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|--|--------|--------|
| Turnover as currently reported                               | 40,768 | 59,590 |
| <b>Capitalization of borrowing costs:</b>                    |        |        |
| Operating profit as previously reported                      | 10,773 | 14,895 |
| Effect of change   | (154)  | (112)  |
| Operating profit as currently reported                       | 10,619 | 14,783 |
| Income before tax as previously reported                     | 10,519 | 14,293 |
| Effect of change   | 145    | 467    |
| Income before tax as currently reported                      | 10,664 | 14,760 |
| Earnings attributable to shareholders as previously reported | 7,025  | 9,496  |
| Effect of change   | 100    | 321    |
| Earnings attributable to shareholders as currently reported  | 7,125  | 9,817  |
| <b>Total Assets:</b>   |        |        |
| Total assets as previously reported                          | 50,075 | 63,857 |
| Effect of change   | 1,368  | 1,873  |
| Total assets as currently reported                           | 51,443 | 65,730 |

### 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  |
|---|------------------------|-------|------|
| 1999  | 6.04                   | 6.64  | 5.49 |
| 2000  | 6.33                   | 7.18  | 5.99 |
| 2001  | 7.64                   | 8.16  | 6.79 |
| 2002  | 10.20                  | 13.60 | 8.23 |
| 2003  | 9.04                   | 10.90 | 7.18 |
| April 2003  | —                      | 8.05  | 7.18 |
| May 2003  | —                      | 8.24  | 7.23 |
| June 2003   | —                      | 8.17  | 7.50 |
| July 2003   | —                      | 7.80  | 7.36 |
| August 2003   | —                      | 7.51  | 7.25 |
| September 2003  | —                      | 7.55  | 6.96 |

(1) The average of the noon buying rates on the last day of each month during the year.

The noon buying rate of the Federal Reserve Bank of New York on 6 October 2003 was R6.95 per US dollar.

### 3.B Capitalization and Indebtedness

Not applicable.

### 3.C Reasons for the Offer and Use of Proceeds

Not applicable.

### 3.D Risk Factors

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

The Rand is our principal operating currency. 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. Also, a significant part of our revenues is determined by the US dollar, as petroleum prices in general and the price of most petroleum and chemical products in South Africa are based on global commodity and benchmark prices which are quoted in US dollars. Hence, a large part of our Group sales (approximately 90%) is denominated in US dollars or influenced by the underlying global commodity and benchmark prices which are quoted in US dollars, while about one third of our costs are Rand denominated. Furthermore, a significant part of our capital expenditure is also US dollar-denominated, as it is directed to investments outside South Africa. The rate of change in the PPI has been for many years above the rate of inflation in the United States. This, among other factors, has resulted in a concomitant decline in the value of the Rand against the US dollar. In recent years, the Rand has steadily depreciated against the US dollar, moving as an average rate from 6.33 in 2000 to 7.64 in 2001 and 10.20 in 2002. However, since early 2002, the Rand has, for a variety of reasons, grown stronger against the US dollar, reaching R6.95 at 6 October 2003. Over this period, the exchange rate has been particularly volatile and we are unable to forecast whether this volatility will continue in the foreseeable future.

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

Up until 2002 trends in our sales and profits have been significantly positively impacted by the Rand's decline against the US dollar. See "Item 5.A Operating Results—Company and Business Overview—Exchange rate volatility". This positive impact reversed to a negative impact in 2003, as the Rand appreciated against the US dollar. Should the Rand continue to appreciate against the US dollar in the 2004 year this would have a further negative impact on our profits for this year. Similarly, the significant strengthening of the euro against the US dollar in recent months has negatively impacted the profitability of our European operations where a large part of our costs are euro based and a significant part of our turnover is US dollar based.

#### Volatility in crude oil, natural gas and petroleum products 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. Other factors which may influence the aggregate demand and, hence, affect the markets and prices for petroleum products in regions where we procure our products from and/or 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. In recent months the price of crude oil has been stable at a relatively high level.

A substantial proportion of our turnover is derived from sales of petroleum and petrochemical products. Through our equity participation in the 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 synfuels operations. Fluctuations in international crude oil prices affect our results mainly through their effects on the Basic Fuel Price (BFP) price formula introduced on 1 April 2003 and currently in place for the calculation of the refinery gate price of fuel in South Africa. See "Item 4.B Business Overview–Sasol Synfuels" and "Sasol Oil and Gas–Sasol Oil". Furthermore, prices of petrochemical products and natural gas are also affected by volatility in crude oil prices. Volatility and, in particular, decreases 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 hedging instruments to protect against day to day US dollar price volatility affecting the acquisition cost of our crude oil needs, including Rand to US dollar exchange rate fluctuations. While the use of these instruments may provide some protection against short-term volatility in crude oil prices it does not protect against longer term volatility in crude oil prices or differing trends between crude oil and petroleum product prices.

### **Cyclicalities in petrochemical product prices may adversely affect our operating results and cash flows.**

The market for chemicals and especially products such as ketones, alkylates and polymers are 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 characterized by increased selling prices and higher operating margins, in the past such peaks have led to overcapacity and supply exceeding demand growth. Low periods in the business cycle are then characterized by decreasing 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 operating results and cash flows.

### **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 synthetic fuels (synfuels) and petrochemical products, are highly dependent on the use of advanced technological methods. The use of the appropriate advanced technological procedures can affect, among other things, the competitiveness of our products, the safety of our personnel and facilities, the continuity of our operations, our feedstock requirements and the capacity and efficiency of our production.

We believe 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 changes in employed technologies or the development of novel processes that affect our operations and product range could render the technologies we utilize 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 commercialization of non-hydrocarbon-dependent energy supply technologies, including the further development of fuel cells or the large scale broadening of the application of electricity to drive motor vehicles, may be disruptive to the use of hydrocarbon and refined crude oil-derived fuels.
- The development of improved fuels from a crude oil base with equivalent properties to that of Fischer-Tropsch derived fuels may erode the competitive advantage of Fischer-Tropsch fuels.
- The development of nano-catalysis technologies, which manipulate catalyst performance to result in high selectivity and high purity chemical products, may render the use of our mixed feed stream catalytic-based production processes outdated.

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 meet the competition will depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercializing these advances in spite of competition we face by patents registered by our competitors. If we are unable to implement new technologies in a timely or cost-efficient basis 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 Gas-to-Liquids projects may not prove sufficiently viable or as profitable as planned.**

We are currently developing GTL projects in Qatar and Nigeria. In addition we are considering opportunities for further GTL investments in other areas of the world. The development of these projects, either solely or through our joint venture with ChevronTexaco, is a capital-intensive process and requires us to commit significant capital expenditure and devote considerable management resources in utilizing our existing experience and know-how, especially in connection with Fischer-Tropsch synthesis technologies. See "Item 4.B Business Overview–Other Activities–Gas-to-Liquids–Sasol Synfuels International". This process and its products may also give rise to patent risks in connection with the use of our GTL technology. See below, "Patent competition may adversely affect our products or processes".

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

- prices of crude oil, petroleum products and gas;
- fluctuations in the exchange rate of the US dollar against the Rand;
- fluctuations in interest rates;
- capital cost of the facilities;
- various operating costs;
- catalyst performance;
- conditions in the countries in which we invest, including factors relating to political, social and economic conditions; and
- the extent of available gas reserves.

Significant variations in any one or more of the above factors beyond our control, or any other relevant factor, may adversely affect the profitability or even the viability of our GTL investments. Should we not be successful in the development of our GTL projects, we may be required to write off significant capital expenditures devoted to them, while 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 operating results and financial condition and opportunities for future growth.

**Termination of the Main Supply and Blue Pump Agreements may adversely affect our fuel sales and profitability.**

We are party to the Main Supply and Blue Pump Agreements, which form a series of long-term supply agreements with the major oil companies operating in South Africa, under which oil companies purchase certain of our petroleum products up to a maximum of 7,740 million liters per year. As a result, we sell more than 80% of our petroleum production to these oil companies under the Main Supply Agreements.

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Moreover, we are not allowed to market liquid fuels directly to the retail and commercial markets in South Africa, with the main exception of the so-called "Blue Pumps", which are Sasol- branded fuel pumps supplying our own fuels, located at service stations of other oil companies in designated regions. The Main Supply and Blue Pump Agreements are due to terminate in December 2003, pursuant to a notice of termination filed by our company in 1998. For a more detailed discussion of the Main Supply and Blue Pump Agreements and the potential results of their termination, see "Item 4.B Business Overview—Sasol Oil and Gas—Sasol Oil".

Following termination of the agreements, we intend to conclude new arrangements with the oil companies, which we are already negotiating, to supply their petroleum products requirements in certain geographic areas. We believe that, in time, we should be successful in selling a substantial portion of our aggregate petroleum production to the oil companies under these arrangements. Furthermore, as a result of the termination of the agreements, the restrictions on our ability to market our petroleum products directly to the South African retail and commercial markets will expire. We are already developing a service station network with a view to accessing the retail market in South Africa with our own Sasol brand as of 2004, and, in order to enhance the profitability of this network, we intend to concentrate on developing high volume stations in growth areas.

Nonetheless, we cannot assure you that our negotiations with the oil companies will result in beneficial arrangements. We cannot assure you that we will be successful in competing with the oil companies' established service station networks, or in optimizing the configuration of our network, or in selling the balance of our non-committed petroleum product directly to the commercial or retail markets. Failure to meet any of these objectives may have a material adverse effect on our business, operating results, cash flows and financial condition.

**There are risks relating to South Africa that could adversely affect our business, operating results, cash flows and financial condition.**

We are a South African domiciled company. About 60% of our operations are located and 48% of our sales are generated in South Africa. As a result, we are subject to a certain extent to the uncertainties of the political, economic and regulatory environment of the country.

*The changing political and social environment.* South Africa has faced a rapidly changing political environment since the democratic elections of 1994, when over forty years of apartheid rule came to an end. Whilst the country has made significant progress in meeting and overcoming several social, political and economic challenges, it still faces a series of social, political and economic challenges which may adversely affect our business, operating results, cash flows and financial condition. It is experiencing high levels of unemployment and crime which pose a risk of political and social instability. There are significant differences in the level of economic and social development among its people, with parts of the population not having access to proper education, healthcare, housing and other services, including electricity. Accordingly, transportation, telecommunications and other infrastructure (including electricity supply in the medium to long term) may need to be further upgraded and expanded. As a result of the foregoing, foreign direct investment into South Africa has been at modest levels. Emigration of skilled workers may in the future have an adverse impact on productivity.

*High inflation and interest rates.* The economy of South Africa at various times had high rates of inflation and high interest rates compared to the United States and Europe. Should these conditions recur, this would increase our South African-based costs and decrease our operating margins. High interest rates could adversely affect our ability to obtain cost-effective debt financing in South Africa. For further information on interest rates and inflation, see "Item 5.A Operating Results—Company and Business Overview—The South African economic, political, and regulatory environment."

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*Exchange control regulation.* 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 SARB 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 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 acquisitions outside South Africa and the geographic distribution of our debt. See "Item 10.D Exchange Controls" and "Item 5.B Liquidity and Capital Resources".

*Unionized labor force.* Most of South Africa's major industries are unionized, and the majority of employees belong to trade unions. In the past, trade unions have had a significant impact on the collective bargaining process as well as on social and political reform in South Africa in general. It is uncertain whether labor disruptions will be used to advocate labor, political or social causes in the future. Approximately 54% of our labor force in South Africa belong to unions. Although in recent years we have not experienced significant labor disruptions, we cannot assure you that such labor disruptions could not occur in the future.

*Regional instability.* There has been regional, political, and economic instability in some of the countries surrounding South Africa. Such political or economic instability in neighboring countries could affect the social, political and economic conditions in South Africa, and this could have a negative impact on our ability to manage our operations in the country.

**Initiatives for the empowerment of historically disadvantaged South Africans and other related initiatives and legislation may have an adverse impact on our business and financial condition.**

As part of an initiative of the government of South Africa to reinforce the participation of historically disadvantaged South Africans in the country's economy, 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) which requires us, together with other companies in the industry, to allow and facilitate participation of historically disadvantaged South Africans in our liquid fuels business. See "Item 4.B Business Overview-Sasol Oil and Gas-Sasol Oil" and "-Empowerment of Historically Disadvantaged South Africans".

The Liquid Fuels Charter requires us to ensure that historically disadvantaged South Africans hold at least 25% equity ownership of our liquid fuels business by the year 2010. Whilst it is our intention that equity participation will take place through transactions at fair market value, we cannot assure you that these transactions will occur at fair market terms and that this will not have a material adverse effect on our future business, operating results, cash flows and financial condition. It is not currently known what financing arrangements will ultimately be put in place to support these transactions and we cannot assure you that we will not be required to participate in these arrangements or support them with our own credit or assets.

Under the South African Employment Equity Act, we have an obligation to promote equal opportunity and fair treatment in employment by eliminating unfair discrimination and to implement affirmative action measures to address employment disadvantages experienced by designated groups in order to ensure the equitable representation in all occupational categories and levels in our work force. We will incur costs in implementing these processes. We have not yet quantified these costs and we cannot assure you that these costs will not have a material adverse effect on our operating results and financial condition. See "Item 6.D Employees".

In October 2002, the government and representatives of South African mining companies and mineworkers' unions signed a charter (the Mining Charter), designed to facilitate the participation of

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historically disadvantaged South Africans in the country's mining industry. The Mining Charter, together with the recently published scorecard to facilitate the interpretation of and compliance with 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 within 5 years and 26% ownership within 10 years from its signing. The Mining Charter specifies that the mining industry is required to assist historically disadvantaged South Africans in securing finance to fund their equity participation up to an amount of R100 billion within the first five years after its signing; beyond this R100 billion commitment, the Mining Charter requires that participation of historically disadvantaged South Africans should be increased towards the 26% target, on a willing seller buyer basis, at fair market value and where the mining companies are not at risk. See "Item 4.B Business Overview-Sasol Mining" and "-Empowerment of Historically Disadvantaged South Africans".

Various principles of the Mining Charter may in the future be incorporated in regulations to be promulgated by the Minister of Minerals and Energy under the new Mineral and Petroleum Resources Development Act with respect to the South African mining industry. We will need to apply for the conversion of our existing mining licenses under the new Mineral and Petroleum Resources Development Act. See below "New mining legislation may have an adverse effect on our mineral rights". When considering applications for the conversion of existing mining licenses under the Mineral and Petroleum Resources Development Act, the Minister of Minerals and Energy must take into account, among other factors, the applicant company's compliance with the Mining Charter.

We are closely monitoring developments in connection with the Mining Charter and its application to our Company. In any case, we intend to undertake any appropriate action required to ensure conversion of our existing mining rights under the Mineral and Petroleum Resources Development Act. It is not currently known what financing arrangements may ultimately be put in place to support any transactions required in order to comply with the Mining Charter and we cannot assure you that we will not be required to participate in these arrangements or support them with our own credit or assets, which could have a material adverse effect on our business and financial condition.

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

Current South African law permits both state and private ownership of mineral rights. The Mineral and Petroleum Resources Development Act was recently signed by the President of South Africa, and its particular provisions will come into effect on dates to be specified by the President. The fundamental principle of the Act is the recognition that mineral resources are the common heritage of all South Africans and collectively belong to all the people of South Africa. The Act provides that the right to prospect and mine, including the right to grant prospecting and mining rights on behalf of the nation, be administered by the government of South Africa which will have the right to exercise full and permanent custodianship over mineral resources.

The Act requires mining companies, including our Company, to apply for conversion of their existing prospecting and mining permits. A wide range of factors and principles must be taken into account by the Minister of Minerals and Energy when considering these applications. These factors include the applicant's access to financial resources and appropriate technical ability to conduct the proposed prospecting or mining operation, the environmental impact of the operation and, in the case of prospecting rights, considerations relating to fair competition. Other factors include considerations relevant to promoting employment and the social and economic welfare of all South Africans and showing compliance with the provisions of

the Mining Charter for the empowerment of historically disadvantaged persons in the mining industry. See "Item 4.B Business Overview-Regulation of Mining Activities in South Africa" and "-Empowerment of Historically Disadvantaged South Africans".

The Act also provides that a mining right granted under the Act may be cancelled if the mineral to which such mining right relates is not mined at an optimal rate. Furthermore, royalties from mining

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activities may become payable to the state under provisions contained in the "Mineral and Petroleum Royalty Bill". This bill was published in March 2003. The Department of Finance is presently considering representations from interested parties. The bill provides for a royalty rate of 2% on anthracite and bituminous coal (low ash and steam) and 1% on bituminous coal for domestic energy consumption. The royalty is payable quarterly to the state. There is uncertainty as to whether or not further amendments will be made to the bill and when the bill will become law. Due to this uncertainty we are unable to assess the potential impact on our future business operating results, cash flows and financial condition.

It is the declared intent of the South African government not to disrupt operations as a result of the introduction of the new legislation and we intend to undertake the appropriate actions in order to ensure conversion of our existing prospecting and mining rights. However, we cannot assure you that we will be successful in our applications for conversion and that our rights on existing coal mine reserves will not be affected, which could have a material adverse effect on our business and financial condition.

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

The draft Petroleum Products Amendment Bill is expected to amend the existing Petroleum Products Act, enacting provisions regulating a range of matters including the licensing of persons involved in the manufacturing, wholesale and retail sale of petroleum products. Although, currently, the Main Supply and Blue Pump Agreements preclude us from selling fuels directly to the retail market in South Africa, except as provided in the Blue Pump Agreements, we are in the process of establishing a network of service stations, which we plan to roll out upon termination of the Main Supply Agreements from January 2004. As the draft Bill and regulations, once enacted, will regulate matters pertaining to the wholesale and retail sales of petroleum products, including their retail prices, its provisions may impact the conditions and cost of our entry into the retail fuel market in South Africa. See "Item 4.B Business Overview-Sasol Oil and Gas-Sasol Oil" and "-Regulation of Petroleum-Related Activities in South Africa".

The draft Petroleum Pipelines Bill is currently under consideration by the South African Parliament. If enacted, this Bill will regulate petroleum pipelines and storage facility activities, including the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines and storage facilities. The Bill, as proposed, grants broad discretion to the Minister of Minerals and Energy to adopt different pricing methodologies in connection with the setting of tariffs, which may prove advantageous for some competitors as opposed to others, because of different market and geographic positions. Regulations that may be promulgated under the Bill, could affect our advantage due to the location in the economic heartland of the country of our Natref refinery and our synfuels facilities at Secunda. See "Item 4.B Business Overview-Sasol Oil and Gas-Sasol Gas" and "-Regulation of Pipeline Gas-Related Activities in South Africa". 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.

Although Sasol has negotiated a ten year regulatory dispensation 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 new Gas Act and the appointment of a new Gas Regulator will not have a material adverse impact on our business, operating results, cash flows and financial condition.

Further, the South African government issued a draft policy relating to new fuel specifications which are intended to come into effect in January 2006. These specifications relate to the phasing out of lead from the petroleum products we manufacture as well as a reduction in the sulfur content in certain of these products. There is also uncertainty as to what additives we will be allowed to use in the manufacture of these petroleum products. To meet these new specifications we will need to make significant capital investments at our manufacturing sites to modify our current petroleum production processes. If these modifications are not made in time it could result in us not being able to market our petroleum products

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until such time that we meet the new fuel specifications which could have a material adverse effect on our operating results, cash flows and financial condition.

**We face certain costs in dealing with HIV/AIDS.**

HIV/AIDS and tuberculosis, which is exacerbated in the presence of HIV/AIDS, are the major healthcare challenges faced by our South African and other sub-Saharan operations. HIV infection among women in antenatal clinics around South Africa has risen from 1% in 1990 to nearly 25% in 2000. Under South African law, we cannot run tests to accurately establish the number of our employees who are infected with, or die from, AIDS. However, based on actuarial studies, we believe that about 20% of our South African workforce may be currently infected, with the highest concentration of infections in our mining operations. Based on the same actuarial study, which excludes the positive impact of any prevention and management intervention program, 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. See "Item 6.D Employees".

We incur costs relating to the medical treatment and loss of infected personnel, as well as the related loss of productivity. We also incur costs relating to the recruitment and training of new personnel. We are not in a position to accurately quantify these costs. Based on our actuarial models, we estimate that the impact of HIV/AIDS on our payroll expenses could be about 3% of our current payroll for our South African employees by the year 2007. This calculation is based on the estimated financial impact on production resulting from the projected prevalence of HIV/AIDS among our workforce, but does not take into account indirect costs of productivity losses. In addition, we are investing significant human and financial resources in connection with establishing and maintaining programs to address the HIV/AIDS problem. In September 2002, we launched SHARP, our initiative to respond to the HIV/AIDS problem, in connection with which we have invested an initial sum of R4 million. The initial objective of SHARP is to assess the real business impact that HIV/AIDS will have and quantify the net savings we may achieve through the adoption of new and/or improved intervention programs. Although, at present, we have no further commitments in connection with HIV/AIDS, apart from post-retirement healthcare contributions in respect of current employees who commenced service prior to 1 January 1998, we cannot assure you that the costs we are currently incurring and will incur in the future in connection with the HIV/AIDS problem, will not have a material adverse effect on our business and financial condition.

**We may not be successful in attracting and retaining sufficient skilled employees in South Africa.**

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. In the past, we have been successful in recruiting such personnel. We have also established certain research and development facilities overseas. However, demand for personnel with the range of capabilities and experience required in our industry in South Africa is high and success in attracting and retaining such employees is not guaranteed. The risk exists that our scientific and engineering skills base may be depleted over time because of natural attrition. Furthermore, social and economic factors in South Africa have led and continue to lead numerous qualified individuals to leave the country, thus depleting the availability of qualified scientific and engineering personnel in South Africa. Failure to attract and retain people with the right capabilities and experience could negatively affect our ability to introduce the appropriate technological improvements to our business and may have a material adverse effect on our business and operating results.

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

Various of our subsidiaries, joint ventures and associates operate in countries and regions that are subject to significantly differing political, economic and market conditions. Specific country risks that may have a material impact on our business, operating results, cash flows and financial condition, include:

- political and economic instability;
- external acts of warfare and civil clashes;
- government interventions, including protectionism and subsidies;
- regulatory, taxation and legal structure changes;
- the control of field developments and transportation infrastructure;
- the receipt of new permits and consents;
- cancellation of contractual rights; and
- expropriation of assets.

Many of these countries, including Mozambique and Nigeria 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 the developed world. Many of these countries are also in the process of transitioning to a market economy and, as a result, experience changes in their economies and their government policies that can 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 these or neighboring countries may have a material adverse effect on the international 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.

**Patent competition may adversely affect our products or processes.**

Our various products and processes, including most notably, our chemical 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. Aggressive patenting by our competition and patent piracy may threaten protected products and processes and may result in an increased patent infringement risk. In addition, the expiry of a patent results in increased competition in the market for the previously patented products and processes.

A high percentage of our products can be regarded as commodity chemicals, some of which have unique characteristics and structure. These products are normally utilized 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 and cash flows.

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

A significant part of our chemical production facilities is located in developed countries, including the United States and Europe. Economic and political conditions in these countries result in relatively high labor costs and, in some regions, inflexible labor markets, compared to others. Increasing competition from regions with lower labor costs and feedstock prices, for example the Middle East and China, exercises pressure on the competitiveness of our chemical products and, therefore, on our profit margins and may result in withdrawal of particular products or closure of facilities. We cannot assure you that increasing competition by products originating from countries with low 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 and cash flows.

**Changes in consumer and environmental regulation and public opinion may adversely affect the profitability of or demand for certain of our products.**

Our products are required to conform with regulations relating to the protection of the environment, health and

safety and/or the end consumer, as well as customer needs. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in order to provide 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, or even withdraw some of them, in order to be in a position to comply with market needs or more stringent regulatory requirements. For example, in February 2001 the European Commission (EC) presented a consultation document (White Paper) under the name "Strategy for a Future Chemicals Policy" which requires risk assessments for and registration of our chemical products. The Commission issued a draft procedure paper for comment in June 2003 under the name "Registration, evaluation and authorization of chemicals" ("REACH"). Compliance with the proposed REACH procedure would have significant cost implications as we would be required, among other things, to provide risk assessments and apply for 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. Should we be required to comply with REACH requirements we may incur significant additional costs. We may be required to withdraw from the market certain products which we consider uneconomical given these additional costs of compliance or otherwise due to public opinion considerations. These factors 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 damages, 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 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, including, but not limited to, fire, explosion, 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 accidents.

The terrorist attacks in the United States on 11 September 2001 demonstrated the increased risk posed by the threat of terrorism. Our facilities, located mainly in South Africa, the United States and various European countries, as well as in various African countries and Malaysia, are subject to the risk of experiencing deliberate acts of terror.

Industry-related accidents and acts of terror may result in damages to our facilities and may require shutdown of the affected facilities, thereby delaying production or increasing production costs. Furthermore, acts of terror, accidents or historical operations may cause environmental contamination,

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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 costly pollution control technology.

We obtain insurance cover over our assets and against business interruption. We also obtain insurance to limit certain of our liabilities. As a result of the terrorist attacks on 11 September 2001, our insurance costs have increased significantly. We are implementing a number of programs, including on-the-job safety training, in order to increase safety, and we closely monitor our safety, health and environmental procedures. 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 directly liable in connection with claims arising from these 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.

**Changes in safety, health and environmental regulations and public opinion may adversely affect our operating results.**

Our exploration, mining and production operations are required to conform with regulations relating to the protection of the environment, health and safety of the workforce and/or neighboring communities. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in order to provide additional protection or to adjust specifications or manufacturing processes or transport and distribution arrangements for certain of our operations or products. Should we make changes or incur such costs this may have a material adverse effect on our business, operating results, cash flows and financial condition.

**Failure to comply timeously with safety, health and environmental and other laws may adversely affect our market position and our operating results.**

We are subject to a wide range of general and industry-specific environmental, health and safety and other laws and regulations under South African law and in other 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. These regulations often require us to obtain and operate in compliance with the conditions of permits and authorizations from the appropriate governmental authorities. Compliance with these laws, regulations, permits and authorizations 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, in all material respects, with applicable laws, regulations, permits and authorizations.

Failure to comply timeously with applicable 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 environmental laws and regulations we may have to incur costs which we could finance from our available cash flows or from alternative sources of financing. No assurance can be given that changes in environmental laws and regulations or their application or the discovery of

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previously unknown contamination or other liabilities will not have a material adverse effect on our business, operating results and cash flows.

Asbestos has been used on our sites and we produce carcinogenic materials at some of our facilities. We cannot assure you that no liabilities may arise as a result of the use of these materials.

In addition to undertaking internal investigations we are also subject to review from time to time by Government authorities on our compliance with tax and excise duty laws and regulations impacting our operations. 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 and cash flows.

**Our coal reserve estimates may be materially different from reserves that we may actually recover and coal price fluctuations and changes in operating and capital costs may render certain coal reserves uneconomical to mine.**

Our reported coal reserves are estimated quantities of coal that under present and anticipated conditions have the potential to be economically mined and processed by the extraction of their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of coal production, including many factors beyond our control. In addition, reserve engineering is a subjective process of estimating underground deposits of coal 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 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, fluctuations in the market price of coal, reduced recovery rates or increased production costs due to inflation or other factors may render certain proven and probable reserves 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.

**There is a possible risk that sanctions may be imposed by the US Government as a result of our Iran-related activities.**

There are possible risks posed by the potential imposition of US economic sanctions in connection with activities we are undertaking in the polymers field and considering in respect of a GTL opportunity in Iran. For a description of our activities in Iran see "Item 4.B Business Overview–Sasol Polymers" and "–other activities–Gas-to-liquids–Sasol Synfuels International". The risks relate to two sanctions programmes administered by the US Government that we have considered: the Iranian Transactions Regulations ("ITR") administered by the US Treasury Department Office of Foreign Assets Control ("OFAC") and the Iran and Libya Sanctions Act ("ILSA") administered by the US Department of State.

The ITR, 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 a US person under these regulations. Nonetheless, because the Group is a multinational enterprise, we are aware that the ITR may apply to certain entities associated with the Group, including US employees, investors and certain subsidiaries.

We are taking measures to ensure that US employees, investors and certain subsidiaries of the Group to which the ITR applies will not violate the ITR as a result of their respective affiliation 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;

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- 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 utilized 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
  - record the results of these projects in separate audited financial statements.

By undertaking the aforementioned steps, we believe that any risks posed by the ITR to US persons and entities affiliated with the Group will be mitigated. Nevertheless, we cannot predict OFAC's 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.

ILSA 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. Should the US government determine that some or all of our activities in Iran are investments in the petroleum industry, as statutorily defined by ILSA, the President of the United States may in his discretion impose, among other sanctions, 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 ILSA or the implementation policy of the US Government with respect to ILSA. Although we believe that our polymers project is not in the petroleum industry and we are 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 ILSA 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.

**The exercise of voting rights by holders of ADRs 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 with The Bank of New York, as the 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 has undertaken in turn, as soon as practicable after receipt of our notice, to mail to holders of ADRs voting materials. These voting materials include the information on the matters to be voted on 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 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 how to exercise these voting rights.