

## Exchange rate information

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

Rand per US dollar for the year ended 30 June or the respective month	Average <sup>(1)</sup>	High	Low
2004	6.88	7.80	6.17
2005	6.21	6.92	5.62
2006	6.41	7.43	5.99
2007	7.20	7.88	6.74
2008	7.30	8.25	6.43
2009 <sup>(2)</sup>	7.79	8.39	7.18
April 2008	7.78	8.17	7.53
May 2008	7.62	7.79	7.46
June 2008	7.94	8.18	7.60
July 2008	7.63	7.96	7.29
August 2008	7.67	8.01	7.18
September 2008 <sup>(2)</sup>	8.06	8.39	7.74

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

(2) Through 30 September 2008.

### 3.B Capitalisation and indebtedness

Not applicable.

### 3.C Reasons for the offer and use of proceeds

Not applicable.

### 3.D Risk factors

#### Fluctuations in exchange rates may adversely affect our business, operating results, cash flows and financial condition

The rand is the principal functional currency of our operations. However, a large part of our group's turnover is denominated in US dollars and some part in euro, derived either from exports from South Africa or from our manufacturing and distribution operations outside South Africa. Approximately 90% of our turnover is linked to the US dollar as petroleum prices in general and the price of most petroleum and chemical products are based on global commodity and benchmark prices which are quoted in US dollars. A significant part of our capital expenditure is also US dollar-denominated, as it is directed to investments outside South Africa or constitutes materials, engineering and construction costs imported into South Africa. The majority of our costs are either rand based for South African operations or euro based for European operations. Accordingly, fluctuations in the exchange rates between the rand and US dollar and/or euro may have a material effect on our business, operating results, cash flows and financial condition.

During 2008, the rand/US dollar exchange rate averaged R7.30 and fluctuated between the high of R8.25 and the low of R6.43. This compares to an average exchange rate of R7.20 during 2007 which fluctuated between the high of R7.88 and the low of R6.74. The rand exchange rate is impacted by various international and South African economic and political factors. Subsequent to 30 June 2008, the rand has on average weakened against the US dollar and the euro.

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

We use derivative instruments to protect us against adverse movements in exchange rates on certain transactional risks in accordance with our group hedging policies see "Item 11.-Quantitative and qualitative disclosures about market risk".

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

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

During 2008, the dated Brent crude oil price averaged US\$95.51/b and fluctuated between the high of US\$139.98/b and the low of US\$67.73/b. This compares to an average dated Brent crude oil price of US\$63.95/b during 2007 which fluctuated between the high of US\$78.26/b and the low of US\$49.95/b.

A substantial proportion of our turnover is derived from sales of petroleum and petrochemical products. Through our equity participation in the National Petroleum Refiners of South Africa (Pty) Limited (Natref) crude oil refinery, we are exposed to fluctuations in refinery margins resulting from differing fluctuations in international crude oil and petroleum product prices. We are also exposed to changes in absolute levels of international petroleum product prices through our synthetic fuels and oil operations. Fluctuations in international crude oil prices affect our results mainly through their indirect effect on the BFP price formula, see "Item 4.B-Business overview-Sasol Synfuels" and "Sasol Oil", as well as the impact on oil derived feedstock. Prices of petrochemical products and natural gas are also affected by fluctuations in crude oil prices.

Fluctuations in the price of crude oil and petroleum products can have a material adverse effect on our business, operating results, cash flows and financial condition.

We use derivative instruments to protect us against day-to-day US dollar oil price and rand to US dollar exchange rate fluctuations affecting the acquisition cost of our crude oil needs. Effective 1 August 2008, we hedged a portion of our synthetic fuel production against falling oil prices in respect of 2009. See "Item 11.-Quantitative and qualitative disclosures about market risk".

While the use of these instruments may provide some protection against short-term fluctuations in crude oil prices it does not protect us against longer term fluctuations in crude oil prices or differing trends between crude oil and petroleum product prices.

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

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

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

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

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

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

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

We cannot predict the effect of these or other technological changes or the development of novel processes on our business or on our ability to provide competitive products. Our ability to compete will depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercialising these advances in spite of competition we face by patents registered by our competitors.

In addition to the technological challenges, a large number of our expansion projects are integrated across a number of Sasol businesses. Problems with the development of an integrated project might accordingly have an impact on more than one Sasol business.

If we are unable to implement new technologies in a timely or cost-efficient manner, or penetrate new markets in a timely manner in response to changing market conditions or customer requirements, we could experience a material adverse effect on our business, operating results, cash flows and financial condition.

#### **Our GTL and CTL projects may not prove sufficiently viable or as profitable as planned**

We have constructed a gas-to-liquids (GTL) plant in Qatar and are constructing a GTL plant in Nigeria. In 2008, Sasol entered into negotiations to reduce its interest in the Escravos GTL (EGTL) project in Nigeria from 37.5% to 10%, while still providing full technical and manpower support to the project. Agreement in principle has been reached and it is envisaged that the definitive agreements will be finalised by 31 October 2008, subject to relevant regulatory approvals. As a result, our interest in the project has been classified as a disposal group held for sale at 30 June 2008. Once the sale has been concluded, the 10% interest retained by Sasol will be classified appropriately upon conclusion of the agreements.

In addition, we are considering opportunities for further GTL and coal-to-liquids (CTL) investments in other areas of the world. The development of these projects, both solely or through joint ventures, is a capital-intensive process and requires us to commit significant capital expenditure and devote considerable management resources in utilising our existing experience and know-how, especially in connection with Fischer-Tropsch synthesis technologies.

See "Item 4.B–Business overview–Sasol Synfuels International". The process used and the products developed by these projects may also give rise to patent risks in connection with the use of our GTL and CTL technologies. See below, "Intellectual property risks may adversely affect our products or processes and our competitive advantage".

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

- access to sufficient competitively priced gas or coal reserves;
- prices of crude oil, petroleum products and gas;
- fluctuations in the exchange rate of the US dollar against the rand;
- fluctuations in interest rates;
- fiscal dispensation in the countries in which we invest;
- capital cost of our facilities, including material, engineering and construction costs;
- operating costs, including manpower, services, supplies, utilities, etc;
- technology and catalyst performance;
- conditions in the countries in which we invest, including factors relating to political, social and economic conditions;
- the availability of skilled workers to construct and operate the plants;
- timely completion of projects; and
- environmental regulations, specifically in respect to emissions to the atmosphere and control thereof.

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

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

Several of our subsidiaries, joint ventures and associates operate in countries and regions that are subject to significantly differing political, social, economic and market conditions. See "Item 4B–Business Overview" for a description of the extent of our operations in the main countries and regions. Although we are a South African domiciled company and the majority of our operations are located in South Africa, we also have significant chemical businesses in Europe, the USA, the Middle East and South East Asia and an equity interest in a GTL facility in Qatar and a GTL project in Nigeria.

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

(a) Political, social and economic issues

We have invested or are in the process of investing in significant operations in African, European, North American, Southeast Asian and Middle Eastern countries that have in the past, to a greater or lesser extent, experienced political, social and economic uncertainty. Government policies, laws and regulations in countries in which we operate or plan to operate may change in the future. There is also a risk that our plants that are constructed in the current buoyant market, will have to operate in a possible future market where product prices have declined. The impact of such changes on our ability to deliver on planned projects cannot be ascertained with any degree of certainty and such changes may therefore have an adverse effect on our operations and financial results.

(b) Fluctuations in inflation and interest rates

Over recent years, the South African economy had relatively low and stable levels of inflation and interest rates. We are currently experiencing higher than targeted inflation. Interest rates have been increasing as a result but are in line with the South African government's policy to curb inflation. High interest rates or inflation could adversely impact on our ability to contain costs and to ensure cost-effective debt financing in South Africa.

(c) Transportation, water and electricity and other infrastructure

The infrastructure in some countries in which we operate, such as rail infrastructure, electricity and water supply may need to be further upgraded and expanded and in certain instances possibly at our own cost. These are particularly relevant in South Africa where the economic growth has exceeded expectations and overburdened existing infrastructure. There has been an increase in the number of electricity supply interruptions in South Africa. Although a number of short-and long-term mitigation plans have put in place by the electricity provider, we could still experience electricity supply interruptions which could have a material adverse effect on our business, operating results, cash flows, financial condition and future growth.

(d) Disruptive Industrial Action

The majority of our employees worldwide belong to trade unions. These employees comprise mainly general workers, artisans and technical operators. Although we have had minor labour disruptions in South Africa during 2008, we have not experienced significant labour disruptions in recent years. We have constructive relations with our employees and their unions, but we cannot assure you that significant labour disruptions will not occur in the future.

(e) Exchange control regulations

South African law provides for exchange control regulations which restrict the export of capital from the Common Monetary Area, which includes South Africa, subject to South African Reserve Bank dispensation.

These regulations apply to transactions involving South African residents, including both natural persons and legal entities. These regulations also affect our ability to borrow funds from non-South African sources for use in South Africa or to repay these funds from South Africa and, in some cases, our ability to guarantee the obligations of our subsidiaries with regard to these funds. These restrictions have affected the manner in which we have financed our transactions outside South Africa and the geographic distribution of our debt. See "Item 10.D—Exchange controls" and "Item 5.B—Liquidity and capital resources".

(f) Human Immunodeficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS)

AIDS, and tuberculosis which is closely associated with the disease and is exacerbated in the presence of HIV/AIDS, represents a serious health care challenge both for Sasol and South Africa in general. HIV is the virus that causes AIDS and South Africa has one of the highest HIV infection rates in the world.

It has been estimated that approximately 30% to 40% of the mining industry workforce in South Africa are HIV positive. Based on an actuarial study, which excludes the positive impact of any prevention and management intervention programme, we estimate that, while the percentage of infected employees may not rise significantly in the forthcoming years, there will be a significant increase in the number of AIDS-related fatalities, absenteeism and increase in costs associated with treatment, skills shortage and loss of productivity. See "Item 6.D—Employees".

Although we do not expect HIV/AIDS to materially and adversely affect our operations and results, it is not possible to determine with certainty that costs incurred in managing HIV/AIDS and the impact of HIV/AIDS in general will remain at current levels and no assurances and meaningful future estimates can be given in this regard.

(g) Transformation issues

In some countries our operations are required to comply with local procurement, employment equity, equity participation and other regulations which are designed to address country-specific social and economic transformation issues.

As a leading and patriotic South African-based company, we embrace and will engender or participate in initiatives to bring about meaningful transformation to assist in correcting the imbalances and injustices of the apartheid era. We consider these initiatives to be a strategic imperative and we acknowledge the risk of not vigorously pursuing them. It is not currently known what additional costs or implications will arise for us to comply with these transformation initiatives. See "Item 4.B—Empowerment of historically disadvantaged South Africans".

In November 2000, we became party to an agreement with the government and the liquid fuels industry, the Charter for the South African Petroleum and Liquid Fuels Industry on Empowering Historically Disadvantaged South Africans in the Petroleum and Liquid Fuels Industry (the Liquid Fuels Charter). The Liquid Fuels Charter requires us, amongst other things, to ensure that historically disadvantaged South Africans hold at least 25% equity ownership of our liquid fuels business by the year 2010. We entered into a 25% equity transaction with Tshwarisano LFB Investment (Pty) Limited (Tshwarisano), on 1 July 2006 and we are now compliant with the equity ownership targets of the Liquid Fuels Charter. See "Item 4.B–Business overview–Empowerment of historically disadvantaged South Africans".

On 16 May 2008, our shareholders approved our broad-based black economic empowerment (BEE) transaction valued at approximately R24 billion (at R380 per share), which would result in the transfer of beneficial ownership of 10% of Sasol Limited's issued share capital to our employees and a wide spread of black South African BEE participants. This transaction will provide long-term sustainable benefits to all participants and has a tenure of 10 years. See "Item 4.B–Business overview–Empowerment of historically disadvantaged South Africans".

In October 2002, the government and representatives of South African mining companies and mineworkers' unions reached broad agreement on a charter (the Mining Charter), designed to facilitate the participation of historically disadvantaged South Africans in the country's mining industry. The Mining Charter requires mining companies to ensure that historically disadvantaged South Africans hold at least 15% ownership of mining assets or equity in South Africa by 2009 and 26% ownership by 2014. See "Item 4.B–Business overview–Empowerment of historically disadvantaged South Africans".

Various principles of the Mining Charter have been incorporated in regulations promulgated by the Minister of Minerals and Energy under the Mineral and Petroleum Resources Development Act (MPRDA) with respect to the South African mining industry. We have commenced a process to apply for the conversion of our existing mining licenses under the MPRDA. See below "New mining legislation may have an adverse effect on our mineral rights". See "Item 4.B–Business overview–Regulation of mining activities in South Africa".

The Minister of Trade and Industry published the Codes of Good Practice for broad-based BEE on 9 February 2007, effective from the date of publication. These Codes provide a standard framework for the measurement of broad-based BEE across all sectors of the economy.

It is not currently known what implications will arise for us to comply with the said Act and other requirements of the Liquid Fuels, Mining Charter and the Codes of Good Practice for broad-based BEE. We cannot assure you, in the short-term, that these implications will not have a material adverse effect on our shareholders or business operating results, cash flows and financial condition. Although we believe that the long-term benefits to the company and our country should outweigh any possible short-term adverse effects, we cannot assure you that these benefits will in fact materialise.

(h) Engineering and construction contract costs

The increase worldwide in the demand for large engineering and construction projects has resulted in a shortage of engineering and construction resources and strains on these industries. These have impacted on some of our projects and have adversely affected construction timing schedules and costs. Whilst higher international crude oil prices may boost post-commissioning income streams and compensate for construction delays and higher capital costs, these strains in the engineering and construction industries are nevertheless a cause for concern and may impact on our project plans and growth ambitions. In order to mitigate the shortage of the availability of engineering resources, we have entered into long-term relationship agreements with large reputable engineering contractors, both locally in South Africa and internationally. By doing so, this should provide Sasol with preferential

access to the resource pools of these engineering contractors on a global basis in order to sustain our projects and growth plans.

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

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

Some of the countries where we have already made, or other countries where we may consider making, investments are in various stages of developing institutions and legal and regulatory systems that are characteristic of parliamentary democracies. However, institutions in these countries may not yet be as firmly established as they are in parliamentary democracies in South Africa and some European countries. Some of these countries are also transitioning to a market economy and, as a result, experience changes in their economies and their government policies that could affect our investments in these countries.

Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner.

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

**Increase in electricity supply interruptions and increase in electricity costs in South Africa could adversely affect our business, operating results, cash flows, financial condition and future growth**

Sasol generates one-third of its total power supply needs internally and has plans to increase internal power generation through investments in co-generation and energy efficiency measures. Our South African operations are also dependent on power generated by the state-owned utility, Eskom. There has been an increase in the number of electricity supply interruptions, resulting mainly from current economic growth exceeding expectations and delayed investments in infrastructure upgrades and development. Although Eskom has announced a number of short-and long-term mitigation plans, we cannot assure you that we will not experience power supply interruptions which could have material adverse effects on our business, operating results, cash flows, financial condition and future growth.



Furthermore, we are experiencing unprecedented higher than normal electricity price increases as the National Energy Regulator of South Africa (NERSA) has granted Eskom an average annual tariff increase of 27.5%, which includes the 14.2% already granted to the state-owned utility in December 2007. The tariff increases have been as a result of local and global demand that has resulted in significant pressure exerted on the primary energy costs i.e. coal and fuel costs. NERSA is projecting tariff increases of between 20% and 25% per annum for the next three years, should current economic conditions continue. Any sharp increase in electricity costs may have material adverse effects on our business, operating results, cash flows, financial condition and future growth.

#### **We may not comply with laws or regulations in the countries in which we operate**

The industry in which we operate is highly regulated and requires compliance with a myriad of regulations, governing matters such as mineral rights, trading in petroleum products, safety, health and environment, etc. in our South African and global operations. Non-compliance can impact business performance dramatically. Although systems and processes are in place to ensure compliance with applicable laws and regulations we cannot assure you that all employees comply with all laws and regulations at all times, which could have a material adverse impact on our business, operating results, cash flows and financial condition.

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

In May 2004, the MPRDA was enacted which places all mineral and petroleum resources under the custodianship of the state. The MPRDA requires mining companies, including our subsidiary, Sasol Mining (Pty) Limited, to apply for conversion of their existing prospecting permits and mining authorisations (old order rights) to new order rights. The MPRDA allows existing holders of mineral rights a period of five years to apply for the conversion of used old order rights, and one year for the conversion of unused old order rights. Thus far, except for one application, all the prospecting rights for which we have applied have been granted and prospecting activities are being conducted in terms of the approved prospecting work programmes. See "Item 4.B–Business overview–Regulation of mining activities in South Africa".

In case of a breach of its obligations by an entity, the new order rights can be suspended or cancelled by the Minister of Mineral and Energy if the entity upon receiving a notice of breach from the Minister fails to remedy such breach. The MPRDA also imposes additional responsibilities with respect to environmental management as well as environmental pollution, degradation or damage from mining or prospecting activities. We cannot assure you that these changes will not affect our operations and mining rights in future, which could impact negatively on our business and operating results.

Furthermore, royalties from mining activities will become payable to the state, as from 1 May 2009 under provisions contained in the Mineral and Petroleum Resources Royalty Bill (the Bill). The Bill was promulgated by the South African government in August 2008. The introduction of the revenue based royalty does not have a material adverse impact on our business, operating results, cash flows and financial condition. See "Item 4.B–Business overview–Regulation of mining activities in South Africa".

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

The Petroleum Products Amendment Act regulates a wide range of matters including the licensing of persons involved in the manufacturing, wholesale and retail sale of petroleum products. Sasol Oil, Natref and Sasol Synfuels have applied for licenses to be issued under the Act for their existing manufacturing and wholesale activities. Pending a decision in respect of these applications, the companies are deemed to be the holders of licenses for those activities. As required by the Act and regulations, Sasol Oil's existing franchisees and dealers have applied for applicable retail licenses. We

cannot assure you that these licenses will be granted and if they are granted that the conditions of the licenses will not have a material adverse impact on our business, operating results, cash flows and financial condition. New retail site development by Sasol Oil could be delayed given the requirements under the new regulations for site and retail licenses. See "Item 4.B–Business overview–Regulation of petroleum-related activities in South Africa".

The Petroleum Pipelines Act regulates petroleum pipelines and storage and loading facility activities, including the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines and facilities. The Petroleum Pipelines Act grants limited discretion to NERSA to adopt different pricing methodologies in connection with the setting of tariffs, which may prove advantageous for some competitors, because of different market and geographic positions. The regulations pertaining to tariff setting methodologies have not been issued yet, but the rules that may be made by the regulator under the Act may affect our advantage due to the location in the economic heartland of the country of our Sasol Synfuels facilities at Secunda. It may also impact on our ability to recover crude oil pumping costs incurred to supply our Natref refinery fully from the market. See "Item 4.B–Business overview–Sasol Oil" and "–Regulation of petroleum-related activities in South Africa".

We have applied for licenses under the Petroleum Pipelines Act and in terms of the rules issued by NERSA for our depots and related infrastructure and are awaiting the issue of these licenses. We cannot assure you that the enactment of new legislation or the amendment of existing laws and regulations will not have a material adverse effect on our business, operating results, cash flows and financial condition. Among the matters governed by the Petroleum Pipelines Act, of particular significance to our business are issues relating to the powers granted to NERSA with respect to the determination or approval of tariffs, the granting of construction, conversion and operating licenses and open access to pipelines and depots.

The Department of Minerals and Energy has embarked on a process to change the methodology for determining the margins of the regulated retail price of fuel. The results are not yet known, but may impact the wholesale price of fuel, thereby having a material adverse effect on our business, operating results, cash flows and financial condition.

The Gas Act regulates matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Although we negotiated a ten year regulatory dispensation (six years remaining until 2014) with the South African government covering the supply of Mozambican natural gas to the South African market, we cannot assure you that the enactment of the Gas Act and the appointment of NERSA will not have a material adverse impact on our business, operating results, cash flows and financial condition. See "Item 4.B–Business overview–Regulation of gas related activities in South Africa".

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

Our products are required to comply with numerous pieces of legislation relating, amongst others, to the protection of the environment, the health and safety of employees, the public and the end consumer, while also meeting customer needs. As these laws and regulations may grow stricter, we may be required in some cases to incur additional expenditure in providing additional test data in order to register our products or to adjust the manufacturing processes for certain of our products, including liquid fuels and chemicals. We may even be required to withdraw some of them, in order to be in a position to comply with market needs or more stringent regulatory requirements. For example, compliance with the registration, evaluation and authorisation of chemicals (REACH) procedure implemented by the European Commission (EC) may have significant cost implications as we may be required, among other things, to provide risk assessments and apply for the registration of our products. Similarly, public opinion is growing more sensitive to consumer health and safety and

environmental protection matters, and, as a result, markets may apply pressure on us concerning certain of our products. We may incur additional costs if we should be required to take additional actions in order to comply with REACH requirements.

Given these additional costs of compliance and other factors, including pressures related to public opinion, we may be required to withdraw certain products from the market, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

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

- the National Environmental Management: Air Quality Act, in terms of which the Vaal Triangle area (in which our Sasolburg operations are located) and the Highveld area (in which our Secunda operations are located) have been declared Priority Areas for purposes of implementation of an emission reduction and management plan by the South African Department of Environmental Affairs and Tourism (DEAT). DEAT is also in the process of setting ambient air quality and emission standards, which will form the basis for a review of atmosphere emission licences for our operations in Sasolburg and Secunda. More stringent air quality standards may have significant cost implications for us;
- The South African National Water Act provides for the equitable allocation of water for beneficial use, sustainable water resource management and the protection of the quality of water resources. The Act establishes water management procedures and protects water resources through the licensing of various uses of water. It also includes provisions for pollution prevention, remediation requirements and emergency incidents. The Department of Water Affairs and Forestry is currently implementing a Waste Discharge Charge System, which may have a significant impact on operational costs in the next three to five years; and
- the nature of some of our processes, like the gasification of coal to produce synthetic fuels and petrochemicals, result in relatively high emission of carbon dioxide, a greenhouse gas. Although certain countries in which we operate are exempt from greenhouse gas reduction targets, it is uncertain how any future developments in carbon dioxide restrictions will affect our group.

We are subject to a wide range of general and industry-specific environmental, health and safety and other legislation in jurisdictions in which we operate. Environmental requirements govern, among other things, land use, air emissions, use of water, wastewater discharge, waste management and site remediation. Compliance with these laws, regulations, permits, licenses and authorisations is a significant factor in our business, and we incur, and expect to continue to incur, significant capital and operating expenditures in order to continue to comply with applicable laws, regulations, permits, licenses and authorisations.

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

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

In order to comply with these safety, health and environmental licenses, laws and regulations we may have to incur costs which we may finance from our available cash flows or from alternative sources of financing. We may be required to provide for financial security for environmental rehabilitation in the form of a trust fund, guarantee, deposit or other methods as may be required by future regulations to be promulgated under the Petroleum Products Act, the Petroleum Pipelines Act, the Gas Act and other relevant legislation in respect of the rehabilitation of environmental impacts. However, this is not required in terms of the Petroleum Products Amendment Act and the regulation if a license applicant at the time of the commencement of the Petroleum Products Amendment Act, held or was in the process of developing a site, manufactured or wholesaled or retailed petroleum products. No assurance can be given that changes in safety, health and environmental laws and regulations or their application or the discovery of previously unknown contamination or other liabilities will not have a material adverse effect on our business, operating results, cash flows and financial condition.

Whilst it is our policy that asbestos-containing materials will be phased out on a risk-based order of priority, there are currently certain asbestos-containing materials at our facilities. In addition, our manufacturing processes may utilise and result in the emission of substances with potential carcinogenic properties. We also manufacture products which may contain carcinogenic components. Although we implement occupational health and safety, product stewardship and other measures to eliminate or mitigate associated potential risks, we cannot assure you that no liabilities may arise as a result of the use or exposure to these materials.

In addition to undertaking internal investigations, our compliance with laws governing, amongst other things, environmental protection, tax, customs and excise duties, anti-trust laws and regulations impacting our operations, are also subject to review from time to time by relevant government authorities. Our product pricing structures are also reviewed from time to time by regulatory authorities. Whilst it is our policy to conduct our operations in accordance with applicable laws and regulations and we have established control systems to monitor such compliance, no assurance can be given that these control systems will not fail or that some of our product pricing structures will not change in the future.

Failure to interpret correctly and comply with such laws and regulations and/or changes to our product pricing and cost structures may have a material adverse impact on our business, operating results, cash flows and financial condition.

In recent years global understanding and awareness regarding greenhouse gases have increased significantly. Potential CTL technology providers are experiencing an increasing number of questions regarding their CTL technology and how the CO<sub>2</sub> emitted will be addressed. We have initiated a focused and coordinated approach to understanding and providing solutions to reduce CO<sub>2</sub> emissions from our CTL ventures. We cannot predict the effect of these solutions on our ability to implement our CTL projects, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

At the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties' (COP) thirteenth meeting in Bali in December 2007, a roadmap was developed to reach agreement on, *inter alia*, a long term global goal for greenhouse gas emission reduction. The agreed outcome and adoption of a decision is targeted for the fifteenth session of the UNFCCC COP in Stockholm at the end of 2009. Countries like South Africa have since indicated that their mitigation strategy can include regulatory mechanisms and economic instruments such as taxes and incentives. The publication of the South African policy is expected towards the end of 2010. At present we cannot predict the effect of these potential impacts on our business, but we have updated our greenhouse gas policy and are closely following these developments.

#### **Failure to comply with competition and anti trust laws**

Globally, competition authorities are increasingly enforcing legislation, networking and exchanging information relating to potential violation of antitrust laws.

Violations of competition/antitrust legislation could expose the group to administrative penalties of up to 10% of its worldwide turnover. We also run the risk of civil claims and damages, including punitive damages, by entities which can prove they were harmed by such conduct. In addition, there is also the significant reputational damage that accompanies findings of such contraventions.

Although we have an extensive training and compliance programme including regular group-wide competition compliance reviews, we cannot give you the assurance that we could, notwithstanding this programme, fall foul of competition or antitrust laws and be subject to the imposition of fines and be subject to civil claims. This could have a material adverse impact on our business, operating results, cash flows and financial condition.

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

We are highly dependent on the continuous development and successful application of new technologies. In order to achieve this, we need to maintain a focus on recruiting and retaining qualified scientists and engineers as well as artisans and operators. In addition, we are dependent on highly skilled employees in business and functional roles to establish new business ventures as well as maintaining existing operations.

In the past, we have been successful in recruiting and retaining such personnel. However, globally the demand for personnel with the range of capabilities and experience required in our industry is high and success in attracting and retaining such employees is not guaranteed. The risk exists that our scientific, engineering and project execution skills base may be depleted over time because of, for example, natural attrition and a shortage of people being available in these disciplines in the jurisdictions in which we operate.

Failure to attract and retain people with the right capabilities and experience could negatively affect our ability to introduce and maintain the appropriate technological improvements to our business, our ability to successfully construct and commission new plants or establish new business ventures. This may have a material adverse effect on our business, operating results, cash flows and financial condition.

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

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

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

We believe that our proprietary technology, know-how and trade secrets, especially in the Fischer-Tropsch area, provide us with a competitive advantage. A possible loss of experienced personnel to

competitors, and a possible transfer of know-how and trade secrets associated therewith, may negatively impact this advantage.

Similarly, operating and licensing technology in countries in which intellectual property laws are not well established and enforced may result in some transfer of our know-how and trade secrets to our competitors. This may adversely affect our business, operating results, cash flows and financial condition.

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

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

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

We operate coal mines, explore for and produce oil and gas and operate a number of plants and facilities for the manufacture, storage, processing and transportation of oil, chemicals and gas related raw materials, products and wastes. These facilities and their respective operations are subject to various risks, such as fire, explosions, leaks, ruptures, discharges of toxic hazardous substances, soil and water contamination, flooding and land subsidence, among others. As a result, we are subject to the risk of experiencing, and have in the past experienced, industry-related incidents.

Our facilities, located mainly in South Africa, the United States and various European countries, as well as in various African countries, the Middle East and Southeast Asia, may be subject to the risk of experiencing deliberate acts of terror.

Our main Sasol Synfuels production facilities are concentrated in a relatively small area in Secunda, South Africa. This facility utilises feedstock from our mining and gas businesses, whilst the chemical and oil businesses rely on the facility for the raw materials it produces. Industry-related accidents and acts of terror may result in damages to our facilities and may require shutdown of the affected facilities, thereby disrupting production, increasing production costs and may even disrupt the mining, gas, chemicals and oil businesses which make up a significant portion of our total income.

It is Sasol's policy to procure property and business interruption insurance cover for all its production facilities above acceptable deductible levels at acceptable commercial premiums. However, full cover for all scenarios of maximum losses may in some years not be available at acceptable commercial rates and we cannot give any assurance that the insurance procured for any particular year would cover all potential risks sufficiently or that the insurers will have the financial ability to pay claims.

Furthermore, acts of terror or accidents at our longstanding operations may have caused, or may in future cause environmental contamination, personal injuries, health impairment or fatalities and may result in exposure to extensive environmental remediation costs, civil litigation, the imposition of fines and penalties and the need to obtain or implement costly pollution control technology.

We have implemented a number of programmes, including on-the job safety training, in order to improve safety, and we closely monitor our safety, health and environmental procedures. In some cases

we also have indemnity agreements with the previous owners of acquired businesses which limit certain of our exposures to environmental contamination. However, there can be no assurance that accidents or acts of terror will not occur in the future, that insurance will adequately cover the entire scope or extent of our losses or that we may not be found liable in connection with claims arising from these and other events.

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

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

Our reported coal reserves are estimated quantities based on applicable reporting regulations that under present and anticipated conditions have the potential to be economically mined and processed. Our proved developed and undeveloped crude oil and natural gas reserves constitute estimates that are based on applicable reporting regulations. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of coal, oil and natural gas production, including many factors beyond our control. In addition, reserve/reservoir engineering is a subjective process of estimating underground deposits of reserves that cannot be measured in an exact manner and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary and results of our mining/drilling and production subsequent to the date of an estimate may justify revision of estimates.

Reserve estimates may require revision based on actual production experience and other factors. In addition, several factors including the market price of coal, oil and natural gas, reduced recovery rates or increased production costs due to inflation or other factors may render certain of our estimated proved and probable coal reserves and proved developed oil and natural gas reserves and undeveloped oil and natural gas resources uneconomical to exploit and may ultimately result in a restatement of reserves. This may have a material adverse effect on our business, operating results, cash flows and financial condition. See "Item 4.D–Property, plants and equipment".

**There is a possible risk that sanctions may be imposed on Sasol by the US government as a result of our existing investments in Iran**

There are possible risks posed by the potential imposition of US economic sanctions in connection with activities we are undertaking in the polymers field in Iran. For a description of our activities in Iran see "Item 4.B–Business overview–Sasol Polymers".

The risks relate to two sanctions programmes administered by the US government that we have considered: the Iranian Transactions Regulations (ITRs) administered by the US Treasury Department Office of Foreign Assets Control (OFAC) and the Iran Sanctions Act (ISA) administered by the US Department of State.

The ITRs prohibit or restrict most transactions between US persons and Iran. The ITRs, which are administered by OFAC, do not apply directly to either Sasol or the group entities involved in activities in Iran, because none of them would be considered US persons under these regulations. Nonetheless, because the group is a multinational enterprise, the ITRs may apply to certain entities associated with the group, including US employees, investors and certain subsidiaries.

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

- ensure that no US persons are involved in our Iranian activities, either as directors and officers, or in other positions, including engineering, financial, administrative and legal;

- ensure that funds dedicated to projects in Iran will be kept segregated from general group funds;
- ensure that no funds of US investors will be utilised in the projects by using separate bank accounts for any funds directed to, or to be received from, these projects and monitoring the flow of funds to and from these projects; and
- separate the results of these businesses into separate legal entities.

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

The ISA was adopted by the US government in 1996 with the objective of denying Iran the ability to support acts of international terrorism and fund the development or acquisition of weapons of mass destruction. The ISA was extended in 2001 and amended in 2006 by the Iran Freedom Support Act; it will continue in force through 2011. In addition, the House and the Senate have considered amendments to ISA in 2007 and 2008 that could subject a broader range of business or investment activities to sanctions, although to date none of the proposed amendments to ISA have been enacted into law.

In its amended form, the ISA grants the President of the United States discretion in imposing sanctions on companies found to be in violation of its provisions involving investment in the petroleum industry in Iran or involving exports, transfers or other provisions any person or company, regardless of nationality, that (i) makes an investment in Iran of US\$20 million or more in any 12-month period that directly and significantly contributes to Iran's ability to develop its petroleum industries, or (ii) exports, transfers or otherwise provides to Iran any goods, services, technology or other items with the knowledge that such provision would contribute materially to the ability of Iran to acquire or develop chemical, biological or nuclear weapons (or related technologies), or destabilising numbers and types of advanced conventional weapons.

Should the US government determine that some or all of our activities in Iran are investments in the petroleum industry, as statutorily defined by the ISA, the President of the United States may, in his discretion impose, among other to determine which sanctions to apply. These could include restrictions on our ability to obtain credit from US financial institutions, restrictions on our ability to procure goods, services and technology from the United States or restrictions on our ability to make sales into the United States.

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

In addition to the sanctions administered by OFAC and the US Department of State described above, the US government may impose (and, from time to time, has in the past imposed) restrictions and sanctions against Iranian financial institutions under the USA Patriot Act and other anti-money laundering legislation. Such measures against Iranian financial institutions could have an adverse effect on our operations and investments in Iran.



**Legislation by US states that may require US public pension funds to divest of securities of companies with certain Iran-related activities could adversely affect our reputation with US investors or the market price of our shares**

Several US states have enacted or are considering legislation that may require US state pension funds to divest securities of companies that have certain business operations in Iran. The terms of these provisions differ from state to state, and we cannot predict which legislation, if any, would require state pension funds to divest our shares. If a substantial number of our shares were to be divested as a result of state legislation, or the perception be created that the divestiture is required to occur, our reputation with US investors or the market price of our shares could be adversely affected.

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

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

Upon the written instruction of an ADR holder, The Bank of New York Mellon Inc. will endeavour, in so far as practicable, to vote or cause to be voted the shares underlying the ADSs in accordance with the instructions received. If instructions from an ADR holder are not received by The Bank of New York Mellon Inc. by the date specified in the voting materials, The Bank of New York Mellon Inc. will not request a proxy on behalf of such holder. The Bank of New York Mellon Inc. will not vote or attempt to exercise the right to vote other than in accordance with the instructions received from ADR holders.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York Mellon Inc. to vote the shares underlying your ADSs. In addition, The Bank of New York and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be no recourse if your voting rights are not exercised as you directed.

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

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