyst for use in this reactor has met all bench-scale test criteria and will be piloted in a 100 b/d Sasolburg demonstration unit in the year ahead. The new catalyst has been designed to enhance catalyst activity and therefore to promote the efficiency of converting syngas into syncrude for the downstream production of GTL diesel and GTL naphtha.

Supporting Chinese CTL study

The start of a pre-feasibility study for the potential development of two coal-to-liquids (CTL) plants in China has renewed our interest in further optimising our iron-based catalyst used in LTFT conversion. Based on recent R&D, we are confident we have a competitive CTL process. Ongoing CTL R&D is focused on developing a catalyst with greater longevity that will be easier to reuse or recycle.

The focus on optimising the iron-based catalyst used in Sasol's Secunda HTFT process remains keen. We are developing a catalyst



A view of the third 1-octene plant at Secunda, South Africa.



The Oryx GTL plant under construction at Ras Laffan, Qatar.

that will enable greater operational flexibility and better process selectivity, which would make the Secunda synfuel component and chemical feedstock operations more adaptable and versatile.

Increasing environmental efforts

In coal gasification, we aim to reduce future volumes of dumped ash by finding alternative uses for ash. One option under investigation is to use ash as aggregate for building roads and making bricks and other building material. Opportunities to reduce the percentage of hydrogen sulphide and other environmentally undesirable co-products from gasification are being studied.

We continue to advance a range of other environmental initiatives, including opportunities to sequester carbon dioxide (CO₂) and thereby contribute to the global effort to reduce future emissions of CO₂ and other greenhouse gases. We are researching other opportunities with the aim of reducing Sasol's future environmental footprint. This work includes a focus on treating and recycling water streams to improve utilisation of this precious resource.

Innovating and improving processes

In the process development field, we are advancing our demonstration of ethylene tetramerisation on a larger experimental scale. Tetramerisation enables us to convert ethylene into 1-octene, a speciality chemical used for making certain polyethylene grades.

A third Sasol 1-octene plant at Secunda, based on hydroformylating a C₇ olefin, is under engineering development.

With Sasol's international GTL era commencing in the year ahead, we continue to advance our second-generation GTL technology, which is focused on achieving lower capital and operating costs, and greater process flexibility. In addition, we are investigating various hub concepts using both GTL and CTL technology to increase the future production of higher-value chemicals.

Supporting cleaner-fuel initiatives

The Sasolburg fuel R&D operations, including the development and formulation of petrol, diesel and other liquid fuels, have been integrated into Sasol Technology to promote synergy. As a result of continuing R&D advances, the Sasol Liquid Fuels Business launched improved formulations of Sasol's turbodiesel™ and turbo™ unleaded petrol.

The fuel R&D group continues to work closely with Sasol Chevron and SSI to develop a GTL fuel marketing and support strategy. Key to this, we have been working with original equipment manufacturers, including Caterpillar, Citroën, DaimlerChrysler and Peugeot. This group is collaborating with Engelhard, Johnson Matthey and other catalyst producers to evaluate the effects of new-generation Sasol diesel and petrol on automotive catalysts.

Retaining large-portfolio support

Sasol Technology continues to provide significant project management support for a series of large capital projects in progress, particularly the Turbo and the Natref clean fuels projects in South Africa, and the Oryx GTL project in Qatar. We also are involved in supporting the Arya Sasol Polymer project in Iran and the Escravos GTL project in Nigeria. The engineering and project management group managed 200 projects in various phases of development during the year. The value of all capital projects supported by Sasol Technology totalled R118,5 billion, including the amounts being sponsored by joint-venture partners.

The substantial increase in the size, complexity and geographic spread of Sasol capital projects has required exceptional efforts and challenges to optimally deploy specialist employees and strengthen the technical training needed to sustain and support a large, international capital programme. Our intention is to balance the growth rate of our specialist employees so we can, in tandem with the optimum leveraging of contractor resources, continue to support the targets set for Sasol's growth.

We are striving to increase our efficiency and to eradicate duplicated work efforts, while maintaining high standards of safety, morale, engineering quality and governance.

Sasol Financing

- *Revolving credit facility of €400 million refinanced at substantially improved terms and conditions.*
- *Debut €300 million Eurobond successfully issued in European capital markets.*
- *First South African credit ratings awarded to Sasol by Moody's Investors' Services at Aa3.za long-term and Prime-1.za short term.*
- *Early repayment of Sasol Chemie external financing facilities, resulting in release of assets held as security and saving on interest expense.*
- *Assisted in implementing a fixed interest rate hedge of US\$200 million for three years for Oryx GTL.*



The Oryx GTL plant is one of the group's major new investments being executed with expert support from Sasol Financing.

Structuring complex deals and creating value

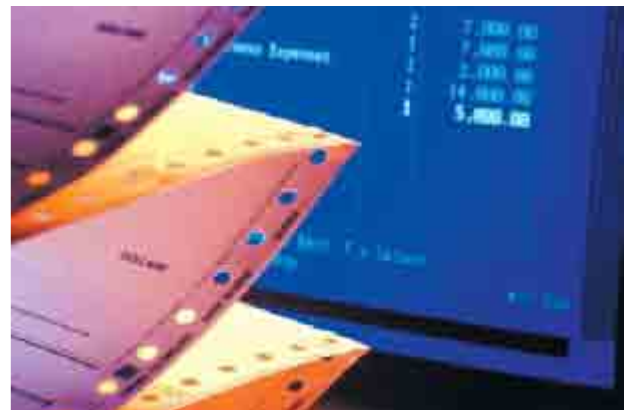
Sasol Financing – comprising Sasol Financing (Pty) Limited at Johannesburg and Sasol Financing International plc on the Isle of Man – continues to fulfil an important strategic role in optimising the group's treasury, hedging and specialised financing requirements to support our strategic growth drivers, particularly our major new investments to expand our gas-to-liquids (GTL) and international chemical ventures.

Saving costs through centralisation

The in-house bank continues to achieve significant savings on cash pooling, cost-effective financing, foreign-exchange management and other treasury-related activities. Sasol Financing proactively manages Sasol's liquidity risk by establishing appropriate financing structures and credit lines, both committed and uncommitted, and ensures a sound mix of funding, both offshore and domestic, as well as long- and short-term.

Central financing sources include offshore and domestic corporate bond issues, offshore revolving credit facilities, long- and short-term bank loans and issuing commercial paper. We also ensure, at a group level, that a sound balance is maintained between floating and fixed interest rates. This is done by evaluating different funding requirements (treasury funding, subsidiary debt and project debt) in terms of risk tolerance and repayment profiles and entering into appropriate fixed-interest-rate funding (such as corporate bond issues) and/or derivative instruments (interest rate swaps or options).

In one of the major activities undertaken in this respect, we helped Oryx GTL (QSC) to conclude a three-year interest-rate swap for US\$200 million (about 50% of outstanding debt) at a fixed rate of 3,78%.



Major Sasol capital projects under way in South Africa, the Middle East and Europe are being financed optimally with the help of Sasol Financing.

In addition, in our role as the custodian of group financial-market risk management, we ensure appropriate governing policies are in place for managing and hedging commodity price and currency risk, and we also supply risk management advice and hedging implementation support to Sasol subsidiaries and joint ventures.

Sasol Financing also advised on the updating of Sasol's hedging policies for commodity-price risk and currency risk, and assisted Sasol Synfuels in executing a strategic hedge on about 30% of its 2005/06 synthetic fuel revenues. The hedging was executed by utilising zero cost collars, in terms of which Sasol will obtain a minimum of US\$45,00/barrel (b) of oil, and a maximum of US\$82,61/b, for 45 000 b/day of oil for the 2006 financial year.

In March 2005, Sasol received the 2004 African oil and gas deal of the year from Project Finance magazine for financing the Mozambique-to-South Africa natural gas pipeline project.

Achieving higher credit rating and standing

Working with Standard & Poor's and Moody's Investors' Services (Moody's), we are responsible for overseeing Sasol's corporate credit rating. In May 2005, the international rating agency, Moody's, awarded Sasol the highest possible short-term South African rating of Prime-1.za, and a long-term South African credit rating of Aa3.za. These ratings confirm Sasol's long-standing position of strength in the South African debt and capital markets and benefited the group's cost of funding.

In June 2005, in anticipation of our debut Eurobond issue, Moody's assigned global long-term Baa1 and short-term Prime-2 ratings to Sasol. The outlook for Sasol was put at "stable". The Baa1 rating is commensurate with Standard & Poor's long-term foreign-currency rating, which was upgraded to BBB+ in August 2005. These ratings underscore the group's commitment to maintaining a prudent financial strategy, conservative gearing and a strong balance sheet.

The Moody's and Standard & Poor's ratings are comprehensive and continue to provide investors and lenders globally with a relevant and improving benchmark of Sasol's credit quality.

Mandating a new revolving credit facility

In May 2005, we announced that the group had concluded a €400 million syndicated multicurrency revolving credit facility. Calyon and Dresdner Kleinwort Wasserstein acted as mandated lead arrangers and bookrunners, and the latter bank also acts as documentation agent. Dresdner Bank Luxembourg is the facility agent.

This facility has a tenor of three years, as well as two one-year extensions, and carries a margin of 0,325% a year. This facility – established at much better terms, conditions and margins than the existing Sasol US\$375 million syndicated revolving credit facility concluded in October 2003 – is being used to refinance the existing facility and for general corporate financing needs.

Issuing of successful debut Eurobond

In June 2005, Sasol raised €300 million from its debut Eurobond issue at a fixed-interest coupon of 3,375%. The bond was well received by a geographically diverse investor base and will mature in June 2010.

The bond assists greatly in diversifying and extending the average tenor of Sasol's debt portfolio and lowers our exposure to floating-interest-rate risk. ABN Amro and Dresdner Kleinwort Wasserstein were the joint lead managers in the transaction, which was oversubscribed sixfold.

Innovating financing solutions

We also add financing value to Sasol's businesses and joint ventures. We continued to assist the Arya Sasol Polymer Company joint venture in Iran with its financing in a complex environment.

We assisted the process to early repay Sasol Chemie's external asset-based financing facilities of about US\$650 million, which was incurred at the time of acquiring Condea from RWE-DEA in 2001. This resulted in the release of more than €1,4 billion assets held as security and has saved on interest expense.

In addition, we are assisting the financing arrangements for Sasol's black economic empowerment partners set to acquire a 12,5% interest in the planned Uhambo Oil joint venture with Petronas.

global activities

USA

Our joint-venture cresylics business, Merisol, is set to expand meta-cresol capacity at Oil City, while Sasol Wax continues to pursue further new higher-value niche applications. We intend to dispose of our surfactants and related interests at Baltimore and Lake Charles.

Europe

We are planning to sell our surfactants, inorganic speciality and related chemical interests in Germany, Italy and Slovakia, purchased from RWE-DEA in 2001. Sasol Solvents in Germany plans to undertake several low-capital expansion projects in the year ahead.

Middle East

We have invested almost US\$1 billion in The Gulf region in new production capacity that will come on stream in the year ahead: the Oryx GTL plant at Ras Laffan and the integrated Arya Sasol ethylene and polyethylene facilities at Bandar Assaluyeh.

Africa

The commercialisation of Mozambican natural gas fields in the previous financial year is contributing to group earnings and benefiting the Mozambican economy. We are also participating in the development of a new GTL plant at Escravos, Nigeria.

Far East

Our joint-venture ethylene and polyethylene plants at Kertih, Malaysia, continue to contribute to earnings, as do our growing polymer distribution interests in China. We have initiated a study for the potential development of two coal-to-liquids plants in China.



facility	
Manufacturing/production	●
Main office	●
Exploration	●
Project	●
Research	●



sustainable development review

Creating critical mass for better corporate citizenship



Our sustainable development commitment includes building open and constructive relations with different communities and other stakeholder groups.

Principal achievements

- *New group-wide targets set to improve sustainability performance.*
- *Signing of safety charter with South African trade unions.*
- *New investments bring economic benefits to Africa and the Middle East.*
- *Successful rollout in South Africa of the Sasol HIV/Aids Response Programme.*
- *Continuing reductions in reported emissions of atmospheric pollutants.*
- *Strong social investment programme maintained.*

Principal disappointments

- *Seventeen work-related fatalities.*
- *Unacceptable number of safety incidents in South Africa.*
- *Slow progress in achieving employment equity objectives at the most senior management levels of our South African activities.*





Sustainable development commitment

Introduction

Evolving towards international best practice

Since publicly committing to sustainable development in 2000, Sasol has been evolving the management framework needed to provide our businesses with the policies, governance structures, targets and reporting systems to manage the risks and opportunities associated with improving our economic, social and environmental performance.

Our commitment to sustainable development is intrinsic to our vision and values, and is integral to our status as a public company listed on the JSE Limited (JSE) in Johannesburg and the New York Stock Exchange (NYSE). We believe effective sustainability practices yield a valuable competitive advantage. They enhance the reputation of our business; contribute to our goal of being a company of choice; and result in improved longer-term business performance.

Acting on our commitment

Our sustainable development commitment is expressed through international programmes aimed at:

- maintaining sound governance and risk management practices;
- complying with the laws of the countries in which we operate;
- building open and constructive stakeholder relations;
- improving employee skills through training and development;
- promoting sound occupational health and safety practices and minimising workplace accidents;
- recruiting and rewarding employees on merit with regard for human rights and fair labour practices;
- improving process safety and reducing risks associated with operating mining machinery and petrochemical plants;
- educating employees on the risks of contracting Aids and life-threatening diseases, and, where necessary, providing them with managed healthcare, including free antiretroviral treatment in the case of HIV-positive employees;
- promoting black economic empowerment (BEE) in South Africa to benefit people from historically disadvantaged groups;
- adding economic value to the coal, crude oil, natural gas and chemical feedstocks we benefit from;
- decreasing our environmental footprint by striving to reduce emissions, waste and the consumption of water and energy per unit of production;
- developing and manufacturing products with regard for the needs of customers, consumers and the environment; and
- sustaining social investments, particularly in under-resourced South African and Mozambican communities.

We have evolved a corporate sustainable development management framework to manage these programmes and ensure we pursue continuous improvement in line with global best practice.

Management framework

Managing a global structure

Sasol's sustainable development management framework covers our international construction, exploration, production and marketing operations throughout the 30 countries in which we operate in Africa, Asia, Europe, the Americas and Australasia (see map on page 52).

Our global group commitment to corporate citizenship or sustainable development is managed at corporate level and implemented at business level, with ultimate responsibility residing with the board of directors. The board has specialised committees to help it to fulfil its fiduciary duties. One of these is the risk, safety, health and environment committee (see corporate governance overview on page 74).

The group executive committee (GEC), chaired by our chief executive, maintains primary responsibility for the effective daily management of group-wide sustainability. The GEC receives valuable strategic and operational-specific inputs from all businesses, as well as from specialised committees and two group forums that meet quarterly. These are the:

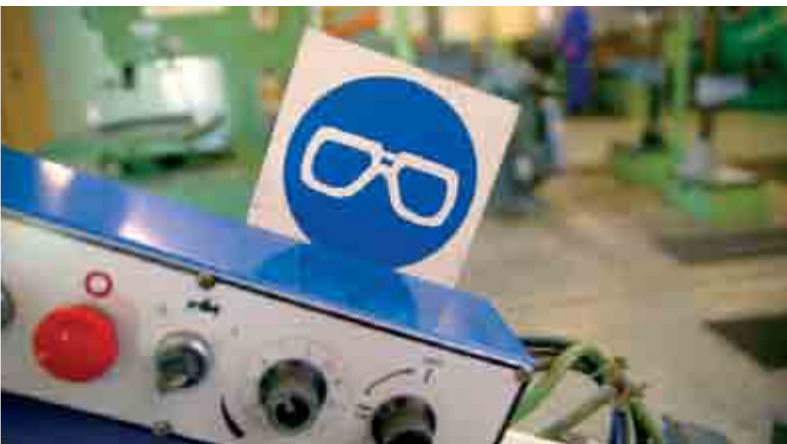
- group risk management forum, which oversees the risk profile of our global operations; and
- group safety, health and environment (SH&E) and sustainable development (SD) forum, which reviews performance, and considers and approves recommendations on sustainable development and SH&E guidelines and policy.

The Sasol safety, health and environmental centre (SH&E centre), based at our Johannesburg head office, oversees group-wide sustainability and SH&E management. The centre is responsible for global SH&E and sustainable development direction, policy, review and governance. It also provides specialist advice and support services to our businesses.

In a new development, our new chief executive, Pat Davies, became the group's first chief SH&E officer on 1 July 2005. He intends to play a significant leadership role in promoting our safety charter and safety improvement plan, among other sustainability challenges.

Refining risk management

We have developed a systemic approach towards managing sustainability risks throughout Sasol. During the year, we further



A particular priority for the year ahead is to ensure effective implementation of the safety improvement plan throughout our South African operations.

enhanced our group SH&E strategy by identifying six priority focus areas, each supported by short- and longer-term action plans:

- safety and health;
- SH&E performance and standards;
- climate change and greenhouse gases;
- proactive compliance;
- governance and assurance; and
- stakeholder relations.

A particular priority for the year ahead is to ensure effective implementation of the safety improvement plan throughout our South African operations, with specific programmes being implemented to improve:

- safe behaviour;
- hazard identification;
- contractor safety;
- process safety;
- site-specific safety systems; and
- safety governance.

Introducing additional targets

During the year, the GEC approved three new group-wide SH&E targets:

- to achieve at least a 50% reduction in the emission of volatile organic compounds (VOCs), on the 2005 baseline, by July 2015;
- to achieve at least a 10% reduction in greenhouse gas emissions per ton of product, on the 2005 baseline, by July 2015; and
- to achieve at least a 50% reduction in significant logistics incidents per ton of product transported, on the 2004 baseline, by July 2009.

These targets supplement commitments of individual companies and/or plants, as well as these three long-standing group targets set for achievement by all businesses by July 2006:

- 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 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.

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 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 external audits undertaken as part of ISO 14001 and OHSAS 18001 (or equivalent) certification, or in fulfilment of regulatory requirements.

In late 2004, we commissioned an external review of our corporate governance programme. We upgraded our governance audit protocol and programme to reflect changing requirements and to provide for the recommendations of the independent external review.

All our businesses are required to track their performance and submit quarterly reports to their boards, as well as to the group SH&E and sustainable development forum and the risk and SH&E committee of the main Sasol 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.

Upholding strict code of ethics

The Sasol code of ethics comprises four fundamental ethical principles – responsibility, honesty, fairness and respect – and 15 ethical standards. These standards cover such issues as bribery



and corruption, fraud, insider trading, human rights and discrimination. They include a commitment to conducting our business with due regard to the interests of stakeholders and the environment.

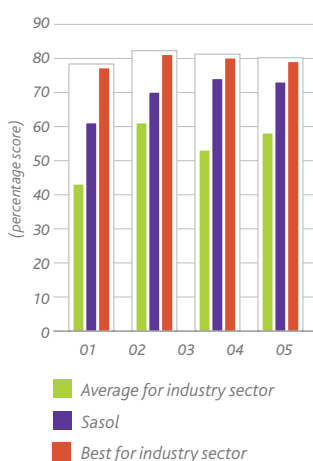
We have an ethics forum to monitor and report on ethics best practice and compliance requirements, and to recommend amendments to the code and guide. Employee performance against Sasol's values, incorporating the code of ethics, is assessed as part of our mandatory employee performance management system.

We have been operating an independent and well-supported South African-based ethics reporting telephone line since 2001 to provide stakeholders with an impartial facility to anonymously report deviations from ethical behaviour.

Participating in sustainability indices

Sasol's overall score on the Dow-Jones Sustainability Index (DJSI) this year was 73%. This reflects an improvement on our rating of 70% in 2003 when we were last assessed as part of the oil and gas producing sector. In 2004 we were assessed within the chemicals sector. Despite our improved rating, which contrasts favourably with the decline in both the average and best scores of the other companies in this sector (see graph), our overall score nevertheless remained below the top decile level required for inclusion in the 2005 DJSI.

Sasol's DJSI ranking – International benchmarking of sustainability performance



The JSE recently established its socially responsible investment index (JSE SRI) to track and publicise the sustainability performance of public companies listed on the Johannesburg bourse. Sasol was included in the top five of the 22 high-impact listed companies that qualified for the 2005 JSE SRI ratings. This is the first year that the JSE has publicised these ratings.

Supporting global initiatives

Sasol is a member of several international, national and regional chemical and industrial organisations, most of which are involved in initiatives aimed at improving the SH&E and sustainability performance of their members. Sasol has been a Responsible Care signatory since 1994, and continues to uphold the guidelines and management practices of this programme for its fuel and chemical operations.

Sasol is a signatory of the United Nations (UN) Global Compact, an international initiative that addresses human rights, labour, environmental and corruption issues through a commitment to 10 principles. A communication on our progress in implementing the 10 Global Compact principles is included in our separate sustainable development report.

Economic contribution

- **Value of wealth created increases by almost 18%.**
- **Sasol's operations maintain an estimated 170 000 jobs in South Africa.**
- **Commercialisation of natural gas benefits the Mozambican economy.**
- **New BEE deals are progressing in South Africa.**
- **New Gulf-region investments should stimulate the Qatari and Iranian economies.**

Economic development

Expanding international role

We are determined to retain our status as an important contributor to economic development in South Africa and, increasingly, elsewhere in Africa, with our investments in Mozambique, Nigeria and Gabon and our emerging petroleum interests in Equatorial Guinea and Namibia. Our growing African investments support the tenets of the New African Partnership for Development and complement the broader agenda of the African Union to stimulate pan-African socioeconomic development, attract foreign direct investment and reduce poverty.

Through investments started in 1990, we are increasing our activities in other regions, particularly in the USA, Germany, China, Malaysia, Qatar and Iran, where we have completed new investments, or are developing new and extended operations.

Building wealth in South Africa

On the basis of a recent independent economic review, it has been estimated that our South African operations provide direct and indirect employment for about 170 000 people. In recent years, we have produced about 20% of South Africa's saleable coal and met, on average, between 35% and 40% of the country's liquid fuel requirements. We also remain the country's largest producer of chemical feedstock.



Sasol is an important economic contributor to Mozambique since bringing natural gas on stream in 2004.

We contribute about R40 billion (4%) to national gross domestic product (GDP) and save the country more than R30 billion in foreign exchange. Sasol remains the country's single largest industrial investor, with R24 billion invested over the last four years.

On the basis of our market capitalisation (R122 billion at year end), we remain one of the top five companies listed on the JSE. During the year, we increased group wealth creation by 18% from R23,4 billion to R27,5 billion. Of this amount, R8,6 billion (31%) was distributed to employees and R4,3 billion (16%) to governments in the form of taxes and related revenue. All regional operations contribute to wealth creation by adding value to coal, natural gas, crude oil and chemical feedstocks.

Stimulating growth outside South Africa

In Mozambique, we have become an important economic contributor since bringing natural gas on stream in the Temane field in 2004. Through our natural gas operations, we paid the Government of Mozambique US\$3 million (about R19 million) in taxes, royalties and dividends. Economists estimate that our US\$1,2 billion investment to develop these gas fields and bring gas to South Africa has increased Mozambique's GDP by about 20%.

We have also increased our economic contribution outside Southern Africa, where we employ about 5 600 people, mostly in the USA, Germany and Italy. While our economic contributions are more modest in these national economies, they are significant. A large percentage of our current capital investment is concentrated in The Gulf region of the Middle East where we are investing close to US\$1 billion in two projects.

Sasol Polymers remains a significant partner in the Optimal Olefins and Petlin plants at Kertih, Malaysia. Through other joint-venture interests, Sasol Polymers is expanding its polymer distribution interests in China.



Sasol continues to develop black economic empowerment initiatives to support socioeconomic transformation in South Africa.

Black economic empowerment

Supporting empowerment in South Africa

A big challenge in South Africa is to play a positive role in stimulating the successful advance of the broad-based economic empowerment of historically disadvantaged South Africans, particularly black people (Africans, Coloureds and Indians). To promote our BEE commitment, we operate a BEE coordination office in Johannesburg. This office reports to a member of our GEC, and oversees all corporate BEE activities, which have six main components in our South African businesses:

- introducing equity ownership by historically disadvantaged people;
- procuring goods and services, preferentially, from historically disadvantaged people;
- progressing employment equity;
- building human capacity and talent in industry;
- facilitating the development of smaller BEE enterprises; and
- implementing social upliftment initiatives.

Preparing empowerment deals

We have advanced discussions with BEE partners in our South African liquid fuels and mining businesses. In the previous year, Sasol Mining selected Eyesizwe Coal as its lead empowerment partner, thereby paving the way towards introducing BEE ownership to our mining operations. Sasol Mining and Eyesizwe intend to conclude the terms of their empowerment deal in the year ahead.

The planned Uhambo Oil joint venture between the liquid fuel interests of Sasol and Engen, predominantly owned by Petroliaam Nasional Berhad (Petronas) of Malaysia, was recommended for conditional approval in May 2005 by South Africa's Competition Commission and referred to the Competition Tribunal for final review. Our BEE plans for our liquid fuels business are progressing well and the incorporation into Uhambo is subject to the outcome of this review.



Ongoing employee skills and safety training and personal development are integral to Sasol's pursuit of good corporate citizenship.

Should the Uhambo deal proceed, Petronas and Sasol will partner with their two BEE groups, Worldwide African Investment Holdings and Tshwarisano LFB Investment, respectively, to create South Africa's largest liquid fuel business. BEE partners would own 25% of Uhambo. If the Uhambo deal does not proceed, then Tshwarisano will take a 25% equity position in Sasol's Liquid Fuels Business.

Sasol Gas and its empowerment partner, Coal Energy & Power Resources, continue to operate their successful 49:51 joint venture at Durban, Spring Lights Gas. Sasol Gas is seeking other empowerment joint ventures, subject to opportunities to create new regional gas markets and find BEE partners. In addition, DPI Plastics, a joint venture between Sasol Polymers and Group Five, maintains seven BEE joint ventures to market and sell plastic piping.

Promoting employee diversity

We continue to increase the percentage of employees drawn from historically disadvantaged groups in line with South Africa's Employment Equity Act. People from designated groups – Africans, Coloureds and Indians, women and people with disabilities – comprise almost 65% of our South African workforce.

At year end, people from designated groups held 39,2% of our South African managerial, professional and supervisory posts. This compares with a target of 40% that we set for ourselves some years ago. We intend to increase this figure to 50% in the medium term. We award more than 62% of our undergraduate bursaries to students from historically disadvantaged groups. More than 50% of future appointments of trainee artisans will be allocated to people from designated groups.

Shortly after year end, we announced the appointment of Ms Nolitha Fakude as an executive director as part of a drive to appoint more black people to the higher levels of group management, including the GEC. We intend to make additional senior black appointments in the year ahead.

Expanding BEE procurement

Our independently reviewed procurement spend with BEE suppliers increased by 65% to R2 473 million. We intend to increase this amount in the year ahead.

Social performance

- **Safety charter and improvement plan launched in response to an unacceptable increase in safety incidents and 17 work-related fatalities.**
- **Sasol North America and Sasol Germany attained world-class safety performances.**
- **More than R170 million invested in developing employee skills.**
- **More than 80% of South African employees have undergone voluntary HIV testing.**
- **Social investment continues to emphasise the need for advancing socioeconomic development in Southern Africa by building human capacity.**

Occupational health and safety

Targeting zero fatalities

It is with deep regret that seven employees and 10 contractors were fatally injured in workplace incidents. This includes the 10 people who died in an explosion at our Secunda ethylene plant in September 2004. Any work-related fatality in the group is unacceptable, and this figure is of particular concern. This compares with five workplace fatalities in the previous year and 10 in our 2003 financial year. Our goal remains zero fatalities.

We have since intensified our safety management programmes to attain our goal of zero fatalities. In November 2004, Sasol appointed DuPont Safety Resources to perform a comprehensive safety review of our South African operations. In the interests of transparency, the findings of this review have been posted on our website.



The implementation of a process safety management system was further advanced.

We are acting on the DuPont Safety Resources recommendations, which are based on improving the safety culture of our South African operations. This commitment is encapsulated in the Sasol safety improvement plan, which covers key elements of safe behaviour, contractor safety, process safety and many other specific issues. In addition, all businesses have implemented their own site-specific safety plans, the progress of which is monitored by their boards.

We have embarked on a comprehensive change-management programme to ensure the sustainability of these efforts throughout our South African operations. Key to this commitment, Sasol and three trade unions recently unveiled a safety charter, details of which are available on our website. This charter – believed to be a world first – was developed in close consultation with these unions and demonstrates our common goal of making safety the first priority of everyone at Sasol. As a focal point for these efforts, Sasol has revised its shared values to emphasise safety as one of the group's six core values.

Improving our recordable case rate

We have significantly refocused our efforts to drive down the group injury rate, which we track as the RCR. An RCR is the number of fatalities, lost workdays and medical treatments beyond first-aid cases for every 200 000 employee hours worked. We have set an interim target of halving our worldwide RCR to 0,5 by June 2006 (a maximum of one case for every 400 000 employee hours). An RCR of 0,5 is considered to be in line with global best practice.

An unacceptable increase in injuries was experienced in the first half of the year, particularly at Sasol Mining and Sasol Polymers. The group RCR increased to 1,17 compared with 1,03 and 1,34 in financial 2004 and 2003, respectively. We have taken significant steps to address this poor safety performance.

There have been some early encouraging signs of improved performance. Sasol Mining, for the first time, achieved five



More than 80% of our South African employees volunteered to undergo confidential HIV testing as part of the successful Sasol HIV/Aids Response Programme.

million employee hours without a lost workday case and, by mid-2005, had reported working eight million employee hours without a lost workday case. In April 2004, the Sasol North America operations at Lake Charles, Louisiana, achieved one continuous year of operations without a recordable injury.

Progressing process safety management

Ensuring the effective management of the risk of fires, explosions and releases of hazardous substances is critical to our business. 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.

Despite these efforts, there were 25 significant fires, explosions and releases throughout the group. We register an incident as "significant" when it meets one of three criteria: it involves a fatality or lost workday case; it results in damage of more than US\$25 000; or it causes a release of the relevant substance's US OSHA threshold quantity. It is nevertheless pleasing that this represents a 37,5% reduction on the level of our 2001 financial year, and constitutes significant progress towards the SH&E target of a 50% improvement on 2001 levels by July 2006.

Human resource management

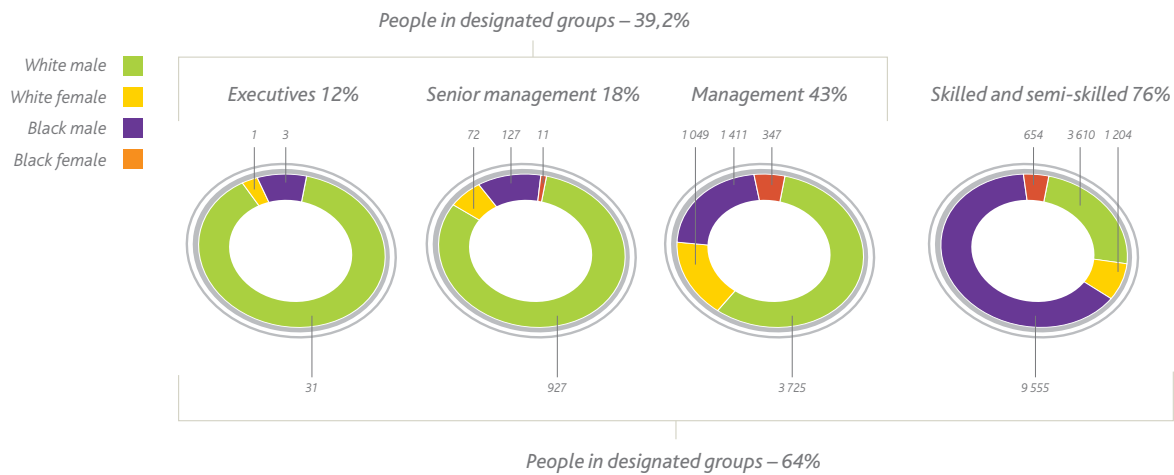
Maintaining a skilled and stable workforce

At year end, Sasol had about 30 000 employees. Employee turnover was within normal ranges of between 4% and 6%.

Since our inception, we have focused on developing, maintaining and optimising our skills base that is necessary to ensure the ongoing productivity, safety and reliability of our global operations. Our commitment to creating a culture of continuous learning is evident in the structured, group-wide approach to people development, including our 5 600 employees outside South Africa.



Employment equity statistics as at 30 June 2005



Sasol sponsors at least 462 undergraduate bursaries in South Africa annually, with emphasis on developing scientific, engineering and technological skills. We committed R24 million for 462 undergraduate and 80 postgraduate bursaries in 2005 and have budgeted a similar amount for the 2006 academic year. We invested a further R172 million in employee training and development throughout the group. This investment includes in-house technical training, self-learning centres and undergraduate bursaries.

We are at the third intake of employees participating in our accelerated leadership development programme in South Africa. We are currently developing high-potential, historically disadvantaged South Africans from different disciplines through this programme.

Encouraging participation and good relations

We enjoy constructive relationships with representative trade unions throughout the company. More than 50% of our employees in South Africa belong to unions. As a result of ongoing good relations, Sasol lost no employee days through industrial action.

Joint forums have been established between trade unions and management to discuss wages, conditions of employment, health and safety, training and development, community care and HIV/Aids, among other important issues. All representative unions and pensioners are represented on our medical scheme board and senior employees serve on the boards of union retirement funds.

Upholding human rights

We are committed to complying with all statutes in the countries in which we operate. This is complemented by our commitment to the human rights principles of the UN Global Compact. As we extend our operations into countries that are considered to have human rights concerns, we recognise the importance of

exercising extra care to ensure our activities comply with internationally accepted standards of behaviour.

Meeting the Aids challenge

Recognising the challenge of managing South Africa's HIV/Aids pandemic, we launched the Sasol HIV/Aids Response Programme (SHARP) in September 2002. This initiative – which involved input from business, trade union, community representatives and 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 by providing managed healthcare.

As a result of our collaborative approach, we have had one of the highest uptakes for voluntary counselling and testing (VCT) in South Africa: 82% by year end for our South African operations. This compares with a rate of between 50% and 60% that is typical among most corporate programmes. To date, 7% of our tested South African employees have tested positive for HIV, which is well below our estimated actuarial prevalence rate of 19%.

Having taken all of the South African operations through VCT, our focus has shifted to providing comprehensive workplace education and training programmes in our South African businesses. Our goal is to train 800 managers and 1 000 educators. To date, 250 managers have been trained. SHARP is being extended to surrounding communities through partnerships with community stakeholders, government bodies and other companies in South Africa and Mozambique.

Community involvement

Promoting engagement and outreach

Besides the public participation initiatives implemented as part of new projects, we continued to undertake community outreach



Sasol is undertaking several major investments to improve its waste-management facilities and environmental performance.



Sasol continues to support socioeconomic development through an extensive corporate social investment programme.

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 community complaints. This constructive approach towards community outreach has provided our management teams with a deeper understanding of community concerns and interests.

In developing our 2005 sustainable development report, we commissioned independent consultants to engage a sample of Sasol's stakeholders by e-mail, telephone, interviews and focus groups. A summary and analysis of the outcomes of this engagement process are included in our sustainable development report.

Sustaining strong social investments

Sasol has committed more than R600 million to social upliftment and human development over the last decade. We continue to support the communities in which we operate, especially in South Africa, our corporate home, and in Mozambique, where we recently completed construction of our US\$1,2 billion Mozambique Natural Gas Project (MNGP).

We channel our social investments into five main areas:

- education;
- job creation and capacity building;
- health and welfare;
- arts, culture and sport development; and
- the natural environment.

During the year, we committed almost R47 million to socioeconomic development projects, mostly in the Sasolburg and Secunda communities and along the Mozambique-to-Secunda pipeline route. This investment excludes the R24 million committed to bursaries and the funds dedicated to sport sponsorship.

As part of the MNGP, Sasol is maintaining a social development plan in Mozambique. To date, we have invested more than US\$7 million in community development projects in Mozambique, with US\$0,86 million invested during the year. We also have committed an additional US\$1 million for social upliftment projects to benefit communities alongside the gas transmission pipeline in South Africa.

While most of our social investments are undertaken in Southern Africa, important community-based initiatives are undertaken by our US and European operations. During the year, these operations and their employees contributed almost R6 million to community projects. Employees in the USA donated thousands of volunteer hours to help with community projects. A more detailed review of our social investment activities is available from our corporate social investment department.

Environmental performance

- **Group targets agreed for reducing emissions of greenhouse gases and volatile organic compounds.**
- **Visible progress in reducing atmospheric emissions.**
- **Significant new capital investments approved for further emission reductions.**
- **Many businesses are reducing energy and water consumption per ton of production.**
- **Progress in implementing product stewardship throughout global operations.**

Reducing impacts

Due to the nature of Sasol's activities as a global petrochemical company, we recognise we have the potential to impact the natural environment. The group is therefore committed to



Air-quality monitoring stations at and around Sasol plants worldwide are integral to our efforts to reduce emissions to air.



Ongoing land rehabilitation is core to Sasol's worldwide environmental management efforts.

minimising its environmental footprint by implementing measures aimed at:

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

Reducing greenhouse gas emissions

Following an extensive internal review and external benchmarking process, we finalised a group target of achieving at least a 10% reduction in greenhouse gas emissions per ton of product, on the 2005 baseline, by July 2015. We intend to achieve this reduction mostly by switching to a feedstock with a better carbon-efficiency at existing facilities, using a less carbon-intensive feedstock at new production facilities, reducing emissions at our nitric acid facilities and implementing an enhanced energy-efficiency drive at all facilities.

Our inventory of greenhouse gas emissions has been developed using the reporting protocol of the World Business Council for Sustainable Development and the World Resources Institute. Certain projects have been verified by independent consultants. The overall emission of carbon dioxide and methane, measured in terms of carbon dioxide equivalent per ton of production, was 2,88 compared with 2,64 in the previous year.

Sasol has made valuable progress towards registering several Clean Development Mechanism projects. We also continue to contribute to the activities of a working group of the Intergovernmental Panel on Climate Change that is examining opportunities to capture and store carbon dioxide.

Targeting other pollutants

Some notable milestones were achieved in reducing atmospheric emissions throughout the group, primarily in South Africa where

projects are being implemented against the backdrop of the new National Environment Management: Air Quality Act, which stipulates new ambient air quality standards.

At our Secunda operations, more than R500 million has been committed over the next three years to projects aimed at improving air quality, while, in Sasolburg, more than R2 billion is to be invested in similar projects over the same period. Following the conversion from coal to natural gas feedstock at our Sasolburg operations, significant reductions have already been achieved in the emission of hydrogen sulphide, historically a cause for complaints about odour.

The GEC approved a group target of achieving at least a 50% reduction in the emission of VOCs on the 2005 baseline by July 2015. Several projects have been implemented at the Natref refinery at Sasolburg, which have since resulted in reduced emissions of low-level VOCs. Capital expenditure has been approved to achieve similar VOC reductions at our Secunda plant. More detailed data on our atmospheric emissions at a group level is provided in our separate sustainable development report.

Supporting clean-fuels drive

Sasol is investing more than R6 billion at Sasolburg and Secunda to modify its fuel production facilities to ensure compliance with South Africa's stricter diesel and petrol specifications that become mandatory in January 2006. These specifications will bring South Africa closer to global standards and are expected to contribute to reduced vehicular emissions of harmful substances.

In another significant development, the imminent start-up of the Oryx GTL plant in Qatar will enable Sasol and Qatar Petroleum to supply an environmentally preferred form of synthetic diesel (GTL diesel) produced from the Sasol Slurry Phase Distillate™ process. GTL diesel has virtually no sulphur (less than five parts per million), a low aromatic content (less than 1%) and a high



Members of the emergency response team at the Lake Charles Chemical Complex in Louisiana conduct regular equipment inspections.

cetane number (70 versus the 45-55 of conventional diesels). These properties enable greatly reduced tailpipe emissions of nitrous oxides, sulphur oxides, carbon monoxide, aromatics, unburnt hydrocarbons and particulates from compression-ignition engines.

Working to minimise waste

Potential risks associated with waste remain a priority. Historical legacies are addressed in accordance with relevant legal requirements. Cleaner production principles are being implemented to minimise future risks.

An important initiative has been the commissioning of a waste-recycling facility at Secunda, which will have significant implications for on- and off-site waste treatment and disposal activities. We are working on developing group targets for waste reduction and global guidelines are being developed for minimum waste-management requirements.

Partnering for better energy efficiency

In South Africa, we signed the Energy Efficiency Accord with other companies and the Department of Minerals and Energy. Though this accord, we are committed to taking actions to reduce energy consumption per unit produced by 15% by 2015. The base year is 2000.

Remediating and rehabilitating land

As a result of our historical chemicals and fuels processes, we have several areas where soil or groundwater may have been



The Oryx GTL plant in Qatar will supply environmentally preferred synthetic diesel.

polluted in the past. Good progress has been made in remediating contaminated land throughout the group.

In some areas, remediation projects were successfully completed. In other areas, detailed surface and groundwater characterisation projects have been implemented.

Managing impacts in global activities

Sasol is 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 chemicals.

Our operations in these jurisdictions are subject to regulations for exploration and mining rights and the protection of safety, health and the environment. In addition, securing external funding for projects of this nature generally requires that we meet World Bank social and environmental requirements following the adoption by many banks of the Equator Principles. With this in mind, we typically require that such activities comply, as a minimum, with World Bank environmental and social standards.

Product stewardship

Furthering product stewardship

Recognising the risk management and marketing benefits associated with environmentally preferred products, particularly



A new Sasol waste-recycling facility under development at Secunda in South Africa.

in the context of the global policy shift towards addressing the risks and impacts of products rather than processes alone, Sasol is committed to adopting a life-cycle approach to all the products we develop, manufacture, use, distribute and sell.

Since 2003, a formalised global support structure – with assigned responsibilities in each of the key companies – has been in place with the goal of ensuring a structured, group-wide response to product stewardship. Sasol has continued to play a leading role on product stewardship issues in relevant working groups of the European Chemical Industries' Council and the American Chemistry Council.

We support the development of the Globally Harmonised System of Classification and Labelling of Chemicals and will be adopting this. Every Sasol chemical business is required to implement the Responsible Care product stewardship code.

Sustainability reporting

Changing to annual reporting

With effect from the year under review, we have agreed to publish our group sustainable development report annually, and no longer biennially. Our sixth external report on our sustainability performance will be available from the Sasol head office and website from November 2005.

Sasol reports on sustainable development in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Our 2005 sustainable development report – for

the period 1 July 2004 to 30 June 2005 – has been produced in accordance with GRI guidelines and has drawn on the findings of an independently conducted process of stakeholder engagement

Looking ahead

Targeting improvements

We have many challenges ahead. Our safety record has been unacceptable. We shall be working to improve this in the year ahead as a priority. We shall be further transforming Sasol to provide new opportunities to historically disadvantaged South Africans. As a result of our current growth trajectory, we are fortunate that we can offer opportunities to all our employees to grow and excel.

We shall proceed with established and new initiatives to empower black people and ensure their broader participation in South Africa's mainstream economy. We also are forging closer ties with the South African Government to ensure we are more closely aligned to national socioeconomic objectives, while also ensuring the Government is informed of our activities and plans in this field.

Sasol's leaders have again committed themselves to living the group's values, which continue to provide a solid foundation for building our future sustainability policies and programmes. While Sasol has achieved encouraging progress in many areas of sustainable development, we have considerable work still to do. This includes an ongoing change in our leadership style throughout Sasol and, in particular, in the way we interact with each other and our stakeholders.

the world of sasol

From the visual arts to nature conservation, and from community development to sports sponsorships, Sasol seeks to be a better corporate citizen by responding with concern to the needs of host communities and the natural environment.

in for the long haul



Spare a thought for truck drivers. They oil our modern economy, transporting goods and fuel countrywide with speed. But they spend long hours on the road away from family and home comforts. And when they need a break, there is often not much choice other than the side of the road. So it's not surprising that the one-stop truck centre in Sasolburg has become a truckers' haven.

The Sasolburg Truck Service Centre was developed in response to problems identified by the Sasolburg Town Council. The town was taking strain because 400 to 500 heavy-duty vehicles were passing through the central business area each day on their way to collect fuel at Natref, the National Petroleum Refineries of South Africa. The town council asked Sasol to help with the damage to the roads.

Problems upsetting residents included dumping, an environmental hazard, and prostitution. Trucks need to be cleaned before reloading and in the past some tanker drivers would empty the remainder of their loads on the roadside. Truckers were also at risk from crime and hijacking.

The new centre, with parking for 80 trucks, eased the town's traffic problems immediately. It was officially opened in April 2005, although it had been open for trade since

November 2004. Managed by Sasol LFB fuels marketing, 60 new jobs have been created at the centre.

Another way life has been made more efficient for the truckers is that they don't have to queue any more. Previously, the vehicles had to wait up to three hours at Natref before loading. The service centre is now the official waiting point. Drivers park there and through computer communication with Natref can find out when it is time to go through to the factory. This means that instead of sitting in their trucks on the side of the road, they can have a shower, relax or enjoy a meal while they wait – and they can have their vehicles washed, serviced or refuelled as well.

The 24/7 stop has four wash bays. Truckers can have their vehicles cleaned inside and out while they are waiting. Even hazardous chemicals will be disposed of safely. The new centre also has a minor repair workshop, a tyre service and facilities for refuelling.

The centre is an example of Sasol's code of ethics working in practice: the code includes respect for the environment and regard for social responsibility. And the facility is not only for Sasol transporters – other trucks passing through the area can also use it.



fuelling south africa's creative juices



This year's publication of art @ work celebrates Sasol's support for the visual arts in South Africa over the past 21 years. The book features some of the almost 120 artists whose works make up our collection.

Sasol may be an oil, gas and chemical company, but the Sasol staff work in an artistic environment. The works are on display in corridors, conference rooms and reception areas around the world, a living testament to South Africa's wealth of creative visual talent. More than that, staff are invited to participate through monthly in-house More About Art sessions. One month a year is also dedicated to arts and culture when employees, friends and family are included in lunchtime activities such as videos and pottery workshops.

The collection was started in 1982 by a former chief executive, Joe Stegmann, whose passion for the arts has evolved into an impressive corporate collection of 2 000 pieces, mainly by

contemporary artists. The collecting policy focuses on works by young South African artists, both those emerging and those more established. The annual Sasol New Signatures competition exposes budding artists.

We have produced three volumes of art publications. The first coincided with an exhibition of the collection at the Johannesburg Art Gallery. The second marked the opening of the Sasol Art Museum at the University of Stellenbosch. The third was produced in honour of the late Joe Stegmann.

The Sasol Art Museum opened in October 1991 and its outreach programmes include regular workshops for learners from schools on the Cape Flats, Cape Town.

Once a year, in November, we open the doors of our Rosebank, Johannesburg offices to the public to view new acquisitions or take a guided tour.

plants in a plant

When the staff at Petlin, the largest low-density polyethylene plant in Asia, asked if they could alter their lunar landscape of metal and concrete and develop a park within the plant, the management gave them a green thumbs-up.

The staff then set out to create not one, but three gardens, each representing one of the national identities of Petlin's shareholders, Petronas, Malaysia's national petroleum corporation (40%), Sasol Polymers of South Africa (40%) and SABIC Polyethylenes, which holds the 20% share previously held by DSM of the Netherlands.

The Malaysian garden has gazebos and bunga raya shrub, the national flower, lining its perimeter. The South African garden

has a miniature replica of an African elephant and a lion next to a water fountain. The Dutch garden has a windmill and pine trees. The gardens are a talking point for visitors to the plant. This employee-made oasis is used by the staff during their tea breaks.



a chemical solution



If it's Wednesday morning in Brunsbüttel in northern Germany, it's Children's Lab time. Elementary school children gather to do fun things like identifying plant fragrances and purifying waste water – simple experiments that bring the world of science alive for young, enquiring minds.

The lab is operated jointly by Sasol's Brunsbüttel plant and chemical companies Bayer, Dystar, RütgersElbchemie, SAVA and Yara. It was opened in November 2004. Facilities were provided by the city at Brunsbüttel's Elementary School Süd.

"Natural sciences rank low on the priority list of German schools. Therefore many applicants for apprentice positions have only a limited knowledge of chemistry. With the lab project we want to stimulate interest in chemistry and train young talent and make it clear that chemistry is part of our daily lives," says Wolfgang Pfeffer, head of human resources at the Brunsbüttel plant.

And the children of Brunsbüttel have grabbed the chance to learn. The lab has been so popular that the sessions are now booked out quickly.



giving nature a nudge

The scorching sun of the Kgalagadi Transfrontier Park pushes temperatures as high as 42 degrees Celsius in summer. Animals ranging this semi-desert terrain include lion, wildebeest and cheetah, but drinking water is scarce. So Sasol is giving nature a nudge and harnessing the heat of the sun for a solution. It is sponsoring a solar-powered waterhole for the wild animals.

This reserve is in the area where the borders of South Africa, Namibia and Botswana meet, and the solar-powered waterhole at Polentswa has become a resting place for wild animals and birds.

Borehole water was previously provided through windmills with dams and concrete drinking troughs. Solar-powered borehole pumps and natural-looking sunken troughs have replaced these. The solar panel converts sun energy to electrical energy to drive the borehole pump. It's just another way in which Sasol is reaching new frontiers.



flying high

Sometimes solutions are simple – like finding 3,5 kilometres of plastic piping to carry water from a reservoir to a waterhole. Sasol's environmental consciousness finds its most visible expression in its support for bird life. So when supplying piping could save the lives of Cape Griffon vultures in the mountainous Blouberg Nature Reserve in the Western Cape, Sasol Polymers naturally said yes.

This colony of vultures has been monitored by the Blouberg Vulture Project for 10 years. As it is a stable breeding colony, its well-being is vital. A few years ago the waterhole the vultures used started drying up and they moved on to a large storage dam 3,5 kilometres away. The problem was, once they climbed inside the dam, these giant birds often couldn't get out, and some of them drowned. Now water is running into the waterhole and the vultures have their old spot back to bathe and drink.

Other birding projects include sponsorship of the popular Sasol Birds of Southern Africa, birdcall recordings, bird hides and birding weekends in the Kruger National Park and at the Marakele National Park. More than 400 birders and a large contingent of SANParks honorary rangers participated in this year's Kruger Park weekend.

The company has supported the Endangered Wildlife Trust's Vulture Study Group and the Ground Hornbill Project based at Mabula Lodge. The latter conducts research and does the field work necessary to tackle the threats facing this species and its habitat. The ground hornbill is classified as vulnerable in South Africa because less than 2 000 of



these unusual birds are left. Land lost to farming, poisoning, trapping, the felling of large trees used for nesting, the exotic bird trade and traditional medicinal uses have almost depleted the species. Hand-rearing chicks and reintroducing them into the wild is one of the contributions the trust is making.

Sasol also sponsored the Sasol Birds and Birding Fair with BirdLife South Africa, Africa Birds & Birding magazine and the Johannesburg Zoo. We continued to support the Vaal Dam big bird count, run by the Vaal Dam branch of BirdLife South Africa. This monitors the water-bird population and the conditions of the wetlands needed by these birds. Twenty-eight boats, from dinghies to yachts and powerboats, took the birders out to do the count. You can imagine the human twittering and clucking when they spotted yellow-billed storks, white-breasted cormorants, blacksmith plovers and even Caspian terns.

power to the people



Energy changes lives. So Sasol was pleased to partner the Department of Minerals and Energy in South Africa to develop Integrated Energy Centres (IeCs). These centres will make energy products more accessible and affordable to poor people in rural areas of South Africa.

Take the people living in Maluti, a remote rural area near Matatiele on the border of KwaZulu-Natal and Eastern Cape. In the past they had to make an 80 kilometre taxi journey to Kokstad to buy paraffin and candles. Now they can shop at the Caba-Mdeni IeC, an information hub and energy shop selling paraffin, liquid petroleum gas, candles, petrol and diesel. Sasol delivers directly to the centre, excluding the middleman, which makes the products more affordable.

The IeC idea was introduced in 2001 after President Thabo Mbeki's plea to business to assist in the delivery of services

and resources to rural people. Industry players like Sasol were asked to help with community-based energy projects as part of the South African Government's Integrated Sustainable Rural Development Plan.

Caba-Mdeni, which opened in December 2004, is the first of 10 IeCs around the country. It is a cooperative owned by 59 members of the sprawling community. Thirty-five of the registered members are women. It has also created 10 jobs in a community where formal employment is scarce.

Sasol will eventually move on from being directly involved in running the IeC. "We shall be involved with an IeC for a maximum of 18 months, after which it will function like a proper, independent business with us as the supplier," says Johan Thyse, manager: new energy solutions at Sasol's manufacturing and supply group.

free state learners get wired



Teachers and learners in the northern Free State are joining the information highway at the Boitjhorisong Resource Centre, which has more than 100 computers and connections to the Internet. This Sasol-sponsored community education project is contributing to turning the northern Free State area into a centre of excellence. The district achieved the best matric pass rate for 2002, 2003 and 2004.

The centre embraces a philosophy of life-long learning. It reaches 74 schools, 158 farm schools, 63 500 learners and 2 000 teachers with literacy, numeracy and computer courses, workshops on different subjects and support services for schools.

Improving the standard of maths and science is crucial to provide the skills the country needs. So Boitjhorisong is helping to bridge the digital divide. It uses computers for training and also gives learners the chance to pass computer science as a seventh subject. Teachers can use the science and mathematics lending library and learners are allowed Internet access at the centre.

searching for soccer's whizz-kids

Sasol's financing of the South African Under-23 soccer team is an investment in building a world-class national team. The Amaglug-glug™ team that will represent South Africa in Beijing in 2008 will form the foundation of the Bafana Bafana team we shall be fielding for the World Cup in 2010.

We are committed to developing soccer through our sponsorship of the Under-23 team, and have cemented our partnership with the South African Football Association (Safa) with a R40 million sponsorship for the Amaglug-glug™ team over the four years leading up to Beijing.

Now the search for talent is on. Wonke Wonke, which means "everyone", is Sasol and Safa's programme to find the best players to fill our national team's boots. Since Wonke Wonke was launched in February 2005, Sasol and Safa staffers have been travelling around the country, visiting remote areas, to unearth hidden potential.

Wonke Wonke is being run across Safa's 25 regions. It started at a district level. Then came regional participation and a series of provincial trials. The provincial teams participated at an inter-provincial tournament in July 2005 in Soweto. A team of selectors, including national coaches and former soccer stars watched over the proceedings.

It was tough going. Sixty players were selected at the end of the tournament – but there was still another round. These 60 players stayed for a football camp lasting a week until 22 of the country's finest were finally selected.

Parallel to Wonke Wonke is a programme focusing on under-23 professional players in the Premier Soccer League, the Mvela League, and those who are playing abroad.

As this development programme unfolds, the 22 players chosen at the inter-provincial tournament and the pool of professional players will slowly merge into what will be known as the Sasol-sponsored Amaglug-glug™. Laduma!



board of directors



1. Paul Kruger (68) BSc Eng (Mining), MBL
Independent non-executive chairman. Chairman of the nomination and governance committee and the compensation committee and member of the risk and safety, health and environment committee.

Past chancellor of the Rand Afrikaans University (now the University of Johannesburg), and past chairman of Business South Africa (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 served on the King Committee on Corporate Governance and is 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.

2. Pieter Cox (62) BSc Eng (Mining), BSc (Metal)
Chief executive until 30 June 2005. Non-executive director from 1 October 2005 and chairman from 1 January 2006. 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.

3. Pat Davies (54) BSc Eng (Mech.)
Chief executive from 1 July 2005. 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 business, 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.

4. Trevor Munday (56) BCom
Deputy chief executive from 1 July 2005. Member of the risk and safety, health and environment committee.

Director of all major companies in the Sasol group and chief financial officer. Responsible also for Sasol's chemical businesses, 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.

5. Warren Clewlow (69) OMSG, CA(SA), DEcon (hc)
Independent 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.

Appointed to the board in 1992.

6. Brian Connellan (65) CA(SA)
Independent non-executive director. Chairman of the audit committee and member of the risk and safety, health and environment committee and compensation committee.

Director of Nampak Limited, Tiger Brands Limited, Absa Group Limited, Reunert Limited, Illovo Sugar Limited and Oceana Group Limited.

Appointed to the board in 1997.

7. Jürgen Schrempp (61) BSc Eng
Independent non-executive director.

Chairman of the board of management of DaimlerChrysler AG, director of Vodafone Group plc 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



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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 University of Graz, Austria and the University of Stellenbosch, South Africa.

Appointed to the board in 1997.

8. Sam Montsi (60) BA Econ, MA Dev Econ

Independent non-executive director. Chairman of the risk and safety, health and environment committee and member of the nomination and governance committee and compensation 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.

9. Elisabeth Bradley (66) BSc, MSc

Independent 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.

10. Mandla Gantsho (43) CA(SA), MSc

Non-executive director.

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.

11. Conrad Strauss (69) BA, MSc, PhD

Independent 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 Africa Foundation and the South African Institute of International Affairs.

Appointed to the board in 2000.

12. Anshu Jain (42) BA (Hons), MBA

Independent 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.

13. Imogen Mkhize (42) BSc, MBA

Independent non-executive director. Member of the risk and safety, health and environment committee.

Chief executive officer of the 18th World Petroleum Congress. Previously, executive chairman of the Zitek Group and managing director of Lucent Technologies South Africa. She is a director of Murray & Roberts Holdings, Datacentrix, the CSIR, the Financial Markets Advisory Board and Rhodes University.

Appointed to the board on 1 January 2005.

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 maintains a primary listing of its ordinary shares on the JSE Limited (JSE) and a listing of American Depositary Shares on the New York Stock Exchange (NYSE). 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 US governance requirements of the SEC, the NYSE and legislation such as the Sarbanes-Oxley Act of 2002 (SOX) applicable to foreign companies listed on the NYSE. In addition, Sasol has compared its corporate governance practices to those required to be applied by domestic US companies listed on the NYSE and has confirmed to the NYSE that it complies in all significant respects with such NYSE corporate governance standards.

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) continue to review and benchmark the group's governance structures and processes. The board considers corporate governance as a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with legal, regulatory or listing requirements.

Issues of governance will continue to receive the board and its committees' consideration and attention during the year ahead. Sound governance remains 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 company's board consists of a maximum of 15 directors of whom a maximum of five may be executive directors. During the year, three directors were executive directors (Messrs PV Cox, LPA Davies and TS Munday) and 11 of the directors were non-executive directors. Mr JH Fourie retired as a non-executive director with effect from 1 January 2005 and Mr SB Pfeiffer resigned as a non-executive director with effect from 31 October 2004. Ms IN Mkhize was appointed as a non-executive director with effect from 1 January 2005.

All the non-executive directors, except Messrs MSV Gantsho, JH Fourie and SB 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 Steven Pfeiffer as an independent director in view of the occasional US legal services provided by him and his firm. These services constituted less than 1% of the firm's turnover. The board is of the view that all non-executive directors bring independent judgement to bear on material decisions of the company.

During the year, the offices of chairman and deputy chairman/chief executive were separate and filled by a non-executive independent director (Mr P du P Kruger) and an executive director (Mr PV Cox), respectively. On 4 March 2005, the company announced the appointment of Mr LPA Davies as chief executive and Mr TS Munday as deputy chief executive with effect from 1 July 2005. It was also announced that Mr PV Cox would succeed Mr P du P Kruger as chairman of the board on 1 January 2006.

In terms of the company's articles of association, the directors appoint the chief executive. Such an appointment may not exceed five years at a time.

Details of directors of the board appear on pages 72 and 73 of the annual review.

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 board committees;
- matters reserved for final decision-making or pre-approval by the board; and
- the policies and practices of the board for such matters 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; and
- 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.

The board met six times during the year. The attendance by each director is set out in the table at the bottom of this page.

Non-executive directors are chosen for their business skills and acumen. Considerations of gender and racial diversity, as well as diversity in 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.

In line with Sasol's commitment to transformation, two black women were appointed to the Sasol board during 2005. Ms IN Mkhize joined the board on 1 January 2005 and on 26 July 2005 Sasol announced that Ms VN Fakude will join the board with effect from 1 October 2005. As from 1 October 2005,

the board will comprise 33% historically disadvantaged South Africans, including women, and 20% women.

Newly appointed directors are inducted in the company's business, 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 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 on 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 company's affairs 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 must retire at every annual general meeting and are eligible for re-election.

Board meeting attendance

Director	6 Sept '04	12 Oct '04 ¹	23 Nov '04 ¹	30 Nov '04	4 March '05	3 June '05
P du P Kruger	M	M	M	M	M	M
PV Cox	M	M	M	M	M	M
LPA Davies	M	M	M	M	M	M
JH Fourie ²	M	M	†	M		
TS Munday	M	M	M	M	M	M
E le R Bradley	M	M	M	M	M	M
WAM Clewlow	M	M	†	M	M	M
BP Connellan	M	M	†	M	M	M
MSV Gantsho	M	M	M	M	M	†
A Jain	†	M	†	M	†	M
IN Mkhize ³					M	M
S Montsi	M	M	M	M	M	†
SB Pfeiffer ⁴	M	M				
JE Schrempp	M	M	† ⁵	†	†	M
CB Strauss	M	†	†	M	M	M

M Indicates attendance † Indicates absence with apology

1. Unscheduled, special meetings. 2. Resigned with effect from 1 January 2005. 3. Appointed with effect from 1 January 2005. 4. Resigned with effect from 31 October 2004.

5. Pre-meeting inputs on executive appointments were provided by Prof. Schrempp.

Corporate governance

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 effectiveness within the group.

During the year, the terms of reference of the audit committee, the compensation committee, the nomination and governance committee and the risk and safety, health and environment committee were reviewed and updated to conform to the NYSE corporate governance rules. The terms of reference of the board committees form part of the board charter and can be viewed on the company's website (www.sasol.com).

The company's subsidiaries, as well as their operating divisions, have established board and committee structures to ensure the maintenance of high standards and best practice for corporate governance and internal control throughout. The business of group subsidiaries and divisions is decentralised.

The company requires 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 so that a majority of directors of each main subsidiary or divisional board are non-executive directors of the subsidiary or division.

The chairman of Sasol Limited 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 Sasol businesses and the non-executive directors of Sasol Limited.

The compensation committee

Members: Messrs P du P Kruger (chairman), WAM Clewlow, BP Connellan, S Montsi and Ms E le R Bradley.

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

The compensation committee is mandated to:

- review and approve general proposals for salary and wage adjustments;

- 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 and share schemes;
- review the group's compensation policies and practices and proposals to change these and to make recommendations in this regard to the board;
- determine and approve any criteria for measuring 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 on compensation policies or directors' compensation; and
- at least annually assess the performance of the committee and committee 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 from page 28 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 attendance at meetings was as follows:

Member	3 Sept '04	4 March '05	3 June '05
WAM Clewlow	M	M	M
E le R Bradley	M	M	M
P du P Kruger	M	M	M
BP Connellan*	†	†	M
S Montsi*	†	†	†

* Appointed with effect from 4 March 2005.

The audit committee

Members: Messrs BP Connellan (chairman), WAM Clewlow and Dr CB Strauss.

The audit committee is an important element of the board's system of monitoring and control. All members are independent non-executive directors and Mr WAM Clewlow has been



designated as the audit committee financial expert for purposes of compliance with SEC rules.

All audit committee members 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 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.

The board has delegated extensive powers in accordance with King II and US corporate governance requirements to the audit committee to perform these functions. In line with these requirements the audit committee has, among other things, determined which categories of non-audit services provided by the external auditor 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 and internal auditors and to review accounting, auditing, financial reporting, corporate governance and compliance matters.

The audit committee approves the external auditors' engagement letter and the 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 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 audit committee meets at least three times a year. The attendance at meetings was as follows:

Member	2 Sept '04	12 Oct '04	3 Mar '05	2 June '05
BP Connellan	M	M	M	M
WAM Clewlow	M	M	M	M
CB Strauss	M	†	M	M
M Indicates attendance † Indicates absence with apology				

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

Members: Messrs S Montsi (chairman), BP Connellan, PV Cox, LPA Davies, P du P Kruger, TS Munday, SB Pfeiffer (until 31 October 2004) and Ms IN Mkhize (from 4 March 2005).

The committee comprises three executive and four non-executive directors. The committee's functions 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.

The committee met four times during the year. The attendance at meetings was as follows:

Member	2 Sept '04	25 Nov '04	2 Mar '05	1 June '05
S Montsi ¹		M	M	†
BP Connellan	M	M	M	M
PV Cox	M	M	M	M
LPA Davies	M	M	M	M
MSV Gantsho ²	M			
P du P Kruger	M	M	M	M
IN Mkhize ³				†
TS Munday	M	†	M	M
M Indicates attendance † Indicates absence with apology				

1. Appointed chairman and member with effect from 6 September 2004.

2. Resigned with effect from 6 September 2004.

3. Appointed with effect from 4 March 2005.

The nomination and governance committee

Members: Mr P du P Kruger (chairman), Ms E le R Bradley, Dr CB Strauss and Messrs WAM Clewlow and S Montsi.

The nomination and governance committee consists entirely of independent non-executive directors.

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

The nomination and governance committee met six times during the year. Attendance at the meeting is set out in the table at the top of the following page.

Group executive committees

Group executive committee (GEC)

Members: Messrs PV Cox (chairman until 30 June 2005), JA Botha, LPA Davies (chairman with effect from 1 July 2005), A de Klerk, TS Munday, MV Sisulu, JA van der Westhuizen, R van Rooyen and Dr NL Joubert. On 26 July 2005, Sasol

Corporate governance

Nomination and governance committee attendance

Member	2 Sept '04	18 Nov '04	25 Nov '04	7 Feb '05	3 Mar '05	2 June '05
P du P Kruger	M	M	M	M	M	M
E le Bradley	M	M	M	M	M	M
WAM Clewlow	M	M	†	M	M	M
S Montsi	M	M	M	M	M	†
CB Strauss	M	M	M	M	M	M

M Indicates attendance † Indicates absence with apology

announced the appointment of Mr GJ Strauss and Ms VN Fakude as members of the GEC with effect from 26 July 2005 and 1 October 2005, respectively.

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

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

The Southern African executive committee (SAEC)

Members: Messrs T Bates, BE Klingenberg, CF Rademan, M Sieberhagen, GJ Strauss and members of the GEC.

The GEC met 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 were 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 consisted 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 group functions, 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: Drs R Groh, G Safran, CF Putnik, Messrs G Couvaras, TF O'Brien, O Pepler, AH Putter, D Schrenk and members of the GEC.

The GEC met monthly with managing directors and senior functional managers of its businesses outside South Africa.

The IEC's focus was on the general business and strategic issues of international businesses and joint ventures and the performance of its businesses. It also focused 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 comprised representatives of Sasol Chevron, Sasol Solvents, Sasol Olefins & Surfactants, Sasol Wax and other non-South African managers.

With effect from 17 August 2005 the IEC and SAEC have been replaced by a committee of managing directors of Sasol's most significant businesses. The members are: Messrs T Bates (chairman), G Couvaras, PR Heydenrich, BE Klingenberg, JC Naudé, E Oberholster, AH Putter, CF Rademan, D Schrenk, M Sieberhagen, A Zwiegelaar, Dr R Groh and Ms FS Cranmer.

Internal control and risk management

The directors are ultimately responsible for the group's system of internal control, 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 on the maintenance 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.

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 continuously 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 best practice requires that the internal audit function reports directly to the audit committee. Such direct reporting 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 about 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, legal, 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.

The establishment of a more formalised enterprise-wide risk management process was initiated during the 2002 financial year with the following principal objectives:

- providing the board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in order to achieve an optimal risk-reward profile; and
- making risk identification and risk management an integral part of the daily activities of everyone in the organisation.

* See also page 59 and 60 for more information on operational initiatives to improve safety.

Substantial progress has been made to date in achieving the above objectives. There are still certain components of the process which need to be further developed and embedded and programmes are in place to address these.

Sasol's enterprise-wide risk management process is guided by the following key principles:

- a clear assignment of responsibilities and accountabilities;
- the use of a single enterprise-wide risk management framework and process;
- independent review of the effectiveness of the process; and
- the context of risk management activities is the achievement of business plans and strategic objectives.

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 acceptable 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;
- cyclical 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 and regulatory requirements;
- not responding timeously to emerging regulations/requirements relating to the empowerment of historically disadvantaged South Africans; and
- risks associated with the simultaneous construction and commissioning of new plants and businesses.

Corporate governance

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 reports on all aspects of its social, transformation, ethical and safety, health and environmental policies and practices to the board and to its stakeholders. A comprehensive sustainability report dealing with these issues was published by the company in November 2004 and is available on the company's website.

See pages 54 to 65 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 promoting equal opportunities and fair employment practices regardless of employees' 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's code of ethics 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. The code embodies the highest standards of compliance with laws and regulations. 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 incorporates the code of ethics, is assessed as part of Sasol's performance appraisal system.

Any amendment or waiver of the code as it relates to the chief executive or chief financial officer will be posted on the website within five business days following such amendment or waiver.

No such amendments or waivers are anticipated.

The principles contained in the code have been communicated throughout the group and are available on the company's website.

An ethics hotline, operated by an independent service provider, has been operating since 2001. The hotline provides an independent facility for stakeholders of the company to anonymously report fraud and other crimes, safety malpractices, deviations from the procurement policy, financial reporting irregularities and other irregularities.

Insider trading

The company's directors, executives and senior employees are prohibited from dealing in Sasol shares during certain prescribed restricted periods. The company secretary regularly disseminates written notices to inform them of the insider trading legislation and advise them of closed periods.

Disclosure

Sasol has a disclosure committee which oversees compliance with the disclosure requirements contained in the JSE, SEC and NYSE rules. Disclosure controls and procedures have been implemented to ensure that accurate and timely disclosure of information that may have a material effect on the value of Sasol securities or influence investment decisions is made to shareholders, the financial community and the investing public.

During the year, a project to ensure compliance with the requirements for controls over financial reporting of SOX 404 during the next financial year has been successfully completed. See page 11 of the annual financial statements for more details.

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

To ensure the company communicates with its smaller shareholders and those stakeholders without access to the electronic media, the company publishes and reports on details of its corporate actions and performance (including its interim and final results) in the main South African daily newspapers.

The company's communications department also maintains regular contact with the media by disseminating relevant information. The company maintains a website through which access is available to the company's latest financial, operational and historical information, including its annual report.



summarised financial information



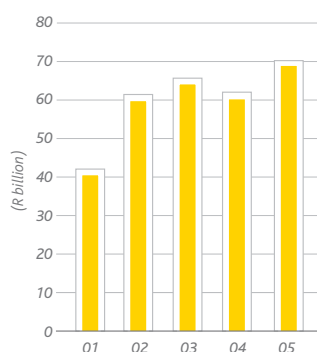
- 82 *Highlights*
- 83 *Balance sheet*
- 84 *Income statement*
- 85 *Changes in equity statement*
- 85 *Value added statement*
- 86 *Cash flow statement*
- 88 *Salient features*
- 90 *Business segment information*



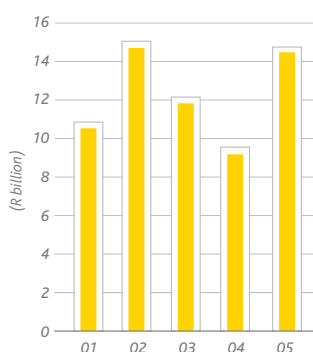
sasol limited group financial highlights

- Record headline earnings.
- Most businesses achieve commendable improvements.
- Total dividend increased by 20% to R5,40 per share.
- Gearing improves to 38%; capital expenditure of R13,2 billion, with nearly R10 billion (75%) invested in South Africa.
- Contribution to economic wealth of South Africa increases by 22% to R21,5 billion.
- Sasol's international credit rating upgraded.

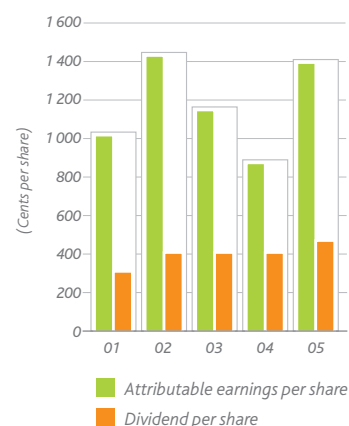
Turnover



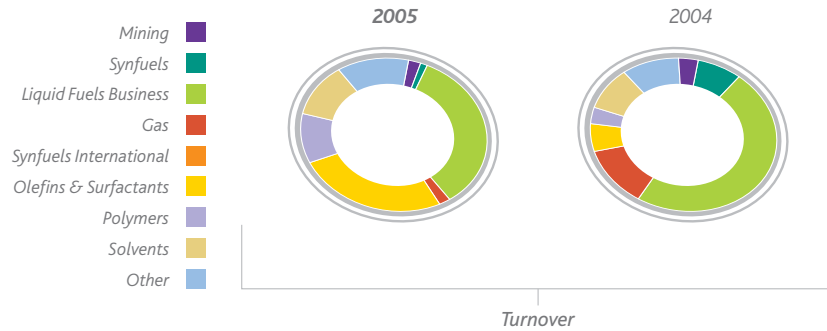
Operating profit



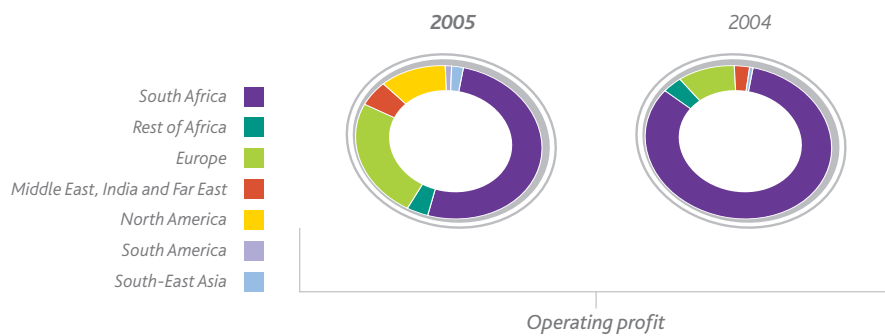
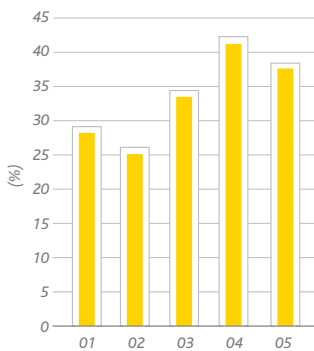
Attributable earnings and dividend per share



Turnover		Business unit (before capital items)	Operating profit	
2004	2005		2005	2004
Rm	Rm		Rm	Rm
1 083	1 471	Mining	1 224	1 177
1 329	820	Synfuels	7 670	5 515
18 554	23 525	Liquid Fuels Business	1 963	1 429
1 389	1 408	Gas	932	387
7	–	Synfuels International	(232)	(138)
17 133	18 040	Olefins & Surfactants	562	(46)
6 576	7 199	Polymers	1 496	971
5 956	8 063	Solvents	1 625	135
8 124	8 713	Other	541	(89)
60 151	69 239		15 781	9 341
		Effects of capital items	(1 275)	(27)
			14 506	9 314



Gearing



Turnover		Geographic analysis	Operating profit	
2004	2005		2005	2004
Rm	Rm		Rm	Rm
28 954	35 395	South Africa	12 236	8 505
3 062	2 553	Rest of Africa	536	204
15 632	17 145	Europe	1 486	591
3 509	3 840	Middle East, India and Far East	389	277
7 060	8 149	North America	(221)	(303)
723	760	South America	(5)	4
1 211	1 397	South-East Asia	85	36
60 151	69 239		14 506	9 314

balance sheet

at 30 June	2005 Rm	2004 Rm
Assets		
Property, plant, equipment	56 550	46 858
Goodwill (net of negative goodwill in 2004)	509	92
Intangible assets	1 900	2 236
Post-retirement benefit assets	300	239
Deferred tax assets	409	306
Other long-term assets	2 212	1 877
Non-current assets	61 880	51 608
Investments held-for-sale	41	–
Inventories	9 995	8 292
Trade and other receivables	12 384	10 971
Short-term financial assets	178	25
Restricted cash	1 002	527
Cash	2 509	2 063
Current assets	26 109	21 878
Total assets	87 989	73 486
Equity and liabilities		
Shareholders' equity	43 530	35 027
Minority interest	256	373
Long-term debt	12 951	9 110
Long-term provisions	2 954	2 362
Post-retirement benefit obligations	2 970	2 724
Long-term deferred income	763	237
Deferred tax liability	6 286	5 768
Non-current liabilities	25 924	20 201
Short-term debt	3 300	3 265
Short-term financial liabilities	792	1 205
Other current liabilities	11 572	9 302
Bank overdraft (including overnight borrowings)	2 615	4 113
Current liabilities	18 279	17 885
Total equity and liabilities	87 989	73 486



income statement

	2005	2004
<i>for the year ended 30 June</i>	<i>Rm</i>	<i>Rm</i>
Turnover	69 239	60 151
<i>Cost of sales and services rendered</i>	(42 267)	(38 794)
Gross profit	26 972	21 357
<i>Non-trading income</i>	417	343
<i>Marketing and distribution expenditure</i>	(5 097)	(4 920)
<i>Administrative expenditure</i>	(4 075)	(3 744)
<i>Other operating expenditure</i>	(3 802)	(2 687)
<i>Translation gains/(losses)</i>	91	(1 035)
Operating profit	14 506	9 314
<i>Dividends and interest received</i>	149	190
<i>Income from associates</i>	184	117
<i>Borrowing costs (net of amounts capitalised)</i>	(587)	(439)
Net income before tax	14 252	9 182
<i>Taxation</i>	(4 568)	(3 175)
Earnings	9 684	6 007
Attributable to		
<i>Shareholders</i>	9 573	5 940
<i>Minority interests in subsidiaries</i>	111	67
	9 684	6 007
Basic earnings per share (cents)		
<i>attributable earnings basis</i>	1 560	974
<i>headline earnings basis</i>	1 749	934
Diluted earnings per share (cents)*		
<i>attributable earnings basis</i>	1 533	964
<i>headline earnings basis</i>	1 719	925
Dividends per share (cents)		
<i>interim</i>	230	215
<i>final</i>	310 [†]	235
	540	450

* Taking the Sasol Share Incentive Scheme into account.

† Declared subsequent to 30 June 2005 and has been presented for information purposes only. No provision regarding this final dividend has been recognised.

changes in equity statement

	2005	2004
<i>for the year ended 30 June</i>	<i>Rm</i>	<i>Rm</i>
Opening balance	35 027	33 518
Negative goodwill written off	610	–
Shares issued	311	109
Shares repurchased	–	(33)
Attributable earnings	9 573	5 940
Dividends paid	(2 856)	(2 745)
Increase/(decrease) in foreign currency translation reserve	313	(1 217)
Increase/(decrease) in cash flow hedge accounting reserve	552	(545)
Closing balance	43 530	35 027
Comprising		
Share capital	3 203	2 892
Share repurchase programme	(3 647)	(3 647)
Accumulated earnings	45 643	38 236
Foreign currency translation reserve	(1 336)	(1 569)
Investment fair value reserve	2	2
Cash flow hedge accounting reserve	(335)	(887)
Shareholders' equity	43 530	35 027

value added statement

	2005	2004
<i>for the year ended 30 June</i>	<i>Rm</i>	<i>Rm</i>
Turnover	69 239	60 151
Purchased materials and services	(42 079)	(37 085)
Value added	27 160	23 066
Investment income	333	307
Wealth created	27 493	23 37
South Africa	21 474	17 664
Rest of World	6 019	5 709
Wealth created	27 493	23 373
Employees	8 645	8 731
Providers of equity capital	2 967	2 812
Providers of loan capital	587	439
Government	4 326	3 421
Reinvested in the group	10 968	7 970
Wealth distribution	27 493	23 373



cash flow statement

	2005	2004
<i>for the year ended 30 June</i>	<i>Rm</i>	<i>Rm</i>
Cash receipts from customers	68 263	59 952
Cash paid to suppliers and employees	(49 451)	(44 801)
Cash generated by operating activities	18 812	15 151
Investment income	169	230
Borrowing costs paid	(1 523)	(1 384)
Dividends paid	(2 856)	(2 745)
Tax paid	(3 753)	(3 963)
Cash available from operating activities	10 849	7 289
Additions to property, plant and equipment*	(12 414)	(10 888)
Acquisition of businesses	–	(555)
Cash acquired on acquisition of businesses	–	163
Disposal of businesses	36	283
Cash disposed of on disposal of businesses	(94)	(2)
Other net cash flows from investing activities	245	(29)
Cash utilised in investing activities	(12 227)	(11 028)
Share capital issued	311	109
Share repurchase programme	–	(33)
Dividends paid to minority shareholders	(64)	(37)
Contributions from minority shareholders	–	75
Increase in long-term debt	4 165	4 386
Decrease in short-term debt	(440)	(2 616)
Cash effect of financing activities	3 972	1 884
Effect of translation of cash of foreign entities	(175)	(251)
Increase / (decrease) in cash and cash equivalents	2 419	(2 106)
Cash and cash equivalents at beginning of year	(1 523)	583
Cash and cash equivalents at end of year	896	(1 523)
Comprising		
restricted cash	1 002	527
cash	2 509	2 063
bank overdraft	(2 615)	(4 113)
	896	(1 523)

* After taking the effect of cash flow hedge accounting on foreign exchange contracts (R600 million) into account.

salient features

<i>for the year ended 30 June</i>		2005	2004
		Rm	Rm
Selected ratios			
Return on equity	%	24,4	17,3
Return on total assets	%	18,4	13,4
Operating margin	%	21,0	15,5
Borrowing cost cover	times	9,7	7,0
Dividend cover	times	2,9	2,2
Share statistics			
Total shares in issue	million	676,9	671,3
Treasury shares (share repurchase programme)	million	60,1	60,1
Weighted average number of shares	million	613,8	610,0
Diluted weighted average number of shares	million	624,4	616,2
Share price (closing)	Rand	180,80	96,10
Market capitalisation	Rm	122 379	64,509
Net asset value per share	rand	70,58	57,31
Other financial information			
Total debt (including bank overdraft)			
interest-bearing	Rm	18 865	16,448
non-interest-bearing	Rm	1	40
Borrowing costs capitalised	Rm	1 116	1 105
Capital commitments			
authorised and contracted	Rm	26 679	18,216
authorised, not yet contracted	Rm	7 740	14,397
less expenditure to date	Rm	(15 250)	(7,833)
Guarantees and contingent liabilities			
total amount	Rm	33 122	25,835
liability included on balance sheet	Rm	11 230	9,759
Significant items in operating profit			
employee costs	Rm	8 645	8,731
depreciation of property, plant and equipment	Rm	3 591	4,723
operating lease charges	Rm	462	350
Directors' remuneration	Rm	26	22
Share options granted to directors – cumulative	'000	1 205	1,451
Effective tax rate	%	32,1	34,6
Employees	number	30,004	30,910
Average crude oil price – dated Brent	US\$/barrel	46,17	31,30
Average rand/US\$ exchange rate	1US\$ = rand	6,21	6,88



<i>for the year ended 30 June</i>	2005	2004
	Rm	Rm
Reconciliation of headline earnings		
Attributable earnings	9 573	5 940
Effect of capital items	1 275	27
impairment of assets	1 078	342
profit on disposal of assets	(60)	(341)
scrapping of property, plant and equipment	290	26
profit on sale of participation rights in GTL project	(33)	–
Amortisation of goodwill	–	21
Amortisation of negative goodwill	–	(225)
Tax effect on reconciling items	(235)	(65)
Deferred tax asset written off	122	–
Headline earnings	10 735	5 698
Capital items included in operating profit		
Mining	(23)	(17)
Synfuels	110	3
Liquid Fuels Business	63	–
Synfuels International	(33)	–
Olefins & Surfactants	783	21
Polymers	12	(59)
Solvents	382	18
Other	(19)	61
	1 275	27

The reader is referred to the definitions contained in the annual financial statements.

The financial information presented on pages 82 to 89 is a summary of our annual financial statements as set out in a separate publication entitled Annual Financial Statements 2005 which, together with this Annual Review, comprise our 2005 annual report. This summarised financial information does not provide sufficient information to allow for a full understanding of the results or state of affairs of the Sasol group.

A complete annual report may be obtained from the Sasol group corporate affairs department. Contact details are printed on page 92 of this report.

glossary of terms

ammonium nitrate: A colourless, crystalline compound derived from nitric acid and ammonia and used mostly for fertilisers and commercial explosives.

autothermal reformer: A type of catalytic partial-oxidation reactor in which the endothermic heat needed for the reforming reactions is provided by combustion reactions of oxygen in the feed.

barrel (b): A standard international petroleum industry volumetric measure equal to 42 US gallons, 35 imperial (UK) gallons or 159,1 litres.

bio-diesel: A form of diesel derived in part from renewable biotic sources such as soybeans and rapeseeds.

black products: In the context of Sasol's South African operations, those secondary products from coal gasification – tars and pitches – that often contain coal. They are difficult and expensive to process, have little commercial value and may need to be stored at production sites.

catalyst: Usually a metal or metal-containing material used to accelerate a reaction between two or more chemical elements or compounds. A catalyst is not generally changed in the process, although its efficacy may reduce with time.

central processing facility: A petrochemical processing plant with support infrastructure used at or near natural gas fields to conduct several processing steps on natural gas from multiple wells before the gas is fed into a transmission pipeline.

cetane number: This refers to the results of a standardised test conducted to measure the combustion properties of a diesel fuel. This is the equivalent of the octane testing conducted for petrol. Cetane is a colourless, liquid, straight-chain paraffin.

comonomer: A chemical, such as 1-butene, 1-hexene or 1-octene, that is blended with a monomer such as ethylene to improve or modify certain properties such as impact strength, flexibility or clarity of a polymer such as polyethylene.

compression-ignition: The form of ignition used in a diesel-fuelled version of an internal-combustion engine. The diesel is ignited spontaneously as it is injected into the cylinder because of the heat emanating from the compression of the air charge. This is in contrast to spark ignition used in petrol engines.

continuous-miner: A large, remote-controlled vehicle used in an underground colliery to cut and remove coal from a coalface with the aid of a spiked, rotating cutting drum.

cracker: Petrochemical jargon referring to a chemical reaction vessel used for decomposing (cracking) petrochemical compounds such as naphtha, liquefied petroleum gas or waxes.

dieselisation: A description of the trend presently occurring in Europe (and elsewhere) where vehicles are increasingly being fuelled by diesel, primarily due to high fuel efficiencies, tax incentives and modern, effective diesel engines.

ethylene: A colourless, flammable hydrocarbon gas of the alkene series derived through Sasol's process and used principally in South Africa as feedstock for producing polyethylene and polyvinyl chloride.

Fischer-Tropsch process: A chemical process pioneered in Germany by Franz Fischer and Hans Tropsch in the 1920s and subsequently evolved by Sasol. It is used to produce synthesis gas, which is reacted under temperature in the presence of a catalyst to produce a diverse spectrum of hydrocarbons for downstream processing into liquid transportation fuels and chemicals.

gas-to-liquids (GTL): A petrochemical term referring to a process technology, plant or venture that entails the conversion of a hydrocarbon feedstock gas (usually natural gas or methane) into a liquid transportation fuel and related hydrocarbons such as diesel, kerosene and naphtha.

gasification: The process of converting coal in a gasifier into gases and co-products under high temperature and pressure in the presence of steam and oxygen. The purified gases and co-products are then converted into desired products.

greenhouse gases: Gases – usually formed anthropogenically – that contribute to the Earth's intensified greenhouse effect or global warming. Greenhouse gases include carbon dioxide, nitrous oxides, ozone, methane and chlorofluorocarbons.

hexene (1-hexene): An alpha olefin emanating from the Sasol Synthol process. An alpha olefin is a straight-chain hydrocarbon molecule containing a single, terminal double-bond between atoms. Hexene is used mostly as a comonomer for producing certain plastics.

hydroformylation: A type of carbonylation (ie, involving carbon monoxide) reaction that uses carbon monoxide and hydrogen with the aid of a catalyst to convert an olefin into an aldehyde or primary alcohol, depending on the selected reaction conditions such as pressure, temperature and catalyst type.

ketones: Hydrocarbon compounds containing a carbonyl group (-CO-) in the molecule attached to two hydrocarbon radicals. Ketones include acetone, methyl ethyl ketone (MEK) and methyl isobutyl ketone (MIBK). They are used mostly as solvents or chemical feedstock.

linear alkylbenzene (LAB): An organic compound with an alkyl group bound to a benzene ring that is produced in a process involving benzene and long-chain paraffins. LAB is used as an intermediate for producing surfactants used in the detergent industry.

liquefied petroleum gas (LPG): Gaseous hydrocarbons or petroleum gases such as propane, butane and pentane pressurised in liquefied form and used for heating applications such as camping stoves and lighters.

methane: The simplest alkane, methane is a gas that occurs naturally in petroleum wells, natural gas fields and as marsh gas. Coal gas also contains a large proportion of methane.

methanol: A toxic, colourless alcohol produced from various sources, including the destructive distillation of wood, the catalytic oxidation of methane and the synthesis of carbon monoxide and hydrogen in the presence of a catalyst. In it is an important intermediate chemical and is often used as a versatile solvent.



monomer: A chemical such as ethylene or propylene capable of being converted into a long-chain polymer or a synthetic resin by combining with itself or other similar molecules or compounds.

naphtha: A generic term for a flammable, light distillate or hydrocarbon feedstock, or a mixture of light hydrocarbons, used for gas or petrochemical manufacture.

natural gas: A mixture of hydrocarbon gases in the Earth's crust containing methane, as well as ethane, propane, butane, nitrogen, carbon dioxide and sulphur compounds such as hydrogen sulphide.

nitric acid: A colourless, corrosive, fuming and unstable liquid, which Sasol derives by oxidising some of its ammonia production. It is important intermediate for producing ammonium nitrate and its derivatives.

octene (1-octene): An alpha olefin emanating from the Sasol Synthol process, 1-octene is a straight-chain C_8 hydrocarbon molecule that contains a single, terminal double-bond between atoms. It is used mostly as a comonomer for producing certain plastics.

pentene (1-pentene): An alpha olefin emanating from the Sasol Synthol process, 1-pentene is a straight-chain C_5 hydrocarbon molecule that contains a single, terminal double-bond between atoms. It is used for producing certain plastics and agrochemicals.

polyethylene: A common plastic that has a macromolecule comprising long-chain ethylene molecules. Polyethylene is mostly used to produce packaging materials, pipe and moulded fittings and to sheath wire and cable.

polymer: A compound whose molecule is formed from a large number of repeated units of one or more compounds of low molecular-weight (monomers). Synthetic polymers are used extensively in plastics. Polymers do not have a definite formula because they consist of many chains of different lengths.

polypropylene: Another common plastic, this versatile material with many end-applications is derived from the polymerisation of propylene. It is used for automotive components, furniture, self-hinged containers, medical equipment, carpet backings and woven bags.

polyvinyl chloride (PVC): PVC is a tough, white, solid thermoplastic that can be softened with plasticisers. Sasol produces PVC by polymerising vinyl chloride monomer derived from ethylene and chlorine. It is used for sheathing cables, moulding footwear and for moulding bottles and other packaging forms.

propanol: A colourless and volatile alcohol existing in two isomers (iso-propanol and normal-propanol) used mainly as a solvent and to prepare esters such as propyl acetate.

propylene: A colourless, gaseous hydrocarbon (olefin) obtained from petroleum by cracking alkanes, among other petrochemical processes. In the case of Sasol's operations, it is a co-product of the Synthol process that is refined before being converted downstream into polypropylene and butanol.

reforming: A generic term referring to petrochemical processes that radically change the feed molecules. For example, reforming of naphtha is used to create high-octane petrol components from the low-value naphtha. The term is also used to refer to the process of converting methane or natural gas into synthesis gas.

Responsible Care: An international chemical industry initiative to maintain responsible and beneficial control of the impacts it imposes on human safety and health and both the social and biophysical environments, thereby instilling and maintaining greater confidence in the industry's stakeholders.

Sasol Advanced Synthol™ (SAS™) reactor: The proprietary Sasol reactor at the heart of the SAS™ process, the high-temperature version of Sasol's Fischer-Tropsch process used at Secunda to produce a synthetic form of crude oil and chemical feedstock.

Sasol Slurry Phase Distillate™ (Sasol SPD™) process: A proprietary version of Sasol's low-temperature Fischer-Tropsch process used to convert synthesis gas into waxes and related petrochemical streams for the end production and marketing of waxes and/or diesel.

solvent: A liquid that dissolves another substance or substances to form a solution.

spark-ignition engine: The petrol-fuelled version of an internal-combustion engine in which electrical sparks from spark plugs are used to ignite the fuel in the combustion chambers.

surfactant (surface active agent): A soluble chemical compound such as a detergent or soap that is added to a liquid to increase its spreading or wetting properties by reducing its surface tension.

synthesis: The formation of more complex chemical compounds or molecules from simpler compounds or molecules, as in the Fischer-Tropsch process.

synthesis gas (syngas): A mixture of carbon monoxide and hydrogen used to produce certain petrochemicals in downstream processes.

volatile organic compounds (VOCs): A generic term for hydrocarbon compounds, such as industrial alcohols, ketones and other solvents, that evaporate rapidly and easily at ambient temperature when exposed to the air and which are, or can be, harmful to human health as a result of overexposure or misuse.

wax: A liquid or solid long-chain paraffinic compound used for hot-melt adhesives, mould-release agents, printing inks, cosmetics, food coating, board coatings, polishes and candles, among other applications.

contact information

Shareholder information helpline

We have reserved 0800 202 361 as the South African toll-free number and +27 (0) 11 870 8222 for shareholders calling from outside South Africa.

The toll-free inbound telephone helpline will enable shareholders to obtain information regarding the resolutions and to provide assistance for completing proxy forms.

Depository Bank

The Bank of New York
Depository Receipts Division
101 Barclay Street
New York 10286, New York

The Bank of New York maintains a sponsored dividend reinvestment and direct purchase programme for Sasol's Depository Receipts. As a participant in Global BuyDIRECTSM, investors benefit from the direct ownership of their Depository Receipts, the efficiency of receiving corporate communications directly from the Depository Receipts issuer, and the savings resulting from the reduced brokerage and transaction costs. Additional information is available at www.globalbuydirect.com

Questions or correspondence about Global BuyDIRECT should be addressed to:

The Bank of New York
Investor Relations
PO Box 11258
Church Street Station
New York, New York 10286-1258

Toll-free telephone for US Global BuyDIRECT participants:
1-888-BNY-ADRS
Telephone for international callers: 212-815-3700

E-mail: shareowners@bankofny.com

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1979/003231/06

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