SASOL LTD
Form 20-F
October 09, 2013

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Item 18. FINANCIAL STATEMENTS

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**As filed with the Securities and Exchange Commission on 9 October 2013**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the year ended 30 June 2013**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number: 001-31615**

## Sasol Limited

(Exact name of registrant as Specified in its Charter)

**Republic of South Africa**
(Jurisdiction of Incorporation or Organisation)

**1 Sturdee Avenue, Rosebank 2196**
**South Africa**
(Address of Principal Executive Offices)

**Paul Victor, Acting Chief Financial Officer, Tel. No. +27 11 441 3435, Email paul.victor@sasol.com**
**1 Sturdee Avenue, Rosebank 2196, South Africa**
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| American Depositary Shares | New York Stock Exchange |
| Ordinary Shares of no par value* | New York Stock Exchange |
| 4,50% Notes due 2022 issued by Sasol Financing International Plc | New York Stock Exchange |

*

Listed on the New York Stock Exchange not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**648 800 716 Sasol ordinary shares of no par value**
**25 547 081 Sasol preferred ordinary shares of no par value**
**2 838 565 Sasol BEE ordinary shares of no par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes ý No o**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes o No ý**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ý No o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232 405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes o No o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

**Large accelerated filer ý Accelerated filer o Non-accelerated filer o**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

**U.S. GAAP o International Financial Reporting Standards as issued by the International Accounting Standards Board ý Other o**

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

**Item 17 o Item 18 o**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes o No ý**

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**PRESENTATION OF INFORMATION**

We are incorporated in the Republic of South Africa as a public company under South African Company law. Our consolidated financial statements for the financial years ended 30 June 2009, 2010, 2011, 2012 and 2013 included in our corporate filings in South Africa were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

For purposes of this annual report on Form 20-F, we have prepared our consolidated financial statements in accordance with IFRS. Our consolidated financial statements for each of the financial years ended 30 June 2009, 2010, 2011, 2012 and 2013 have been audited.

As used in this Form 20-F:

"rand" or "R" means the currency of the Republic of South Africa;

"US dollars", "dollars", "US$" or "$" means the currency of the United States (US);

"euro", "EUR" or "€" means the common currency of the member states of the European Monetary Union;

"AED" means United Arab Emirates Dirham, the currency of the United Arab Emirates;

"GBP" means British Pound Sterling, the currency of the United Kingdom (UK); and

"CAD" means Canadian dollar, the currency of Canada.

We present our financial information in rand, which is our reporting currency. Solely for your convenience, this Form 20-F contains translations of certain rand amounts into US dollars at specified rates. These rand amounts do not represent actual US dollar amounts, nor could they necessarily have been converted into US dollars at the rates indicated. Unless otherwise indicated, rand amounts have been translated into US dollars at the rate of R10,03 per US dollar, which was the closing rate for customs purposes of the rand as reported by Thomson Reuters on 30 September 2013.

**All references in this Form 20-F to "years" refer to the financial years ended on 30 June. Any reference to a calendar year is prefaced by the word "calendar".**

Besides applying barrels (b or bbl) and standard cubic feet (scf) for reporting oil and gas reserves and production, Sasol applies the Système International (SI) metric measures for all global operations. A ton, or tonne, denotes one metric ton equivalent to 1 000 kilograms (kg). Sasol's reference to metric tons should not be confused with an imperial ton equivalent to 2 240 pounds (or about 1 016 kg). Barrels per day, or bpd, or bbl/d, is used to refer to our oil and gas production.

In addition, in line with a particular South African distinction under the auspices of the South African Bureau of Standards (SABS), all Sasol global reporting emanating from South Africa uses the decimal comma (e.g., 3,5) instead of the more familiar decimal point (e.g., 3.5) used in the UK, US and elsewhere. Similarly, a hard space is used to distinguish thousands in numeric figures (e.g., 2 500) instead of a comma (e.g., 2,500).

All references to billions in this Form 20-F are to thousands of millions.

All references to the "group", "us", "we", "our", "the company", or "Sasol" in this Form 20-F are to Sasol Limited, its group of subsidiaries and its interests in associates, joint ventures and special purpose entities. All references in this Form 20-F are to Sasol Limited or the companies comprising the group, as the context may require. All references to "(Pty) Ltd" refers to Proprietary Limited, a form of corporation in South Africa which restricts the right of transfer of its shares and prohibits the public offering of its shares.

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All references in this Form 20-F to "South Africa" and "the government" are to the Republic of South Africa and its government. All references to the "JSE" are to the JSE Limited or Johannesburg Stock Exchange, the securities exchange of our primary listing. All references to "SARB" refer to the South African Reserve Bank. All references to "PPI" and "CPI" refer to the South African Producer Price Index and Consumer Price Index, respectively, which are measures of inflation in South Africa. All references to "GTL" and "CTL" refer to our gas-to-liquids and coal-to-liquids processes, respectively.

Certain industry terms used in this Form 20-F are defined in the Glossary of Terms.

Unless otherwise stated, presentation of financial information in this annual report on Form 20-F will be in terms of IFRS. Our discussion of business segment results follows the basis used by the group executive committee (GEC) (the company's chief operating decision maker) for segmental financial decisions, resource allocation and performance assessment, which forms the accounting basis for segmental reporting, that is disclosed to the investing and reporting public.

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## FORWARD-LOOKING STATEMENTS

We may from time to time make written or oral forward-looking statements, including in this Form 20-F, in other filings with the United States Securities and Exchange Commission, in reports to shareholders and in other communications. These statements may relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to:

- statements regarding our future results of operations and financial condition and regarding future economic performance;
- statements regarding recent and proposed accounting pronouncements and their impact on our future results of operations and financial condition;
- statements of our business strategy, plans, objectives or goals, including those related to products or services;
- statements regarding future competition, volume growth and changes in market share in the South African and international industries and markets for our products;
- statements regarding our existing or anticipated investments (including the gas-to-liquids (GTL) projects in North America, Uzbekistan and Nigeria, the GTL joint venture in Qatar, the potential development of a coal-to-liquid (CTL) projects in India and other investments), acquisitions of new businesses or the disposition of existing businesses;
- statements regarding our estimated oil, gas and coal reserves;
- statements regarding the probable future outcome of litigation and the future development in legal and regulatory matters;
- statements regarding future fluctuations in refining margins and crude oil, natural gas and petroleum product prices;
- statements regarding the demand and cyclicality of petrochemical product prices;
- statements regarding changes in the manufacturers' fuel pricing mechanism in South Africa and their effects on fuel prices, our operating results and profitability;
- statements regarding future fluctuations in exchange and interest rates;
- statements regarding total shareholder return;
- statements regarding cost reduction targets and initiatives;
- statements regarding our plans to expand the South African retail and commercial markets for liquid fuels;

- statements regarding our current or future products and anticipated customer demand for these products;
- statements regarding acts of war, terrorism or other events that may adversely affect the group's operations or that of key stakeholders to the group; and
- statements of assumptions underlying such statements.

Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

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By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated in such forward-looking statements. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include among others, and without limitation:

- the outcomes in developing regulatory matters and the effect of changes in regulation and government policy;
- the political, social and fiscal regime and economic conditions and developments in the world, especially in those countries in which we operate;
- the outcomes of legal proceedings;
- our ability to maintain key customer relations in important markets;
- our ability to improve results despite increased levels of competition;
- the continuation of substantial growth in significant developing markets;
- the ability to benefit from our capital investment programme;
- the capital cost of projects (including material, engineering and construction cost) and the timing of project milestones;
- growth in significant developing areas of our business;
- changes in the demand for and international prices of crude oil, gas, petroleum and chemical products and changes in foreign currency exchange rates;
- the ability to gain access to sufficient competitively priced gas, oil and coal reserves and other commodities;
- environmental legislation and the impact of environmental legislation and regulation on our operations and our access to natural resources;
- our success in continuing technological innovation;
- our ability to maintain sustainable earnings despite fluctuations in foreign currency exchange rates and interest rates;
- our ability to attract and retain sufficient skilled employees; and
- our success at managing the foregoing risks.

The foregoing list of important factors is not exhaustive; when making investment decisions, you should carefully consider the foregoing factors and other uncertainties and events, and you should not place undue reliance on forward-looking statements. Forward-looking statements apply only as of the date on which they are made and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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**ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

We are a public company incorporated under the company law of South Africa. Most of our directors and officers reside outside the United States, principally in South Africa. You may not be able, therefore, to effect service of process within the United States upon those directors and officers with respect to matters arising under the federal securities laws of the United States.

In addition, most of our assets and the assets of most of our directors and officers are located outside the United States. As a result, you may not be able to enforce against us or our directors and officers judgements obtained in United States courts predicated on the civil liability provisions of the federal securities laws of the United States.

There are additional factors to be considered under South African law in respect of the enforceability, in South Africa (in original actions or in actions for enforcement of judgments of US courts) of liabilities predicated on the US federal securities laws. These additional factors include, but are not necessarily limited to:

- South African public policy considerations;
- South African legislation regulating the applicability and extent of damages and/or penalties that may be payable by a party;
- the applicable rules under the relevant South African legislation which regulate the recognition and enforcement of foreign judgments in South Africa; and
- the South African courts' inherent jurisdiction to intervene in any matter which such courts may determine warrants the courts' intervention (despite any agreement amongst the parties to (i) have any certificate or document being conclusive proof of any factor, or (ii) oust the courts' jurisdiction).

Based on the foregoing, there is no certainty as to the enforceability in South Africa (in original actions or in actions for enforcement of judgments of US courts) of liabilities predicated on the US federal securities laws.

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## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

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## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

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## ITEM 3. KEY INFORMATION

### 3.A Selected financial data

The following information should be read in conjunction with "Item 5 Operating and Financial Review and Prospects" and the consolidated financial statements, the accompanying notes and other financial information included elsewhere in this annual report on Form 20-F.

The financial data set forth below for the years ended as at 30 June 2013, 2012 and 2011 and for each of the years in the three-year period ended 30 June 2013 have been derived from our audited consolidated financial statements included in Item 18 of this annual report on Form 20-F.

Financial data at 30 June 2010 and 2009 has been derived from the group's previously published audited consolidated financial statements, adjusted for the amendments to IAS 19, Employee Benefits, which are not included in this document.

The financial data at 30 June 2013, 2012 and 2011 and for each of the years in the three-year period ended 30 June 2013 should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements.

The audited consolidated financial statements from which the selected consolidated financial data set forth below have been derived were prepared in accordance with IFRS.

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | **30 June 2009** | **30 June 2010** | **30 June 2011** | **30 June 2012** | **30 June 2013** | **30 June[1] 2013 (US$ in millions)** |
| | **(Rand in millions)** | | | | | |
| | **(except per share information and weighted average shares in issue)** | | | | | |
| **Income Statement data:** | | | | | | |
| Turnover | 137 836 | 122 256 | 142 436 | 169 446 | 181 269 | 18 073 |
| Operating profit after remeasurement items | 24 666 | 23 937 | 29 950 | 36 758 | 40 628 | 4 051 |
| Profit attributable to owners of Sasol Limited | 13 648 | 15 941 | 19 794 | 23 583 | 26 278 | 2 620 |
| **Statement of Financial Position data:** | | | | | | |
| Total assets | 145 296 | 155 873 | 177 445 | 203 753 | 249 495 | 24 875 |
| Total equity | 85 706 | 96 425 | 109 860 | 128 314 | 153 275 | 15 282 |
| Share capital | 27 025 | 27 229 | 27 659 | 27 984 | 28 711 | 2 863 |
| **Per share information (Rand and US$):** | | | | | | |
| Basic earnings per share | 22,90 | 26,68 | 32,97 | 39,10 | 43,38 | 4,33 |
| Diluted earnings per share | 22,80 | 26,54 | 32,85 | 38,95 | 43,31 | 4,32 |
| Dividends per share[2] | 8,50 | 10,50 | 13,00 | 17,50 | 19,00 | 1,89 |
| **Weighted average shares in issue (in millions):** | | | | | | |
| Average shares outstanding basic | 596,1 | 597,6 | 600,4 | 603,2 | 605,7 | 605,7 |
| Average shares outstanding diluted | 614,0 | 615,5 | 614,5 | 616,2 | 606,8 | 606,8 |

(1) Translations into US dollars in this table are for convenience only and are computed at the closing rate of Thomson Reuters on 30 September 2013 of R10,03 per US dollar. You should not view such translations as a representation that such amounts represent actual US dollar amounts.

(2) Includes the final dividend which was declared subsequent to the reporting date and is presented for information purposes only. No provision for this final dividend has been recognised.

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**Exchange rate information**

The following table sets forth certain information with respect to the rand/US dollar exchange rate for the years shown:

| Rand per US dollar for the year ended 30 June or the respective month | Average[1] | High | Low |
| --- | --- | --- | --- |
| 2009[2] | 9,04 | 11,88 | 7,17 |
| 2010[2] | 7,59 | 8,36 | 7,20 |
| 2011[2] | 7,01 | 7,75 | 6,57 |
| 2012[2] | 7,78 | 8,58 | 6,67 |
| 2013[2] | 8,85 | 10,21 | 8,08 |
| 2014[3] | 10,00 | 10,39 | 9,59 |
| April 2013 | 9,10 | 9,25 | 8,90 |
| May 2013 | 9,38 | 10,09 | 8,91 |
| June 2013 | 10,02 | 10,21 | 9,82 |
| July 2013 | 9,91 | 10,23 | 9,70 |
| August 2013 | 10,11 | 10,39 | 9,84 |
| September 2013 (up to 30 September 2013) | 9,98 | 10,34 | 9,59 |

(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) Based on the closing rate of Thomson Reuters.

(3) The average exchange rates for the period 1 July 2013 to 30 September 2013 are calculated using the average exchange rate on the last day of each month and as at 30 September 2013 during the period. The average exchange rate for each month and as at 30 September 2013 is calculated using the average of the daily exchange rates during the period.

On 30 September 2013, the closing exchange rate of rand per US dollar as reported by Thomson Reuters was R10,03/US$1.

**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 and we report our results in rand. 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 operating 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 2013, the rand/US dollar exchange rate averaged R8,85 and fluctuated between a high of R10,21 and a low of R8,08. This compares to an average exchange rate of R7,78 during 2012 which fluctuated between a high of R8,58 and a low of R6,67. The rand exchange rate is affected by various international and South African economic and political factors. Subsequent to 30 June 2013, the rand has on average weakened against the US dollar and the euro. In general, a weakening of the rand would have a positive effect on our operating results. Conversely strengthening of the rand would an adverse effect on our operating results.

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, North Africa 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 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 2013, the dated Brent crude oil price averaged US$108,66/b and fluctuated between a high of US$119,03/b and a low of US$95,51/b. This compares to an average dated Brent crude oil price of US$112,42/b during 2012, which fluctuated between a high of US$128,14/b and a low of US$88,69/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) Ltd (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.

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. 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 with 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. Lower prices for chemical products 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 or competitors may develop superior technologies***

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 and batteries, 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 of efficient distribution and gas storage systems that allow light hydrocarbons to be competitively used for mobility and transportation, effectively displacing diesel; and

- The development by competitors of next generation catalysts in which catalyst performance is improved, 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 new 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 may face.

In addition to the technological challenges, a large number of our expansion projects are integrated across a number of Sasol businesses. Delays 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 involved in constructing a GTL plant in Nigeria. In addition, we are considering further GTL opportunities in Uzbekistan (front end engineering and design phase), the US (front end engineering and design phase) and Canada (feasibility phase has been completed and a decision on the front end engineering and design phase will be taken at a later stage). A coal-to-liquids (CTL) project is being investigated in India (pre-feasibility phase). The development of these projects 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 processes 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 freedom to operate our processes and sell our products and may dilute our competitive advantage".

The group's strategic ambition is to grow sustainably, by accelerating our GTL portfolio. In assessing the viability of our GTL projects, we make a number of assumptions relating to specific variables, mainly including:

- access to sufficient competitively priced gas reserves;
- prices of crude oil, petroleum products and gas;
- sales opportunities and risks in the relevant countries;
- fluctuations in the exchange rate of the US dollar and other currencies against the rand;
- fluctuations in interest rates;
- fiscal dispensation in the countries in which we invest;
- capital cost of our facilities, including engineering, equipment material and construction costs;
- operating costs, including manpower, services, supplies and utilities;
- technology and catalyst performance;

conditions in the countries in which we operate, 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.

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Significant variations in any one or more of the above factors that are beyond our control, or any other relevant factor, may adversely affect the profitability or even the viability of our GTL investments. 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, financial condition and opportunities for future growth.

***Increasing exposure related to investments in associates and joint venture companies may adversely affect our business, operating results, cash flows and financial condition***

We have invested in a number of associates and joint ventures as part of our strategy to expand operations globally. We are considering opportunities for further upstream GTL investments, as well as opportunities in chemicals, to continue our local and global expansion. The development of these projects may require investments in associates and joint ventures, most of which are aimed at facilitating entry into countries and/or sharing risk with third parties. Although the risks are shared, the objectives of associates and joint venture partners, their ability to meet their financial and/or contractual obligations, their behaviour, as well as the increasing complexity of country specific legislation and regulations, may impact negatively on our reputation and/or result in disputes and/or litigation, all of which may have a material adverse effect on our business, operating results, cash flows and financial condition, and may constrain the achievement of our growth objectives.

***We may not achieve projected benefits of acquisitions or divestments***

We may pursue strategic acquisitions or divestments. With any such transaction there is the risk that any benefits or synergies identified at the time of acquisition may not be achieved as a result of changing or incorrect assumptions or materially different market conditions, or other factors. Furthermore, we could be found liable for past acts or omissions of the acquired business without any adequate right of redress.

In addition, delays in the sale of assets, or reductions in value realisable, may arise due to changing market conditions. Failure to achieve expected values from the sale of assets, or delays in expected receipt or delivery of funds, may result in higher debt levels, underperformance of those businesses and possible loss of key personnel.

***We may face constraints in obtaining the expected level of financing to pursue new business opportunities or support existing projects***

As at 30 June 2013, we had authorised approximately R109,6 billion of group capital expenditure in respect of projects in progress, of which we had spent approximately R42 billion by 30 June 2013. See "Item 5.F  Capital commitments". Our capital expenditure plans and requirements are subject to a number of risks, contingencies and other factors, some of which are beyond our control, and therefore the actual future capital expenditure and investments may differ significantly from the current planned amounts.

Our operating cash flow and banking facilities may be insufficient to meet all of these expenditures, depending on the timing and cost of development of these and other projects, as well as operating performance and utilisation of our banking facilities. As a result, new sources of capital may be needed to meet the funding requirements of these developments, to fund ongoing business activities and to pay dividends. Our ability to raise and service significant new sources of capital will be a function of macroeconomic conditions, the condition of the financial markets, future prices for the products we sell, our operational performance and operating cash flow and debt position, among other factors.

Our ability to raise further debt financing in the future, and the cost of such financing, will depend on, among other factors, our credit rating at the time. Our credit rating may be affected by our ability

to maintain our outstanding debt and financial ratios at levels acceptable to the credit ratings agencies, our business prospects, the sovereign credit rating of the Republic of South Africa and other factors. The sovereign credit rating of the Republic of South Africa was downgraded by Moody's Corporation and Standard & Poors (S&P) in 2012 and by Fitch Ratings in 2013. Following the downgrade of South Africa's sovereign debt rating, S&P lowered our foreign currency long-term corporate credit rating on 16 October 2012. Any further downgrade of the South African sovereign credit rating may have an adverse effect on our credit rating.

In the event of unanticipated operating or financial challenges, any dislocation in financial markets, any further downgrade of our ratings by ratings agencies or new funding limitations, our ability to pursue new business opportunities, invest in existing and new projects, fund our ongoing business activities and retire or service outstanding debt and pay dividends, could be constrained, all of which could have an impact on our business, operating results, cash flows and financial condition.

***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 4.B 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 energy businesses in other African countries, chemical businesses in Europe, the US, the Middle East and Asia, a joint venture in a GTL facility in Qatar, joint ventures in Canada and Uzbekistan and an economic interest in 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, 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 were constructed during buoyant market conditions will have to operate in markets in which product prices may 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

Macro economic factors, such as higher inflation and interest rates, could adversely impact our ability to contain costs and/or ensure cost-effective debt financing in countries in which we operate.

In South Africa, consumer price inflation decreased to 5,5% in 2013 from 5,9% in 2012. While recorded inflation is still within the South African Reserve Bank's (SARB) 6% inflation-target ceiling, the effect of global macroeconomic uncertainties, weak domestic economic growth and high unemployment rates contributed to the SARB leaving the bank lending policy interest rate unchanged at 5,0% throughout 2013.

The significant weakening of the rand over the past two years poses a significant upside risk to the inflation outlook. However, given perceived limited producer pricing power in a weak economic growth environment, the currency depreciation pass-through effect is expected to remain relatively muted as compared to previous episodes of currency weakness. Trends in food and fuel prices and unit labour

costs also remain key risks to the inflation outlook, but these risks are, in our view, outweighed by an uncertain global economic environment and relatively subdued growth conditions in South Africa. As such, we expect the SARB to maintain the bank lending policy interest rate at its current level of 5,0% until late in the 2014 calendar year.

(c) Transportation, water 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. Water, as a resource, is becoming increasingly limited as world demand for water increases. In South Africa, the risk that water may become significantly limited is exacerbated by the fact that it is one of the drier countries in the world. Water use by our operations varies widely depending largely on feedstock and technology choice. While a GTL plant is typically a net producer of water, a CTL process has a significant water requirement, driven by the need to produce hydrogen and additional cooling requirements. Although various technological advances may improve the water efficiency of our processes, we may experience limited water availability and other infrastructural challenges, 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. During August to October 2012, the gold and platinum mining sector in South Africa experienced significant disruptions and unprecedented violence in connection with strikes by employees. Following these strikes, double digit wage increases were awarded to employees in the gold and platinum mining sectors. The 2013 wage bargaining processes has been challenging and and have resulted in major sectors of the South African economy experiencing strike action (e.g. auto manufacturing, construction and gold mining). The operations of the Sasol group falling within the Petroleum and Chemicals sectors were not impacted by strike action during 2013. The mining operations of the group were subject to strike action. The strike, which was quickly resolved, was initiated by one of the five unions involved with Sasol Mining. The strike involved about 10 percent of the employees in Sasol Mining Secunda and had little impact on the continued running of the operations. Although we have constructive relations with our employees and their unions, 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 apply to transactions involving South African residents, including both natural persons and legal entities. These regulations may restrict the export of capital from South Africa, including foreign investments. The regulations may also affect our ability to borrow funds from non-South African sources for use in South Africa, including the repayment of these borrowings from South Africa and, in some cases, our ability to guarantee the obligations of our subsidiaries with regard to these funds. These restrictions may affect the manner in which we finance 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) Localisation 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 and localisation issues.

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In South Africa, there are various transformation initiatives with which we are required to comply. We embrace, will engender and participate in initiatives to bring about meaningful transformation in South Africa. We consider these initiatives to be a strategic imperative and we acknowledge the risk of not vigorously pursuing them.

We are a participant in transformation charters in the liquid fuels and mining industry in South Africa, pursuant to which we have undertaken to enable historically disadvantaged South Africans to hold at least 25% equity ownership in our liquid fuels business and 26% equity ownership, by 2014, in our mining business. Sasol Mining's BEE ownership currently is above 40%. See "Item 4.B Empowerment of historically disadvantaged South Africans".

The Minister of Trade and Industry published the Codes of Good Practice for broad-based black economic empowerment (BBBEE) on 9 February 2007, effective from the date of publication. These codes provide a standard framework for the measurement of BBBEE across all sectors of the economy, other than the mining industry. The Department of Trade and Industry (DTI) in South Africa has gazetted the revised BBBEE Codes of Conduct. If the proposed codes are adopted, they could have a negative impact on Sasol's BBBEE contributor status.

We have complied with the current requirements of said codes and other requirements of the Liquid Fuels Charter, Mining Charter and the Codes of Good Practice for BBBEE. We believe that the long-term benefits to the company and our country should outweigh any possible short-term adverse effects, but we cannot assure you that future implications of compliance with these requirements or with any newly imposed conditions will not have a material adverse effect on our shareholders or business, operating results, cash flows and financial condition. See "Item 4.B Empowerment of historically disadvantaged South Africans".

(g) Engineering, procurement and construction contract costs

We have a significant capital portfolio and are therefore exposed to fluctuations in the price and supply of engineering, procurement and construction services globally. Of particular concern is the availability of scarce technical skills and capacity, of which we are currently not expecting the abnormal inflationary pressures of the pre-recession period, but rather low to moderate increases as gradual economic recovery sets in. Significant fluctuations and volatility is, however, currently being observed. Scarce technical skills remain a key factor, to a varying degree, in different geographical areas. Cost increases will depend on the region and market dynamics, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

(h) Ownership rights

We operate in several countries where ownership of rights in respect of land and resources is uncertain and where disputes in relation to ownership or other community matters may arise. These disputes are not always predictable and may cause disruption to our operations or development plans.

(i) Stakeholder relationships

Our operations can also have an impact on local communities, including the need, from time to time, to relocate or resettle communities or infrastructure networks such as railways and utility services. Failure to manage relationships with local communities, governments and non-government organisations may harm our reputation as well as our ability to bring development projects into production. In addition, the costs and management time required to comply with standards of social responsibility, community relations and sustainability, including costs related to resettlement of communities or infrastructure, have increased substantially recently and are expected to further increase over time.

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

- 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;
- the introduction of selective environmental and carbon taxes; and
- social and labour unrest due to economic and political factors in host countries.

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 democracies. However, institutions in these countries may not yet be as firmly established as they are in democracies in South Africa, North America and some European countries. Some of these countries are also transitioning to a market economy and, as a result, are experiencing 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.

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

With the recent commissioning of additional power generation equipment, Sasol is capable of generating up to 69% of its total South African power supply needs internally. However, our South African operations remain dependent on power generated by the state-owned utility, Eskom. During 2008, South Africa experienced significant electricity supply interruptions, and although the situation has improved since then, the electricity supply remains constrained. Although Eskom is implementing 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, South Africa is experiencing higher than normal electricity price increases. After annual increases of 24,8%, 25,8% and 16,0% from 2010 to 2012, the National Energy Regulator of South Africa (NERSA) granted Eskom annual price increases of 8,0% for the five years of the next

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multi-year pricing dispensation, which started from April 2013. We have entered into short-term power purchase agreements for incremental generation with Eskom which mitigates these price increases to some extent. However, 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 be in compliance 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 laws and regulations, governing matters such as minerals and mining, development of pipelines, trading in petroleum products and gas as well as, safety, health and environment, in our South African and global operations. Non-compliance can impact business performance dramatically. Although systems and processes are in place, monitored and improved upon, to ensure compliance with applicable laws and regulations, we cannot assure you that we will be in compliance with all laws and regulations at all times. Any failure to comply with applicable laws and regulations could have a material adverse effect on our business, operating results, cash flows and financial condition.

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

Since the enactment of the Mineral and Petroleum Resources Development Act, 28 of 2002, (MPRDA) in May 2004, our subsidiary, Sasol Mining (Pty) Ltd, has been successful in converting its prospecting permits and mining authorisations to new order prospecting and mining rights in terms of the MPRDA. The new order mining rights, known as converted mining rights, became effective on 29 March 2011. The converted new order mining right in respect of the Secunda area has been granted for a period of ten years, while those in respect of the Mooikraal operations in Sasolburg have been granted for a period of thirty years. We are making good progress with our application to extend our Secunda area mining right from 10 years (7 years left) to 30 years, which is the maximum allowable period under the MPRDA. In addition to the initial validity period, our converted mining rights may, on application, be renewed for further periods not exceeding thirty years each.

If a holder of a prospecting right or mining right conducts prospecting or mining operations in contravention of the MPRDA, including the Mining Charter, the converted mining rights can be suspended or cancelled by the Minister of Mineral Resources if the entity, upon receiving a notice of breach from the Minister, fails to remedy such breach. The MPRDA and applicable provisions in the National Environmental Management Act and National Water Act impose additional responsibilities with respect to environmental management as well as the prevention of environmental pollution, degradation or damage from mining and/or prospecting activities.

The MPRDA Amendment Bill, 2013 has been introduced in the National Assembly of the Parliament of the Republic of South Africa. During September 2013, the Portfolio Committee of the National Assembly responsible for processing this Bill has been holding public hearings on the proposed amendments. The proposed amendments, should they be approved in their current form, will impact our business activities. We have made submissions to the Department of Mineral Resources and the Portfolio Committee to raise our concerns.

We cannot assure you that the proposed changes will not affect our operations, mining and petroleum rights in the future and, as a result, have a material adverse effect 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 in South Africa 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 (the Petroleum Act) requires persons involved in the manufacturing, wholesale and retail sale of petroleum products to obtain relevant licences for such

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activities. Sasol Oil, Natref and Sasol Synfuels submitted applications for their respective operations, and the Sasol Oil and Sasol Synfuels wholesale licence applications have been approved and issued. The Natref manufacturing licence application is still under review by the Department of Energy. Nevertheless, these facilities continue to operate, as being persons who, as of the effective date of the Petroleum Act, manufactured petroleum products, they are deemed to be holders of a licence until their applications have been finalised. Until these applications have been finalised, we cannot assure you that the conditions of the licences may not have a material adverse impact on our business, operating results, cash flows and financial condition. See "Item 4.B Business overview Regulation of petroleum-related activities in South Africa".

The Department of Energy will, by 2017, implement new fuel specifications and standards (Clean Fuels 2), which are aligned to EURO 5 fuel specifications, to reduce the environmental impact caused by vehicle emissions. The introduction of the new specifications and standards by 2017 will require capital investment in our manufacturing facilities. We cannot assure you that these new specifications will not have a material adverse effect on our business, operating results, cash flow and financial condition.

The Department of Energy has embarked on a process of reviewing the methodology for the determination of margins relating to the regulated fuel price mechanism known as the Regulatory Accounting System. The ultimate goal of the Regulatory Accounting System is to achieve a uniform and transparent set of regulatory accounts, whereby costs are allocated on predetermined methods, thereby providing certainty to investors with regard to the return on assets throughout the petroleum industry value chain (wholesale, coastal storage and handling, secondary storage, secondary distribution and the benchmark service station). Implementation of the Regulatory Accounting System commenced in December 2011 and the Department of Energy has afforded the industry a period of 24 months to amend commercial agreements between oil company franchisors and fuel retail franchisees. We cannot assure you that the final cost allocation model will not have a material adverse effect on our business, operating results, cash flow and financial condition.

The Gas Act regulates matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. NERSA has published guidelines for determining transmission and storage tariffs for piped-gas in South Africa, as well as a methodology to determine maximum gas prices. In addition, a draft Gas Amendment Bill has been published for comment and Sasol has subsequently commented on the proposed changes. The implementation and enforcement of these tariffs and prices, as well as future amendments to the Gas Act, may have a material adverse effect on our business, operating results, cash flow and financial condition.

The ten year regulatory dispensation negotiated with the South African government with respect to the supply of Mozambican natural gas to the South African market is expiring in March 2014. In accordance with the regulatory framework relating to gas prices and tariffs, NERSA has on 26 March 2013 approved transmission tariffs and maximum gas prices which will apply to our gas business in South Africa after the expiry of the aforesaid regulatory dispensation. We cannot assure you that the provisions of the Gas Act and the implementation of a new gas price and tariff methodology pursuant to the NERSA approvals 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 safety, health and environmental regulations and legislation and public opinion may adversely affect our business, operating results, cash flows and financial condition***

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

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control equipment, decommissioning or other remedial actions, any of which could entail significant expenditures.

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. See "Item 4.B Business overview Regions in which Sasol operates and their applicable legislation". Compliance with these requirements 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 these requirements. These laws and regulations and their enforcement are likely to become more stringent over time. We may be required in some cases to incur additional expenditure in order to comply with such legislation.

Similarly, public opinion is growing more sensitive to consumer health and safety, environmental and climate change protection matters, and, as a result, markets may apply pressure on us concerning certain of our products, manufacturing processes, transport and distribution arrangements. As a result of 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.

We continue 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 continue to comply with safety, health and environmental licences, 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 legislation imposing obligations in respect of decommissioning and rehabilitation of environmental impacts. 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.

Mining is a hazardous industry and working conditions including weather, altitude and temperature can add to the inherent dangers of mining. The mining process, including blasting and processing ore bodies, can generate environmental impacts including dust and noise and may require the storage of waste materials, including in liquid form. Dust, noise or leakage of polluting substances from site operations or mine residue facilities have the potential to generate harm to our employees, the communities near our operations or the environment.

Failure to provide a safe and healthy working environment may result in government authorities forcing closure of mines on a temporary or permanent basis or refusing mining right applications. We could face civil or criminal fines and penalties, liability to employees and third parties for injury, illness or death, statutory liability for environmental remediation, and other financial consequences, which may be significant.

In addition, our manufacturing processes may utilise and result in the emission of substances with potential health risks. We also manufacture products which may pose health risks. Although we apply a duty of care principle and implement health and safety, product stewardship, the Chemical and Allied Industries' Association Responsible Care® programme and other measures to eliminate or mitigate associated potential risks, we may be subject to liabilities as a result of the use or exposure to these materials or emissions.

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***Regulation of greenhouse gas emissions could increase our operational cost and reduce demand for our products***

Continued political attention to issues concerning climate change, the role of human activity in it, and potential mitigation through regulation could have a material impact on our operations and financial results. International agreements and national or regional legislation and regulatory measures to limit greenhouse emissions are currently in various stages of discussion or implementation.

For instance, a reduction of greenhouse gas emissions could be achieved through market-based regulatory programmes, technology-based or performance-based standards or a combination of them. South Africa has entered into a voluntary non-binding agreement to take, subject to certain conditions, nationally appropriate mitigation action to enable a 34% deviation below "business as usual" emissions growth trajectory by 2020, and 42% by 2025. Current measures in South Africa have already resulted in increased compliance costs for power suppliers that are passed to us in the form of levies for electricity generated from fossil fuels. These levies may increase substantially over time. The climate change management policy process, culminated in the publication of a Climate Change Response White Paper, in November 2011 and, in May 2013, a second carbon tax discussion document was published for comment. We responded by indicating that Sasol does not support the proposed carbon tax in its current form as:

- a thorough analysis of the potential impacts and alternative options have not been performed;
- it does not align with South Africa's broader mitigation policy; and
- it does not sufficiently take account of South Africa's carbon mitigation and socio-economic challenges.

Our experts are participating in several working groups, together with the South African government and other stakeholders, to develop the standards and guidelines which would give effect to the country's climate change response white paper.

The development of these and other greenhouse gas emissions-related laws, policies and regulations may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with any laws and regulations is uncertain and will depend on a number of factors including, among others, the sectors covered, the greenhouse gas emissions reductions required by law, the extent to which we would be entitled to receive any emission allowance allocations or would need to purchase compliance instruments on the open market or through auctions, the price and availability of emission allowances and credits, and the impact of legislation or other regulation on our ability to recover the costs incurred through the pricing of our products. Material price increases or incentives to conserve or use alternative energy sources could reduce demand for products we currently sell and adversely affect our sales volumes, revenues and margins.

***We are subject to competition and antitrust laws***

Violations of competition/antitrust legislation could expose the group to administrative penalties and civil claims and damages, including punitive damages, by entities which can prove they were harmed by such conduct. Such penalties and damages could be significant and have an adverse impact on our business, operating results, cash flows and financial condition. In addition, there is also the significant reputational damage that accompanies findings of such contraventions as well as imprisonment or fines for individuals in some countries where antitrust violations are a criminal offence. Competition authorities are increasingly engaging with each other to exchange information relating to potential violation of antitrust laws and enforce antitrust laws.

The South African Competition Commission is conducting investigations into the piped gas, petroleum, fertilisers and polymer industries. The group has cooperated with competition authorities to

deal pro-actively with non-compliance matters. We continue to interact and cooperate with the South African Competition Commission in respect of leniency applications as well as in the areas that are subject to the South African Competition Commission investigations. Refer to "Item 4.B Business overview Legal proceedings and other contingencies". Although it is our policy to comply with all laws, and notwithstanding training and compliance programmes, we could nonetheless contravene competition or antitrust laws and be subject to the imposition of fines, criminal sanctions and/or civil claims and damages. This could have a material adverse impact on our business, operating results, cash flows and financial condition.

The competition law compliance risks mentioned above will escalate for companies as the provisions contained in the Competition Law Amendment Act of 2009 relating to market enquiries became effective as from 1 April 2013. The market enquiry provisions grant the Competition Commission the authority to conduct inquiries into the general state of competition in any market in South Africa for particular goods or services without referring to specific prohibited conduct or a particular firm. The remaining sections of the Competition Law Amendment Act of 2009 have not as yet come into effect. Should the remainder of the sections relating to individual criminal liability for collusion as well as the concept of a "complex monopoly" become effective the competition law compliance risks mentioned above will be further aggravated. 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 sufficiently 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, engineers, project execution skills, 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 to maintain existing operations.

The quality and availability of skills in certain labour markets is impacted by the challenges within the education and training systems in certain countries in which we operate, such as South Africa and Mozambique. The retention of staff is particularly challenging in South Africa, where in addition to global industry shortages of skilled employees, we and our competitors are also required to achieve employment equity targets. Localisation and other similar legislation in countries in which we operate are equally challenging to the attraction and retention of sufficiently skilled employees.

The shortage of skilled employees will be further exacerbated as global economic recovery progresses and we compete with a global industry for skilled and experienced employees. 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 freedom to operate our processes and sell our products and may dilute our competitive advantage***

Our various products and processes, including most notably, our chemical, CTL and GTL products and processes have unique characteristics and chemical structures and, as a result, are subject to confidentiality and/or patent protection, the extent of which varies from country to country. Rapid changes in our technology commercialisation strategy may result in a misalignment between our intellectual property protection filing strategy and the countries in which we operate. The disclosure of our confidential information and/or the expiry of a patent may result in increased competition in the market for our products and processes, although the continuous supplementation of our patent portfolio mitigates such risk to an extent. In addition, aggressive patenting by our competitors,

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particularly in countries like the US and China, may result in an increased patent infringement risk and may constrain our ability to operate in our preferred markets.

A significant percentage of our products can be regarded as commodity chemicals, some of which have unique characteristics and chemical 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 product formulations and the applications thereof. These patents may create pressure on those of our clients who market these product formulations which may adversely affect our sales to these clients. These patents may also increase our risk to exposure from limited indemnities provided to our clients of these products. Patent-related pressures may adversely affect our business, operating results, cash flows and financial condition.

We believe that our proprietary technology, know-how, confidential information and trade secrets, 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. In addition, the patenting by our competitors of technology built on our know-how obtained through former employees may result in additional risk.

Similarly, operating and licensing technology in countries in which intellectual property laws are not well established and enforced may result in an inability to effectively enforce our intellectual property rights. The risk of some transfer of our know-how and trade secrets to our competitors is increased by the increase in the number of licences granted under our intellectual property, as well as the increase in the number of licensed plants which are brought into operation through entities which we do not control. As intellectual property warranties and indemnities are provided under each new licence granted, the cumulative risk increases accordingly.

The above risks 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 US 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 and more flexible labour markets, for example the Middle East, India and China, exerts 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 from 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 fires, explosions, releases and loss of containment of 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 are also subject to the risk of 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. Accidents and acts of terror may result in damage 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. Furthermore, accidents or acts of terror 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.

Our products are ultimately sold to customers around the globe and this exposes us to risks related to the transportation of such products by road, rail or marine vessels. Such activities take place in the public domain exposing us to incident risks over which we have limited control.

It is Sasol's policy to procure appropriate property damage and business interruption insurance cover for its production facilities above acceptable deductible levels at acceptable commercial premiums. However, full cover for all loss scenarios may 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 all claims that may arise.

The costs we may incur as a result of the above or related factors could have a material adverse effect on our business, operating results, cash flows and financial condition.

***We may face the risk of information security breaches or attempts to disrupt critical information technology services, which may negatively impact on our operations***

The increasing uses of information technology (IT) systems in operations are making all industries, including the energy and chemicals industries, much more susceptible to cyber threats. Recent global trends have shown that the energy sector is increasingly becoming the target of cyber-attacks. Although we have an information security programme in place, Sasol may be vulnerable to cyber-attacks and attempts to gain unauthorised access to our IT systems. Disruption of critical IT services, or breaches of information security, could have a material adverse effect on our business, operating results, cash flows and financial condition.

***Our coal, synthetic oil, natural oil and natural gas reserve estimates may be materially different from quantities that we eventually recover***

Our reported coal, synthetic oil, natural oil and gas reserves are estimated quantities based on applicable reporting regulations that under present and anticipated conditions have the potential to be economically mined, processed or produced.

There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production, including factors which are beyond our control. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgement.

Reserve estimates will require revision based on actual production experience and other factors, including extensions and discoveries. In addition, regulatory changes, market prices, increased production costs and other factors may result in a revision to estimated reserves. Significantly revised estimates may have a material adverse effect on our business, operating results, cash flows and financial condition. See "Item 4.D Property, plants and equipment".

***Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions***

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organisations, including the United Nations, the European Union and its member countries. Under economic and trading sanctions laws, governments may seek to impose modifications to business practices, and modifications to compliance programmes, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. During 2011 and continuing into 2012 and 2013, the scope of sanctions imposed against the government of Iran and persons engaging in certain activities or doing certain business with and relating to Iran has been expanded by a number of jurisdictions, including the United States, the European Union and Canada.

**Activities in Iran**

The activities listed below relate to our 50% shareholding in Arya Sasol Polymer Company (ASPC), which we disposed of on 16 August 2013 (the "Divestment Date") in a process for which we obtained a licence from the United States Office of Foreign Assets Control (OFAC). The activities listed below have been conducted outside the US by non-US Sasol subsidiaries and references to Sasol shall mean such non-US subsidiaries for purposes of the description of our activities listed below.

***Arya Sasol Polymer Company***

For the year ended 30 June 2013, Sasol held a 50% shareholding in ASPC, an Iranian joint venture with Pars Petrochemical Company. ASPC is a manufacturer and supplier of ethylene, low density polyethylene, and medium and high density polyethylene.

For the year ended 30 June 2013, Sasol received dividend payments from ASPC in an amount equal to R377 190 901 and ASPC repaid shareholder loans to Sasol in an amount equal to R983 104 940.

***Sale of Arya Sasol Polymer Company products***

During 2013, Sasol engaged in the marketing and distribution of polymer products manufactured by ASPC, including ethylene, low density polyethylene, and medium and high density polyethylene.

For the year ended 30 June 2013, Sasol's marketing and distribution of ASPC products generated a gross revenue of R2 691 789 451 and a net profit of R293 508 016.

For the year ended 30 June 2013, Sasol made payments to ASPC in an aggregate amount equal to R2 268 309 804 in respect of polymer products manufactured by ASPC that were marketed and distributed by Sasol.

***Other matters***

During 2013, Sasol seconded certain of its employees to ASPC pursuant to a personnel agreement. None of these employees were US citizens. Sasol made salary and other compensation related payments to the seconded employees and was reimbursed for such payments by ASPC.

During 2013, ASPC paid management service fees in an amount equal to R15 566 754 to Sasol in exchange for management services.

For the year ended 30 June 2013, Sasol made payments to the Maccauvlei Learning Academy, a South African provider of human resource development services, in an amount equal to R1 041 298, which provided educational services to certain of the employees of ASPC.

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***Sale of SPI International (Pty) Ltd***

On the Divestment Date, Sasol Investment Company (Pty) Ltd entered into a definitive sale and share purchase agreement pursuant to which Main Street 1095 (Pty) Ltd, a South African subsidiary of the Armed Forces Social Welfare Investment Organization of Iran, an Iranian pension fund, completed and effected the acquisition of 100% of the shares of SPI International (Pty) Ltd. SPI International (Pty) Ltd is the indirect owner of Sasol's 50% shareholding in ASPC. The total purchase price for the sale of SPI International (Pty) Ltd was R2 402 million (AED 873 541 486 or US$238 million), to be paid by Main Street 1095 (Pty) Ltd to Sasol Investment Company (Pty) Ltd in several installments, the last of which will become due and payable no later than 20 November 2013. As of 30 September 2013, Sasol Investment Company (Pty) Ltd had received purchase price payments totaling R1 799 million (AED 669 950 097) from Main Street 1095 (Pty) Ltd.

As a result of the sale of SPI International (Pty) Ltd, Sasol has no ownership interest in ASPC and no on-going investment in Iran. The sale of SPI International (Pty) Ltd was authorised by OFAC pursuant to License No. IA-2013-299863-1.

The sale and share purchase agreement contains limited warranties given by Sasol Investment Company (Pty) Ltd in favor of Main Street 1095 (Pty) Ltd as to, among other things, title to the shares of SPI International (Pty) Ltd. In addition, Main Street 1095 (Pty) Ltd has committed not to use the Sasol name or any related names or trademarks, other than the name "Arya Sasol". Main Street 1095 (Pty) Ltd's right to use the name "Arya Sasol" will expire on 16 August 2015.

During the period beginning on 1 July 2013 and ending on the Divestment Date, Sasol received dividend payments from ASPC in an amount equal to R186 092 728. Sasol will not receive any further dividend payments from ASPC.

In connection with polymer products ordered by Sasol from ASPC and delivered prior to the Divestment Date, Sasol currently has amounts payable to ASPC. In addition, prior to the Divestment Date, Sasol made commitments on product offtake (and has certain Sasol branded inventory in ASPC which Sasol has procured in order to prevent ASPC selling this product in the market). Sasol anticipates all product will be delivered by ASPC by 30 October 2013. In connection with these commitments, Sasol anticipates that further amounts will be payable to ASPC by Sasol. Sasol has no other commitments to acquire products from ASPC and will not make further purchases of ASPC products.

In connection with other transactions between Sasol and ASPC prior to the Divestment Date, including in respect of management services, salary and other compensation related payments for Sasol employees that were seconded to ASPC, Sasol currently has amounts receivable from ASPC. Sasol no longer provides seconded employees or management services to ASPC. We no longer make any payments to the Maccauvlei Learning Academy for services to ASPC employees.

Sasol may be unable to settle the net outstanding amounts payable to or receivable from ASPC due to sanctions.

**Arrangements with Financial Institutions**

During the year ended 30 June 2013, in connection with the foregoing transactions, Sasol, which is not blocked pursuant to U.S. Executive Order Nos. 13224 or 13382, has used banks that are blocked pursuant to those U.S. Executive Orders. Since the Divestment Date, Sasol has not used any bank that is blocked pursuant to any U.S. Executive Order.

Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in

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compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations.

We are monitoring developments in the United States, the European Union and other jurisdictions that maintain sanctions programs, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could have a material adverse effect on our business, operating results, cash flows and financial condition.

***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, 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 Mellon in accordance with the Deposit Agreement. The Bank of New York Mellon 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 Memorandum of Incorporation, to instruct The Bank of New York Mellon 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 how to exercise these voting rights.

Upon the written instruction of an ADR holder, The Bank of New York Mellon 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 by the date specified in the voting materials, The Bank of New York Mellon will not request a proxy on behalf of such holder. The Bank of New York Mellon 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 to vote the shares underlying your ADSs. In addition, The Bank of New York Mellon 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 Limited (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.

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## ITEM 4. INFORMATION ON THE COMPANY

### 4.A History and development of the company

Sasol Limited, the ultimate holding company of our group, is a public company. It was incorporated under the laws of the Republic of South Africa in 1979 and has been listed on the JSE Limited (JSE) since October 1979. Our registered office and corporate headquarters are at 1 Sturdee Avenue, Rosebank, 2196, South Africa, and our telephone number is +27 11 441 3111. Our agent for service of process in the United States is Puglisi and Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

As of 30 June 2013, we were one of the largest JSE listed companies by Sasol ordinary shares market capitalisation (R279 983 million in respect of the Sasol ordinary shares), with total consolidated turnover of R181 269 million for the year ended 2013.

### 4.B Business overview

Sasol is an international integrated energy and chemicals company that leverages the talent and expertise of our more than 35 000 people working in 37 countries. We develop and commercialise technologies, and build and operate world-scale facilities, to produce a range of product streams, including liquid fuels, high-value chemicals and low-carbon electricity.

While continuing to support our home-base of South Africa, Sasol is expanding internationally based on a unique value proposition. Our ability to deliver sustainable shareholder value is premised on developing our people, keeping them safe and healthy, contributing meaningfully to the social and economic development of the countries and communities within which we work, and doing so in an environmentally responsible way. Sasol is listed on the Johannesburg Stock Exchange in Johannesburg (JSE: SOL) and the New York Stock Exchange (NYSE: SSL), with headquarters in Johannesburg, South Africa.

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**Our activities**

Sasol believes that its ability to compete and grow sustainably is contingent on internal collaboration, knowledge and resource sharing, as well as building effective external partnerships and joint ventures in different markets, territories and cultural contexts. We cluster our businesses according to common business drivers. Clustering, which involves creating linkages among logically related businesses that allow for strategic consistency and operational efficiencies, has been increasingly adopted by world-class companies to become recognised best practice. The group's structure is organised into three focused business clusters South African Energy Cluster, International Energy Cluster and Chemical Cluster.

We divide our operations into the following segments:

**South African Energy Cluster**

*Sasol Mining.* We mine approximately 40,1 million tons (Mt) of saleable coal per year, mostly for gasification feedstock and utilities coal for our complexes in Secunda and Sasolburg, in South Africa, and export approximately 2,5 Mt of coal annually. Sasol Mining accounted for 1% of our total external segmental turnover in 2013.

*Sasol Gas.* We distribute and market Mozambican-produced natural gas and Secunda-produced methane-rich gas to customers in the Gauteng, Mpumalanga, KwaZulu-Natal, Free State and North-West provinces of South Africa. We also have a 50% interest in Republic of Mozambique Pipeline Investments Company (Pty) Ltd (Rompco), a company which owns, operates and maintains the 865 km cross-border pipeline that transmits natural gas from the Temane central processing facility in Mozambique to the gas network in South Africa. Sasol Gas accounted for 2% of our total external segmental turnover in 2013.

*Sasol Synfuels.* We operate the world's only commercial coal-based synfuels manufacturing facility at Secunda. We produce synthesis gas through coal gasification and natural gas reforming, using our proprietary technology to convert synthesis gas into synthetic fuel components, chemical feedstock and pipeline gas. Sasol Synfuels accounted for 1% of our total external segmental turnover in 2013.

*Sasol Oil.* We market fuels blended at Secunda and refined through our 63,64% interest in the Sasolburg Natref refinery. Products include petrol, diesel, jet fuel, illuminating paraffin, liquid petroleum gas (LPG), fuel oils, bitumen, motor and industrial lubricants and sulphur. We have 278 Sasol branded service stations, including six Sasol branded integrated energy centres and 132 Exel branded service stations in South Africa. Fuel is exported by way of third parties to several South African Development Community (SADC) countries. Sasol Oil accounted for 37% of our total external segmental turnover in 2013.

*Other.* This consists of costs related to the pre-feasibility study for the potential expansion of our synthetic fuels capacity in South Africa known as Project Mafutha.

**International Energy Cluster**

*Sasol Synfuels International (SSI).* We develop, implement and manage international business ventures based on our proprietary technology. SSI's primary focus is on securing opportunities to advance Sasol's GTL ambitions. We are progressing GTL projects in the US, Uzbekistan and Nigeria and have achieved stable operations at ORYX GTL in Qatar. SSI accounted for 3% of our total external segmental turnover in 2013.

*Sasol Petroleum International (SPI).* We develop and manage upstream natural oil and gas interests in West and Southern Africa, Canada and Australia. Our current exploration portfolio

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and development and production assets are shown on the maps on pages M-6 to M-9. We are mandated to pursue upstream opportunities for the exploration, appraisal, development and production of hydrocarbon resources to supply gas feedstock to existing or potential future downstream plants or other markets and liquid products to the external market. We sell natural gas under long-term contracts to Sasol Gas and external customers and oil to customers under annual contracts. Canadian gas is sold into the market at spot prices. SPI accounted for 1% of our total external segmental turnover in 2013.

**Chemical Cluster**

*Sasol Polymers.* We operate plants at Sasolburg and Secunda in South Africa and supply ethylene, propylene, polyethylene, polypropylene, polyvinyl chloride, chlor-alkali chemicals and mining reagents to domestic and international customers. We also have joint venture monomer and polymer interests in Malaysia, and marketing facilities in China and Dubai. Sasol Polymers accounted for 13% of our total external segmental turnover in 2013.

*Sasol Solvents.* We operate plants in South Africa and Germany and supply a diverse range of solvents (ketones and alcohols), co-monomers (hexene and octene), acrylates and associated products. We also have a maleic anhydride joint venture in Germany with Huntsman Corporation. Sasol Solvents accounted for 11% of our total external segmental turnover in 2013.

*Sasol Olefins & Surfactants.* We operate plants in Germany, Italy, the US, the Slovak Republic and China and supply surfactants, linear alkylbenzene, surfactant intermediates, n-paraffins, n-olefins, $C_6$-$C_{22}$ alcohols, ethylene and other organic intermediates to customers worldwide as well as specialty aluminas, silica aluminas and hydrotalcites. Sasol Olefins & Surfactants accounted for 22% of our total external segmental turnover in 2013.

*Other chemical businesses.* We are involved in a number of other activities in the chemicals industry, both in South Africa and internationally, which, among others, include production and marketing of other chemical products, like waxes, fertilisers and mining explosive products. These activities accounted for 9% of our total external segmental turnover in 2013.

**Other businesses**

*Other.* We are involved in a number of other activities in the energy and chemicals industries, both in South Africa and internationally, which, among others, are technology research and development, generation of low-carbon electricity, and our financing activities as well as alternative energy activities.

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The following tables present our total external turnover after the elimination of inter-segment turnover by business operation and geographic market in accordance with IFRS:

| | South African Energy Cluster | | | | | International Energy Cluster | | Chemical Cluster | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013** | **Sasol Mining** | **Sasol Gas** | **Sasol Synfuels** | **Sasol Oil** | **Other** | **Sasol Synfuels International** | **Sasol Petroleum International** | **Sasol Polymers** | **Sasol Solvents** | **Sasol Olefins and Surfactants** | **Other chemicals** | **Other businesses** | **Total** |
| | (Rand in millions) | | | | | | | | | | | | |
| South Africa | 23 | 4 378 | 1 262 | 64 960 | | | | 9 622 | 1 589 | 175 | 6 685 | | 88 694 |
| Rest of Africa | 63 | 146 | | 2 397 | | 128 | 352 | 2 598 | 172 | 185 | 1 350 | 7 | 7 398 |
| Europe | 326 | | 140 | 1 | | 3 359 | 1 225 | 804 | 7 745 | 21 533 | 4 141 | | 39 274 |
| Middle East and India | 712 | | 10 | | | 1 597 | | 4 899 | 1 920 | 505 | 420 | 3 | 10 066 |
| Far East | 160 | | 2 | | | | | 2 172 | 1 186 | 2 765 | 597 | | 6 882 |
| North America (incl. Canada) | | | 39 | | | | 600 | 5 | 3 913 | 14 272 | 1 614 | | 20 443 |
| South America | | | | 1 | | | | 1 139 | 536 | 847 | 376 | | 2 899 |
| Southeast Asia and Australasia | 549 | | 55 | | | 168 | | 1 718 | 2 452 | 298 | 373 | | 5 613 |
| **Turnover** | **1 833** | **4 524** | **1 508** | **67 359** | | **5 252** | **2 177** | **22 957** | **19 513** | **40 580** | **15 556** | **10** | **181 269** |

| | South African Energy Cluster | | | | | International Energy Cluster | | Chemical Cluster | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | **Sasol Mining** | **Sasol Gas** | **Sasol Synfuels** | **Sasol Oil** | **Other** | **Sasol Synfuels International** | **Sasol Petroleum International** | **Sasol Polymers** | **Sasol Solvents** | **Sasol Olefins and Surfactants** | **Other chemicals** | **Other businesses** | **Total** |
| | (Rand in millions) | | | | | | | | | | | | |
| South Africa | 25 | 3 950 | 963 | 62 668 | | | | 8 363 | 1 455 | 240 | 6 408 | 29 | 84 101 |
| Rest of Africa | 34 | 17 | | 2 958 | | 369 | 155 | 2 231 | 191 | 206 | 871 | 7 | 7 039 |
| Europe | 502 | | 239 | 1 174 | | 3 968 | 1 293 | 1 101 | 7 168 | 19 775 | 3 654 | | 38 874 |
| Middle East and India | 491 | | 1 | | | 844 | | 3 019 | 1 319 | 341 | 361 | | 6 376 |
| Far East | 485 | | | | | | | 2 316 | 1 099 | 2 735 | 462 | | 7 097 |
| North America (incl. Canada) | | | 46 | | | | 330 | | 3 635 | 12 824 | 1 317 | | 18 152 |
| South America | | | 1 | | | | | 636 | 578 | 652 | 332 | 5 | 2 204 |
| Southeast Asia and Australasia | 719 | | 18 | | | 1 | | 2 286 | 1 984 | 271 | 315 | 9 | 5 603 |
| **Turnover** | **2 256** | **3 967** | **1 268** | **66 800** | | **5 182** | **1 778** | **19 952** | **17 429** | **37 044** | **13 720** | **50** | **169 446** |

| | South African Energy Cluster | | | | | International Energy Cluster | | Chemical Cluster | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | **Sasol Mining** | **Sasol Gas** | **Sasol Synfuels** | **Sasol Oil** | **Other** | **Sasol Synfuels International** | **Sasol Petroleum International** | **Sasol Polymers** | **Sasol Solvents** | **Sasol Olefins and Surfactants** | **Other chemicals** | **Other businesses** | **Total** |
| | (Rand in millions) | | | | | | | | | | | | |
| South Africa | 36 | 3 159 | 1 004 | 51 034 | | | | 7 614 | 1 366 | 262 | 5 449 | 6 | 69 930 |
| Rest of Africa | 90 | 11 | | 3 028 | | 191 | 107 | 2 010 | 175 | 206 | 672 | 8 | 6 498 |
| Europe | 285 | | 149 | 203 | | 2 259 | 1 034 | 998 | 7 011 | 17 313 | 3 721 | 4 | 32 977 |
| Middle East and India | 867 | | 4 | | | 1 265 | | 2 752 | 1 409 | 358 | 407 | 4 | 7 066 |
| Far East | 235 | | 5 | | | | | 1 718 | 1 229 | 2 252 | 311 | | 5 750 |
| | 40 | | 28 | | | | 70 | | 2 964 | 9 936 | 1 237 | (1) | 14 274 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| North America (incl. Canada) | | | | | | | | | | | | |
| South America | | | 2 | | | | 575 | 529 | 581 | 337 | | 2 024 |
| Southeast Asia and Australasia | 476 | | 16 | | | | 1 318 | 1 473 | 208 | 420 | 6 | 3 917 |
| **Turnover** | **2 029** | **3 170** | **1 208** | **54 265** | **3 715** | **1 211** | **16 985** | **16 156** | **31 116** | **12 554** | **27** | **142 436** |

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**Our strategy**

Our primary strategic focus is:

- continuously improving our existing foundation businesses in Southern Africa, Europe, North America and Asia;
- commercialising our technology internationally through our accelerated GTL growth strategy;
- increasing natural gas reserves through exploration and acquisitions that complement our GTL value proposition; and
- pursuing opportunities where we possess either a feedstock, technology or market advantage across all our value chains.

In addition, we are working to develop low-carbon electricity as our third major value chain, alongside liquid fuels and chemicals.

*Continuously improving our existing foundation businesses* To drive improved operational and overall business performance, we continue to pursue two corporate-wide initiatives focused upon operations and business excellence. These initiatives cut across all Sasol operations and are a key part of Sasol's strategy to more effectively extract value from the company's existing integrated asset base, proprietary technology and product portfolio.

*Commercialising and expanding our GTL technology growth prospects* We have made further progress in growing our GTL businesses based on the Sasol SPD process in natural gas-rich regions. The Sasol SPD process allows us to monetise underutilised gas resources by converting them into GTL kerosene, superior quality diesel, naphtha and higher value chemicals in line with global trends towards cleaner fuel and reduced emissions to the environment.

The prospects for GTL plants are promising, in light of the availability of gas at various locations in the world. The world-scale integrated GTL and chemicals facility in Louisiana in the US is being implemented in phases. The ethane cracker and downstream derivatives units are currently in the front-end engineering and design (FEED) phase. We expect beneficial operation for the ethane cracker to be achieved during the 2017 calendar year, with the final investment decision to be taken during the 2014 calendar year. Our project in Uzbekistan is in the FEED phase and FEED activities are expected to be completed during the second half of the 2013 calendar year. Our feasibility study to determine the technical and commercial viability of a GTL facility in Western Canada was successfully completed at the end of June 2012. In accordance with the need to prioritise our growth portfolio, a decision was made to phase this investment opportunity after the integrated US GTL and ethane cracker complex. A FEED decision for the GTL facility in Canada will, therefore, be considered at a later stage. In addition to these projects, we continue to explore other opportunities for GTL, including an expansion of the facility in Qatar.

We continue to assess various opportunities in a number of countries and, in support of this growth driver, our team of researchers continues to advance our next-generation GTL technology, including our proprietary low-temperature Slurry Phase Fischer-Tropsch reactor and cobalt based catalysts. These improvements are included in the designs for new facilities as they are released for commercial application.

*Growing our chemicals portfolio* The chemical cluster represents the second leg in Sasol's portfolio, in addition to energy and fuels, and is divided into six business units: Sasol Polymers, Sasol Solvents, Sasol Olefins & Surfactants (Sasol O&S), Sasol Nitro, Merisol and Sasol Wax. In South Africa, the chemical businesses are closely integrated in, and add substantial value to the Fischer-Tropsch value chain. We operate related chemical businesses in Europe, Asia and North America in geographies and industries in which we enjoy either a feedstock, market or technology advantage.

We are pursuing substantial growth opportunities in our chemicals portfolio through the development of a world-scale ethane cracker facility at Lake Charles in the US. We also plan to extract high value chemical feedstock from our existing and future GTL projects. With the exception of Sasol Nitro and Merisol, all of our chemical business units stand to benefit from these developments, allowing Sasol Polymers, Sasol O&S and Sasol Wax, in particular, to enhance their existing positions in selected products through higher value feedstock.

Outside of these opportunities, our chemical businesses continue to pursue a strategy to improve the operating performance of our existing assets and grow in selected areas of competitive advantage. In this regard, we are progressing with the construction of the world's first commercial ethylene tetramerisation unit at the Lake Charles production site in the US. The planned capacity for this facility is 100 000 tons per annum of combined 1-octene and 1-hexene which are co-monomers used in the plastics industry. Sasol O&S and Sasol Wax continue to add value through a focus on improved operational and product margin improvements. These efforts are focused on creating value from the unique properties of many of the products that arise from Sasol's proprietary chemicals technologies. In addition, in June 2013, we signed a memorandum of understanding with Ineos Olefins & Polymers USA (Ineos) to form a joint venture to manufacture high density polyethylene (HDPE). The proposed plant will produce 470 kilotons per annum of bimodal HDPE using an Innovene S process technology licensed from Ineos, and will utilise ethylene from the LakeCharles cracker project to provide Sasol with integrated manufacturing economics. The final investment decision for this plant is expected to be taken in the first half of the 2014 calendar year with start-up expected at the end of the 2015 calendar year.

*Maturing and developing upstream hydrocarbon opportunities* We manage global upstream oil and gas interests and activities including exploration, appraisal, development and production. Our current areas of interests and activities are shown on the maps on pages M-6 to M-9. We produce natural gas and condensate from the onshore Temane and Pande gas fields in Mozambique, oil in Gabon from the offshore Etame, Avouma and Ebouri oil field cluster and natural gas and petroleum liquids from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset in Canada. We continue our efforts to expand the upstream asset base in order to supply feedstock gas for existing and new downstream businesses. For that purpose, we continue to pursue a growth plan to: maximise production from existing assets; expand our exploration portfolio; consider acquisition opportunities; and investigate unconventional gas opportunities. The acquisition, in 2011, of the Farrell Creek and Cypress A asset and, in 2012, of the coal bed methane licences in Botswana, have been part of the growth strategy to acquire upstream gas positions.

Sasol Gas continues to focus on growing the South African gas market following the successful introduction of natural gas from Mozambique in 2004.

*Develop and grow low carbon power generation* We are developing gas-to-power opportunities which includes the successful start-up of the Sasolburg 140 megawatt gas engine power plant in December 2012. We also advanced the development of our 49% share of the US$246 million, 140 megawatt gas-fired power generation plant in Ressano Garcia, Mozambique, in partnership with the country's state-owned power utility Electricidade de Moçambique. Civil work and construction have commenced on site and beneficial operation is expected during the first half of the 2014 calendar year.

In 2013, Sasol New Energy invested GBP15 million in the UK-based OXIS Energy as a strategic investment. OXIS Energy has developed next-generation battery technology that offers superior energy density to current lithium-ion batteries, as well as being inherently safer.

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**South African Energy Cluster**

***Sasol Mining***

**Nature of the operations and principal activities**

In South Africa, we have three coal mining operations:

Secunda Mining Complex, consisting of four underground collieries (Bosjesspruit, Brandspruit, Middelbult and Syferfontein) from which 39,9 Mt of coal was supplied to Sasol Synfuels, our primary customer (including 32,3 Mt of coal produced, 5,2 Mt of coal purchased, 1,8 Mt of coal transferred from the Export complex and 0,6 Mt of coal used from the stockpile);

Export Complex (situated in the Secunda Mining Complex), supplied by the Twistdraai colliery produced 6,1 Mt of coal for the international market (export coal sales of 2,5 Mt) and local market (external coal sales of 0,1 Mt and 1,8 Mt supplied to Sasol Synfuels). We also discarded 1,5 Mt of coal and increased the stockpile by 0,2 Mt.

Sigma: Mooikraal colliery situated near Sasolburg was brought into operation to supply utility coal to the group's utility plants in Sasolburg at a rate of about 2,0 Mt a year, of which 1,7 Mt was produced and 0,2 Mt was purchased with the balance supplied from the stockpile. It replaced the depleted Mohlolo underground operation and the Wonderwater high-wall operation, which are undergoing final closure and rehabilitation.

During 2013, total production was 40,1 Mt of coal, compared to 40,0 Mt in the previous year. Our production showed a steady increase during the latter part of the year, supported by the implementation of a new production bonus scheme and flexibility in operations. As a result of the significantly higher year-on-year off-take by Sasol Synfuels, we decreased our export sales by diverting coal from the export market, to supply Sasol Synfuels.

We have also created additional capacity by adding three production sections. Production in the export plant was affected by adverse geological conditions at the Thubelisha shaft, impacting negatively on the productivity and costs of certain sections of the Twistdraai colliery.

**Operational statistics**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Mt, unless otherwise stated) | | |
| Sigma mine | **1,7** | 1,9 | 1,9 |
| Secunda mines | **38,4** | 38,1 | 36,7 |
| **Total production** | **40,1** | 40,0 | 38,6 |
| Saleable production from all mines[(1)] | **38,6** | 38,4 | 37,3 |
| External coal purchases mainly from Anglo Operations | **5,4** | 4,9 | 4,6 |
| Sales to Sasol Infrachem, Sasolburg | **2,0** | 2,0 | 2,0 |
| Sales to Sasol Synfuels, Secunda | **39,9** | 37,9 | 37,7 |
| Additional South African market sales | **0,1** | 0,1 | 0,1 |
| Export sales (primarily Europe) | **2,5** | 2,8 | 2,8 |
| **Total sales including exports** | **44,5** | 42,8 | 42,6 |
| Production tons per continuous miner (mining production machine) per shift (t/cm/shift) | **1 361** | 1 438 | 1 458 |

(1) Saleable production equals our total production minus discard and includes both product sold and movements in stockpiles.

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**Principal markets**

We extract and supply coal mainly to our synfuels and chemical plants under terms and conditions which are determined on an arm's length basis. We export approximately 6% of our production. In 2013, external sales, primarily exports, decreased to 2,6 Mt from 2,9 Mt in 2012. In a volatile currency market, average US dollar export prices decreased by 22%, while the rand weakened by 14% compared with the prior year.

Marketing opportunities for coal in both the international and domestic utility market continue to be explored. Our exports are currently constrained by our throughput entitlement at the Richards Bay Coal Terminal.

*External market opportunities*

*International CTL projects.* In support of SSI, we are involved in CTL project studies in India. At this stage, our role is to evaluate the coal feedstock supply in terms of the reserve base, the ability to mine the feedstock, pricing of feedstock, quality requirements of the coal for gasification and safety standards.

*Limpopo West Mining project.* We were awarded a prospecting right in respect of the Limpopo West reserves in August 2007. The prospecting right was extended for the maximum period permitted by the Mineral and Petroleum Resources Development Act (Act 28 of 2002) (MPRDA) after its initial term and expired on 2 September 2012. The prospecting right is committed to the Eyesizwe Sasol Waterberg Joint Venture. Exxaro Coal Mpumalanga (previously known as Eyesizwe Coal) and Sasol Mining respectively hold a 51% and 49% participation right in terms of the prospecting joint venture agreement. It was the intent of the joint venture to exploit this coal resource mainly for a CTL market, i.e. Project Mafutha. During late 2010, work on Project Mafutha was suspended. In view of the government's National Development Plan relating to the Waterberg coal resource area, which was communicated in December 2011, Sasol Mining investigated options to exploit possible future business opportunities relating to the Limpopo West reserves independent of the CTL market. Based on the outcome of study results completed in May 2012, Sasol Mining submitted a mining right application on behalf of the Eyesizwe Sasol Waterberg Joint Venture in August 2012. A feasibility study was completed in December 2012 and subsequent project studies are planned to commence in October 2013.

**Seasonality**

The demand for coal by our synfuels and chemical plants is consistent throughout the year. The export coal demand is consistent, mainly in India and Asia. Even though the demand for coal is seasonal in certain regions, our sales are planned to ensure even shipment of coal throughout the year.

**Marketing channels**

We make use of both a direct and an agency sales model as the chosen channels to market our products to third parties. There are a limited number of agents representing Sasol Mining in their specific geographic markets. These agents operate on a commission basis and are authorised to act as intermediaries only with the aim of promoting our product and providing after-sales service. All sales require approval by Sasol Mining before they may be concluded with the customer.

**Factors on which the business is dependent**

Being part of the Sasol value chain, we continually engage with Sasol Synfuels to ensure optimal delivery and utilisation of our coal resources. We also have dedicated strategic and long-term planning departments to ensure that mining and other related activities are performed in accordance with our strategic plans for the future.

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Also refer to Item 4B "Business overview Regulation of mining activities in South Africa".

**Property, plants and equipment**

Sasol Mining operates six mines for the supply of coal to Sasol Synfuels, Sasol Infrachem (utility coal only) and the external market. The annual production of each mine, the primary market to which it supplies coal and the location of each mine are indicated in the table below:

| | | | Production (Mt) | | |
|---|---|---|---|---|---|
| **Mine** | **Market** | **Location** | **2013** | **2012** | **2011** |
| Bosjesspruit | Sasol Synfuels | Secunda | **8,0** | 7,3 | 6,8 |
| Brandspruit | Sasol Synfuels | Secunda | **7,3** | 7,1 | 6,5 |
| Middelbult | Sasol Synfuels | Secunda | **7,4** | 7,4 | 7,6 |
| Syferfontein | Sasol Synfuels | Secunda | **9,6** | 10,0 | 9,7 |
| Twistdraai | Export/Sasol Synfuels[(1)] | Secunda | **6,1** | 6,3 | 6,1 |
| Sigma : Mooikraal | Sasol Infrachem | Sasolburg | **1,7** | 1,9 | 1,9 |
| | | | **40,1** | 40,0 | 38,6 |

(1) The secondary product from the export beneficiation plant is supplied to Sasol Synfuels.

Some of our collieries are approaching the end of their useful lives and we are developing new collieries and shafts to sustain consistent supply. During April 2010, we started with shaft sinking operations of Twistdraai colliery's new Thubelisha shaft. Unforeseen dolerite intrusions and a substantial "devolotised coal area" have resulted in delays of the underground development. This delay will, however, not impact on delivery to the market as the main surface facilities and overland conveyer system was completed and is in operation from 2012. Approval for the construction of the Impumelelo colliery, which will replace the ageing Brandspruit colliery, was obtained in November 2010. Shaft sinking at the new Impumelelo colliery started in August 2011 and is progressing as planned. Shaft sinking activities are in progress on three shafts (man/material, ventilation and incline shafts). The ventilation shaft is planned to reach the coal seam in the second half of the 2013 calendar year. Construction activities are scheduled to be completed to access the first production section from Brandspruit by the second half of the 2014 calendar year.

Construction work at the Shondoni colliery, which will replace the current Middelbult colliery production, started during February 2012. This colliery is planned to come into operation in the second half of the 2015 calendar year.

*Coal handling facility Sasol Coal Supply (SCS)*

SCS at Secunda is responsible for the conveyance of coal from the mine mouth to a stock holding facility. Coal from the different collieries is blended in order to homogenise the product that is then conveyed to Sasol Synfuels as required.

*Beneficiation plant*

A coal beneficiation plant is operated at Secunda to enable us to supply export quality coal for the international market. The design throughput of the plant is 10,5 Mt per annum. The plant feedstock is supplied by Twistdraai mine via overland conveyor belts of approximately 20 km in length. The new Twistdraai Thubelisha shaft conveyor, which is approximately 17 km in length, will replace the current conveyor system over the next few years.

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*Sasol Gas*

**Nature of the operations and its principal activities**

Established in 1964, originally as the South African Gas Distribution Corporation Limited (Gascor), Sasol Gas operates and maintains an approximately 2 500 km pipeline network in South Africa and Mozambique.

As part of the Natural Gas Project for the development, production and transportation of natural gas from Mozambique, Rompco was established as the owner of the Mozambique to Secunda gas transmission pipeline (MSP). Sasol Gas has a 50% interest in Rompco.

As part of Sasol Gas's commitment to broad-based BEE, Sasol Gas formed a joint venture company, Spring Lights Gas, with Coal Energy and Power Resources Limited (CEPR), in 2002 to which it sold a portion of its marketing business in KwaZulu-Natal, a province in South Africa. In 2012, CEPR sold its 51% share in Spring Lights Gas to another broad-based BEE consortium, Kwande Ziko. On 2 July 2013, Sasol Gas sold its 49% share in Spring Lights Gas to Kwande Capital for a purchase consideration of R474 million.

In 2011, Sasol Gas commenced with the construction of the R1,6 billion Gauteng Network Pipeline (GNP). The GNP is a 156 km, 26 inch gas transmission pipeline between Secunda and Sasolburg, South Africa. The pipeline was completed on 28 March 2013 and beneficial operation was achieved on 23 May 2013. The pipeline added an additional capacity of 61 MGJ/a to the Gauteng network and has stabilised the pressure on the Gauteng network.

**Principal markets**

Sasol Gas markets methane-rich gas, produced by Sasol Synfuels, and natural gas produced from gas fields in Mozambique. In the energy market, pipeline gas competes with crude oil-derived products, electricity and coal in various industries, such as ceramics, glass, metal, manufacturing, chemical, food, pulp and paper.

The pipeline gas segment makes up a small part of the overall energy industry in South Africa. The market has grown since 2004 as a result of the introduction of natural gas from Mozambique. The current supply of 161,4 million gigajoules per annum (MGJ/a) of pipeline gas increased from 152,7 MGJ/a in 2012. Compared to developed countries, South Africa is a small consumer of natural gas as a percentage of its total energy requirements. Although the opportunity to increase sales of environmentally preferred natural gas exists, there is a limitation on the amount of gas available. During 2013, natural gas volumes sold were 138,3 MGJ compared to 129,8 MGJ in 2012. Methane rich gas volumes sold were 21,8 MGJ in 2013 compared to 22,6 MGJ in 2012.

Sasol Gas supplies gas to industrial and commercial customers in the South African provinces of Mpumalanga, Gauteng, KwaZulu-Natal, North-West and the Free State. Besides marketing pipeline gas to these customers, nataural gas is also supplied as feedstock to Sasol's facilities in Sasolburg and Secunda.

**Seasonality**

The total South African demand for gas is consistent throughout the year and is generally not subject to seasonal fluctuations due to moderate temperature variances between seasons and the absence of a significant domestic market.

**Raw materials**

The natural gas purchased in Mozambique, from an unincorporated joint venture (UJV), consisting of Sasol Petroleum Temane Limitada (SPT), a subsidiary of Sasol Petroleum International,

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International Finance Corporation (IFC) and Companhia Moçambicana de Hidrocarbonetos, S.A.R.L (CMH), is transported by Rompco to Secunda in South Africa. Methane-rich gas is purchased from the Sasol Synfuels facility in Secunda. The UJV has been supplying Sasol Gas with natural gas since 2004 and Sasol Synfuels has been supplying methane-rich gas to Sasol Gas since 1994.

**Marketing channels**

Sasol Gas sells approximately 94% of gas to end-use industrial customers through our own sales and marketing personnel. We also supply a small number of traders and reticulators who sell the gas to their own customers.

**Factors on which the business is dependent**

*Licences and regulations*

We have obtained, from the National Energy Regulator of South Africa (NERSA), the necessary licences required in terms of the Gas Act to operate our gas transmission and distribution facilities and to engage in our trading activities. As and when expansion of our distribution and transmission facilities is required we apply for the required construction licences from NERSA. Sasol Gas prices its gas in terms of the Market Value Pricing methodology, as set out in the Regulatory Agreement with the South African government. This pricing dispensation expires in March 2014.

In compliance with the regulatory framework, Sasol Gas submitted two applications to NERSA in December 2012, namely a maximum price application and a transmission tariff application. NERSA approved both applications in March 2013. The standardised prices and tariffs will be applicable from 26 March 2014. Sasol Gas has commenced the process to conclude new agreements with all its customers.

Refer to Item 4B "Business overview Regulation of pipeline gas activities in South Africa" for additional information.

**Property, plants and equipment**

The Mozambique to Secunda natural gas transmission pipeline owned by Rompco is a 26 inch carbon steel underground pipeline of 865 km. The pipeline starts from the natural gas central processing facility (CPF) at Temane in Mozambique and ends at the pressure protection station (PPS) in Secunda. The instantaneous capacity of the pipeline is 136 MGJ/a, with an annual average of 120 MGJ/a without any additional compression along the pipeline. In 2013, Rompco embarked on a R1,98 billion project to construct a loop line to expand capacity in Mozambique, and allow for additional monetisation of gas in that country. In 2010, Rompco commissioned its first compressor station near Komatipoort in South Africa. This facility supplies midpoint compression and enables the pipeline to increase gas transportation up to a nominal annual average of 166 MGJ/a, with an instantaneous pipeline capacity in excess of 170 MGJ/a.

The inland transmission network of Gauteng is fed from the PPS at Nigel. The network is operated at a maximum pressure of 3 550 kPa and the capacity of the transmission network is approximately 89 MGJ/a. The newly commissioned GNP also serves the inland network and has a capacity of 61 MGJ/a. These pipelines supply various low pressure distribution areas as well as some customers directly. Where these lines enter into various distribution areas, a pressure reduction station reduces the pressure to 625 kPa. The southern part of the inland network ends in Sasolburg.

The Secunda, Witbank and Middelburg distribution network receives methane-rich gas from Sasol Synfuels. The maximum operating pressure for this pipeline is 3 000 kPa and the capacity of the network is approximately 10 MGJ/a. Methane-rich gas, similar to that which is supplied to Witbank and Middelburg, is compressed and fed into the Transnet Pipelines transmission pipeline to supply our

customers in the KwaZulu-Natal province. The maximum operating pressure for this transmission pipeline is 5 300 kPa and the capacity of the network is approximately 21 MGJ/a.

***Sasol Synfuels***

**Nature of the operations and principal activities**

Sasol Synfuels, based in Secunda, operates a coal and gas based synthetic fuels manufacturing facility. We produce syngas primarily from low-grade coal with a smaller portion of feedstock being natural gas. The process uses advanced high temperature Fischer-Tropsch technology to convert syngas into a range of synthetic fuel components, heating fuels (including industrial pipeline gas), ammonia, sulphur and chemical feedstock. Fuel components are used mainly for blending into automotive fuels as well as liquefied petroleum gas. Chemical feedstreams that are produced are used for the production of chemical and polymer building blocks, including ethylene, propylene, detergent alcohols, phenols, alcohols and ketones. Apart from the production of saleable products, we are self-sufficient in the production of utilities such as oxygen and steam required in the production process as well as generating between 40% to 45% of our own electricity demand. We operate the world's largest oxygen production facilities (according to Air Liquide, the French industrial gas company), currently consisting of 16 units.

The Sasol Natural Gas Growth Project (SNGGP) phase 1(a) was approved by the Sasol Limited board during March 2010. The total approved amount of R14 billion, consists of capital and feasibility funds. This investment will result in an increase in production of approximately 3,2% on a sustainable basis as well as additional electricity generation from gas turbines. Sasol Synfuels has incurred total costs of R12 billion to 30 June 2013. This was in respect of the SNGGP phase 1(a), including R641 million for pre-feasibility and feasibility studies. The first set of gas heated heat exchange reformers (GHHER) reached beneficial operation on 13 June 2013. The second set of GHHER's is expected to reach beneficial operation in the 2014 calendar year. On the clean fuel specification programme phase 1(b), an amount of R647 million has been approved for feasibility studies and basic development, with a total expected capital investment of R5,2 billion (Sasol Synfuels' share). The core scope of phase 1(b) is to address expected future fuel specification changes. Future related projects and growth opportunities will be considered.

**Principal markets**

Sasol Synfuels sells fuel components and heavy fuel oils to Sasol Oil, and methane-rich gas is sold to Sasol Gas. Chemical feedstocks are sold to the chemical divisions of Sasol. Such feedstocks are processed and marketed for a wide range of applications locally and abroad. Ammonia is sold to the fertiliser and explosives industries.

**Raw materials**

The main feedstock components used by Sasol Synfuels in the production process are low grade coal obtained from Sasol Mining and natural gas obtained from Sasol Gas. Prices of low grade coal are determined using an arms length pricing mechanism for Sasol Mining, while the price of natural gas is determined by the international price of Brent crude oil, the rand /US dollar exchange rate as well as the South African Producer Price Index.

**Marketing channels**

The bulk of our products are sold to other Sasol business units. A very small volume of carbon products are directly marketed to clients locally and abroad, via commercial distribution channels. Sasol Infrachem acts as a marketing agent for the selling of ammonia mainly to the South African fertiliser industry.

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**Property, plants and equipment**

***Specific product volumes***

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (Mt) | |
| Total production volumes | **7,4** | 7,2 | 7,1 |

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (% of total production) | | |
| Liquid and gaseous fuels | **59** | 59 | 60 |
| Petrochemical feedstock | **31** | 32 | 32 |
| Nitrogenous and other feedstock for fertilisers and explosives | **8** | 7 | 6 |
| Carbon, tar and other products | **2** | 2 | 2 |

In 2012, Sasol Synfuels embarked on a plant restoration drive in order to ensure sustainable plant operations. As such, Sasol Synfuels managed to maintain stable plant operations for 2013 resulting in an increase in production volumes by 4% from 7,2 Mt in 2012 to 7,4 Mt in 2013.

Sasol Synfuels continues to advance a series of major environmental projects as part of a wider group initiative in South Africa to reduce our environmental footprint and enhance operational efficiency.

Sasol Synfuels are also focusing on opportunities to reduce volumes of low-level volatile organic compounds (VOCs), as well as emissions of sulphur oxides (SOx) and oxides of nitrogen (NOx). These projects are in various development phases. The volatile organic compounds abatement project was approved in stages, with final approval given during November 2009. The total amount approved for the project is R1,9 billion. At 30 June 2013, the total expenditure on this project amounted to R953 million with beneficial operation expected in May 2016.

Sasol Synfuels has approved an amount of R5,5 billion for environmental projects to date including the volatile organic compounds abatement project. At 30 June 2013, the total expenditure to date on these projects amounted to R2,9 billion.

In March 2010, the Sasol Limited board approved a total amount of R1,9 billion for the Sasol Fixed Bed Dry Bottom Gasifiers project. In 2012, two of the four new gasifiers were commissioned. The remaining gasifiers reached beneficial operation in September 2012.

The Sasol Limited board also approved a total amount of R2,0 billion for the replacement of tar tanks and separators. This will ensure that the production capacity of the Secunda complex is maintained. The project is expected to reach beneficial operation in May 2015.

***Sasol Oil***

**Nature of the operations and principal activities**

Sasol Oil encompasses the established liquid fuels, bitumen, heating fuels and lubricants marketing activities of Sasol through wholesale, commercial and retailing interests, featuring both the Sasol and the Exel brands. Operations include fuel blending and storage facilities in Secunda where fuel components, procured from Sasol Synfuels, are blended to be marketable. Sasol Oil is also responsible for crude oil procurement, shipping and the subsequent refining of crude oil through our majority shareholder interest in the Natref refinery in Sasolburg. Products include petrol, diesel, jet fuel, illuminating paraffin, LPG, fuel oils, bitumen, motor and industrial lubricants and sulphur.

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Base bitumen is sold wholesale by Sasol Oil, while Tosas Holdings (Pty) Ltd, previously a wholly owned subsidiary, marketed value-added bitumen. In 2013, Sasol Oil disposed of its downstream bitumen business, operated by Tosas, for a consideration of R116 million.

***Liquid fuels marketed***

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| | | **(million $m^3$)** | |
| Total liquid fuel sales | **8,93** | 9,57 | 10,54 |
| Total liquid fuel sales (exported) | **0,22** | 0,36 | 0,49 |

**Principal markets**

Sasol Oil's fuel production is primarily located in South Africa's industrial heartland, where an estimated 58% of the country's petrol and diesel is consumed. Production of approximately 8,13 million $m^3$ of white products per year is insufficient to supply this market. The balance of the requirement is supplied from coastal refineries and imports, transported via road, rail and pipelines. Limited volumes of white products are exported overland to neighbouring countries.

**Seasonality**

The total South African demand for road transportation fuels is fairly consistent throughout the year. Slightly higher demand for petrol is evident during the December summer holiday period. Diesel demand tends to peak during October due to the summer grain planting season and weakens during the December holiday period in line with reduced economic activity. The demand for fuel oil and gas tends to be stronger in winter as a result of heating demand.

South African fuel prices are derived from international reference prices as a result of a regulatory dispensation based on import alternatives. Local prices reflect northern hemisphere seasonality for petrol and diesel.

During 2013, international petrol and diesel crack-spreads increased on the back of slow economic recovery and refinery disruptions. Petrol crack-spreads improved much more than diesel due to refinery closures in Europe and hurricane Sandy shutting-in US East coast production facilities, which led to tighter supply conditions. Petrol margins are, however, expected to remain under some pressure due to improved vehicle fuel efficiency and an increase in ethanol blending in the US.

**Raw materials**

Sasol Oil's main raw material inputs are blending components from Sasol Synfuels, crude oil and base oils for lubricant manufacturing.

Blending components

Sasol Oil has an agreement with Sasol Synfuels to uplift fuel components, which are then blended to market specifications in Secunda. Fuel oil components from Sasol Synfuels and Natref are blended to provide customer specific heating fuel solutions. The purchase price of fuel components is referenced to international petroleum product prices, crude oil and refinery operating costs.

Crude oil

Natref historically obtained approximately 50% of its crude oil requirements from the Middle East through crude oil term contracts. Purchases from Iran were terminated in 2012. Iranian crude oil has been partially replaced by Saudi Arabian crude which is sold on term contracts. The balance, of the requirement, is purchased on the spot market from West Africa and other sources. Volatility in crude oil prices has increased since the late 1990's as a result of international supply/demand

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dynamics and geo-politics. Crude oil prices traded in a range of US$95,51/bbl to US$119,03/bbl in 2013, with concerns about economic recovery, less accommodating monetary policy from central banks and increased non-Opec supply pushing prices towards the lower end of the price band. Geopolitical tensions and unplanned production disruptions in the Middle East and North Africa and growing demand supported prices at the high end of the spectrum.

Crude oil is landed at Durban, South Africa, and conveyed to Natref by a 583 km pipeline owned and operated by Transnet Pipelines, a subsidiary of Transnet Limited, which is a state-owned multi-modal transport company.

Lubricant base oils

Sasol Oil is a 40% shareholder in the ESA Lubricants Blending facility at Island View in Durban. The plant is managed by Engen Petroleum and blends automotive and industrial lubricants to Sasol Oil specifications. Base oils are predominantly procured locally.

**Marketing channels**

Sasol Oil's marketing effort can be divided into four main areas namely sales to licenced wholesalers, direct marketing (retail and commercial markets) in South Africa, direct marketing in other African countries and overland exports into Africa.

Licenced wholesalers

Sasol Oil is predominantly a bulk supplier to licenced wholesalers. Multi- national oil companies with their own South African refining capacity, namely, BP, Engen Petroleum (Engen), Royal Dutch Shell (Shell), Chevron, Total South Africa (Total) and PetroSA, rely on Sasol to supply a part of their local marketing requirements. We also supply non-refining wholesalers who tend to compete mainly in the commercial market with oil companies.

Individual agreements that vary in terms of duration, volume, and modes of delivery, regulate the relationship between Sasol and its licenced wholesale customers. The agreed product slates reflect Sasol Oil's production slate to aid efficient and reliable supply. Product is imported to cover planned and unplanned refinery outages to ensure that supply commitments are met.

We also sell base bitumen to wholesalers and construction companies.

Direct markets (retail, commercial, lubricants, aviation fuel, fuel oil and bitumen)

We currently operate a dual branded network of retail convenience centres (Exel and Sasol), which consists of 404 service stations and six Sasol branded integrated energy centres, across South Africa. Our current national retail market share is estimated to be 9,8%. We have commenced with a process to phase out the Exel brand and to convert existing retail convenience centres to the Sasol brand. New site development is progressing slower than anticipated mainly as a result of a challenging regulatory environment. In 2013, we signed an exclusive agreement with Burger King to open fast food outlets at our retail convenience centres. This creates an opportunity for us to expand our retail footprint and increase the average throughput at the Sasol service stations. We have also partnered with ABSA Bank in South Africa to offer a rewards programme to customers at the retail convenience centres.

Lubricants are sold in industrial markets and to motorists via our retail network.

Jet fuel marketing is focussed on South Africa's premier airport, OR Tambo International Airport, with Sasol's market share estimated at 16%.

The fuel oil business provides a remarkably diverse range of heating fuels to both electricity generation, bakery and mining industries.

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Africa marketing

We hold a 49% interest in Petromoc e Sasol Sarl (PeSS), which is a joint venture with the Mozambican National State Oil Company, Petromoc. PeSS operates 8 retail convenience centres and has 47 commercial customers and has an 8% share of the petrol and diesel market in Mozambique. PESS also markets illuminating paraffin and lubricants.

Exports (Africa Overland)

The inland location of our refineries limits exports to volumes that can be collected and transported by road. Sales are typically made at the refinery gate. Volumes available for exports are limited by demand in South Africa.

**Factors on which the business is dependent**

Activities across the value chain, including manufacturing, storing, wholesaling and retailing, are regulated through a licensing regime. Retail pump prices of petrol, the maximum refining gate price of LPG, the maximum cylinder retail price for LPG, and a maximum single national retail price of unpacked illuminating kerosene are regulated by the Petroleum Controller under the Petroleum Products Act, 1977.

Manufacturing, storing, wholesaling and retailing of petroleum products may only be conducted once a licence has been issued by the Petroleum Controller under the Petroleum Products Act, 1977. Onerous application requirements and a lengthy licensing process may hamper the development of retail convenience centres in future.

NERSA, under the Petroleum Pipelines Act, sets tariffs for petroleum pipelines and approves tariffs for third party access to storage and marine loading facilities. See "Item 4.B Business overview Regulation of petroleum-related activities in South Africa" for additional information.

**Property, plants and equipment**

***Natref refinery operational statistics***[(1)]

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| Crude oil processed (million $m^3$) | **2,6** | 3,3 | 3,7 |
| White product yield (% of raw material) | **90,1** | 89,2 | 89,9 |
| Total product yield (%) | **98,2** | 98,2 | 97,4 |

(1) Data based on our 63,64% share in Natref.

Natref is an inland refinery, focused on producing refined petrol and distillate fuels. It is designed to upgrade relatively heavy crude oil with high sulphur content (sour) and yield about 90% white petroleum products. Refinery production includes petrol, diesel, propane, jet fuel, and multiple grades of bitumen, fuel oils, sulphur and various gasses.

Natref is managed by the Natref board and is governed by the Natref shareholders agreement. While Sasol Oil operates the refinery, Total participates in its management with veto rights over a number of corporate actions, including, increasing or reducing Natref's share capital, amending Natref's Memorandum of Incorporation and the rights attaching to its shares, appointing directors to serve as executive officers and determining directors' remuneration. Sasol Oil and Total are responsible for procuring their own crude and marketing their own products.

Under the terms of an agreement concluded between Total and Sasol, Total has the option to purchase up to 13,64% of the ordinary shares in Natref from Sasol at fair market value upon the occurrence of certain events. Since December 2003, Total has had two opportunities to increase its

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shareholding in Natref to 50%, the first being the termination of the Main Supply Agreements and the second the proposed transaction between Sasol and PETRONAS, which was subsequently prohibited by the South African Competition Tribunal. On both occasions Total decided not to exercise its option to increase its shareholding in Natref.

During the 2005 upgrade to meet new fuel specifications, Natref's throughput was reduced by 11%. A decision has been made that capacity will not be increased in the foreseeable future. South African fuel specifications continue to evolve with international trends and it is expected that a substantial additional investment of approximately R11 billion (total cost) will be required between 2014 and 2019 to meet these more stringent specifications. The construction of a pipeline to integrate Sasol Synfuels and Natref was completed in May 2013. This pipeline will facilitate and optimise the production of new specification fuels by both plants.

During 2013, the overall refinery unplanned unavailability was 4,2%, mainly due to the extended planned maintenance shutdown in December 2012.

**International Energy Cluster**

***Sasol Synfuels International***

**Nature of operations and principal activities**

Sasol Synfuels International (Pty) Ltd (SSI), is responsible for developing, implementing and managing international GTL business ventures based on our proprietary technology.

The catalyst business which forms a part of SSI, is an integral component of the Sasol Fischer-Tropsch (FT) value chain and aims to provide security of supply of quality competitive FT catalyst to the current and future GTL ventures. To support our current GTL projects, we use three 680 tons per annum cobalt catalyst manufacturing units, with two units situated in De Meern, in The Netherlands, operated and owned by BASF, and a third at our Sasolburg site, operated and owned by Sasol Cobalt Catalyst Manufacturing (Pty) Ltd (SCCM), a wholly owned subsidiary of SSI.

*The Sasol SPD process*

Based on our long and extensive experience in the commercial application of the FT technology, we have successfully developed the FT-based Sasol SPD process for converting natural gas into high-quality, environment-friendly GTL diesel, GTL kerosene and other liquid hydrocarbons. The SPD process consists of three main steps, each of which is commercially proven. These include:

- the Haldor Topsøe reforming technology, which converts natural gas and oxygen into syngas;
- our Slurry Phase FT technology, which converts syngas into hydrocarbons; and
- the Chevron Isocracking technology, which converts hydrocarbons into particular products, mainly diesel, naphtha and LPG.

Currently we believe, based on our knowledge of the industry and publicly available information, that on a worldwide basis we have the most extensive experience in the application of FT technology on a commercial scale. Given the increasing discovery of extensive natural gas reserves, our Sasol SPD process can be applied with significant commercial advantages in various parts of the world. As a consequence, our technology has evoked interest from countries and companies with extensive natural gas reserves as an appealing alternative for commercialising these reserves. The Sasol SPD process converts natural gas into diesel and other liquid hydrocarbons, which are generally more environmentally friendly and of higher quality and performance compared to the equivalent crude oil-derived products. In view of product specifications gradually becoming more stringent, especially with respect to emissions, we believe that the option of environmentally friendly GTL fuels will become

increasingly appealing. GTL diesel can be used with optimised engines for best performance, although it can also be utilised with current compression ignition engines. GTL diesel is currently used as a cost-competitive blend stock for conventional diesels, thereby enabling conventional diesel producers to improve the quality and capacity of their product without investing substantially in sophisticated new plants and infrastructure. We anticipate that the combined factors of GTL diesel's superior characteristics and the prevailing market conditions in developed economies will enable GTL diesel to command premium prices for either niche applications or as a blend stock for upgrading lower-specification products. The construction of GTL facilities and the production of GTL fuels require significant capital investment.

*GTL and CTL developments utilising the Sasol SPD process*

SSI is progressing with GTL projects in the US (FEED), Uzbekistan (FEED) and Nigeria (execution) and has achieved stable operations at ORYX GTL, in Qatar. SSI is also involved in the pre-feasibility study for a CTL project in India.

As a result of the magnitude of Sasol's growth portfolio, as well as significant sustenance capital required for our South African operations, Sasol regularly reviews projects in its project pipeline. As a result of these reviews, the Sasol Limited board, approved a decrease in our shareholding in the Uzbekistan GTL project from 44,5% to 25,5% at the end of the front end engineering and design phase which is expected to be completed during the second half of the 2013 calendar year. The final investment decision remains subject to key conditions, including successful project financing and non-state ownership of at least 50,1%.

To support the Uzbekistan GTL project we are progressing, together with BASF, an FT catalyst expansion project (FEED) at the facility situated in De Meern which will be operated and owned by BASF.

**Principal markets**

The bulk of the ultra-low sulphur GTL diesel produced at ORYX GTL is sold as a blend stock with middle distillate product streams derived from conventional oil refining to produce on-specification automotive diesel. The GTL naphtha produced at ORYX GTL is sold to naphtha crackers that produce olefins such as ethylene.

The FT catalyst is currently principally sold to Sasol's GTL operations, in particular ORYX GTL in Qatar and Escravos GTL in Nigeria.

**Seasonality**

GTL product prices are impacted by the seasonal behaviour of global petroleum product markets.

Catalyst demand is fairly stable but is driven by higher oil prices if the GTL plant owner decides to increase diesel output to maximise profits.

**Raw materials**

ORYX GTL purchases natural gas feedstock from Al Khaleej Gas, a joint venture between ExxonMobil Middle East Gas Marketing Limited and Qatar Petroleum, under a gas purchase agreement with a contractual minimum off-take volume. The agreement commenced in January 2006 and is valid for a term of 25 years with an option to extend for a further 7 years.

Ethanol, wax, ammonia, as well as precious and transition metals, are key input materials required to produce FT catalyst, although customers provide the precious metals. These inputs are commodities and prices will therefore be market dependent.

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**Marketing channels**

The diesel produced by ORYX GTL was until 1 August 2013, marketed by Sasol Synfuels International Marketing Limited (SSIM), under a marketing agency agreement. From this date, ORYX GTL has taken over responsibility for the marketing of the diesel. The GTL naphtha and LPG are sold by Qatar International Petroleum Marketing Company Limited (Tasweeq).

For the catalyst business, SCCM is a customer facing business and sells its product directly to its customers.

**Factors on which the business is dependent**

*Technology*

SSI is dependent on the successful integration of various technologies also referred to in the description of the Sasol SPD process. The continuous improvement of our cobalt catalyst performance is also key. SCCM licences the catalyst manufacturing technology from Sasol Technology and BASF, and is dependent on catalyst technology development to improve its product offering.

*Feedstock*

The growth of the SSI business depends on the availability of competitively priced natural gas or coal reserves.

*Remaining cost competitive*

Working closely with Sasol Technology's Fischer-Tropsch process innovation teams at Sasolburg and Johannesburg, we are involved in an on-going programme aimed at further improving competitiveness by lowering the capital and operating costs of future GTL and CTL plants. There is also a continued focus to reduce the total cost and increase the efficiency of the cobalt catalyst used in the process through improvement of the performance and total value chain of the catalyst supplied.

*GTL and CTL ventures*

SCCM follows a demand-supply approach, where new customer demand drives catalyst production and plant capacity. Therefore, the presence of GTL and CTL demand is key to the catalyst business sustainability.

**Property, plants and equipment**

***Production capacity at 30 June 2013***

| Plant description | Location | Design capacity[1] |
|---|---|---|
| ORYX GTL | Ras Laffan Industrial City in Qatar | 32 400 bpd (nominal) |
| FT 1 (catalyst plant) | De Meern, The Netherlands | 680 tpa |
| FT 2 (catalyst plant) | De Meern, The Netherlands | 680 tpa |
| FT 3 (catalyst plant) | Sasolburg, South Africa | 680 tpa |

(1) Nameplate capacity represents the total saleable production capacity. Due to the integrated nature of these facilities, the requirement for regular statutory maintenance shutdowns and market conditions, actual saleable volumes will be less than the nameplate capacity.

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***Sasol Petroleum International***

**Nature of the operations and its principal activities**

Sasol Petroleum International (Pty) Ltd (SPI) was founded to undertake oil and gas exploration and production in selected high potential areas in West and Southern Africa. Since then, we have expanded our portfolio and currently hold equity in producing assets with proved natural oil and gas reserves in Mozambique, Gabon and Canada and exploration interests in West and Southern Africa and Australia. Our current areas of interests and activities are shown on the maps on pages M-6 to M-9.

In Mozambique, we produce natural gas and condensate from the onshore Temane and Pande gas fields. Gas production from the Temane field commenced in 2004 and from the Pande field in 2009. In Gabon, oil production from the VAALCO Gabon (Etame) Inc. operated offshore Etame field commenced in 2002, followed by production in 2007 and 2009 from the associated Avouma and Ebouri fields. In 2011, we acquired equity in the Talisman Energy Inc. operated unconventional (shale/tight gas) Farrell Creek and Cypress A asset in Canada which produces gas and small volumes of petroleum liquids.

**Principal markets and marketing channels**

*Mozambican production*

Gas produced under the Pande-Temane Petroleum Production Agreement (PPA), other than royalty gas that is provided to the Mozambican government, is sold to Sasol Gas and to Aggreko Mocambique Limitada. The gas sold to Sasol Gas under long-term sales agreements, is exported for marketing in South Africa and for use as part of the feedstock for our chemical and synthetic fuel operations in Secunda and Sasolburg. The gas sold to Aggreko Mocambique Limitada under a two-year sales agreement, executed in 2012, is for power generation in Mozambique. With effect from June 2013, gas sales agreements have also been concluded with Matola Gas Company S.A., Empresa Nacional de Hidrocarbonetos (ENH) and Central Térmica de Ressano Garcia S.A. (CTRG), the joint venture between Sasol New Energy (SNE) and Electricidade de Moçambique at Ressano Garcia (EDM). The gas sold to these companies will be utilised in Mozambique.

The natural gas condensate produced is currently sold at the gas processing plant to Temane Trading, a joint venture between Petromoc and Trafigura. The condensate is trucked to Beira, Mozambique, by the buyer for export through the port of Beira to offshore markets.

*Gabon production*

Oil production from the Etame Marin Permit operations is sold internationally on the open market. An annual sales contract is typically entered into for the sale of the Etame Marin Permit oil based on a competitive bidding process and sales prices are linked to international oil prices. In 2013, oil was sold to Mercuria Trading NV under two separate annual contracts effective from 1 January 2012 and 1 January 2013.

*Canada production*

Gas production from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset is sold by the Talisman Sasol Montney Partnership, under a long-term marketing agreement with Talisman Energy Canada, into the Western Canada gas market. Pricing is based on the daily realised spot market prices less transportation and marketing fees, in accordance with the terms of the marketing agreement with Talisman. The petroleum liquids are sold under the same marketing agreement.

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**Property, plants and equipment**

*Mozambican production*

In Mozambique, natural gas and condensate is produced from the Pande-Temane PPA asset operated by Sasol Petroleum Temane Limitada, a subsidiary of SPI. Production is from the Temane and Pande fields and is processed at a central processing facility (CPF) located some 700 km north of the Mozambican capital, Maputo.

***Production capacity at 30 June 2013***

| Plant description | Location | Design capacity[(1)] |
| --- | --- | --- |
| CPF | Pande-Temane PPA | 183 MGJ/a gas |

(1) Includes our attributable share of the production capacity.

*Gabon production*

In Gabon, oil is produced from the Etame Marin Permit asset which is operated by VAALCO Gabon (Etame) Inc. Production from the Etame field is from subsea wells which flow through a floating production, storage and off-loading vessel (FPSO) moored offshore at the field location. Production from the Avouma and Ebouri fields is collected at minimum facilities fixed platforms located in the respective fields and then routed by in-field pipelines to the Etame FPSO.

***Production capacity at 30 June 2013***

| Plant description | Location | Design capacity[(1)] |
| --- | --- | --- |
| FPSO | Etame Marin Permit | 25 000 bpd |

(1) Production capacity of 100% of the joint venture. The joint venture leases the FPSO vessel from a third party.

*Canada production*

In Canada, natural gas and liquids are produced from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset, which is operated by Talisman. Production is by means of production wells, flowlines, gathering lines and processing facilities located in British Columbia, Canada. Farrell Creek gas is processed through processing facilities owned by the group and by Talisman, whilst Cypress A gas is processed and sold through third party production facilities.

***Production capacity at 30 June 2013***

| Plant description | Location | Design capacity[(1)] |
| --- | --- | --- |
| Processing Facilities | Farrell Creek | 320 MMscf*/day gas |
| Processing Capacity | Cypress A | 10 MMscf*/day gas |

* million standard cubic feet per day

(1) Includes our attributable share of the production capacity.

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**Chemical Cluster**

***Sasol Polymers***

**Nature of the operations and its principal activities**

In Sasol Polymers, we produce ethylene by separating and purifying an ethylene-rich mixture and by cracking of ethane and propane supplied by Sasol Synfuels. Propylene is separated and purified from a Fischer-Tropsch stream produced in the Sasol process. The ethylene is polymerised into low density polyethylene (LDPE), linear low density polyethylene (LLDPE) and the propylene into polypropylene (PP). We operate a fully integrated chlor-alkali/polyvinylchloride chain. Ethylene and chlorine, from on-site chlor-alkali plants, are reacted to produce vinyl chloride monomer and then polymerised to polyvinylchloride (PVC). Caustic soda, hydrochloric acid and calcium chloride are other chlor-alkali products which are produced. Liquid sodium cyanide is produced from methane, ammonia and caustic soda.

We are a major South African plastics and chemicals operation and our vision is to be an exceptional producer of polymers and preferred supplier in our market. We supply quality monomers, polymers, chlor-alkali chemicals and mining reagents.

We manage the following international investments:

- Our 12% shareholding in PETRONAS Chemicals Olefins Sdn Bhd (previously known as Optimal Olefins Sdn Bhd) with PETRONAS, a manufacturer of ethylene and propylene. PETRONAS Chemicals produces 600 kilotons per annum (ktpa) ethylene in an ethane/propane cracker. The cracker co-produces 90 ktpa of propylene;

- Our 40% shareholding in PETRONAS Chemicals LDPE Sdn Bhd (previously known as Petlin Malaysia Sdn Bhd) with PETRONAS, a manufacturer and supplier of LDPE with a capacity of 255 ktpa is operated by PETRONAS Chemicals LDPE;

- A 40% share in Wesco China Limited (with Rhine Park Holdings), a polymer distributor in China and Taiwan. On 30 September 2013, we acquired the remaining shares in Wesco China Limited for a purchase consideration of $78 million; and

- Our 50% shareholding in Arya Sasol Polymer Company (ASPC) in Iran with Pars Petrochemical Company, a manufacturer and supplier of ethylene, LDPE, and medium and high density polyethylene. In August 2013, we disposed of our 50% shareholding in ASPC in Iran. As a result of this transaction, we have no on-going interests in Iran.

**Principal markets**

Over the past three years between 64% and 67% of our revenue has been earned from sales into the South African market.

We are the sole polymer producer of PVC, LDPE and LLDPE in South Africa and have the leading share of sales of these products in South Africa, where the competition is in the form of polymer imports primarily from Asian and Middle Eastern producers. We supply 160 ktpa ethylene and 110 ktpa propylene under contract to Safripol (Pty) Ltd (Safripol) in Sasolburg by pipeline for the production of HDPE and polypropylene, respectively. We compete directly with Safripol in the polypropylene market, where we have a large share of the South African market. Caustic soda is sold primarily in South Africa into the pulp and paper, minerals beneficiation and soap and detergent industries. We are the sole local producer of sodium cyanide solution which is sold to local gold mining industry. Sales are expected to be in line with investment in dump retreatment in association with gold and uranium prices.

Currently, we export polymers from our South African operations to the African continent, South East Asia, Europe and South America. Product from the Petronas Chemicals LDPE plant in Malaysia is sold into Malaysia, India, China, Australia and New Zealand.

**Seasonality**

Global polymer demand does not show any marked annual seasonality although higher demand tends to arise in the third quarter of each calendar year as converters stock up for increased sales over the South African festive season.

The global polymer industry is, however, cyclical in terms of margins earned, given irregular investment patterns caused by large capital requirements and size of plants. The duration of a typical cycle has been seven years and margins can vary from low trough conditions to extreme peak conditions. During tight supply/demand periods, which usually coincide with increases in economic activity as measured by gross domestic product (GDP), margins may increase disproportionately with high peaks. Over time margins reduce as investment is stimulated or as demand slows down in line with GDP. It may happen that excess capacity is installed, which results in collapsed margins.

**Raw materials**

Feedstock for ethylene and propylene in South Africa is purchased from Sasol Synfuels at market-priced fuel-alternative values. The mechanism for determining the fuel-alternative value is based on the South African Basic Fuel Price (BFP) mechanism administered by the Department of Energy. Feedstock prices have increased in line with the oil price. Salt used in our chlor-alkali production process is imported from Namibia and Botswana at US dollar denominated prices. Electricity is purchased from Eskom, South Africa's state-owned electricity provider.

Feedstock namely, ethane and propane, for our joint venture cracker in Malaysia (PETRONAS Chemicals Olefins Sdn Bhd, previously known as Optimal Olefins Sdn Bhd) is purchased from PETRONAS at set prices, unrelated to oil, that escalates annually in line with US inflation rates. PETRONAS Chemicals LDPE Sdn Bhd (previously known as Petlin Malaysia Sdn Bhd) buys its ethylene feedstock from PETRONAS Chemicals at prices related to the South East Asian ethylene market.

**Marketing channels**

Our sales in South Africa are made directly to customers using our own marketing and sales staff. Sales offices are located in Johannesburg, Durban and Cape Town, South Africa. Account managers are responsible for management of our relationship with customers.

For exports from South African operations, we sell directly into Southern Africa and through distributors and agents into East and West Africa, the Far East, Europe and South America. All sales, administration and logistics are arranged from the Johannesburg office.

**Property, plants and equipment**

The construction of a 47 000 tpa ethylene purification unit (EPU) in Sasolburg, which will yield additional ethylene to support our polymer plants to run continuously, is expected to achieve beneficial operation during the second half of the 2013 calendar year.

We are constructing a 58 000 tpa propylene stability unit in Secunda. This facility will enable full capacity utilisation of the polypropylene plants and is expected to achieve beneficial operation during the second half of 2014.

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The following table summarises the production capacities of each of our main product areas.

***Production capacity at 30 June 2013***

| **Product** | **South Africa[2]** | **Malaysia[1],[2]** | **Iran[1],[2],[3]** | **Total** |
|---|---|---|---|---|
| | | **(ktpa)** | | |
| Ethylene | 618 | 72 | 500 | **1 190** |
| Propylene | 950 | 11 | | **961** |
| LDPE | 220 | 102 | 150 | **472** |
| MD/HDPE | | | 150 | **150** |
| LLDPE | 150 | | | **150** |
| Polypropylene-1 | 220 | | | **220** |
| Polypropylene-2 | 300 | | | **300** |
| Ethylene dichloride | 160 | | | **160** |
| Vinyl chloride | 205 | | | **205** |
| PVC | 200 | | | **200** |
| Chlorine | 145 | | | **145** |
| Caustic soda | 160 | | | **160** |
| Cyanide | 40 | | | **40** |
| Hydrochloric acid | 90 | | | **90** |
| Calcium chloride | 10 | | | **10** |

(1) Includes our attributable share of the production capacity of proportionately consolidated investees.

(2) Nameplate capacity represents the total saleable production capacity. Due to the integrated nature of these facilities, the requirement for regular statutory maintenance shutdowns and market conditions, actual saleable volumes will be less than the nameplate capacity.

(3) We disposed of our 50% shareholding in ASPC in Iran on 16 August 2013.

***Sasol Solvents***

**Nature of the operations and its principal activities**

We are one of the leading manufacturers and suppliers of a diverse range of solvents, co-monomers and associated products. Solvent products are supplied to customers in approximately 90 countries and are used primarily in the coatings, printing, packaging, plastics, pharmaceutical, fragrance, aerosol paint and adhesive industries, as well as in the polish, cosmetics, agriculture and mining chemicals sectors. Pentene, hexene and octene are used as co-monomers in polyethylene production. We have production facilities in South Africa at Secunda and Sasolburg and in Germany at Moers and Herne. Our product range includes ketones, glycol ethers, acetates, alcohols, acrylates, pentene, hexene and octene, fine chemicals and mining chemicals. Our joint venture with Huntsman Corporation (Sasol Huntsman) produces maleic anhydride in Europe. We believe that the breadth of our product portfolio provides a competitive advantage relative to the more limited portfolios of most of our competitors in the global market.

The successful start up of Octene train III during 2009 added an additional 100 ktpa of octene to the co-monomers product portfolio. A second 30 ktpa methyl isobutyl ketone (MiBK) in Sasolburg was commissioned in April 2010 and production has been ramped up according to plan. During 2011, the construction of the second malaeic anhydride train was completed, which resulted in an increase of 45 ktpa to 105 ktpa.

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**Principal markets**

In 2013, approximately 1,66 Mt of products were sold worldwide. Our global business is managed from offices in Johannesburg in South Africa. We have sales offices in Europe, Asia, the Middle East and the US.

We market our products throughout the world, with a large proportion of our alcohols being distributed in Europe. We are a leading producer of solvents in South Africa and we are a market leader in co-monomers based on production capacity. We expect to strengthen our position in the co-monomer high growth market through the commercialisation of our proprietary tetramerisation technology which involves the manufacture of octene from ethylene. The basic engineering on a 100 ktpa octene plant has been completed with beneficial operation planned for the fourth quarter of the 2013 calendar year. The location of the unit is at the Sasol cracker complex at Lake Charles in Louisiana, where we will benefit from plant integration economics and close location to our key customers.

Our competition varies depending on the products sold and includes a number of major international oil and chemical companies. Our competitors include ExxonMobil, BP Chemicals, Chevron Phillips, Ineos, the Dow Chemical Company, Celanese and Eastman.

**Seasonality**

Production and sales volumes are generally not subject to seasonal fluctuations but tend to follow the broader global industry trends. In terms of the global cyclical nature of our products, periods of high demand and higher prices are followed by an increase in global production capacity which can depress global margins. The global economic crisis has had a detrimental effect on our sales prices, and market demand has shown signs of contraction as a result of increased volatility, caused in part by the continuing European debt crisis, as well as declining growth in China. The rising feedstock prices, on the back of increased crude oil prices partially offset by the rand weakness, have resulted in margins decreasing from the highs experienced during 2011.

**Raw materials**

Feedstocks for our operations in Secunda are derived mainly from Sasol Synfuels at market-priced fuel-alternative values based on the Basic Fuel Price (BFP). Fluctuations in the crude oil price and rand/US dollar exchange rate have a direct impact on the cost of our feedstocks and hence on margins. Feedstocks in Sasolburg are purchased from Sasol Polymers (based on fuel-alternative value) and Sasol Infrachem based on a long-term supply contract price with an annual inflation-linked escalation clause.

Ethylene, propylene, butylene and butane, used in our production facilities in Germany, are purchased at market prices from third party suppliers under a combination of long-term supply contracts and open market purchases.

Some products are produced by converting primary chemical commodities produced in our facilities to higher value-added derivatives. These include:

- Methyl iso-butyl ketone from acetone;
- Ethyl acetate from ethanol;
- Ethyl and butyl acrylates from acrylic acids and the corresponding alcohols; and
- Ethylene glycol butyl ethers from butanol and ethylene oxide.

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**Marketing channels**

We operate thirteen regional sales offices and nine storage hubs in South Africa, Europe, the Asia-Pacific region, the Middle East and the US. We utilise a number of distributors and agents worldwide as an extension of our sales and marketing force to enable increased market penetration.

A combination of product and account managers ensures continued, long-term relationships with our customers. Our in-house sales and administrative staff manage order processing, logistics and collection of payments as well as customer relationships. The use of bulk supply facilities situated in China, Dubai, Rotterdam and Antwerp in Europe, Singapore, South Africa and the US allows for timely delivery to our customers.

**Factors on which the business is dependent**

Our plants operate using a combination of proprietary technology developed by Sasol, primarily by Sasol Technology, as well as technology licenced from various suppliers. Our acrylates and n-butanol technology is licenced from the Mitsubishi Chemical Company. Our maleic anhydride technology (utilised in Sasol Huntsman) is licenced from Huntsman Corporation. We own the licence to the MiBK technology. The hydroformylation technology for use in our Safol and Octene 3 plants is licenced from Davy Process Technology.

We licence our technology for alcohol recovery to PetroSA. Being fully integrated into the Sasol operations in South Africa, we are dependent on Sasol Synfuels and Sasol Infrachem for the supply of both our raw materials and utilities (electricity, water and air).

We are in the on-going process of obtaining the relevant data required in order to comply with the European Union Regulatory Framework for the Registration, Evaluation and Authorisation of Chemicals (REACH), which became effective on 1 June 2007. We have already complied with the first major deadline and registered our highest volume products at the end of the 2010 calendar year. We have met the May 2013 deadline for registration of the second tier volume of products. We are now working on the next tier of products (volumes below 100 tons per year) with the deadline of 31 May 2018. At the same time tier 1 and 2 dossiers are being evaluated by the European Chemical Agency (ECHA) and during the course of evaluation all registrants are asked to complete data for their registration. The estimated total costs of compliance over the next six years amounts to approximately €8 million.

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**Property, plants and equipment**

***Production capacity as at 30 June 2013***

| Product | South Africa | Germany | Total[(1)] |
|---|---|---|---|
| | | (ktpa) | |
| **Ethylene** | 293 | 65 | **358** |
| *Acetone* | 175 | | *175* |
| *MEK* | 60 | 65 | *125* |
| *MiBK* | 58 | | *58* |
| **Glycol ethers** | | 80 | **80** |
| *Butyl glycol ether* | | 80 | *80* |
| **Acetates** | 54 | | **54** |
| *Ethyl acetate* | 54 | | *54* |
| **Mixed alcohols** | 215 | | **215** |
| **Pure alcohols** | 473 | 380 | **853** |
| *Methanol ($C_1$)* | 140 | | *140* |
| *Ethanol ($C_2$)* | 114 | 140 | *254* |
| *n-Propanol ($C_3$)* | 54 | | *54* |
| *Isopropanol ($C_3$)* | | 240 | *240* |
| *n-Butanol ($C_4$)* | 150 | | *150* |
| | 15 | | *15* |

| *iso-Butanol ($C_4$)* | | | |
|---|---|---|---|
| **Acrylates** | 125 | | **125** |
| *Ethyl acrylate* | 35 | | *35* |
| *Butyl acrylate* | 80 | | *80* |
| *Glacial acrylic acid* | 10 | | *10* |
| **$C_5$-$C_8$ alpha olefins** | 356 | | **356** |
| **Maleic anhydride** | | 53 | **53** |
| **Other** | 19 | 20 | **39** |

(1) Consolidated nameplate capacities excluding internal consumption and including our attributable share of the production capacity of our Sasol Huntsman joint venture.

Nameplate capacity represents the total saleable production capacity. Due to the integrated nature of these facilities, the requirement for regular statutory maintenance shutdowns and market conditions, actual saleable volumes will be less than the nameplate capacity.

Approximately 70% of our production capacity is at sites in South Africa and 30% in Germany. Our second MiBK plant at Sasolburg, with a nameplate capacity of 30 ktpa, started up in April 2010.

Sasol Huntsman has increased its total production capacity from 60 ktpa to 105 ktpa through the construction of a second 45 ktpa reactor and purification section, which was completed in the last quarter of the 2011 calendar year.

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***Sasol Olefins & Surfactants***

**Nature of the operations and its principal activities**

Sasol Olefins & Surfactants (Sasol O&S) comprises nine areas of activity, grouped into two business divisions, namely the Organics and Inorganics Divisions.

The Organics Division consists of:

- Alkylates;
- Alcohols;
- Surfactants;
- Organic intermediates; and
- Ethylene.

The Inorganics Division consists of:

- Specialty aluminas;
- Specialty silica aluminas;
- Multi-element doped aluminas; and
- Hydrotalcites.

*Alkylates*

The main alkylate products are paraffins, olefins and linear alkyl benzene (LAB). LAB is the feedstock for the manufacture of linear alkyl benzene sulfonate (LAS), an essential surfactant ingredient for the detergents industry. Paraffins (n-paraffins) and n-olefins are produced mainly as feedstock for the production of LAB and oxo-alcohols. A portion of this business unit's products are used internally for the production of downstream surfactants.

*Alcohols*

These products cover a diversified portfolio of linear and semi-linear alcohols of carbon range between $C_6$ and $C_{22}$+. The diversity of this product portfolio is supported by the wide range of feedstocks (petrochemical, oleochemical and coal-based), technologies and manufacturing facilities used. A portion of the alcohols production is consumed internally to produce surfactants and specialty plasticisers.

*Surfactants*

These products include nonionic and anionic surfactants, based on alcohol and LAB and other organic intermediates.

*Organic intermediates*

Other organic intermediate chemicals include ethylene oxide, alkyl phenols, alkanolamines, etc.

*Ethylene*

Our ethane-based cracker in Lake Charles, Louisiana, the US, produces ethylene for the US market. A portion of the ethylene production is consumed internally to manufacture ziegler alcohols and ethylene oxide.

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In the 2011 calendar year, Sasol commenced with a pre-feasibility study to assess the technical and commercial viability of a world-scale ethane cracker and associated ethylene derivatives in Louisiana. This project has subsequently moved into FEED with a final investment decision expected during the 2014 calendar year.

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*Inorganics*

These products involve mainly specialty aluminas and related products. The inorganics specialities are further processed by means of a variety of technical processes to adapt the product characteristics to highly specialised products. The inorganics division also manufactures shaped catalyst carriers from their products. The latest development is a new process to produce ultra-high purity alumina for sapphire applications as it is required for LED lighting.

**Principal markets**

The bulk of the production from the alkylates product group ends up as surfactants, either produced internally (our surfactants product group) or by other parties having acquired the intermediates from us. The bulk of these surfactants result in the making of detergents and industrial or institutional cleaning products. The main competitors include Shell and Cepsa in n-paraffins; Huntsman Corporation, and Cepsa and ISU in the LAB market.

Although a substantial portion of the alcohols and resultant surfactants products also end up in detergents and industrial and institutional cleaning products, these products also find wide application in industries such as metalworking, flavours and fragrances, personal care, cosmetics, plastic additives, textiles and agriculture. The main competitors include Shell and BASF, as well as a growing number of oleochemical alcohol producers in Southeast Asia.

Specialty aluminas and related products from the inorganic division are used in a broad range of applications, including catalyst support, raw material for ceramics, coatings, polymer additives and synthetic sapphires. Competitors in aluminas include UOP and Sumitomo.

Ethylene, based on ethane as feedstock, is sold to plastic manufacturers in the US Gulf Coast region and is used internally to manufacture alcohols and ethylene oxide.

**Seasonality**

There is very little seasonality associated with our products or the markets in which they participate. Cyclicality of this business is more related to the general chemical investment cycle, which impacts the supply side of the market equation. Many of the markets that we serve typically follow global and regional gross domestic product growth trends and are therefore impacted more by macro-economic factors.

**Raw materials**

The main feedstocks used in this business are kerosene, benzene, ethane, ethylene, oleochemical and aluminium (all purchased externally with the exception of some portion of our ethylene which is produced at our Lake Charles facility and the Fischer-Tropsch based feedstock used for our South African alcohol production). The prices of most of these materials are related to crude oil and energy pricing and the prices follow the movement of crude oil and energy pricing reasonably closely and, to a lesser extent, lauric oils. In view of the expected increase in oleochemical-based alcohol production, the differential between crude oil and lauric oils is expected to become increasingly important in determining competitiveness. Sasol O&S, unlike other producers, manufactures products from multiple feedstocks and thus has a built-in natural hedge, which becomes especially important in times of high price volatility.

**Marketing channels**

Over 90% of the products produced by Sasol O&S are sold directly to end-user customers by our sales and marketing personnel. A limited number of distributors are used. Approximately 60% of the total sales by Sasol O&S are conducted under annual and, in some cases, multi-year contracts.

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**Factors upon which the business is dependent**

The business, especially margins, is dependent on the supply and demand of the various products that we make and the feedstock costs. Demand growth is typically GDP driven with some exceptions of higher growth products and markets. Supply is primarily influenced by the build-up of new capacity in the developing regions, especially China, India and Southeast Asia. Feedstock costs generally follow the trends of crude oil and vegetable oil.

We are in the on-going process of obtaining the relevant data required in order to comply with REACH, which became effective on 1 June 2007. We have already complied with the first major deadline and registered our highest volume products at the end of the 2010 calendar year. We have met the May 2013 deadline for registration of the second tier volume of products. We are now working on the next tier of products (volumes below 100 tons per year) with the deadline of 31 May 2018. The estimated total costs of compliance over the next 10 years amount to approximately €22 million. To date, €10 million has been incurred to comply with REACH.

**Property, plants and equipment**

The following table summarises the production capacity for each of our main product areas.

***Production capacity at 30 June 2013***

| Product | Facilities location | Total[1] (ktpa) |
|---|---|---|
| Surfactants | United States, Europe, Far East | **1 000** |
| $C_{6+}$ alcohol | United States, Europe, South Africa, Far East | **630** |
| Ethylene | United States | **455** |
| Inorganics | United States, Europe | **70** |
| Paraffins and olefins | United States, Europe | **750** |
| LAB | United States, Europe | **435** |

(1) Nameplate capacity represents the total saleable production capacity. Due to the integrated nature of these facilities, the requirement for regular statutory maintenance shutdowns and market conditions, actual saleable volumes will be less than the nameplate capacity.

***Other chemical businesses***

Other chemical businesses include Sasol Wax, Sasol Nitro, Merisol, Sasol Infrachem and various smaller chemical businesses.

**Sasol Wax** produces and markets wax and wax-related products to commodity and specialty wax markets globally. The division refines and blends crude oil-derived paraffin waxes, as well as synthetic waxes produced on the basis of our Fischer-Tropsch technology. The division markets its products globally, but its main markets are in Europe, the US and Southern Africa. The overall world market for waxes is estimated at about 4 500 ktpa and our main competitors in the commodity market are ExxonMobil, Shell, China Oil and Sinopec.

**Sasol Nitro** manufactures and markets fertilisers, commercial explosives and related products. The division also markets sulphur produced by other Sasol divisions. All production activities are located in Southern Africa. The business's products are mainly sold within Southern Africa with increasing exports into Western Africa. Fertiliser products produced at the South Africa Secunda manufacturing plant are limited to ex-works sales as per the agreement with the South African Competition Commission.

**Merisol** manufactures the pure products, phenol, ortho-cresol, meta-cresol and para-cresol, and a diverse range of blended products, consisting of mixtures of phenol, cresols, xylenols and other phenol

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derivatives. In December 2012, Sasol acquired the remaining 50% shareholding in Merisol for a purchase consideration of R730 million (US$85 million).

**Sasol Infrachem** is the supplier of utilities and services to various Sasol business units (Sasol Polymers, Sasol Solvents, Sasol Wax, Merisol and Sasol Nitro) as well as external businesses in Sasolburg. Sasol Infrachem operates and maintains the auto thermal reformer (ATR), which reforms natural gas into synthesis gas. Sasol Infrachem is the custodian of the Sasolburg gas loop and the primary responsibility of this function is to ensure that the reformed gas demand/supply is balanced and that reformed gas is supplied to the users of gas on its site.

About half of Sasol's total ammonia production is used by Sasol Nitro to produce ammonium nitrate-based fertilisers and explosives. The balance of ammonia is sold mainly to other South African explosives and fertiliser manufacturers with relatively small quantities sold for use in other industrial applications, which include chemical manufacture and mineral beneficiation. Sasol is the only ammonia producer in South Africa, with a total nameplate production capacity of 660 ktpa.

**Property, plants and equipment**

The following table summarises the production capacity of our other chemical businesses at 30 June 2013:

| Product | Europe | South Africa | United States | Total[1] |
|---|---|---|---|---|
| | | (ktpa) | | |
| **Sasol Wax** | | | | |
| Paraffin wax and wax emulsions | 430 | | | **430** |
| FT-based wax and related products | | 220 | | **220** |
| Paraffin wax | | 30 | 100 | **130** |
| **Sasol Nitro** | | | | |
| Granular and liquid fertilisers | | 700 | | **700** |
| Fertiliser bulk blending | | 300 | | **300** |
| Ammonium sulphate | | 100 | | **100** |
| Explosives | | 300 | | **300** |
| **Merisol** | | | | |
| Phenol | | 35 | 10 | **45** |
| Ortho-cresol | | 9 | 6 | **15** |
| Meta- and para-cresol | | | 16 | **16** |
| Meta-, para-cresol mixtures | | | 30 | **30** |
| Cresylic acids and xylenols | | 25 | 20 | **45** |
| High-boiling tar acids | | 3 | 1 | **4** |
| Butylated products | | | 13 | **13** |

***Sasol Infrachem***

| Product | Facilities location | Total[1] |
|---|---|---|
| Steam | South Africa | 1 750 tons per hour (tph) |
| Electricity | South Africa | 137 megawatts (MW) |
| Water | South Africa | 123 mega litres per day (Ml/day) |
| Reformed gas (ATR) | South Africa | 50 million gigajoules per annum (GJ/a) |
| Ammonia | South Africa | 660 ktpa |

(1) Nameplate capacity represents the total saleable production capacity. Due to the integrated nature of these facilities, the requirement for regular statutory maintenance shutdowns and market conditions, actual saleable volumes will be less than the nameplate capacity.

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***Other businesses***

***Sasol Technology***

**Nature of the operations and its principal activities**

Sasol Technology, as the technology partner in the group, is fully committed to the Sasol group growth objectives by working together with the business units and taking responsibility for the long-term research and development of technology improvements as well as developing new technologies. Through engineering and project execution activities Sasol Technology demonstrates its commitment to the delivery of viable solutions to our business partners for their operations.

***Acquiring technology research and development***

The central research and development division in Sasolburg focuses on process research and competency development, while the decentralised divisions focus on product applications. The Sasolburg research facility was expanded and modernised with the aim to:

- create new research laboratories for fuels and refinery research;
- enhance infrastructure through the installation of new pilot plants to improve operational efficiency and flexibility;
- allow the relocation, upgrading and full integration of existing pilot plants;
- enable enhanced reactor and catalyst development programs in support of our advanced Fischer-Tropsch technology development objectives;
- install modern process control systems; and
- improve information and data management.

The enhanced facilities allow the opportunity to commercialise new and improved petrochemical processes more effectively. The central research function has a full suite of state-of-the-art pilot plants to support the development of both current and future technologies. As new technologies are developed, these facilities are growing, with new pilot plant and laboratory facilities being added on an on-going basis. A new research and development building was completed during 2012 which allowed for the renovation and upgrading of old laboratory space to better equip it for new research challenges. As a result of our investment in facility upgrades in recent years, we are now seeing the benefits in the improved quality and efficiency of our research efforts.

The Sasolburg research activities, supplemented by a presence at the University of St Andrews in Scotland and in Enschede in The Netherlands, are also conducted through external alliances and research collaborations with over 100 research institutions, consortia and universities worldwide. In addition, strong emphasis is placed on training.

Sasol Technology research and development projects over the past decade include the development of the slurry phase and advanced synthol reactors, the development of the proprietary cobalt catalyst, the low temperature Fischer-Tropsch process, ethylene tetramerisation and the 1-heptene to 1-octene conversion process.

A significant part of the research focuses on supporting the CTL and GTL technologies and associated products. The production of chemicals from the primary Fischer-Tropsch products is of particular interest.

Research is also focused on the reduction of the Sasol operations' environmental footprint which includes greenhouse gas reduction, water treatment and purification. In this regard, special attention is given to water utilisation, given the location of some of the current and future plants in semi-arid

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areas. Reduction in greenhouse gases focuses on improving plant efficiencies, carbon dioxide capturing and understanding potential storage alternatives. Sasol Technology has also increased its focus on exploring technology options adjacent to, but beyond, our current technology portfolio, with a view to diversifying the options available to Sasol.

***Commercialising technology front end engineering and technology management***

All front end engineering and technology integration and management are performed by specialist Sasol Technology teams, taking the ideas from our research and development teams and engineering them into a commercial proposition for exploitation by the group. The conceptual studies, basic design and engineering management of projects are undertaken on an integrated basis with the business unit, leveraging with external technology suppliers and contractors.

***Installing technology project execution and engineering***

Sasol Technology is responsible for the execution of capital projects and project engineering in the group. The involvement is not only focused in South Africa but also elsewhere in the world where Sasol is undertaking studies and the execution of projects. Delivery of smaller projects and shutdowns are also undertaken. These initiatives are highly leveraged with external engineering and construction contractors.

***Optimising technology operations support***

Technical support groups work on an integrated basis with the operations personnel of the business units to improve the profitability and optimise plant performance throughout the group.

**Principal Markets**

Sasol Technology partners with all business units in the Sasol group. However, in line with the group's strategic priorities Sasol Technology is focused on:

South African energy landscape

- ensuring sustainable South African synthetic fuels capacity, specifically in the Secunda Complex, that meets all environmental and modern fuel requirements.

International energy landscape

- implementing prospective GTL and CTL facilities globally; and
- catalyst manufacture facilities to supply GTL and CTL plants with proprietary FT cobalt catalyst.

Chemical landscape

- co-monomers, solvents, polymers and waxes;
- extracting value added products including chemicals from GTL and CTL products; and
- exploring chemical opportunities that do not rely on the Fischer-Tropsch value chain.

New energy landscape

understanding the energy landscape and evaluating various alternatives with a view to introducing low-carbon electricity into our energy mix.

Sasol group landscape

long-term strategic research in GTL, CTL, future chemicals and environmental technologies.

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**Property, plants and equipment**

The Sasolburg research facility was expanded affording the opportunity to commercialise new and improved petrochemical processes more effectively. The central research function has a full suite of state-of-the-art pilot plants to support the development of both current and future technologies. Besides the new laboratories and the fuels research facilities in Sasolburg, plans have been approved to expand the fuel testing and engine emissions laboratory in Cape Town, South Africa, to more effectively research the application of our unique GTL and CTL fuels at sea level.

**Legal proceedings and other contingencies**

***Sasol Nitro*** In 2004, the South African Competition Commission (the Commission) commenced with investigations against Sasol Nitro, a division of Sasol Chemical Industries Limited (SCI), based on complaints levelled against Sasol Nitro by two of its customers, Nutri-Flo and Profert. Both complaints were subsequently referred to the Competition Tribunal (the Tribunal) by the Commission. In May 2009, SCI and the Commission concluded a settlement agreement, in which Sasol Nitro acknowledged that, in the period from 1996 to 2005, it had contravened the Competition Act by fixing prices of certain fertilisers with its competitors, by agreeing with its competitors on the allocation of customers and suppliers and by collusively tendering for supply contracts. Sasol Nitro subsequently paid an administrative penalty of R250,7 million.

Civil claims and law suits totalling approximately R52 million have been instituted against Sasol arising from the admissions made in the settlement agreement. Sasol views the calculation of alleged damages by the plaintiffs as flawed. Sasol is working with an economist on assessing its position on any potential damages caused. The analysis has not been finalised yet. Therefore, it is currently not possible to make an estimate of a contingent liability and accordingly, no provision was made as at 30 June 2013. The period for filing civil claims prescribed on 20 May 2012, therefore no additional claims may be made against Sasol arising from the admitted contraventions.

***Sasol Nitro complaint referral by Omnia*** On 31 August 2011, Omnia Group (Pty) Ltd (Omnia) submitted a complaint against SCI to the Commission. The complaint alleged, among other things, excessive pricing for ammonia and price discrimination in respect of ammonia.

On 7 March 2012, the Commission issued a notice of non-referral in respect of the complaint on the grounds that the conduct complained of was substantially the same as the conduct which the Commission had settled on with Sasol in July 2010.

On 5 April 2012, Omnia themselves referred the complaint to the Tribunal. Omnia alleges that SCI charged Omnia an excessive price for ammonia during the period from May 2006 to December 2008 and that SCI has prevented Omnia from expanding within the markets for the supply of certain fertilisers during the period from May 2006 to December 2008 and that SCI has engaged in prohibited price discrimination in respect of ammonia.

SCI does not agree with the allegations made and is defending the matter. The allegations made are substantially similar to allegations in a civil claim for damages made by Omnia in 2009, which SCI is also defending in arbitration proceedings. The competition law complaint, and subsequent referral, have been made by Omnia prior to completing the prosecution of their arbitration claim to completion.

It is currently not possible to make an estimate of a contingent liability from the claim and, accordingly, no provision was made as at 30 June 2013.

***Sasol Wax*** On 1 October 2008, following an investigation by the European Commission, the European Union found that members of the European paraffin wax industry, including Sasol Wax GmbH, formed a cartel and violated antitrust laws.

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A fine of €318,2 million was imposed by the European Commission on Sasol Wax GmbH (of which Sasol Wax International AG, Sasol Holding in Germany GmbH and Sasol Limited would be jointly and severally liable for €250 million). According to the decision of the European Commission, an infringement of antitrust laws commenced in 1992 or even earlier. In 1995, Sasol became a co-shareholder in an existing wax business located in Hamburg, Germany owned by the Schümann group. In July 2002, Sasol acquired the remaining shares in the joint venture and became the sole shareholder of the business. Sasol was unaware of these infringements before the European Commission commenced their investigation at the wax business in Hamburg in April 2005.

On 15 December 2008, all Sasol companies affected by the decision lodged an appeal with the European Union's General Court against the decision of the European Commission on the basis that the fine is excessive and should be reduced. On 3 July 2013, the hearing at the Court in Luxemburg took place. The Court has not given any indication to the parties at the hearing of what their legal views are. The next step is a ruling by the Court.

As a result of the fine imposed on Sasol Wax GmbH, on 23 September 2011, Sasol Wax GmbH has been served with a law suit in The Netherlands by a company to which potential claims for compensation of damages have been assigned to by eight customers. The law suit does not demand a specific amount. The proceeding is still at an early stage. It is currently not possible to make an estimate of a contingent liability from the claim and, accordingly, no provision was made as at 30 June 2013.

On 30 September 2011, another law suit was lodged with the London High Court by 30 plaintiffs against Sasol Wax GmbH, Sasol Wax International AG and Sasol Holding in Germany GmbH. By the end of June 2013 Sasol had settled the claim with all 30 plaintiffs.

***Dorothy Molefi and others*** In June 2004, certain plaintiffs sued Sasol Limited and National Petroleum Refiners of South Africa (Pty) Ltd (Natref) and various other defendants in two claims in the United States District Court for the Southern District of New York. These claims are similar to many instituted against a large number of multi national corporations worldwide under the Alien Tort Claims Act (ATCA) and the Torture Victim Protection Act, referred to as the related cases. The plaintiffs allege a conspiracy between the defendants and both the former "Apartheid Era Government" as well as the post 1994 democratic government in South Africa of former Presidents Mandela and Mbeki, resulting in the genocide of South Africa's indigenous people and other wrongful acts. Defendants in the related cases moved to dismiss the actions against them.

The Molefi action against Sasol Limited and Natref was stayed in September 2004 pending a decision on the motions to dismiss in the related cases. The motion to dismiss in the related cases was granted, and plaintiffs appealed to the Second Circuit Court of Appeals. During October 2007, the appeal was decided, and plaintiffs in those related cases were successful on one of the three grounds of appeal, thus enabling the plaintiffs to amend their complaint to assert additional factual allegations to meet the requirements of the ATS. The case was then appealed to the United States Supreme Court. In May 2008, the Supreme Court issued an order stating that because four justices recused themselves, the United States Supreme Court lacked the necessary quorum and therefore affirmed the judgement of the Second Circuit Court of Appeals with the same effect as an affirmance by an equally divided court, namely, it does not have precedential effect. In March 2009, the United States District Court for the Southern District of New York issued an order dismissing the case against Sasol and the other defendants based on failure to prosecute. Despite this order, it remains possible for plaintiffs to join Sasol and the other defendants to the related cases.

In September 2010, the Second Circuit Court of Appeals in a separate decision in a case titled Kiobel v. Royal Dutch Petroleum found that the jurisdiction granted by the ATS does not extend to civil actions brought against "private judicial entities" or corporations. This decision stands until either overturned on appeal or departed from or distinguished in other judicial decisions. However, in July

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2011, the US Circuit Court for the DC Circuit ruled, in a separate case involving claims under the ATS, that the ATS can give rise to corporate liability. Subsequently, plaintiffs in Kiobel v. Royal Dutch Petroleum were granted a writ of certiorari to the US Supreme Court on three issues: 1) whether the issue of corporate civil liability should be treated as a jurisdictional issue; 2) whether the ATS applies to corporations; and 3) whether and under what circumstances the ATS allows courts to recognise a cause of action for violations of the law that occur outside of the territory of the United States.

In February 2012, the Supreme Court heard argument in the Kiobel case. In March 2012, the Supreme Court ordered re-argument and directed the parties to file supplemental briefing addressing the third issue, namely, whether the ATS allows federal courts to hear lawsuits alleging international law violations that occur outside of the territory of the United States. Given the Supreme Court's holding in the Kiobel case on 17 April 2013 that the ATS does not extend to conduct outside of the United States, the plaintiffs' claims in the Apartheid Litigation matter seeking relief for alleged violations of the law of nations occurring exclusively within South Africa will be barred. Based on the Supreme Court's holding in Kiobel, it appears unlikely that any ATS claims asserted against Sasol based on conduct outside of the United States could be maintained in any US court.

***Sasol Polymers*** As previously disclosed by Sasol, the Commission has been investigating the South African polymers industry. On 12 August 2010, the Commission announced that it had referred its findings to the Tribunal for adjudication.

The complaints that the Commission referred to the Tribunal alleged that SCI had, in the pricing of polypropylene and propylene in the domestic South African market, contravened section 8(a) of the Competition Act (the Act), in that its prices for each of the products were excessive. The referral further alleged that in regard to a formula employed and information exchanged between SCI and Safripol (Pty) Ltd (Safripol) to determine the price of propylene which SCI sold to Safripol, SCI and Safripol had contravened section 4(1)(b)(i) of the Act by engaging in price fixing. The Commission also announced that it had simultaneously reached a settlement with Safripol in which Safripol admitted that the propylene supply agreement (the Supply Agreement) between SCI and Safripol and its implementation amounted to the indirect fixing of a price or trading condition in contravention of the Act. This settlement agreement between the Commission and Safripol was confirmed by the Tribunal on 25 August 2010.

On 14 December 2010, Sasol Polymers, a division of SCI, also concluded a settlement agreement with the Commission in relation to the Supply Agreement. The Supply Agreement was concluded pursuant to concerns raised by Safripol in relation to the proposed merger in 1993 of Sasol Limited and AECI Limited's monomer, polymer and certain other chemical operations. To address these concerns, the then Competition Board required a supply agreement, which would ensure Safripol's on-going access to propylene according to a pricing formula, which would result in market-related prices. At the time, neither party understood this pricing formula to give rise to competition law concerns. The Commission, in terms of the current Competition Act, alleged that the pricing formula, which required the exchange of pricing information amounted to indirect price fixing.

Given the uncertainty surrounding the legal position in relation to the pricing formula and the technicality of the matter, it was considered prudent to settle the matter. Sasol Polymers therefore agreed to pay a penalty of R111,7 million, which represented 3% of Sasol Polymers' turnover derived from its sale of polypropylene products for its 2009 financial year. The settlement agreement is in full and final settlement of the Commission's allegations that the pricing formula gave rise to indirect price fixing. The settlement agreement was confirmed by the Tribunal on 24 February 2011.

As mentioned above, the Commission also contended that the prices at which Sasol Polymers supplied propylene and polypropylene were excessive. Sasol Polymers does not agree with the Commission's position in this regard and is contesting the Commission's allegations. Consequently, the Commission's allegations in respect of excessive pricing do not form any part of the settlement

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agreement concluded between the parties. The results of the excessive pricing investigation by the Commission and the outcome of the hearing by the Tribunal, which commenced on 13 May 2013 and is expected to be closed in October 2013, cannot be determined at present and accordingly, no provision was made at 30 June 2013.

On 31 July 2012, a letter was received from the Commission whereby Sasol was advised that the Commission had initiated a new abuse of dominance complaint against Sasol Limited, Sasol Oil (Pty) Ltd, Sasol Synfuels (Pty) Ltd and SCI. This new complaint is based on a complaint which was initially submitted to the Commission by Safripol in November 2011.

The initial Safripol complaint alleged that SCI had contravened various sections of the Act with regard to the pricing and supply of propylene and ethylene. Safripol subsequently withdrew the complaint.

The Commission has, however, decided to continue with its investigation into the matter. The allegations under investigation are excessive pricing of propylene and ethylene required by Safripol, constructive refusal to supply scarce goods (namely propylene and ethylene), margin squeeze in respect of the supply of propylene and polypropylene and price discrimination in relation to the sale of propylene and ethylene. These are all abuse of dominance allegations. The period of the investigation is from 2008 to date. Sasol continues to defend itself against these allegations. The outcome of this matter cannot be estimated at this point in time and accordingly, no provision was made as at 30 June 2013.

***Sasol Gas*** On 30 October 2009, after being advised that certain provisions in a suite of agreements concluded between Sasol Gas, Coal, Energy and Power Resources Limited (CEPR) and Spring Lights Gas (Pty) Ltd (Spring Lights) constituted contraventions of the Act, Sasol Gas applied for leniency in terms of the Commission's corporate leniency policy and obtained conditional leniency. Subsequent to Sasol Gas' leniency application, the Commission investigated the matter and found that provisions in the agreements resulted in fixing of prices and had the effect of dividing the piped gas market by allocating customers and territories. The suite of agreements related to the establishment of Spring Lights as a broad-based black economic empowerment (BBBEE) company for the purpose of acquiring a portion of the business of Sasol Gas as part of Sasol's BBBEE strategy at the time.

On 20 August 2010, Spring Lights concluded a settlement agreement with the Commission in terms of which Spring Lights acknowledged the mentioned contraventions and agreed to pay an administrative penalty of R10,8 million.

Spring Lights had also made an application to the Commission to exempt the conduct set out in these agreements, on the basis that it promoted the ability of small businesses, or firms controlled or owned by historically disadvantaged persons, to become competitive, in terms of section 10(3)(b)(ii) of the Act. Spring Lights settlement agreement was considered by the Tribunal on 1 September 2010 but the matter was postponed *sine die* to enable the Commission to make a ruling on the exemption application of Spring Lights. On 26 March 2012, the Commission gazetted its refusal to grant the exemption. On 11 April 2013 the Competition Tribunal confirmed the administrative penalty of R10,8 million which became payable by Spring Lights. On 2 July 2013, Sasol Gas sold its 49% share in Spring Lights Gas to Kwande Capital, the joint venture partner, for a purchase consideration of R474 million. The Commission has confirmed that Sasol Gas has received full immunity from prosecution pursuant to the applicable leniency agreement.

***Sasol Oil Commercial diesel*** On 24 October 2012, the Commission referred allegations of price-fixing and market division against Chevron SA, Engen, Shell SA, Total SA, Sasol Limited, BP SA and the South African Petroleum Industry Association ("SAPIA") to the Competition Tribunal for adjudication. The Commission is alleging that the respondents exchanged commercially sensitive

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information, mainly through SAPIA, in order to ensure that their respective prices for commercial diesel followed the Wholesale List Selling Price published by the Department of Energy.

This is not a new matter and Sasol began engaging with the Commission in this regard in 2008 as part of its group-wide competition law compliance review, which preceded the Commission's investigation into the liquid fuels sector. Sasol has reviewed the Commission's referral documents and does not agree with the Commission's allegations. Accordingly, Sasol is defending the matter. The outcome of this referral cannot be estimated at this point in time and, accordingly, no provision was made as at 30 June 2013.

***Other*** From time to time Sasol companies are involved in other litigation and administrative proceedings in the normal course of business. Although the outcome of these proceedings and claims cannot be predicted with certainty, the company does not believe that the outcome of any of these cases would have a material effect on the group's financial results.

***Competition matters***

Sasol is continuously evaluating and enhancing its compliance programmes and controls in general, and its competition law compliance programme and controls in particular. As a consequence of these compliance programmes and controls, including monitoring and review activities, Sasol has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, lodged leniency applications and made disclosures on material findings as and when appropriate. As reported previously, these compliance activities have already revealed, and may still reveal competition law contraventions or potential contraventions in respect of which we have taken, or will take, appropriate remedial and/or mitigating steps including lodging leniency applications.

The Commission is conducting investigations into the South African piped gas, petroleum, fertilisers and polymer industries. Sasol continues to interact and co-operate with the Commission in respect of the subject matter of current leniency applications brought by Sasol, conditional leniency agreements concluded with the Commission, as well as in the areas that are subject to the Commission's investigations.

***Environmental Orders***

Sasol is subject to loss contingencies pursuant to numerous national and local environmental laws and regulations that regulate the discharge of materials into the environment and that may require Sasol to remediate or rehabilitate the effects of its operations on the environment. The contingencies may exist at a number of sites, including, but not limited to, sites where action has been taken to remediate soil and groundwater contamination. These future costs are not fully determinable due to factors such as the unknown extent of possible contamination, uncertainty regarding the timing and extent of remediation actions that may be required, the allocation of the environmental obligation among multiple parties, the discretion of regulators and changing legal requirements.

Sasol's environmental obligation accrued at 30 June 2013 was R9 884 million compared to R8 911 million at 30 June 2012. Included in this balance is an amount accrued of approximately R4 397 million in respect of the costs of remediation of soil and groundwater contamination and similar environmental costs. These costs relate to the following activities: site assessments, soil and groundwater clean-up and remediation, and on-going monitoring. Due to uncertainties regarding future costs the potential loss in excess of the amount accrued cannot be reasonably determined.

Although Sasol has provided for known environmental obligations that are probable and reasonably estimable, the amount of additional future costs relating to remediation and rehabilitation may be material to results of operations in the period in which they are recognised. It is not expected that these environmental obligations will have a material effect on the financial position of the group.

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As with the oil and gas and chemical industries generally, compliance with existing and anticipated environmental, health, safety and process safety laws and regulations increases the overall cost of business, including capital costs to construct, maintain, and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, the group to make significant expenditures of both a capital and expense nature.

**Regulation**

The South African government has, over the past 17 years, introduced a legislative and policy regime with the imperative of redressing historical, social, and economic inequalities, as stated in the Constitution of the Republic of South Africa, by way of the empowerment of historically disadvantaged South Africans (HDSAs) in the areas of ownership, management and control, employment equity, skills development, procurement, enterprise development and socio-economic development.

The majority of our operations are based in South Africa, but we also operate in numerous other countries throughout the world. In South Africa, we operate coal mines and a number of production plants and facilities for the storage, processing and transportation of raw materials, products and wastes related to coal, oil, chemicals and gas. These facilities and the respective operations are subject to various laws and regulations that may become more stringent and may, in some cases, affect our business, operating results, cash flows and financial condition.

***Empowerment of historically disadvantaged South Africans***

**Broad-based Black Economic Empowerment Act, 53 of 2003**

Sasol is well aligned with the economic transformation and sustainable development objectives embodied in the South African legislative and regulatory framework governing Broad-based Black Economic Empowerment (BBBEE). The key elements of this framework are the BBBEE Act, the Codes of Good Practice for BBBEE issued by the Minister of Trade and Industry in terms of the Act (the Codes), as well as the Charters (i.e. the Mining Charter and Liquid Fuels Charter in South Africa addressing employment equity) adopted by the various sectors within which Sasol operates businesses and related scorecards. The measures discussed below reflect Sasol's commitment to giving meaningful effect to the letter and spirit of the BBBEE legislative and regulatory framework.

*Sasol Inzalo share transaction*

The Sasol Inzalo share transaction is one of the major broad-based black economic empowerment initiatives undertaken by Sasol. The share transaction was approved by Sasol shareholders in May 2008. Its components include employee trusts, the Sasol Inzalo Foundation, a transaction for selected participants, as well as a public offering targeted at black participants. It resulted in the transfer of beneficial ownership of 10% (63,1 million shares) of Sasol Limited's issued share capital before the implementation of this transaction to its employees and a wide spread of black South Africans (BEE participants).

It has a tenure of 10 years and the effective date of the transaction for the Employee Trusts and the Sasol Inzalo Foundation was 3 June 2008. The effective date of the transaction for the selected participants was 27 June 2008. The effective date for the black public invitations was 8 September 2008. Refer to "Item 5A Operating results Sasol Inzalo share transaction".

**The Mining Charter**

In October 2002, the government and representatives of South African mining companies and mineworkers' unions reached broad agreement on the Mining Charter, which is designed to facilitate the participation of HDSAs in the country's mining industry.

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The Mining Charter, together with a scorecard which was published on 18 February 2003 to facilitate the interpretation of and compliance with the Mining Charter (the scorecard), requires mining companies to ensure that HDSAs hold at least 15% ownership of mining assets or equity in South Africa within five calendar years and 26% ownership within 10 calendar years from the enactment of the new Mineral and Petroleum Resources Development Act (MPRDA) which came into force on 1 May 2004.

The Mining Charter was revised after the initial five year period and the revised Mining Charter became effective on 13 September 2010. The revised Mining Charter stated objectives include the:

- Promotion of equitable access to the nation's mineral resources to all the people of South Africa;
- Substantial and meaningful expansion of opportunities for HDSAs to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources;
- Utilisation and expansion of the existing skills base for empowerment of HDSAs and to serve the community;
- Promotion of employment and advancement of the social and economic welfare of mine communities and major labour sending areas;
- Promotion of beneficiation of South Africa's mineral commodities; and
- Promotion of sustainable development and growth.

A number of uncertainties exist with regard to the interpretation of some of the elements of the revised Mining Charter. The scorecard reporting template released by the Department of Mineral Resources also added further elements, not contained in the revised Mining Charter.

On 11 October 2007, Sasol Mining announced the implementation of a BEE transaction valued at approximately R1,8 billion in terms whereof a black-woman controlled mining company called Ixia Coal (Pty) Ltd (Ixia), acquired 20% of Sasol Mining's shareholding through the issue of new shares. The transaction increased Sasol Mining's BEE ownership component by 20%. The effective date of the Ixia Coal transaction was 29 September 2010, when the remaining conditions precedent were met. Refer to "Item 5A Operating results Sasol Mining Ixia BEE transactions".

Various discussions took place with the Department of Mineral Resources to acknowledge the contribution of the Sasol Inzalo share transaction, more specifically Sasol Mining's contribution to the Sasol Inzalo Employee Share Option Programme (ESOP), towards Sasol Mining's BEE ownership status. On 11 May 2012, the Deputy Director General of the Department of Mineral Resources approved that the Sasol Inzalo Employee Share Option Programme may be included in the calculation of Sasol Mining's BEE ownership. The combined effect of the Sasol Inzalo Employee Share Option Programme and the Ixia Coal transaction brings the total BEE ownership of Sasol Mining to above 40%. Sasol Mining exceeds the Mining Charter's current requirements of 26% BEE ownership by 2014.

**The Liquid Fuels Charter**

In 2000, following a process of consultation, the Department of Minerals and Energy (now the Department of Energy) and a number of companies in the liquid fuels industry, including Sasol Oil, signed the Liquid Fuels Charter (the Charter) which sets out the principles for the empowerment of HDSA's in the South African petroleum and liquid fuels industry.

The Charter requires liquid fuels companies, including Sasol Oil, among other things, to ensure that HDSAs hold at least 25% equity ownership in the South African entity holding their operating assets by the end of a period of 10 years from the date of the signing of the Charter.

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In order to meet the equity ownership objective of the Charter, Sasol Limited concluded a black economic empowerment (BEE) transaction with an HDSA owned company, Tshwarisano LFB Investment (Pty) Ltd (Tshwarisano), with an effective date of 1 July 2006, in terms of which transaction Sasol Limited disposed of 25% of its shareholding in Sasol Oil to Tshwarisano. Refer to "Item 5A Operating results Broad-based Black Economic Empowerment transactions".

The Charter also requires liquid fuels companies to adopt policies to further the other empowerment objectives of the Charter, among other things, employment equity, preferential procurement and skills development.

The Charter further provides for the evaluation by the Department of Energy, from time to time, of the industry's progress in achieving the objectives of the Charter. Given the fact that the aforementioned 10 year period had run its course, the Department of Energy initiated a compliance audit in respect of the Charter in the latter part of the 2010 calendar year. Sasol Oil's compliance with the Charter was audited during the first half of the 2011 calendar year and the final industry report, albeit that the written report has not yet been issued to industry, has been discussed with industry by the Department of Energy on an aggregated basis. Sasol Oil awaits the issuance of the final written report.

*BEE policies and legislation*

The Broad-based Black Economic Empowerment Act, underpinned by the scorecard setting out clear targets for broad-based BEE, was promulgated into law on 9 February 2003. The scorecard measures the following areas:

- ownership;
- management and control;
- employment equity;
- skills development;
- procurement;
- enterprise development; and
- socio-economic development.

As from 1 July 2006, Sasol Oil has met the 25% BEE ownership target with Tshwarisano holding 25% of the shares in Sasol Oil in line with the Charter.

*Employees*

In keeping with the spirit of the Charter, as well as the Employment Equity Act, we have set employment equity targets. This requires that advantageous treatment be given to HDSAs in aspects of employment such as hiring and promotion. Employment equity targets are set out and reviewed periodically to ensure that they are met. Special training and mentorship programmes are in place to create a work environment that is suited to the successful nurturing of HDSA staff.

*Procurement*

Procurement is a crucial element of BEE as set out in the Charter, as well as in other industry charters and government policy. BEE procurement affords smaller industry players the opportunity to participate meaningfully in the sector. As prescribed in the Charter, HDSA owned companies are accorded preferred supplier status as far as possible.

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Sasol Oil has established a BEE procurement policy; an enhanced procurement governance model and unique strategies to stimulate growth in its BEE spend.

*Corporate social investment*

We focus on facilitating the socio-economic development of the communities in which we operate, through partnerships with key stakeholders in these communities.

Social investment is presently channelled into five main areas:

- Education (particularly in mathematics and science);
- Job creation and capacity building;
- Health and welfare;
- Arts, culture and sport development; and
- Environment.

**The Restitution of Land Rights Act, 22 of 1994**

Our privately held land could be subject to land restitution claims under the Restitution of Land Rights Act, 22 of 1994. Under this act, any person who was dispossessed of rights in land in South Africa as a result of past racially discriminatory laws or practices is granted certain remedies, including, but not limited to:

- restoration of the land claimed with or without compensation to the holder;
- granting of an appropriate right in alternative state-owned land to the claimant; or
- payment of compensation by the state or the holder of the land to the claimant.

The Restitution of Land Rights Amendment Act became law in February 2004. Under the original act, in the absence of a court order, the power of the Minister of Land Affairs to acquire or expropriate land for restitution purposes is limited to circumstances where an agreement has been reached between the interested parties. This act would entitle the minister to expropriate land in the absence of agreement. Such an expropriation could be for restitution or other land reform purposes. Compensation payable to the owner of the land would be subject to the provisions of the Expropriation Act 63 of 1975 and section 25(3) of the South African Constitution which provides, in general, that compensation must be just and equitable.

All claims had to have been lodged with the Land Claims Commission by 31 December 1998. Although this was the final date for filing claims, many claims lodged before the deadline are still being reviewed and not all parties who are subject to claims have yet been notified. We have not been notified of any land claim that could have a material adverse effect on our rights to any of our significant properties. Sasol has however been notified of a potential land claim over a property that we believe belongs to Sasol Synfuels, namely the farm Goedehoop 301 IS. During the Land Claims Commission's last visit to the affected property/ies on 24 February 2012, measurements were taken to calculate the size of the land in respect of which the claimants were allegedly dispossessed for purposes of calculating the quantum of compensation payable. Although we have not received any written confirmation in respect of the remedy that will be granted to the claimants in this matter, the Land Claims Commission did indicate verbally that they acknowledge that the land is not suitable for restoration of ownership and all indications are that compensation may be paid to the claimants by the government. In 2012, Sasol received a notification of a further land claim instituted over parts of the farm Grootvlein 293 IS. Sasol Mining is the owner of Portions 13 and 29 of the farm Grootvlein 293 IS. At this stage it is unclear

which portions of the farm fall within the land claim and whether the

claim has any merit. In February 2013, Sasol received a notification of a further land claim instituted over Portion 8 of the farm Rietvley 320S that belongs to Sasol Synfuels. The property is of significant importance for Sasol Synfuels since the new ash dam will be partly constructed on this property. This property is already traversed by a Sasol Mining conveyor belt and another conveyor belt is due to cross the property in future. Sasol Synfuels was offered R2,7 million to procure the property for the purposes of settling the claim. Sasol Synfuels has informed the Land Claims Commissioner of reasons why the property could not be sold and is awaiting a response.

***Regulation of mining activities in South Africa***

**The Mineral and Petroleum Resources Development Act (MPRDA)**

The fundamental principle of the MPRDA, which came into effect on 1 May 2004, is the recognition that the mineral resources of the country are the common heritage of all South Africans and therefore belong to all the people of South Africa. The MPRDA vests the right to prospect and mine, including the right to grant prospecting and mining rights on behalf of the nation, in the state, to be administered by the government of South Africa. Thus, the state is the guardian of all mineral rights and has the right to exercise full and permanent custodianship over mineral resources. However, it contained transitional arrangements for existing operations, to allow these operations to convert its old order rights into new order rights. This transitional period came to an end on 30 April 2009.

The MPRDA imposes significantly more stringent environmental obligations on mining activities than the repealed Minerals Act and also introduces extensive social and labour plan, mining work programme and prospecting work programme requirements.

The MPRDA adopts the environmental management principles and environmental impact assessment provisions of the National Environmental Management Act (NEMA). The MPRDA addresses the allocation of responsibilities for environmental damage, pollution and degradation and imposes rehabilitation obligations. It significantly extends the scope of liability of directors who may be jointly and severally liable for any unacceptable negative impact on the environment, advertently or inadvertently caused by the company. It also allows the state to take remedial action and claim costs. It contains the requirement for an environmental management programme/plan for all prospecting and mining operations and prohibits the carrying out of mining activities before the approval of the programme/plan. When rehabilitation is required, it is not limited to the land surface. We comply with the MPRDA. The South African government has also adopted the MPRDA Amendment Act, 49 of 2008, and the NEMA Amendment Act, 62 of 2008, in an effort to streamline environmental approvals. The MPRDA Amendment Bill 2008 came into effect on 7 June 2013, but the MPRD Amendment Bill, 2013 has already been introduced into Parliament and public hearings on the 2013 MPRD Amendment Bill will take place during September 2013. Whilst the implementation of the 2008 MPRDA Amendment Bill has some impact on our business, the 2013 MPRD Amendment Bill will have various significant impacts on our business once promulgated. The more severe impacts relate mainly to restrictions on the export of minerals and compulsory selling of a percentage of production of coal to a local beneficiator at a prescribed price, providing wider discretion to the Minister of Mineral Resources in decision making and providing that, mining companies will remain liable for rehabilitation post mine closure even if a closure certificate is granted by the Department of Mineral Resources. We are engaging with the Department of Mineral Resources and the Parliamentary Portfolio Committee to raise our concerns on the proposed amendments.

**Mining rights**

Transitional provisions were included in the MPRDA, which phases out privately held mineral rights held under the repealed legislation. The transitional period came to an end on 30 April 2009, and we have complied with all requirements. All old order prospecting rights have been converted to

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new order prospecting rights and all our old order mining rights have been converted to new order mining rights. The mining rights in respect of the Mooikraal Operations have been granted for 30 years, while those in respect of the Secunda area have been granted for 10 years, after which both are capable of renewal. The mining rights in respect of the Secunda area were only granted for a 10 year period as Sasol Mining did not comply with the 26% BEE ownership requirement at the time of conversion. However, on 11 May 2012 the Department of Mineral Resources approved that the Sasol Inzalo Employee Share Option Programme contributes to Sasol Mining's BEE status, through Sasol Mining's participation in the Sasol Inzalo Employee Share Option Programme (ESOP). This brings Sasol Mining BEE ownership to above 40%, which will subsequently enable the Department of Mineral Resources to extend the validity period of the mining rights to 30 years. Sasol Mining exceeds the Mining Charter's current requirements of 26% BEE ownership by 2014. In this regard it should be noted that the holder of a mining right has the right to apply and be granted renewal of a mining right, subject to meeting specified requirements of the MPRDA and the Minister of Mineral Resources must grant renewal if these requirements have been met. Rights can be renewed for periods not exceeding 30 years at a time.

The Mining Titles Registration Amendment Act, 24 of 2003, and regulations have been implemented simultaneously with the implementation of the MPRDA and new amendments to this legislation are under consideration.

The approved social and labour plans and mining work programmes are now legally enforceable, and we have undertaken and will continue to undertake any appropriate action required to ensure retention of our converted mining rights under the MPRDA. To this effect, an external audit confirmed that Sasol Mining is complying with the Mining Charter and approved social and labour plans.

Furthermore, royalties from mining activities are payable to the state, as from 1 March 2010, under provisions contained in the Mineral and Petroleum Resources Royalty Act, 28 of 2008, and the Mineral and Petroleum Royalty Administration Act, 29 of 2008. The most significant feature of the acts is that the royalty is determinable in accordance with a formula-based system. The impact on Sasol Mining for the year ended 30 June 2013 is a cost of R43,9 million (2012 R34,9 million). The royalty is deductible for normal income tax purposes.

***Regulation of pipeline gas activities in South Africa***

**The Gas Act**

The Gas Act, which is currently being revised, came into effect on 1 November 2005. The Gas Act regulates matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Among its stated objectives are:

- promoting the efficient development and operation of the respective facilities and the provision of respective services in a safe, efficient, economically and environmentally responsible way;
- promoting companies in the gas industry that are owned or controlled by HDSAs;
- promoting competition and investment in the gas markets; and
- securing affordable and safe access to gas services.

The Gas Act provides for the powers of the National Energy Regulator of South Africa (NERSA) regarding pipeline gas, whose powers include the issuance of licences for a range of activities including:

- the construction, conversion or operation of gas transmission, storage, distribution, liquefaction and re-gasification facilities; and
- trading in gas.

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NERSA has the authority to determine maximum prices for distributors, reticulators and all classes of consumers where there is inadequate competition as contemplated in the South African Competition Act. NERSA may impose fines not exceeding R2 million a day, if a licencee fails to comply with its licence conditions or with any provisions of the Gas Act. The Piped Gas Regulations issued in terms of section 34(1) of the Gas Act were promulgated on 20 April 2007.

The Regulatory Reporting Manual (RRM) developed in accordance with NERSA's authority to determine the format for regulatory reporting by licenced entities was gazetted in September 2008, with immediate effect.

In terms of the RRM, licencees are required to submit six monthly financial reports to NERSA in compliance with the RRM requirements. The RRM obliges licencees to agree to an implementation plan with NERSA, which includes an agreement on a cost allocation manual which will enable the conversion of Sasol Gas' statutory financial statements to the format required by NERSA as well as the date for the submission of the relevant financial statements to NERSA. Sasol Gas submitted its implementation plan and engaged with NERSA in order to agree the process and schedule for implementation. Separate financial reports are required for the different regulated activities of a licencee. Compliance with the RRM requirements necessitates regulatory reporting and accounting activities in addition to the existing statutory accounting and reporting requirements of Sasol Gas and Republic of Mozambique Pipeline Investments Company (Pty) Ltd (Rompco). Sasol Gas implemented substantial upgrades to its Enterprise Resource Planning (ERP) system in 2010 in order to enable compliance with the RRM requirements. In accordance with the RRM implementation plan agreed with NERSA, Sasol Gas is required to make its first regulatory report submission by the end of December 2013 in respect of the 2013 financial year. Rompco submitted its first regulatory report in September 2011, for the 2010 financial year, and is expected to submit the 2013 regulatory report in December 2013.

**The National Energy Regulator Act**

The National Energy Regulator Act came into operation on 15 September 2005. The National Energy Regulator Act provides for the establishment of a single regulator to regulate the piped gas, petroleum pipeline and electricity industries and for the functions and composition of the energy regulator. On 1 November 2005, NERSA, pursuant to the National Energy Regulator Act, came into existence.

A draft National Energy Regulator Amendment Bill has been published for comment and Sasol has subsequently commented on the proposed changes.

According to Section 35 of the Gas Act, licence applications for existing business activities had to be submitted to NERSA within six months from the effective date of the Gas Act (2 May 2006) by any person owning or operating gas facilities or trading in gas. Accordingly, Rompco submitted an application for the operation of a gas transmission facility in respect of the Mozambique to Secunda pipeline. This licence to operate a transmission facility was issued to Rompco on 21 February 2007. After completion of the Rompco compressor station in Komatipoort, South Africa, this operating licence was amended to also include the operation of the compressor station. Sasol Gas submitted licence applications for the operation of distribution and transmission facilities as well as for trading in gas.

All the licence applications have been compiled in accordance with the Gas Act and the rules published by NERSA. On 27 October 2008, Sasol Gas was granted 29 distribution and trading licences in respect of its operations in the Mpumalanga, Gauteng, Free State and North West provinces in South Africa and on 23 March 2009, was granted seven distribution and trading licences in the KwaZulu-Natal province, South Africa. On 12 November 2010, Sasol Gas was granted operating licences in respect of all its inland transmission facilities.

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The licence applications in respect of the Sasol Gas' transmission operations in the KwaZulu-Natal province were approved on 15 December 2011. All construction activities relating to the distribution and transmission pipeline networks of Sasol Gas are undertaken subject to the relevant construction licences as prescribed by the Gas Act.

**The Mozambique Gas Pipeline Agreement (Regulatory Agreement)**

This agreement entered into between Sasol Limited and the South African Government, represented by the Minister of Minerals and Energy, and the Minister of Trade and Industry in connection with the introduction of natural gas by pipeline from Mozambique into South Africa is incorporated into the Gas Act through the reference thereto in Section 36 of the act. The Gas Act provides that the terms of the agreement bind the Gas Regulator for a period until 10 years after natural gas is first received from Mozambique (26 March 2004). From the date of the conclusion of the agreement, the terms of the agreement relating to the following matters constitute conditions of the licences to be issued to Sasol Gas and Rompco under the Gas Act:

- our rights and periods granted in respect of transmission and distribution of gas;
- third party access to the transmission pipeline from Mozambique and to certain of our pipelines;
- prices we charge for gas;
- our obligation to supply customers, distributors and reticulators with gas; and
- the administration of the agreement.

At the conclusion of the 10 year period provided for in the Regulatory Agreement, the transmission and storage tariffs for piped gas and gas prices charged by Sasol Gas will be subject to regulation by NERSA in terms of the regulatory powers of NERSA established by the Gas Act. In this regard, NERSA has promulgated the tariff methodology that will apply to gas transmission and storage operations and NERSA has published the methodology that will apply to the approval of maximum prices in terms of the Gas Act.

As part of the Gas Act, the Regulatory Agreement forms part of the legislation and, as such, the same legislative processes generally applicable to changes in legislation would apply to it.

The 10 year regulatory dispensation negotiated with the South African government with respect to the supply of Mozambican natural gas to the South African market is expiring in March 2014. In accordance with the regulatory framework relating to gas prices and tariffs, NERSA has on 26 March 2013 approved transmission tariffs and maximum gas prices which will apply to our gas business in South Africa after the expiry of the aforesaid regulatory dispensation. We cannot assure you that the provisions of the Gas Act and the implementation of a new gas price and tariff methodology pursuant to the NERSA approvals will not have a material adverse impact on our business, operating results, cash flows and financial condition.

**The Gas Regulator Levies Act**

The Gas Regulator Levies Act came into effect on 1 November 2005. It provides for the imposition of levies by the Gas Regulator on the amount of gas delivered by importers and producers to inlet flanges of transmission or distribution pipelines. These levies will be used to meet the general administrative and other costs of the gas regulation activities of NERSA and the functions performed by NERSA in this regard. In terms of the Act, NERSA has to submit a budget to the Minister of Energy, which after approval by the minister in conjunction with the Minister of Finance, will be relayed into a levy charged as a per gigajoule levy on the volumes of gas transported. The collection of levies commenced in September 2006. During the NERSA financial year which ended on 31 March 2013, Sasol Gas paid a total amount of R56,1 million in levies under this Act. For the NERSA financial

year ending on 31 March 2014, the levies have been confirmed to be R0,3017/GJ (2012 R0,3498/GJ). The levies have yet to receive the required ministerial approval. It is anticipated that approximately R54,8 million will be paid in levies during this period.

***Regulation of petroleum-related activities in South Africa***

**The Petroleum Products Amendment Act (Amendment Act)**

The Amendment Act, which amends the Petroleum Products Act and became effective in 2006, prescribes that a person may not be involved in the activities of manufacturing, wholesaling, holding or development of retail sites and retail sale of petroleum products without the appropriate licence having been issued in terms of the Amendment Act. The Amendment Act deems any person, who was, at the time of commencement of an act amending the Petroleum Products Act in 2003, involved in the aforementioned activities, to be a holder of a licence for that activity, provided such person has applied for such licence. With the exception of licences for new retail site developments, applications for which are approved on an on-going basis on a per site basis, Sasol Oil is not at risk from a licensing perspective.

The Amendment Act entitles the Minister of Energy to regulate the prices, specifications and stock holding of petroleum products and the status in this regard is as follows:

A regulatory price review was conducted and the Department of Energy is in a process of developing working rules for new price calculation methodologies. New pricing structures are expected to come into force during December 2013. As the outcome is not yet final we are not able to predict the effect of this on Sasol Oil;

Changes to align South African liquid fuels specifications with those prevailing in Europe are currently under discussion. It is expected that these new specifications will pertain to all liquid fuels consumed in South Africa by July 2017. Compliance with these new specifications will require substantial, however as yet not finalised, capital investments at both National Petroleum Refiners of South Africa (Pty) Ltd (Natref) and Sasol Synfuels. Discussions regarding cost recoveries and/or incentives for these prospective capital investments are on-going with the South African government; and

Regulations to oblige licenced manufacturers and/or wholesalers to keep minimum levels of market-ready petrol, diesel, illuminating paraffin, jet fuel and liquid petroleum gas (LPG) are currently under consideration by the Department of Energy. No indications on volumes, cost recovery and compensation mechanisms available as yet.

We cannot assure you that the application of these regulations will not have a material adverse effect on our business, operating results, cash flows and financial condition.

The Petroleum Products Act authorises the Minister of Energy to promulgate regulations and we cannot assure you that the application of these provisions of the Act, or the promulgation of regulations in terms thereof, will not have a material adverse effect on our business, operating results, cash flows and financial condition.

**The Petroleum Pipelines Act**

The Petroleum Pipelines Act (the Act), which became effective in 2005, establishes a petroleum pipelines authority, namely NERSA, as custodian and enforcer of the regulatory framework applicable to petroleum pipelines, storage facilities and loading facilities.

The Act provides that no person may construct, or operate, a petroleum pipeline, loading facility or storage facility without a licence issued by NERSA. It enables NERSA to impose conditions on such licences including the setting and approval of petroleum pipeline, storage facility and loading facility tariffs for third party access.

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We have been granted licences for our regulated facilities. Applications for tariffs have been submitted in terms of the NERSA rules. The applications are of an interim nature, as Sasol Oil is not yet in a position to fully comply with the applicable regulatory information request from NERSA. Sasol Oil has agreed a process with NERSA to implement the NERSA prescribed RRM that will enable NERSA to fully execute its regulatory mandate in this regard.

It is unlikely that the tariffs, once approved, will have a material financial impact on Sasol Oil.

The Act authorises the South African Minister of Energy to promulgate regulations and we cannot assure you that the application of these provisions of the Act, or the promulgation of regulations in terms thereof, will not have a material adverse effect on our business, operating results, cash flows and financial condition.

***Safety, health and environment***

We are committed to operating under safe working practices, eliminating incidents and avoiding harm to people, facilities and the environment. Our safety, health and environment (SHE) performance is driven by the quest for continuous improvement that will help us achieve our vision of being a world class company committed to zero harm.

We focus on our safety, health and environmental responsibilities through our SHE policy, strategy and essential requirements. These essential requirements are also extended to joint ventures in which we participate, subject to specific provisions in the joint venture agreements.

Our combined mining, fuels and chemical operations are subject to numerous local, national and regional safety, health and environmental laws and regulations in Southern Africa, Europe, the US, Canada, the Asia-Pacific region, the Middle East and the Indian subcontinent. Our global operations, including marketing and logistics, are also affected by international environmental and chemical conventions.

**Safety, health and environment policy and management systems**

We have adopted a systems approach to the management of SHE risks. We have a single corporate SHE policy, supplemented by individual business unit policy declarations. Matters of safety, health and environment are treated as critical business issues. Management of safety, health and environmental matters includes the setting of targets, performance measurement, reporting, review and audit.

In order to ensure that our safety, health and environmental performance is aligned with our group targets and objectives, SHE internal audits and external verification audits are carried out regularly. All of our businesses are required to track their SHE performance and quarterly reports are submitted to operating boards, the group executive safety, health and environment committee (acting as a sub committee of the group executive committee (GEC) and to the group risk and safety, health and environment committee. At the highest level, the risk and safety, health and environment committee of the Sasol Limited board considers the major risks and liabilities, progress on our internal indicators of performance and any major incidents and events of non-compliance.

Specific governance structures were developed to address greenhouse gas challenges facing the group. In September 2010, a group strategic project team was constituted to manage the group's response to the South African government's publication of a white paper on a climate change response policy and carbon tax discussion documents published in November 2011 and May 2013. We responded by indicating that Sasol does not support the proposed carbon tax in its current form as:

- a thorough analysis of the potential impacts and alternative options have not been performed;
- it does not align with South Africa's broader mitigation policy; and

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it does not sufficiently take account of South Africa's carbon mitigation and socio-economic challenges.

Our experts are participating in several working groups, together with the South African government and other stakeholders, to develop the standards and guidelines which would give effect to the country's climate change response white paper.

In 2012, a special project team was also constituted. The objective of this strategic project is to resolve uncertainties and ensure the implementation of proper strategies and programmes to address compliance within the current air quality legislative challenges and concerns. This project also covers waste legislation. An internal carbon credit management committee, which is governed within our Sasol New Energy business, facilitates the governance of carbon credits obtained through, amongst others, the clean development mechanism (CDM). We support the voluntary Energy Efficiency Accord championed by the South African Department of Energy.

Our businesses are required to manage their safety, health and environmental risks in line with internationally accredited management systems. On safety, health and environmental management systems, our operating businesses have achieved International Standards Organisation (ISO) 14001 certification and Occupational Health and Safety Assessment Service (OHSAS) 18001 certification, as well as Responsible Care® verification.

**Health and safety management**

*Occupational safety.* Tragically five people lost their lives in work-related incidents in 2013. Two of these occurred on public roads in South Africa and three occurred on Sasol operated facilities. The prevention of work-related fatalities remains a Group priority.

*Fires, explosions and releases.* The manufacture of Sasol products involves using flammable and toxic substances, often at high pressures and temperatures. Hence, managing the risk of fires, explosions and releases of hazardous substances is essential for us. Fires, explosions and releases are reported and investigated and efforts to reduce the frequency and severity of these events are managed through a dedicated Process Safety Management structure and plan.

The Process Safety Management System is based on the requirements of the US Occupational Safety and Health Administration Process Safety Management and US Environmental Protection Agency (US EPA) Risk Management Program regulations. Through the application of these standards, the risks of releases of hazardous substances are minimised. These standards apply to all Sasol operations worldwide, including those in the US.

Sasol North America (Sasol NA) has also adopted a Security Code of Management Practice, which requires that we conduct a security vulnerability analysis to identify areas in which additional security measures are necessary, and have a management system in place for other aspects of plant, distribution and cyber security. We have also submitted all of the required security information to the Department of Homeland Security for compliance with the Chemical Facility Anti-Terrorism Standard (CFATS).

All Sasol sites have identified and quantified their major risks with regards to major fire, explosion or releases, through a systematic Process Hazard Analysis process. Risk mitigation plans are in place. We maintain a comprehensive insurance programme to address identified risks. It is our policy to procure property damage and business interruption insurance cover for our 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.

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*Health.* Although Sasol has strong pro-active measures for managing occupational health, work related illnesses continue to be diagnosed specifically in our Sasol Mining operations. Most of these can be attributed to historic exposures. The specific illness recordings is exacerbated by an increasing age profile of our employees in mining and the prevalence of Human Immunodeficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS) which diminishes the immune system and increases likelihood of contracting secondary disease.

*Emissions.* Because of the nature of some of our processes, including coal gasification for the production of petrochemical products, our operations generate relatively high carbon dioxide emissions mainly our coal gasification operations situated in South Africa. South Africa is classified as a developing country in terms of the Kyoto Protocol and though we are largely exempt from the emissions reduction targets required under the Protocol, we have implemented a successful project to replace coal as a feedstock with natural gas at our Sasolburg chemical operations. It is important to note that South Africa has submitted voluntary emission reduction pledges for the Copenhagen Accord, which were captured in the Climate Change Response White Paper. Refer also to "Item 3.D Risk factors Changes in safety, health and environmental regulations and legislation and public opinion may adversely affect our business, operating results, cash flows and financial condition".

In recent years, global understanding and awareness regarding climate change have increased significantly. We regularly review our greenhouse gas (GHG) policy and GHG targets as developments in the international carbon negotiations take place. We have set targets for reducing GHG emissions intensity by 15% by 2020 on the 2005 baseline. In addition, new CTL plants commissioned before 2020 have a target emissions reduction of 20%, increasing to 30% reduction for new CTL plants commissioned by 2030 (with the 2005 designs as the baseline) as a precautionary measure. The Sasol New Energy business is pursuing opportunities in low carbon electricity, energy efficiency and clean coal. Some of these potential solutions are not yet proven on a large scale and face regulatory, economic, technical, geological and geographical challenges.

We monitor and measure ambient air quality around our South African plants. Our operations in the US have reduced reported emissions under the Toxic Release Inventory by over 92% since reporting began in 1987. Significant efforts are being made to reduce hydrogen sulphide and volatile organic-compound (VOC) emissions emanating from our Secunda operations, the former mainly brought about by the commissioning of a sulphuric acid plant. Moreover, the implementation of the VOC reduction programme will result in significant decreases in fugitive emissions from our operations.

*Water.* Water use is increasingly becoming a source of concern, not only in mining, but in all our operations, in particular in South Africa, Qatar and other arid countries. A series of water treatment and saving programmes and projects were introduced or are currently under way to address challenges in all of our operations. Current initiatives in South Africa include water offsetting projects in collaboration with local authorities. We have also set internal targets for water efficiency. Sasol endorsed the United Nations Global Compact CEO Water Mandate which presents a comprehensive approach to water management. It is a voluntary initiative to positively contribute to sustainable water resource management.

*Land remediation and rehabilitation.* As a result of our chemicals and fuels processes, we have particular land management risks that we have addressed or are currently addressing. A group wide approach towards contaminated land management and remediation is adopted in order to ensure that all areas of potential liabilities are adequately addressed and managed in accordance with applicable legal requirements.

*Waste.* Potential risks associated with waste generation, management and disposal are a priority for us. Historical legacies are addressed in accordance with relevant legal requirements, and cleaner production techniques are implemented to address future risks. Where we acquire new plants, we aim

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to identify the attendant risks and seek the necessary indemnities from the sellers. Where we have not secured such indemnities, we rely on the relevant assessment information to manage the associated liabilities of the non-material risks.

*Asbestos.* We have a strategy for the risk-based phase-out of asbestos, which is being implemented by our operations. We have implemented a policy to ensure that new sources of asbestos are not procured in the construction of new facilities worldwide. Remaining asbestos on some of our older facilities is managed according to a set of Sasol requirements in the absence of statutory phase out requirements. Asbestos is removed and disposed of under strict regulatory requirements as plant modifications are made or as necessary for maintenance.

*Product Stewardship.* We have a product stewardship implementation plan according to the requirements of the International Council of Chemicals Associations (ICCA) global product strategy (GPS). The implementation of the GPS requires a more structured and far wider process for chemical products management within the chemical industry and with customers and other stakeholders.

We are following all changes in product registration requirements in regions such as the US and Asia-Pacific (e.g. China) in order to ensure compliance to these requirements and maintaining the ability to trade our products lawfully.

This includes the European Registration, Evaluation, and Authorisation of Chemicals (REACH) regulations that came into effect on 1 June 2007, aiming to improve the protection of human health and the environment while maintaining competitive trade. We ensure that substances that constitute our products and that are subject to REACH will meet these requirements.

**Regions in which Sasol operates and their applicable legislation**

**South Africa**

In South Africa, we operate a number of plants and facilities for the manufacture, storage, processing and transportation of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

***Environmental regulation***

The Constitution of the Republic of South Africa provides the framework for the environmental legislation in South Africa. Section 24 of the constitution enshrines the right of all citizens to an environment that is not harmful to their health and well-being and provides individuals with a right to the protection of the environment. It further provides that these rights can be enforced through reasonable legislative and other measures to prevent pollution and degradation, to promote conservation and to secure ecologically sustainable development. Below is an analysis of some of these laws, which may be relevant to our operations.

*National Environmental Management Act.* The National Environmental Management Act (the Act) provides for co-operative environmental governance and coordination of the environmental functions of the government. The Act regulates environmental authorisation requirements, compliance and provides for enforcement measures including provision for fines of up to R10 million. These governance and enforcement measures also extend to special environmental management acts, such as the Waste Act, the Water Act and the Air Quality Act. The Act principally imposes a duty of care on persons who have or may pollute or degrade the environment and other responsible parties to take reasonable measures to prevent and remediate environmental damage, protects workers' and provides for control over emergency incidents. Non-compliances with provisions on, amongst other things, the duty of care and reporting of significant incidents, is regarded as offences under the Act.

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*National Environmental Management: Biodiversity Act.* This act deals with various issues relating to biological diversity including its management and conservation.

*Mineral and Petroleum Resources Development Act.* Environmental governance with respect to mining, prospecting, production and exploration is regulated under the MPRDA, consistent with the provisions of the National Environmental Management Act. This act makes provision for the effective management of impacts associated with mining activities. An environmental management programme or plan (EMP) must be compiled and approved by the Department of Mineral Resources, and regularly reviewed. The EMP is required to cover potential environmental as well as socio-economic impacts. This act further requires the making of financial provision for the rehabilitation or management of negative environmental impacts.

***Water protection***

The National Water Act (the 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 incident management. The Department of Water Affairs is implementing a pricing strategy (in future to include a Waste Discharge Charge System) aimed at allocating the appropriate price for the use of water, which may have a significant impact on operational costs.

A significant part of our operations, including mining, chemical processing and others, require use of large volumes of water. South Africa is generally an arid country and prolonged periods of drought or significant changes to current water laws could increase the cost of our water supplies or otherwise impact our operations.

***Air quality protection***

*The National Environmental Management: Air Quality Act.* This act came into full effect on 1 April 2010. In terms of this act, the Department of Environmental Affairs (the Department) imposes stricter standards on air quality management in South Africa, through the adoption of ambient and minimum point source emission standards. The minimum point source emission standards impose different standards for new and existing facilities effective from 1 April 2010. New facilities must comply with the standards immediately. Existing facilities have five years within which to comply with standards imposed thereon and must comply with the standards imposed for new facilities within 10 years. Compliance with the minimum point source emission standards will result in significant capital and operational costs. In 2012, a special project team was constituted to resolve uncertainties and ensure the implementation of proper strategies and programmes to address compliance within the current air quality legislative challenges and concerns.

The Department has declared the Vaal Triangle (where the Sasolburg plant is situated) and the Highveld area (where our Secunda operations are situated) as Priority Areas. The Vaal Triangle and Highveld Priority Area Air Quality Improvement Plans are being implemented. Compliance with the provisions of these plans will have significant cost implications.

*Climate change management:* Some of our processes in South Africa, especially coal gasification, result in relatively high carbon dioxide emissions. South Africa is considered a developing country in terms of the Kyoto Protocol and, accordingly, it is largely exempt from the emissions reductions required. However, government has committed to emission reduction pledges under the voluntary Copenhagen accord which is incorporated in the National Climate Change Response White Paper published in November 2011. In May 2013, a second carbon tax discussion document was published for comment. The comment period closed on 31 August 2013.

***Waste***

*The National Environmental Management: Waste Act.* The act introduces legislative requirements on all aspects of waste management in a comprehensive manner. The act also regulates on contaminated land management, but this section of the act is not in effect yet and is dependent on the finalisation of regulations and standards on contaminated land which is expected in the late 2013 calendar year. The act imposes various duties on holders of waste (being any person who stores, accumulates, transports, processes, treats and disposes of waste). These duties are potentially far reaching as waste is broadly defined. The act also requires licences to be obtained for the commencement, undertaking or conducting of waste management activities. The act further regulates waste information systems and provides for specific regulation of priority wastes. Compliance with specific provisions of the Waste Act with regards to contaminated land and waste management may have significant cost implications.

***Hazardous substances***

*Hazardous Substances Act.* This act provides for the control and licensing of substances that may cause injury, ill-health or death to human beings by reason of their toxic, corrosive, irritant, strongly sensitising or flammable nature. Regulations have also been proposed providing for the adoption of the United Nations Globally Harmonised System for the classification and labelling of chemicals. This will facilitate alignment with existing international practices.

***Other legislation***

*The National Road Traffic Act.* This act and its regulations regulate the road transportation of dangerous goods and substances. This act provides specifications for road tankers, classification of dangerous goods, labelling, duties of responsible persons, compatibility of multi-loads, driver training and dangerous substance documentation.

*The National Railway Safety Regulator Act.* This act provides for similar regulation in respect of rail transport.

*The Explosives Act.* This act consolidates the laws relating to the manufacture, storage, sale, transport, importation, exportation and the use of explosives and imposes an authorisation requirement for the manufacture and storage, as well as for the import, export and sale of explosives.

*The Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act.* This act regulates the registration, importation, sale, acquisition, disposal or use of fertilisers, among other products.

***Health and safety***

*Occupational Health and Safety Act.* This act covers a number of areas of employment activity and use of machinery in South Africa, excluding mining activities. This act and specific regulations thereunder impose various obligations on employers and others to maintain a safe workplace and minimise the exposure of employees and the public to workplace hazards, and establish penalties and a system of administrative fines for non-compliance.

*Mine Health and Safety Act.* This act is to protect the health and safety of persons at mines by requiring that employers and others ensure that their operating and non-operating mines provide a safe and healthy working environment, determining penalties and a system of administrative fines for non-compliance, and giving the Minister of Mineral Resources the right to restrict or stop work at any mine and require an employer to take steps to minimise health and safety risks at any mine.

*Compensation for Occupational Injuries and Diseases Act.* The purpose of this act is to provide for compensation for disablement caused by occupational injuries or diseases sustained or contracted by

employees in the course of their employment, or for death resulting from such injuries or diseases. This act is administered by the Minister of Labour, through a Director-General who manages a compensation fund to which employers contribute, directly or indirectly. Where indirect contributions are made, these contributions are made to a mutual association, which acts as the insurer in respect of claims against the employers. All employers, with the exception of those in national, provincial and local government, are required either to register under the act or to be fully insured against related liabilities.

*Occupational Diseases in Mines and Works Act.* This act relates to the payment of compensation in respect of certain diseases contracted by persons employed in mines or at locations where activities ancillary to mining are conducted. Any mine (including the Sasol Mining operations) at which risk work takes place is deemed to be a controlled mine in respect of the employees for whom the employer is required to make payments to the fund for occupational diseases, in order to meet relevant claims. Persons who are employed in controlled mines are required to have a certificate of fitness, which must be renewed from time to time. Recent case law on the interpretation of the act now provides for civil claims to be instituted against employers in addition to compensation claimed and awarded under this act.

For further information, refer to "Item 6.C Board Practices The risk and safety, health and environment committee".

**Germany**

In Germany, we operate a number of plants and facilities for the manufacture, storage, processing and transportation of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

***General environmental care***

In terms of the act regulating on the Assessment of Environmental Impacts, the environment impact assessment (EIA) is an instrument of preventative environmental care that is legally binding. This has been introduced in existing public procedures for the licensing of, or considerable amendment to, certain projects of relevance to the environment, including chemical facilities. Issues relating to general environmental care are addressed by the environmental provisions of the Regional Planning Act and other specific and planning law. The Environmental Liability Act provides for liability where human life or health is disturbed and where emissions have entered the soil, water or the air, the owner of a facility is liable on a fault basis and irrespective of whether the damage was caused as a result of a hazardous incident or during normal operations. Installations that pose a particular risk to the environment must have provisions for sufficient cover, an obligation which may be met by arranging liability insurance.

Criminal law provisions are included in the act to combat environmental crime, which targets a range of polluting activities, including water, soil and air pollution, environmentally damaging waste disposal and noise. It also addresses licensing of the operation of installations and the handling of hazardous substances and goods and particularly serious environmental offences.

***Specific environmental protection legislation***

*Emission control.* The guideline legislation to protect humans and the environment from air pollution and noise pollution is the Federal Emission Control Act. This act and the ordinances promulgated under it provide the framework for environmental protection and the technical safety of installations. It provides for licensing for installations that are particularly susceptible to causing harmful environmental impacts, including chemical facilities or mineral oil refineries.

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*Chemicals Act.* This act is complemented by the Plant Protection Act and the Fertilisers Act, as well as by legislation on animal feedstuffs and human foodstuffs and by substance-related provisions in other areas of care of the environment. This also includes the provisions concerning the environmental impacts of genetic technology under the Genetic Technology Act.

*Avoidance, recovery and disposal of waste.* The Closed Substance Cycle and Waste Management Act regulates the avoidance, recovery and disposal of waste. The aim of this act is to promote an economy based on closed substance cycles, thus conserving resources, and to guarantee the environmentally sound disposal of waste. Wherever waste cannot be avoided, recovered or used to produce energy, it must be removed from the cycle and, as a matter of principle, be disposed of within Germany in a way that is not detrimental to the common good.

*Waste Transportation Act.* This act regulates the transport of waste into, out of or through the area of application of the act and creates the basis for the establishment of a solidarity fund to finance the return of waste exported illegally.

*Water protection.* The guideline legislation in the field of water protection is the Federal Water Act. This requires everyone to exercise adequate care when carrying out measures which may have an impact on a water body so that water pollution or any other negative effect on water is prevented. Surface waters and groundwater are, as public utilities, subject to a public management and utilisation code, which leaves the allocation of users' rights at official discretion.

The Waste Water Charges Act complements the Water Management Act and authorises an annually rising waste water charge linked to the toxicity of the discharged waste water.

*Soil protection.* The protection and care of soil as an environmental medium and part of the ecosystem is promoted by a range of environmental provisions, primarily the Federal Soil Protection Act. Soil protection measures, preventative or remedial, aim at avoiding or reducing substance inputs into the soil, or removing already existing soil damage, and at addressing the extensive land consumption caused by soil sealing.

***Hazardous substances***

*Regulation of hazardous substances.* Provisions for the protection of humans and the environment against the harmful effects of hazardous substances and preparations are provided in the Chemicals Act, the related ordinances on the Prohibition of Certain Chemicals and the Hazardous Incidents Ordinance. All hazardous substances, as per the scope identified in the EU REACH Regulation, are subject, to a registration and notification obligation before they can be brought onto the market. Hazardous substances and mixtures must be classified, labelled and packed in accordance with the EU Classification, Labelling and Packaging (CLP) Regulation in line with their hazardous properties. Further regulations prohibiting and limiting manufacture, marketing and use also apply.

***Health and safety***

The Health and Safety at Work Act provides for protection of the health and safety of employees. It places the employer under a duty to assess hazards at the workplace, to take appropriate preventive measures, and to instruct employees about measures used. The employer must take precautions for especially hazardous areas and situations and provide preventive occupational healthcare. This act is complemented by the Safety at Work Act, which places employers under a duty to appoint appropriately qualified officers to support them in occupational health and safety matters, including ergonomic workplace design.

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**Italy**

In Italy, we operate a number of plants and facilities for the storage and processing of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

***General environmental care***

The Environmental Decree (Legislative Decree 152/2006) came into force in 2006, regulating the most important environmental matters, including authorisations, emissions, water management, wastes and remediation and environmental damages. Several decrees were issued detailing different aspects of the law.

European Directive 96/61/EC (Integrated Pollution Prevention and Control) provides that companies must obtain an integrated authorisation for all environmental impact. This directive has been replaced by the Industrial Emissions Directive (2010/75/EU), which came into effect on 6 January 2011.

***Specific environmental protection legislation***

*Emission control.* Environmental protection and the technical requirements for the licensing of all installations from which emissions emanate is regulated by Legislative Decree 152/06, section 5.

*Avoidance, recovery and disposal of waste.* Legislative Decree 152/06, Part 4, incorporates the principle of 'polluters pay' and further provides for cradle to grave liability for waste. Legislative Decree 4/2008 introduced some requirements about Waste Water Treatment and Risks analysis compliance for underground water contamination.

*Water protection.* Legislative Decree 152/2006, Part 3, defines the authorisation procedure and discharge limits, in order to protect surface and underground water. Surface water and groundwater are, as public utilities, subject to a public management and utilisation regulation which leaves the allocation of users' rights at official discretion.

*Soil protection.* The protection and care of soil as an environmental medium and part of the ecosystem is promoted by Legislative Decree 152/06, which essentially follows the Ministerial decree 471/1999 with some simplification as far as documentation is concerned. Soil protection measures, preventative or remedial; aim at avoiding or reducing substance inputs into the soil, or removing already existing soil damage. The Legislative Decree sets forth both the acceptable limits and the rules for monitoring communication and reclamation.

***Hazardous substances***

*Regulation of hazardous substances.* Legislative Decree 52/1997, implemented in Italy, the EU Directive, relevant to classification, packaging and labelling of dangerous substances. Legislative Decree 65/2003 implemented the EU Directives relevant to classification, packaging and labelling or dangerous preparations. All hazardous substances, as per the scope identified in the EU REACH Regulation, are subject, to a registration and notification process before they can be brought onto the market. Hazardous substances and mixtures must be classified in accordance with the EU CLP Regulation in line with their hazardous properties. Further regulations prohibiting and limiting manufacture, marketing and use also apply.

***Health and safety***

Legislative Decree (LD) 81/08, governs Safety and Occupational Health (including construction work) with the exclusion of Major Hazards (Seveso). This Decree imposes obligations on an employer

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with regards to workplace health and safety and also provides for liability related to health and safety incidents.

**United States**

In the US, we operate a number of plants and facilities for the storage and processing of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

***Environmental compliance***

Sasol North America (Sasol NA), Sasol Wax North America, Sasol Chemicals North America and Merisol are subject to numerous federal, state, and local laws and regulations that regulate the discharge of materials into the environment or that otherwise relate to the protection of human health and the environment. As with the chemical industry, generally, compliance with existing and anticipated environmental, health, safety, and process safety laws and regulations increases the overall cost of business, including capital costs to construct, maintain, and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require Sasol NA, Sasol Wax North America, Sasol Chemicals North America and Merisol to make significant expenditures of both a capital and expense nature. Environmental compliance expenditures for Sasol NA and Merisol's manufacturing sites for the next five years are estimated to range from US$3 million to US$7 million per year.

***Remedial action***

Sasol NA's total estimated liability at 30 June 2013 for its 10% share of Bayou Verdine and the Calcasieu Estuary CERCLA Site is approximately US$500 000. Under the agreement for the acquisition of Sasol Chemie, 80% of Sasol NA's estuary related remediation costs are expected to be indemnified by RWE-DEA AG, and will continue to be indemnified until at least 1 March 2023.

**Canada**

In 2011, Sasol acquired various interests in natural oil and gas properties in British Columbia through a joint venture partnership with Talisman Energy Inc. These properties are governed by numerous Canadian provincial (and to a lesser degree, federal) requirements.

***Oil and natural gas production***

The provincial Petroleum and Natural Gas Act (PNGA) and Oil and Gas Activities Act (OGAA) are the primary sources of regulatory controls over Sasol's interests in oil and gas producing areas in Canada. These statutes include a wide array of tenure, operational and public review requirements. A common theme of the requirements is that producers must hold applicable licences, leases, permits and other approvals.

***Water protection***

Substantial volumes of water are needed for British Columbia oil and gas production. For example, large volumes of water are used to fracture shale gas formations. Extractions of water from ground and surface sources are regulated by the OGAA and the provincial Water Act. Water extraction wells are subject to requirements governing well tenure and location, construction and aquifer management. The piping of water to exploration or production sites is governed by special approval requirements (covering fisheries, pipeline construction, tenure and surface rights issues).

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***Emissions***

British Columbia's Environmental Management Act (EMA) prohibits emissions, discharges and the like into the environment without prescribed permits. Several permits apply to activities at the British Columbia subject properties, covering releases to air and water.

***Contaminated sites***

Soil and groundwater contamination in the British Columbia oilpatch is regulated primarily by the contaminated sites regime in the EMA and its supporting Contaminated Sites Regulation (CSR). The EMA and CSR are highly prescriptive, and are further supported by detailed protocols and guidance documents published by the Ministry of Environment (MOE). Liability can be triggered in two ways: (a) a statutory cause of action enables parties who incur "remediation costs" at a "contaminated site" to recover those costs in a civil action from "responsible persons" (in addition to common law tort remedies available to a plaintiff); and (b) the MOE regulator may issue a remediation order against persons responsible for a "contaminated site".

***Fisheries***

The federal Fisheries Act is the primary source of requirements to protect fish and fish habitat. This act prohibits, subject to applicable authorisations, the destruction or alteration of fish habitat and the release of "deleterious substances" in fish-bearing water bodies. The Fisheries Act is a prominent consideration in the construction of pipelines and roadways and extractions of surface water.

***Environmental assessment***

Further development of the British Columbia properties might trigger one or both of provincial and federal environmental assessment (EAs) requirements. EAs commonly will require substantive public review and aboriginal (or First Nations) consultation. To date, none of the activities undertaken in relation to the Canadian operations have triggered an EA.

***First Nation consultations***

A unique and prominent factor in Canadian safety, health and environmental law (SHE law) is the recognition of First Nations rights and the reconciliation of those rights with those held by government or private individuals. In the case of British Columbia, the constitutional recognition of First Nations rights stems from Treaty 8, signed in 1899 between the Crown and First Nations. Government regulators, as a result must often discharge a constitutional duty to "consult and accommodate" First Nations in the course of their regulatory functions. Many aspects of consultation and accommodation have been formalised in the British Columbia oilpatch in the form of agreements and procedures, which continue to evolve in response to judicial guidance. These agreements and procedures often delegate consultation duties to private operating entities. An overview of the First Nation engagement activities carried out of the joint venture indicated a comprehensive and proactive program in line with best practices for the industry.

***Occupational and workplace safety***

The provincial government's Workers Compensation Act and supporting regulations and policies set out detailed rules respecting workplace safety. Special rules (found in this act's regulations) apply to the petroleum sector.

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**Mozambique**

In Mozambique, Sasol operates a processing plant and associated facilities for the extraction and processing of natural gas and condensate and transportation of natural gas. The Central Processing Facility (CPF) has been in operation since February 2004. These operations are subject to numerous Mozambican laws and regulations as well as World Bank Group requirements and best practice standards.

*Environmental, health and safety regulations.* The Ministry for the Coordination of Environmental Affairs (MICOA) coordinates environmental affairs in Mozambique. A National Environmental Management Programme is the policy document outlining the priorities for environmental management and sustainable development in Mozambique. This programme contains a National Environmental Policy, a proposal for Framework Environmental Legislation and Environmental Legislation and an Environmental Strategy.

The Framework Environmental Law (20/97) provides a legal framework for the use and correct management of the environment and its components and to assure sustainable development in Mozambique. This law is applicable to all public or private activities that may directly or indirectly influence the environment. It requires licensing of activities that are liable to cause significant environmental impacts. The granting of an environmental licence is subject to the preparation and approval of an appropriate level of environmental impact study and management plan.

The body of environmental legislation is growing and comprises Decree 45/2004 of 29 September Regulation on Environmental Impact Assessment Process. The EIA for Exploration development and production of petroleum activities, gas and mineral resources extractive industry is governed by specific regulation.

Decree no.18/2004, of 2 June The Regulation on Environmental Quality and Effluent Emissions Standards aims to establish the standards for environmental quality and for effluents release in order to assure the effective control and maintenance of the admissible standards of concentration of polluting substances on the environmental components.

Decree 32/2003 of 12 August Regulation on the Environmental Audit Process, establish that the costs of an environmental audit are to be exclusively supported by the applicant, i.e. Sasol (for private audits) and the Government (for public audits).The Regulation on Environmental Inspections (11/2006), the Regulation on Waste Management (13/2006), General Directives for Environmental Impact Studies (129/2006), the Public Participation Process (130/2006) and a Decree (56/2010) on Environmental Regulation for Petroleum Operations.

In terms of environmental protection and safety, the Petroleum Act (3/2001) and the Petroleum Operations Regulations (24/2004) require holders of exploration and production rights to conduct petroleum operations in compliance with environmental and other applicable legislation. Petroleum operations must be understood as all or any activities related to exploration, development, separation and treatment, storage, transportation and sale or delivery of petroleum from the point of export, or to the agreed supply point in the Republic of Mozambique will have to comply with the environmental and other applicable legislation, and includes Natural Gas processing and the closure of all concluded activities.

*Mineral Rights.* Petroleum activities are regulated by the Petroleum Act and Regulation (Law 3/2001, of 21 February and Decree 24/2004, of 20 August, respectively). The National Petroleum Institute administers and regulates petroleum operations on behalf of the Mozambique Government. The Mozambique government encourages the exploration and development of the country's hydrocarbon potential within a certain project framework.

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Mining Law no. 14/2002, of 26 June 2002. This law governs the terms for the exercise of the rights and obligations regarding the use of mineral resources taking into account the environment, aiming its rational utilisation to the benefit of the national economy.

Decree no. 26/2004, Environmental Regulation for Mining Activity, BR, no. 33, I Serie, 2nd Supplement, 20 August 2004. For purpose of the present regulation, the following terms shall have the meaning indicated: Level 1 Activities small-scale operations undertaken by individuals or cooperatives as well as reconnaissance and exploration operations not involving mechanised methods.

In accordance with the constitution of Mozambique, the land and the natural resources of the soil and the subsoil of the territorial waters and continental shelf are the property of the state, which determines the conditions for their development and use, through the Land Act (19/97, of 1 October) and Regulation of Land Act (Decree 66/98 of 8 December).

Law no. 10/88, Legal Protection of the Cultural and Natural Heritage of Mozambique, of 22 December. The present law applies to all cultural heritages in possession of the State, public law institutions, individual or collective persons, without prejudice of the right of property, as well as cultural heritage that shall be discovered in the Mozambican territory in the soil, underground, bed of inland waters and continental shelf.

**Qatar**

In Qatar, we participate in a joint venture involving a number of plants and facilities for the storage and processing of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

*Environmental regulation.* All public or private development plans, including industrial, agricultural and infrastructure projects are required to follow the Environmental Protection Law and obtain an environmental authorisation permit from the Ministry of Environment (MOE). The MOE is also responsible for environmental protection and conservation in the State of Qatar.

The Environmental Protection Law, Decree-Law No. (30) of 2002 is aimed at protection of the environment, prevention of pollution (short -and long-term) and sustainable development by providing for development of natural resources for the benefit of the present and future generations, the protection of society, human health and other living creatures, and protection of the environment from the damaging effect of activities outside of the State of Qatar.

The Executive By-Law for the Environmental Protection Law, issued vide the Decree Law No. 30 for the Year 2002 (the By-Law) stipulates specific standards and regulations to meet the objectives of The Environmental Protection Law. This includes regulations on determining the environmental impact of projects (requirements to conduct an EIA), emergency response plans for environmental disasters, hazardous wastes and materials, air pollution, water pollution, protection of marine environment. It also includes annexure regulations on:

*Air protection.* Prescribing standards for air quality for different industries;

*Water protection.* Prescribing standards for pollutants and limitations for discharges into the water; and

*Waste.* Regulates the management and trans-boundary movement of hazardous wastes. In addition it regulates the import, production, handling and transportation of hazard materials including the categorisation, labelling, separation and packing of hazardous materials.

*Consent to Operate (CTO).* This is ORYX GTL's operating permit issued under the Authority of Law, 30 of 2002, and its By-Law No. 4 of 2005 and is renewable on an annual basis. This permit stipulates general monitoring requirements, waste water quality standards, point source air emission

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standards, overall noise level limit, handling and storage of hazardous wastes, chemical use, records and emergency response programmes.

The State of Qatar has implemented CDM, an initiative to reduce the emission of greenhouse gases. Gas flaring mitigation and the reduction of carbon emissions were among the two key areas focused on by the State of Qatar as part of its commitment towards CDM.

The Environmental Design Basis (EDB) stipulates the environmental standards that should be followed during the project phase.

*Occupational Health and Safety Administration (OSHA).* There is no regulatory authority for safety or health in Qatar and therefore ORYX GTL used the internationally recognised OSHA standards as guidelines where applicable.

**Other countries**

In a number of other countries we are engaged in various activities that are regulated by local and international laws, regulations and treaties. In Malaysia, China and other countries, we operate plants and facilities for the storage, processing and transportation of chemical substances, including feedstock, products and waste. In the United Arab Emirates, Nigeria, Gabon and other countries, we are involved, or are in the process of being involved, in exploration, extraction, processing or storage and transportation activities in connection with feedstock, products and waste relating to natural oil and gas, petroleum and chemical substances. Our operations in the respective jurisdictions are subject to numerous laws and regulations relating to exploration and mining rights and the protection of safety, health and the environment.

## 4.C Organisational Structure

Sasol Limited is the ultimate parent of the Sasol group of companies. Our wholly owned subsidiary, Sasol Investment Company (Pty) Ltd, a company incorporated in the Republic of South Africa, holds primarily our interests in companies incorporated outside South Africa. The following table presents each of Sasol's significant subsidiaries (including direct and indirect holdings), the nature of business, percentage of shares of each subsidiary owned and the country of incorporation at 30 June 2013.

| Name | Nature of business | Percentage ownership | Country of incorporation |
|---|---|---|---|
| Sasol Mining (Pty) Ltd | Coal mining activities | 89,8[(1)] | South Africa |
| Sasol Mining Holdings (Pty) Ltd | Holding company for the group's mining interests | 100 | South Africa |
| Sasol Synfuels (Pty) Ltd | Production of liquid fuel components, gases and chemical products and refining of tar acids | 100 | South Africa |
| Sasol Technology (Pty) Ltd | Engineering services, research and development and technology transfer | 100 | South Africa |
| Sasol Financing (Pty) Ltd | Management of cash resources, investment and procurement of loans (for South African operations) | 100 | South Africa |

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| Name | Nature of business | Percentage ownership | Country of incorporation |
|---|---|---|---|
| Sasol Investment Company (Pty) Ltd | Holding company of the group's foreign investments (and investment in movable and immovable property) | 100 | South Africa |
| Sasol Chemical Industries Limited | Production and marketing of mining explosives, gases, petrochemicals, fertilisers and waxes | 100 | South Africa |
| Sasol Gas Holdings (Pty) Ltd | Holding company for the group's gas interests | 100 | South Africa |
| Sasol Oil (Pty) Ltd | Marketing of fuels and lubricants | 75 | South Africa |
| Republic of Mozambique Pipeline Investments Company (Pty) Ltd | Owning and operating the natural gas transmission pipeline between Temane in Mozambique and Secunda in South Africa for the transportation of natural gas produced in Mozambique to markets in Mozambique and South Africa | 50(2) | South Africa |
| Sasol Chemical Holdings International (Pty) Ltd | Investment in the Sasol Chemie group | 100 | South Africa |
| Sasol Chemicals Europe Limited | Marketing and distribution of chemical products | 100 | United Kingdom |
| Sasol Chemicals Pacific Limited | Marketing and distribution of chemical products | 100 | Hong Kong |
| Sasol Financing International Plc | Management of cash resources, investment and procurement of loans (for operations outside South Africa) | 100 | Isle of Man |
| Sasol Gas Limited | Marketing, distribution and transportation of pipeline gas and the maintenance of pipelines used to transport gas | 100 | South Africa |
| Sasol Group Services (Pty) Ltd | Supplier of functional core and shared services to the Sasol group of companies | 100 | South Africa |
| Sasol Oil International Limited | Buying and selling of crude oil | 75(3) | Isle of Man |
| Sasol Petroleum International (Pty) Ltd | Exploration, development, production, marketing and distribution of natural oil and gas and associated products | 100 | South Africa |

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| Name | Nature of business | Percentage ownership | Country of incorporation |
|---|---|---|---|
| Sasol Canada Exploration and Production Limited (SCEPL) | General partner in, and management of, the Sasol Canada Exploration and Production Limited Partnership (SCEP LP) which holds Sasol's upstream interests in the Sasol Talisman Montney Partnership in Canada | 100 | Canada |
| Sasol Canada Holdings Limited | Downstream studies and activities in Canada and limited partner with SCEPL in the SCEP LP | 100 | Canada |
| SPI International (Pty) Ltd | Holding company for Sasol Polymers' foreign investments | 100 | South Africa |
| Sasol Synfuels International (Pty) Ltd | Develop and implement international GTL and CTL ventures | 100 | South Africa |
| Sasol Wax International Aktiengesellschaft | Holding company for Sasol Wax (outside South Africa) operations | 100 | Germany |
| Sasol Wax GmbH | Production, marketing and distribution of waxes and wax related products | 100 | Germany |
| National Petroleum Refiners of South Africa (Pty) Ltd | Refining crude oil | 47,73[(3)] | South Africa |
| Sasol Chemie GmbH and Co. KG | Investment in the Sasol Germany GmbH, Sasol Solvents Germany GmbH and Sasol Olefins and Surfactants GmbH | 100 | Germany |
| Sasol Germany GmbH | Production, marketing and distribution of (chemical products) olefin and surfactant products | 100 | Germany |
| Sasol Solvents Germany GmbH | Production and marketing of solvents | 100 | Germany |
| Sasol Italy SpA | Trading and transportation of oil products, petrochemicals and chemical products and derivatives | 99,9 | Italy |
| Sasol Holdings (USA) (Pty) Ltd | To manage and hold the group's interests in the United States | 100 | South Africa |
| Merisol LP | Production, marketing and distribution of phenolics | 100 | United States |
| Sasol North America Inc. | Manufacturing of commodity and specialty chemicals | 100 | United States |
| Sasol Holdings (Asia Pacific) (Pty) Ltd | Holding company for Sasol Polymers' foreign investments | 100 | South Africa |

(1) This represents our effective holding through Sasol Mining Holdings (Pty) Ltd

(2) This represents our effective holding through Sasol Gas Holdings (Pty) Ltd

(3) This represents our effective holding through our 75% interest in Sasol Oil (Pty) Ltd

## 4.D Property, plants and equipment

### Plants and facilities

We operate coal mines and a number of plants and facilities for the storage, manufacturing, processing and transportation of oil, chemicals and gas related raw materials, products and wastes. For a detailed discussion regarding the use, capacity and products of these facilities provided for each business refer to "Item 4.B Business Overview".

***Coal mining facilities***

Our main coal mining facilities are located at the Secunda Mining Complex, consisting of underground mines (Bosjesspruit, Brandspruit, Middelbult, Syferfontein and Twistdraai export mine) and Sigma: Mooikraal near Sasolburg.

Pages M-1 to M-5 include maps showing the location of our coal properties and major manufacturing plants in South Africa.

***Our Secunda facilities***

Our main manufacturing facilities are located at Secunda, and they are the base for our Synfuels operations and a range of our chemical industries operations, including explosives, fertilisers, monomers and polymers, solvents and tar. The approximate size of this property is 82,5 square kilometres ($km^2$) with operating plants accounting for 8,35 $km^2$.

***Our Sasolburg facilities***

Our facilities at Sasolburg are the base for a number of our chemical industries operations, including ammonia, explosives, fertilisers, mining chemicals, phenols, solvents, polymers, tars and wax operations. The approximate total size of these properties is 51,4 $km^2$.

The size of the Natref refinery, also based in Sasolburg, is approximately 1,1 $km^2$.

***Our Mozambican facilities***

In Mozambique, natural gas and condensate is produced from the Pande-Temane PPA asset which is operated by Sasol Petroleum Temane Limitada, a subsidiary of Sasol Petroleum International (Pty) Ltd (SPI). Production from the Temane and Pande fields is processed through a central processing facility (CPF) on a site of approximately 400 000 $m^2$. The CPF is located some 700 km north of the Mozambican capital, Maputo.

The processed gas is supplied to the local gas markets in Mozambique and the South African gas market through the pipeline owned by the Republic of Mozambique Pipeline Investments Company (Pty) Ltd, in which we have a 50% shareholding.

***Our Gabon facilities***

In Gabon, oil is produced from the Etame Marin Permit asset which is operated by VAALCO Gabon (Etame) Inc. The facilities are located some 35 km offshore southern Gabon. Production from the Etame field is by means of subsea wells and through a floating production, storage and off-loading vessel (FPSO) contracted from Tinworth and which is moored offshore at the field location. Production from the Avouma and Ebouri fields is through minimum facilities fixed platforms which are tied back by pipelines to the FPSO. The processed oil is stored in tanks on the FPSO and is exported by tanker according to a nominations and lifting schedule defined by the buyer, taking regard of stock levels and production forecasts

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***Our Canadian facilities***

In Canada, natural gas and liquids are produced from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset which is operated by Talisman Energy Inc. Production is by means of production wells, flowlines, gathering lines and processing facilities located in British Columbia, Canada. Farrell Creek gas is processed through processing facilities owned by us and Talisman, whilst Cypress A gas is processed and sold through third party production facilities. The approximate total gross size of the properties is 54 274 acres for Farrell Creek and 57 255 acres for Cypress A.

***Our facilities in Germany***

Sasol Solvents has manufacturing sites based at two locations in Germany, the most significant of these facilities is Moers (site size approximately 808 000 $m^2$; plant size 400 000 $m^2$).

Sasol Olefins & Surfactants operations are based at two locations in Germany, namely at Brunsbüttel (site size approximately 2,0 million $m^2$; plant size 500 000 $m^2$) and Marl (site size approximately 160 000 $m^2$; plant size 75 000 $m^2$).

Sasol Wax facilities are based in Hamburg (site size approximately 160 000 $m^2$; plant size 100 000 $m^2$).

***Our facilities in Italy***

The operations of Sasol Olefins & Surfactants are based at three locations in Italy. The primary facilities are at Augusta (site size approximately 1,36 million $m^2$; plant size 510 000 $m^2$) and Terranova (site size approximately 330 000 $m^2$; plant size 160 000 $m^2$).

***Our facilities in the United States***

Various operations of Sasol Olefins & Surfactants are based at a number of locations in the US. The most significant of these facilities is located at Lake Charles, Louisiana (site size approximately 3 million $m^2$; plant size 540 000 $m^2$).

Merisol also has operations based at Oil City, Pennsylvania and Houston and Winnie, Texas.

Sasol Wax's production facility is located in Richmond, California.

***Our facilities in Qatar***

ORYX GTL is a gas-to-liquids plant, located at Ras Laffan Industrial City, situated along the northeast coast of Qatar (site size approximately 1 327 $km^2$).

***Our catalyst manufacturing facilities in Sasolburg and The Netherlands***

Sasol Cobalt Catalyst Manufacturing (Pty) Ltd is a wholly owned subsidiary of SSI and has the following catalyst manufacturing interests:

- A fully owned 680 tpa cobalt catalyst manufacturing unit, situated in Sasol's Sasolburg site, 80 km south of Johannesburg, South Africa; and

- A manufacturing agreement with BASF, De Meern, The Netherlands, which currently has two 680 tpa cobalt catalyst manufacturing units fully operational, dedicated exclusively to Sasol.

The units above are sufficient to supply cobalt catalyst to current committed ventures and as future GTL and CTL ventures are realised. Sasol plans to expand its cobalt catalyst capacity to ensure supply.

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For more information regarding capital expenditure in respect of these properties and the related facilities and operations, refer to "Item 5.F Liquidity and capital resources" for a description of our material plans to construct, expand and enhance our facilities.

**Mining properties and operations**

***Mine systems and their production capacity***

Sasol Mining operates six mines, the annual nominated capacities and actual production values are indicated in the following table:

***Nominated capacity and production***

| Mine | Nominated capacity per year(1) (Mt) | 2013 actual production (Mt) | 2012 actual production (Mt) |
|---|---|---|---|
| Bosjesspruit (Secunda) | 7,5 | 8,0 | 7,3 |
| Brandspruit (Secunda) | 6,6 | 7,3 | 7,1 |
| Middelbult (Secunda) | 8,3 | 7,4 | 7,4 |
| Syferfontein (Secunda) | 9,6 | 9,6 | 10,0 |
| Twistdraai Export (Secunda) | 6,1 | 6,1 | 6,3 |
| Sigma : Mooikraal (Sasolburg) | 2,2 | 1,7 | 1,9 |

(1) The nominated capacity of the mines is the expected maximum production of that mine during normal operational hours.

All mines employ the underground board and pillar mining method, using continuous miners. At Sasolburg, the Sigma Mine was established in 1950 and the Mooikraal shaft started production during 2006. In the Secunda area, production at the first two mines, Brandspruit and Bosjesspruit, commenced in 1977. Twistdraai and Middelbult followed during the early 1980s, while Syferfontein started production in 1992. The Brandspruit mine reserves are almost depleted and will be replaced by a new greenfields mine, Impumelelo, in a phased approach from 2014. In 1996, the Twistdraai Export mine was commissioned. The mine boundaries are extended based on on-going studies and new planning. All the production equipment is either replaced or overhauled on a regular basis according to a managed maintenance system.

***Processing operations***

*Export business Secunda operations.* The export business was initiated in August 1996 as part of a growth strategy. To date, a total of 51,4 Mt of coal has been exported and 2,3 Mt of coal has been sold locally. This was beneficiated from 134,2 Mt at the Twistdraai Export Plant, from 1996 through 2013. Coal is fed to the beneficiation plant from the existing Twistdraai mine. The Twistdraai mine reserves are almost depleted and will be replaced by a new greenfields mine, Thubelisha, in a phased approach from 2014. The beneficiation plant produces a primary export product with an ash content of approximately 13,2% (air dried) as well as a secondary product for the Sasol Synfuels market.

The export beneficiation plant has a design throughput capacity of 10,5 Mt per year. In 2013, 5,5 Mt was processed. The plant consists of a primary and secondary beneficiation stage. The primary stage comprises three modules with two identical feed streams each. The coal is fed at a rate of 300 tons per stream per hour, which is fed into three 800 millimetre (mm) diameter dense medium cyclones. There are a total of 18 cyclones in the primary stage. The secondary stage consists of two modules with two 1 000 mm diameter dense medium cyclones.

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The run of mine (ROM) coal is transported via overland conveyor belts to the export beneficiation plant from the Twistdraai mine. The export product is loaded onto trains by means of a rapid load-out system, and then transported to the Richards Bay Coal Terminal (RBCT) in KwaZulu-Natal.

The existing nameplate capacity at the RBCT was increased from 76 Mt to 91 Mt per year, following the commissioning of the Phase V expansion in May 2010. Sasol Mining has a 5% share in the original capacity of this terminal, which corresponds to the existing entitlement of 3,6 Mt per year. For the foreseeable future, it is anticipated that Sasol Mining will only export approximately 2,85 Mt per year. This is largely due to the phasing in process of the Phase V entrants and availability of export entitlement to new participants at RBCT.

*Sasol Coal Supply Secunda operations.* Sasol Coal Supply operates the coal handling facility between Sasol Mining and Sasol Synfuels by stacking and blending coal on six stockpiles of 110 000 tons each. The overland conveyors from the mining operations to the coal handling facility are, in total, 35 km long and also form part of the Sasol Coal Supply operation.

The Sasol Coal Supply operation has a stockpile capacity of 660 000 tons, which is turned over approximately 1,2 times per week. In addition, there is a reserve stockpile capacity of more than 2,5 Mt. The objectives of this facility are:

- to homogenise the coal quality supplied to Sasol Synfuels;
- to keep the Sasol Synfuels bunkers full with a product that conforms to customer requirements;
- to maintain a buffer stockpile to ensure even supply; and
- to prevent fine coal generation.

The daily coal supply to Sasol Synfuels is approximately 112 000 tons.

***Coal exploration techniques***

Sasol Mining's geology department employs several exploration techniques in assessing the geological risks associated with the exploitation of the coal deposits. These techniques are applied in a mutually supportive way to achieve an optimal geological model of the relevant coal seams, targeted for production purposes. The Highveld Basin is considered to be structurally complex when compared to the other coalfields in South Africa where mining activities are taking place. As a result, Sasol Mining bases its geological modelling on sufficient and varied geological information. This approach is utilised in order to achieve a high level of confidence and support to the production environment.

*Core recovery exploration drilling.* This is the primary exploration technique that is applied in all exploration areas, especially during reconnaissance phases. In and around operational mines, the average vertical borehole density varies from 1:10 to 1:15 (boreholes per hectare), while in medium term mining areas, the average borehole density is in the order of 1:25. Depths of the boreholes drilled vary, depending on the depth to the Pre-Karoo basement, from 160 m to 380 m. The major application of this technique is to locate the coal horizons, to determine coal quality and to gather structural information about dolerite dykes and sills, and the associated de-volatilisation and displacement of coal reserves. This information is used to compile geological models and forms the basis of geological interpretation.

*Directional drilling*. Directional drilling from surface to in-seam has been successfully applied for several years. A circular area with a radius of approximately 1,6 km of coal deposit can be covered by this method, from one drill site. The main objective of this approach is to locate dolerite dykes and transgressive dolerite sills, as well as faults with displacements larger than the coal seam thickness.

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*Horizontal drilling.* This technique is applied to all operational underground mines and supplies short-term (minimum three months) exploration coverage per mining section. No core is usually recovered, although core recovery is possible, if required. The main objective is to locate dolerite dykes and transgressive sills intersecting the coal mining horizon, by drilling horizontal holes in the coal seam from a mined out area. A drilling reach of up to 1 km is possible, although the average length is usually 800 m in undisturbed coal.

*Aeromagnetic surveys.* Many explorations were usually aero-magnetically surveyed before the focused exploration was initiated. The main objective is to locate magnetic dolerite sills and dykes, as well as large-scale fault zones.

*Airborne electro-magnetic surveys.* Due to the occurrences of non-magnetic dolerite dykes and sills, it has been necessary to survey certain exploration areas electro-magnetically to pinpoint these structures to optimise mine deployment.

*Geophysical wireline surveys of directional boreholes.* Geophysical surveys are routinely conducted in the completed directional drilled boreholes. This results in the availability of detailed information leading to increased confidence of the surface directional drilling results. This technique has also been applied in underground directional drilling with excellent results.

***Secunda operations***

The coal supplied to Sasol Synfuels is the raw coal mined from the four mines supplying Sasol Synfuels exclusively and the secondary product from the export mine's beneficiation plant.

Extensive geological exploration has been done in the coal resource areas. Additional exploration is undertaken to update and refine the geological models, which allows accurate forecasting of geological conditions and coal qualities, for the effective planning and utilisation of the coal reserves.

*Computation and storage of geological information*

Geological information is stored in the Acquire database. Data validation and quality checking through several in-house methods is conducted regularly. Data modelling is conducted by manual interpretation and computer-derived geological models, using the Minex 6 edition of the GEOVIA/MINEX software. Reserves and composite qualities are computed using established and recognised geo-statistical techniques.

*General stratigraphy*

The principal coal horizon, the Number 4 Lower Coal Seam, provides some 90,26% (2012 90,35%) of the total proved and probable reserves. The Number 4 Lower Coal Seam is one of six coal horizons occurring in the Vryheid Formation of the Karoo Supergroup, a permo-carboniferous aged, primarily sedimentary sequence. The coal seams are numbered from the oldest to the youngest.

Characteristics of the Number 4 Lower Coal Seam. The Number 4 Lower Coal Seam is a bituminous hard coal, characterised by the following borehole statistics:

- The depth to the base of the seam ranges from 40 m to 241 m with an average depth of 135 m below the surface topography. All the current mining done on this seam is underground;
- The floor of the seam dips gently from north to south at approximately 0,5 degrees;

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The thickness of the seam varies in a range up to 10 m with a weighted average thickness of 3,3 m. In general, thinner coal is found to the south and thicker coal to the west adjacent to the Pre-Karoo basement highs;

The inherent ash content (air dried basis) is an average 28,6%, which is in line with the coal qualities supplied during the past 30 years to Sasol Synfuels;

The volatile matter content is tightly clustered around a mean of 19,5% (air dried); and

The total sulphur content (air dried), which primarily consists of mineral sulphur in the form of pyrite and minor amounts of organic sulphur, averages 1,08% of the total mass of the coal.

The other potential coal seam is:

The Number 2 Coal Seam at Middelbult mine and Impumelelo colliery have been included in our reserve base.

*Mining parameters and assumptions used during reserve estimation*

**Minimum mining height (meters):** the minimum mining height used is 2,2 m. The exception is Bosjesspruit colliery, where the height is 1,5 m.

**Maximum mining height (meters):** the maximum mining height used is 4,8 m for the Thubelisha colliery.

**Primary safety factor[(1)]:** the safety factor used in the mine planning, for primary development, in normal ground conditions is 1,8.

**Secondary safety factor[(1)]:** the safety factor used in the mine planning, for secondary development, in normal ground conditions is 1,6.

**Minimum dry ash free volatile matter content:** the dry ash free volatile matter content gives an indication of devolatilised coal. During estimations, areas with a dry, ash free volatile matter content of less than 28% are excluded, and considered to be devolatilised coal areas.

**Geological loss factor:** the geological loss factors vary in the respective blocks from 5,0% (Twistdraai) to 27,0% (Block 2S and Block 3 South) and averages at 11,38% in the operational mines. The geological loss factor is a discount factor applied to the gross in situ tonnage to take into account as yet unobserved geological features, which may occur. The geological loss factor is therefore a function of the borehole density and known geological complexity of the area, as well as the judgement of the competent person involved.

**Mine layout losses:** the mine layout loss factors, expressed as a percentage of the in situ coal reserves used varies between 9,9% for Middelbult and 53,4% for Brandspruit where panels have been laid out but not scheduled. The mine layout loss factor is a discount factor required to account for the expected loss of coal reserves, due to actual mining activities, not reaching the defined boundary of the mineable in situ coal reserve block. The mine layout loss factors applied are therefore a function of the complexity of the depicted actual and anticipated geological structures and the actual historical loss factors experienced.

**Mine method losses:** this is the coal left behind in the roof due to not mining the full seam. The reason for this being safety, leaving a protective layer of coal in the roof of the coal seam.

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(1) The safety factor is calculated by dividing the strength of the pillar by the stress acting on the pillar. The strength of the pillar is determined by the inherent strength of the coal material, the width of the pillar and the height of the pillar. The stress on the pillar is the result of the pillar load, which is determined by the depth of mining, the pillar width and the board width.

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Losses reported are 21,0% (2012 16,3%) for Syferfontein, and 7,3% (2012 7,7%) for Sigma Mooikraal.

**Mining losses:** mining loss factor, expressed as a percentage of the mineable in situ coal reserve, vary between 33,5% for Bosjesspruit and 63,4% for the Number 2 Seam at Impumelelo. The mining loss factor is the discount factor required to account for the expected loss of coal reserves, due to actual mining activities, which requires support pillars to be left in situ. The mining loss factors applied are therefore a function of the mining method used and planned to be used, as well as the actual historical loss factors experienced.

**Contamination factor:** the contamination factor expressed as a percentage of the extractable coal reserve, varies between 0,5% (2012 0,5%) for Syferfontein and 4,9% for Twistdraai and the average is 2,7%. The contamination factor refers to the extraneous coal and non-coal material which is unintentionally added to the practical mining horizon, as a result of the mining operations. The contamination factors applied are therefore a function of expected geological conditions in the immediate roof and floor of the mining horizon, as well as the actual and historical contamination factors experienced. Contamination factors are also influenced by the equipment selection relative to the planned mining height.

**Superficial moisture factor:** the superficial moisture factor, expressed as a percentage of the extractable coal reserve, varies between 3,0% for Thubelisha and 6,6% for the C2 at Middelbult. The superficial moisture refers to the extraneous moisture added to the extracted coal as a result of the mining operations. The factors applied are therefore based mostly on the historical factors experienced.

*Reserve estimation (remaining reserves at 31 March 2013)*

We have approximately 3,9 billion tons (Bt) (2012 4,0 Bt) of gross in situ proved and probable coal reserves in the Secunda Deposit and approximately 1,3 Bt (2012 1,3 Bt) of recoverable reserves. The coal reserve estimations are set out in table 1 below. Reported reserves have not been decreased by the synthetic oil reserves as reported in the supplemental oil and gas information, as the reserve disclosure in this section is inclusive of Sasol Mining's total coal resources and reserves available for mining operations. The different reserve areas are depicted on maps on pages M-4 and M-5, as well as whether a specific reserve area has been assigned to a specific mine.

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*Table 1.*

**Coal reserve estimations[1] as at 31 March 2013, in the Secunda area where we have converted mining rights (signed on 29 March 2010) in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002**

| Reserve area | Gross in situ coal resource[2] (Mt)[5] | Geological discount (Mt)[5] | Mine layout losses (Mt)[5] | Extraction rate (%) | Recoverable reserves[3] (Mt)[5] | Beneficiated yield[4] (%) | Proved/ probable |
|---|---|---|---|---|---|---|---|
| Middelbult mine, number 4 seam | 729 | 116 | 72 | 42 | 247 | 100 | Proved |
| Middelbult mine, number 2 seam | 61 | 12 | 6 | 41 | 19 | 100 | Proved |
| Bosjesspruit mine | 340 | 31 | 87 | 54 | 138 | 100 | Proved |
| Twistdraai mine | 27 | 1 | 10 | 55 | 13 | P51,S20 | Proved |
| Syferfontein mine | 304 | 23 | 24 | 39 | 83 | 100 | Proved |
| Brandspruit mine | 96 | 5 | 51 | 49 | 30 | 100 | Proved |
| Twistdraai Thubelisha shaft | 677 | 116 | 13 | 67 | 264 | P34,S39 | Proved |
| Impumelelo, Block 2, number 4 seam | 700 | 49 | 146 | 47 | 232 | 100 | Proved |
| Impumelelo, Block 2, number 2 seam | 369 | 26 | 93 | 35 | 63 | 100 | Probable |
| Block 2 South, number 4 seam | 363 | 98 | 49 | 54 | 122 | 100 | Probable |
| Block 2 South, number 2 seam | 133 | 36 | 18 | 54 | 45 | 100 | Probable |
| Block 3 South | 141 | 38 | 19 | 58 | 52 | 100 | Probable |
| **Total Secunda area** | **3 940** | | | | **1 308** | | |

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(1) The coal reserve estimations in this table were compiled under supervision of Mr Viren Deonarain and Mr Jakes Lock. The "South African Code for Reporting of Minerals Resources and Minerals Reserves (The SAMREC Code 2007 edition)" dealing with competence and responsibility, paragraph 7, state Documentation detailing Exploration Results, Mineral Resources and Mineral reserves from which a Public Report is prepared, must be prepared by, or under the direction of, and signed by a Competent Person. Paragraph 9 states: A 'Competent Person' is a person who is registered with SACNASP, ECSA or PLATO, or is a Member or Fellow of the SAIMM, the GSS or a Recognised Overseas Professional organisation (ROPO). The Competent Person must comply with the provisions of the relevant promulgated Acts. Mr J Swart (Pr.Nat.Sc), on behalf of Golder and Associates performed a comprehensive and independent audit of the coal resource/reserve estimations in July 2011 and the estimates were certified as correct. The current estimation is still in line with the audited reserve and resources statement of July 2011. The estimation of the reserves is compliant with the definition and guidelines as stated in the SAMREC and JORC codes, as well as SEC Industry Guideline 7.

(2) The gross in situ coal resource is an estimate of the coal tonnage, contained in the full coal seam above the minimum thickness cut off and relevant coal quality cut off parameters. No loss factors are applied and seam height does not include external dilution or contamination material.

(3) The recoverable coal reserve is an estimate of the expected recovery of the mines in these areas and is determined by the subtraction of losses due to geological and mining factors and the addition of dilatants such as moisture and contamination.

(4) The P% of P51 refers to the export product yield from the recoverable coal reserve and the S% of S20 refers to secondary product yield, which will be supplied to the Sasol Synfuels factory. The balance of this is discard material. The secondary product yield dropped due to an increase in slimes generated.

(5)

Mt refers to 1 million tons. Reference is made of tons, each of which equals 1 000 kilograms, approximately 2 205 pounds or 1 102 short tons.

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*Coal qualities per associated reserve estimation (remaining reserves at 31 March 2013)*

In tables 2 and 3, additional information regarding coal qualities is provided.

*Table 2.*

**Coal qualities, on an air dry basis, in respective coal reserve areas, where Sasol Mining has converted mining rights in respect of the Secunda mining complex in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002.**

| Reserve area | Wet/ dry tons | Average Inherent Moisture Content (%) | Average Superficial Moisture Content (%) | Assigned/ unassigned | Steam/ metallurgical coal | Heat Value (air dry) basis MJ/kg | Sulphur (air dry basis) |
|---|---|---|---|---|---|---|---|
| Middelbult mine | Wet | 4,0 | n/a | Assigned | Steam | 20,4 | 0,8 |
| Bosjesspruit mine | Wet | 3,5 | n/a | Assigned | Steam | 20,5 | 1,1 |
| Twistdraai mine | Wet | 3,6 | n/a | Assigned | Steam | 21,0 | 1,1 |
| Syferfontein mine | Wet | 5,4 | n/a | Assigned | Steam | 21,9 | 0,8 |
| Brandspruit mine | Wet | 3,9 | n/a | Assigned | Steam | 18,4 | 1,3 |
| Twistdraai, Thubelisha shaft | Wet | 4,3 | n/a | Assigned | Steam | 21,1 | 1,1 |
| Impumelelo, Block 2, number 4 seam. | Wet | 4,1 | n/a | Assigned | Steam | 18,1 | 1,2 |
| Impumelelo, Block 2, number 2 seam | Wet | 3,7 | n/a | Assigned | Steam | 17,5 | 0,8 |
| Block 2 South, number 4 seam | Wet | 4,1 | n/a | Unassigned | Steam | 18,2 | 1,2 |
| Block 2 South, number 2 seam | Wet | 3,6 | n/a | Unassigned | Steam | 17,4 | 0,7 |
| Block 5 East | Wet | 3,7 | n/a | Unassigned | Steam | 20,8 | 1,0 |
| Block 3 South | Wet | 3,6 | n/a | Unassigned | Steam | 21,9 | 0,7 |

*Table 3.*

**Coal qualities, on an as received basis, in respective coal reserve areas, where Sasol Mining has converted mining rights in the Secunda mining complex in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002.**

| Reserve area | Wet/ dry tons | Average Inherent Moisture Content (%) | Average Superficial Moisture Content (%) | Assigned/ unassigned | Steam/ metallurgical coal | Heat Value (as received) basis MJ/kg | Sulphur (as received basis) |
|---|---|---|---|---|---|---|---|
| Middelbult mine | Wet | 4,0 | 4,8 | Assigned | Steam | 20,3 | 0,8 |
| Bosjesspruit mine | Wet | 3,5 | 4,2 | Assigned | Steam | 20,5 | 1,0 |
| Twistdraai mine | Wet | 3,6 | 3,4 | Assigned | Steam | 20,8 | 1,1 |
| Syferfontein mine | Wet | 5,4 | 3,9 | Assigned | Steam | 21,8 | 0,9 |
| Brandspruit mine | Wet | 3,9 | 3,8 | Assigned | Steam | 18,4 | 1,3 |
| Twistdraai mine, Thubelisha shaft | Wet | 4,3 | 4,0 | Assigned | Steam | 21,0 | 1,0 |
| Impumelelo, Block 2, number 4 seam | Wet | 4,1 | 3,7 | Assigned | Steam | 18,0 | 1,1 |
| Impumelelo, Block 2, number 2 seam | Wet | 3,7 | 3,7 | Assigned | Steam | 17,5 | 0,8 |
| Block 2 South, number 4 seam | Wet | 4,1 | 3,1 | Unassigned | Steam | 18,0 | 1,1 |
| Block 2 South, number 2 seam | Wet | 3,6 | 2,7 | Unassigned | Steam | 17,2 | 0,7 |
| Block 5 East | Wet | 3,7 | 2,9 | Unassigned | Steam | 20,8 | 0,9 |
| Block 3 South | Wet | 3,4 | 3,6 | Unassigned | Steam | 21,8 | 0,7 |

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*Criteria for proved and probable*

Over and above the definitions for coal reserves, probable coal reserves and proved coal reserves, set forth in Industry Guide 7, under the US Securities Act of 1933, as amended, which are included in our glossary, we consider the following criteria to be pertinent to the classification of the reserves.

Probable reserves are those reserve areas where the drill hole spacing is sufficiently close in the context of the deposit under consideration, where conceptual mine design can be applied, and for which all the legal and environmental aspects have been considered. Probable reserves can be estimated with a lower level of confidence than proved coal reserve. Currently this classification results in variable drill spacing depending on the complexity of the area being considered and is generally less than 500 m, although in some areas it may extend to 880 m. The influence of increased drilling in these areas should not materially change the underlying geostatistics of the area on the critical parameters such as seam floor, seam thickness, ash and volatile content.

Proved reserves are those reserves for which the drill hole spacing is generally less than 350 m, for which a complete mine design has been applied which includes layouts and schedules resulting in a full financial estimation of the reserve. This classification has been applied to areas in the production stage or for which a detailed feasibility study has been completed.

*Legal rights on coalfields*

Prospecting permits and mining authorisations (including the underlying mineral rights) were substituted with interim statutory rights to be converted into new order rights in accordance with the transitional provisions of the Mineral and Petroleum Resources Development Act, 28 of 2002, which came into effect on 1 May 2004. Sasol Mining, therefore, held these interim statutory rights (old order mining rights) to mine more than 98% of the mineral rights previously owned in the Secunda area. Sasol Mining's old order mining rights consisting of 163 687 hectares of coal rights in respect of the Secunda area and 4 938 hectares in respect of the Mooikraal operation near Sasolburg were converted into new order mining rights on 29 March 2010. The four converted mining rights in respect of the Secunda Complex comprises the total reserve area depicted in table 1 and plan in attachment page M-5. Refer to also "Item 4.B Business Overview Regulation of mining activities in South Africa". In respect of the Mooikraal Operation in the Free State, the relevant old order mining right was also converted and signed on 29 March 2010. In addition, Sasol Mining was granted a mining right in respect of small reserve blocks situated within or adjacent to the Mooikraal operation.

***Sasolburg operations***

*Exploration history*

The Northern Free State area in South Africa was first explored in the late 1930s. The exploration was conducted by drilling core recovery boreholes over the current Sasolburg area. Some boreholes were initially drilled by the South African government. The Sigma mine was established in 1950. Subsequent drilling by the General Mining and Finance Corporation in the 1960s identified more coal reserves in the southwest of the existing Sigma mine as well as extensions to the south and east. Page M-4 includes a map showing the location of our Sasolburg coal operations.

The geological models are continually updated and refined with additional drill and analytical results.

*Coal seam geology*

There are two primary coal seams of importance, the Number 2 Coal Seam and the Number 3 Coal Seam. These coal seams are separated by a carbonaceous mudstone to siltstone parting and consist of a number of coal plies and carbonaceous mudstone interburdens. The individual coal plies

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are numbered from the base upwards and selected mining horizons are identified on the basis of the coal quality required. The major controlling factor on the coal development is the pre-Karoo basement.

Selective mining within coal seams implies that strict horizon control is exercised to maintain mining on the selected horizon. This has been done very successfully at the old Sigma underground operations and at the Mohlolo underground operation. The same principles which were applied when mining the old Sigma and Mohlolo underground operations are applied at the Sigma: Mooikraal mine. In the visible coal seam a well-defined sulphide marker within the seam assists in the identification and verification of the pre-determined minable horizon underground, even in areas where the coal seam is displaced by faulting.

In general, the quality of the coal (the ash yield or the fixed carbon content) deteriorates from the base of the coal seam to the top of the coal seam.

In-seam occurrence of inorganic material is rare in the selected mineable area and may consist of locally developed carbonaceous mudstone lenses. Inorganic material occurs mainly towards the top of the coal seam, but has been excluded from the selected mineable horizon.

Sigma mine has been active since 1950 and has completed total extraction of board and pillar and longwall mining on both the major coal seams. The operations at the Mohlolo underground mines, developed from the highwalls of the Wonderwater strip mine, were closed during the 2006 calendar year.

The Sigma: Mooikraal mine started production during 2006. The production for 2013 is 1,7 Mt (2012  2,0 Mt), where the number 3 B seam is mined.

*Selected mining horizon*

The determination of the selected mining horizon is driven primarily by the required coal quality for the steam process at Sasol Infrachem. In order to define the mining horizon, detailed sampling, with associated coal seam descriptions, are conducted. From this, both a visual and chemical correlation of the plies are made.

*Reserve estimation*

Sasol Mining has 57 Mt (2012  60,7 Mt) proved recoverable coal reserves for supply to Sasol Infrachem for steam generation from the number 3B coal seam. The reserve estimation is depicted in Table 4 below.

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*Table 4.*

**Coal reserve estimation[1] of proved and probable reserves, in areas where we have converted mining rights in the Sasolburg mining complex, in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002.**

| Reserve area | Coal seam | Gross in situ coal resource[2] (Mt)[5] | Geological discount (Mt)[5] | Mine layout losses (Mt)[5] | Extraction rate (%) | Recoverable coal reserves[3&4] (Mt)[5] | Proved/ probable |
|---|---|---|---|---|---|---|---|
| Sigma : Mooikraal (Remainder) | 3B | 215 | 18 | 39 | 43 | 57 | Proved |
| **Total Sasolburg area** | | **215** | | | | **57** | |

(1) The coal reserve estimations in this table were compiled under supervision of Mr Viren Deonarain and Mr Jakes Lock. The "South African Code for Reporting of Minerals Resources and Minerals Reserves (The SAMREC Code 2007 edition)" dealing with competence and responsibility, paragraph 7, state Documentation detailing Exploration Results, Mineral Resources and Mineral reserves from which a Public Report is prepared, must be prepared by, or under the direction of, and signed by a Competent Person. Paragraph 9 states: A 'Competent Person' is a person who is registered with SACNASP, ECSA or PLATO, or is a Member or Fellow of the SAIMM, the GSS or a Recognised Overseas Professional organisation (ROPO). The Competent Person must comply with the provisions of the relevant promulgated Acts. Mr J Swart (Pr.Nat.Sc), on behalf of Golder and Associates performed a comprehensive and independent audit of the coal resource/reserve estimations in July 2011 and the estimates were certified as correct. The current estimation is still in line with the audited reserve and resources statement of July 2011. The estimation of the reserves is compliant with the definition and guidelines as stated in the SAMREC and JORC codes, as well as SEC Industry Guideline 7.

(2) The gross in situ coal resource is an estimate of the coal tonnage, contained in the full coal horizon, selected for mining, above the minimum thickness cut off a relevant coal quality cut off parameters. No loss factors are applied and seam height does not include external dilution or contamination material.

(3) Recoverable coal reserve refers to the economically mineable coal, inclusive of diluting and contaminating material, and allows for losses that may occur when material is mined.

(4) At Sasolburg, no coal beneficiation is conducted with 100% of the recoverable coal supplied to the client.

(5) Mt refers to 1 million tons. One ton equals 1 000 kilograms, approximately 2 205 pounds or 1 102 short tons.

*Coal qualities per associated reserve estimation (remaining reserves at 31 March 2013)*

In tables 5 and 6 additional information regarding coal qualities is provided.

*Table 5.*

**Coal qualities on an Air Dry Basis, per reserve estimation area, in areas where Sasol Mining has converted mining rights in the Sasolburg mining complex in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002.**

| Reserve area | Wet/ dry tons | Average inherent moisture content (%) | Average superficial moisture content (%) | Assigned/ unassigned | Steam/ metallurgical coal | Heat Value (air dry basis) MJ/kg | Sulphur (air dry basis) |
|---|---|---|---|---|---|---|---|
| | Wet | 4,7 | n/a | Assigned | Steam | 21,0 | 0,9 |

Sigma : Mooikraal
(Remainder)

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*Table 6.*

**Coal qualities on an as received basis, per reserve estimation area, in areas where Sasol Mining has converted mining rights in the Sasolburg mining complex in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002.**

| Reserve area | Wet/ dry tons | Average inherent moisture content (%) | Average superficial moisture content (%) | Assigned/ Unassigned | Steam/ metallurgical coal | Heat value (as received basis) MJ/kg | Sulphur (air dry basis) |
|---|---|---|---|---|---|---|---|
| Sigma : Mooikraal (Remainder) | Wet | 4,7 | 4,2 | Assigned | Stream | 20,5 | 0,9 |

**Synthetic oil activities**

Refer to "Item 4. D Property, plants and equipment Mining properties and operations" for details regarding our mining properties, coal exploration techniques and the mining parameters and assumptions used during the estimation of synthetic oil reserves.

*Synthetic oil equivalent production, production prices and production costs*

The following table sets forth a summary of the synthetic oil equivalent average sales price and related production costs for the year shown:

| | 2013 South Africa | 2012 South Africa | 2011 South Africa |
|---|---|---|---|
| Average sales price per barrel (Rand per unit) | 949,20 | 865,76 | 675,76 |
| Average production cost per barrel (Rand per unit) | 307,69 | 376,65 | 323,84 |
| Production (millions of barrels) | 49,7 | 42,4 | 44,1 |

**Oil and gas production and exploration operations**

Sasol Petroleum International (Pty) Ltd (SPI) manages our global upstream interests and activities including exploration, appraisal, development and production of natural oil and gas. Through SPI, its subsidiaries and our Canadian holding companies, we currently have equity in producing assets with proved natural oil and gas reserves in Mozambique, Gabon and Canada; and interests in licences in Southern and Western Africa and Australia for exploration and development.

*Mozambique producing assets*

In Mozambique, natural gas and condensate is produced from the onshore Pande-Temane PPA asset. Sasol Petroleum Temane Limitada, a subsidiary of SPI, is the operator and holds a 70% working interest in the asset under the terms and conditions of the Pande-Temane Petroleum Production Agreement. Production of natural gas and condensate is from the Temane and Pande onshore gas fields via a central processing facility (CPF) located some 700 km north of the Mozambican capital, Maputo. The CPF has been fully operational since the start of production from Temane in 2004. Production from Pande commenced in 2009.

In 2013, the net economic interest production from the Pande-Temane PPA asset amounted to 94,6 Bscf gas and 300 000 bbl condensate; and the net economic interest proved reserves at 30 June 2013 are estimated to be 1 519,2 Bscf gas and 4,5 MMbbl condensate.

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*Mozambique exploration and development assets*

We also have equity in four non-producing licences which are operated by SPI subsidiaries, two are onshore and two are offshore.

In the onshore Mozambique Pande-Temane Production Sharing Agreement (PSA) asset we hold a 100% interest, with Empresa Nacional de Hidrocarbonetos (ENH), the national oil company of Mozambique, being entitled, under the terms and conditions of the Pande-Temane Production Sharing Agreement, to a calculated share in any production. In November 2012 an appraisal report was submitted to the Instituto Nacional de Petroleo (INP), the petroleum regulator in Mozambique. Subsequent to submission of the report, in February 2013, notice of commercial discovery of some oil and gas accumulations was made followed by the declaration of two associated development and production areas in May 2013. Both areas are currently the subject of development studies. Also in February 2013, Commercial Assessment Periods were requested on a number of other discoveries in the PSA licence area.

The other onshore Mozambique licensed area is the Exploration and Production Concession Area A, in which we hold a 100% paying interest, with ENH assigned a 10% carried interest until field development.

Offshore Mozambique, we hold a 58,8% paying interest in the Exploration and Production Concession of the shallow water area of Blocks 16&19 (our partner holds a 41,2% paying interest), with ENH assigned a 15% carried interest until field development. This follows a relinquishment of the deepwater parts of the Concession at the end of the contract term on 30 June 2013. In the shallow water part of the licence, petroleum operations were suspended in 2008 until the Strategic Environmental Assessment (SEA) is completed.

The other offshore Mozambique licence is the Exploration and Production Concession Sofala, in which we have a 100% paying interest, with ENH assigned a 15% carried interest until field development.

The offshore Mozambique Exploration and Production Concession M-10 was relinquished in April 2013.

*Gabon producing assets*

In Gabon, oil is produced from the offshore Etame Marin Permit asset. Under the terms of the Etame Marin Permit Exploration and Production Sharing Contract, we hold a 27,75% interest in the areas covered by Production Permits and a 30% interest in the exploration areas. The asset is operated by VAALCO Gabon (Etame) Inc. The permit contains three oil fields (Etame, Avouma and Ebouri) as well as other discoveries and prospects. The Etame field came on stream in 2002 and is producing oil through a floating production, storage and off-loading vessel (FPSO) moored over the Etame field. In 2007, the Avouma field was brought on stream, and the Ebouri field was brought on stream in 2009. Both these fields produce oil through minimum facilities fixed platforms that are tied back by pipelines to the Etame FPSO where production is commingled, processed and exported.

In 2013, the net economic interest production from the Etame Marin Permit asset amounted to 1,3 MMbbl oil and the net economic interest proved reserves at 30 June 2013 are estimated to be 4,3 MMbbl oil.

*Canada producing assets*

In Canada, natural gas and petroleum liquids are produced from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset located in British Columbia. We acquired our 50% working interest in Farrell Creek and Cypress A by means of two transactions, with licence participation

commencing on 1 January 2011, from Talisman Energy Inc., who operate the asset under the terms and conditions of the Talisman Sasol Montney Partnership agreements. Our equity is held via Canadian holding companies, which are subsidiaries of Sasol Investment Company (Pty) Ltd, a wholly-owned subsidiary of Sasol Limited, and is managed by SPI. Farrell Creek comprises 30 licences and leases and contains 91 producing wells (at 30 June 2013), associated gas gathering systems and a 320 MMscf/day processing facility. Cypress A comprises 27 licences and leases and contains 6 producing wells and associated gas gathering systems, with production that is processed through third party facilities.

In 2013, production from the Farrell Creek and Cypress A asset amounted to 22,3 Bscf gas and 0,05 MMbbl petroleum liquids and the net economic interest proved reserves at 30 June 2013 are estimated to be 47,9 Bscf gas and 0,2 MMbbl liquids.

*Other areas of exploration and development assets*

In Botswana we have 50% equity in three non-producing coalbed methane (CBM) and coal prospecting licences PL134/2010, PL135/2010 and PL136/2010 which are operated by an SPI subsidiary.

In Nigeria we hold interests in two offshore deepwater licences. In the OML-140 licence we have a 5% interest. The licence is operated by Chevron. One area of OML-140 has been declared a discovery (Nsiko field) and the assessment of the development potential is on-going. The licence also includes part of the Bonga SW/Aparo oil field in which we have a 0,375% interest. This field is operated by Royal Dutch Shell under the terms of a Pre-Unitisation Agreement. In the OPL-214 licence we have a 5% interest. The licence is operated by ExxonMobil. One area of OPL-214 has been declared a discovery (Uge field) and the assessment of the development potential is on-going. In April 2012 the operator applied for conversion of OPL-214 to an Oil Mining Licence and the operator has engaged over the last year with the Government in order to clarify the OML boundary. The operator advises that industry experience has been that OML conversion approval could take up to two years.

We no longer have an interest in the Nigeria OPL-247 licence. Approval of the reassignment to the original licence concessionaires was received in 2013.

In the offshore Northwest Shelf of Australia we have a 45% interest in the Finder Exploration (Pty) Ltd operated ACP-52 licence. On receipt of all required approvals our equity will be reduced to 30% following a farm-down to Shell.

We no longer have an interest in the offshore Australia licences WA-388 or WA-433. The WA-338 licence expired in August 2012 and our interest in WA-433 was transferred to our partners in May 2013.

Approval of the relinquishment of exploration rights for South Africa Block 3A/4A was received in October 2012. In May 2013, SPI and PetroSA were awarded the area as a Technical Co-operation Permit (TCP) allowing studies for one year. Additionally, in South Africa an application for an Exploration Right over the existing Durban offshore TCP032 was submitted in September 2012 and is anticipated to be awarded in 2014.

In Papua New Guinea, the PPL-285, PPL-286 and PPL-288 licences were surrendered in July 2012 with the remaining prospective acreage in the north of PPL-285 and PPL-288 being converted to a new licence PPL-426. PPL-287 was retained. In December 2012, we transferred operatorship of the licences to Talisman and in July 2013 we sold our equity in both PPL-287 and PPL-426 to Talisman. The sales of both PPL-287 and PPL-426 are subject to Government approval after which we will no longer have an interest in Papua New Guinea.

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***Reserve disclosure***

*Proved developed and proved undeveloped reserves estimates:* The table below summarises the proved developed and proved undeveloped reserves of natural oil and gas for the producing assets managed by SPI, as at 30 June 2013. The total proved reserves estimate is 270,1 million barrels in oil equivalent terms.

**Summary of natural oil and gas proved reserves at 30 June 2013**

| | Oil (Millions of barrels) | Natural gas (Billions of cubic feet) | Total Oil equivalent[1] (Millions of barrels) |
|---|---|---|---|
| **Proved developed** | | | |
| Mozambique | 1,7 | 680,5 | 115,1 |
| Canada[2] | 0,2 | 47,9 | 8,2 |
| Gabon | 2,0 | 0,0 | 2,0 |
| | 3,9 | 728,4 | 125,3 |
| **Proved undeveloped** | | | |
| Mozambique | 2,8 | 838,7 | 142,5 |
| Canada[2] | 0,0 | 0,0 | 0,0 |
| Gabon | 2,3 | 0,0 | 2,3 |
| | 5,1 | 838,7 | 144,8 |
| **Total proved reserves** | **9,0** | **1 567,1** | **270,1** |

(1) Six billion cubic feet of natural gas is converted to one million barrels of oil equivalent.

(2) Canada reserves relate to unconventional natural gas (shale/tight gas).

*Mozambique proved reserves:* The Mozambique proved reserves are contained in the Pande-Temane PPA asset. These represent the net economic interest volumes that are attributable to SPI after the deduction of production tax. The reserves are limited by take or pay quantities defined in the six existing gas sales agreements for the remainder of the terms of the contracts.

*Gabon proved reserves:* The Gabon proved reserves are contained in the Etame Marin Permit asset. These represent the net economic interest volumes attributable to SPI after application of the terms of the Exploration and Production Sharing Contract.

*Canada proved reserves:* The Canada proved reserves are contained in the unconventional (shale/tight gas) Farrell Creek and Cypress A asset. Full development of the asset will require around 3 000 wells, of which only 4% have been drilled to date. In view of the low natural gas price in Western Canada and North America the extensive remaining development plan has slowed to adjust to market conditions. Reserves are presently limited to those volumes of gas and condensate that are forecast to be produced from existing or currently sanctioned wells.

*Changes to proved reserves:* The table below presents in oil equivalent terms the proved reserves of natural oil and gas for the producing assets managed by SPI, over the years shown and identifies the reasons for the changes in the estimates.

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**Natural oil and gas proved reserves at 30 June 2013**
**(oil equivalent, million barrels[1])**

| | Mozambique | Canada[2] | Gabon | Total |
|---|---|---|---|---|
| **Balance at 30 June 2011** | 258,1 | 9,2 | 3,7 | 271,0 |
| Revisions | 1,1 | 3,0 | 1,1 | 5,2 |
| Improved recovery | | | 0,6 | 0,6 |
| Purchases | | | | |
| Commercial arrangements | | | 0,1 | 0,1 |
| Production | (13,8) | (2,8) | (1,5) | (18,1) |
| **Balance at 30 June 2012** | 245,4 | 9,4 | 4,0 | 258,8 |
| Revisions | (4,1) | 1,1 | 0,6 | (2,4) |
| Extensions and discoveries | | | | |
| Improved recovery | 10,8 | 1,5 | 1,0 | 13,3 |
| Purchases (sales) | | | | |
| Commercial arrangements | 21,6 | | | 21,6 |
| Operational factors | | | | |
| Production | (16,1) | (3,8) | (1,3) | (21,2) |
| **Balance at 30 June 2013** | **257,6** | **8,2** | **4,3** | **270,1** |
| **Proved developed reserves** | | | | |
| At 30 June 2011 | 123,3 | 1,2 | 3,7 | 128,2 |
| At 30 June 2012 | 134,3 | 9,4 | 3,5 | 147,2 |
| **At 30 June 2013** | **115,1** | **8,2** | **2,0** | **125,3** |
| **Proved undeveloped reserves** | | | | |
| At 30 June 2011 | 134,8 | 8,0 | | 142,8 |
| At 30 June 2012 | 111,1 | | 0,5 | 111,6 |
| **At 30 June 2013** | **142,5** | | **2,3** | **144,8** |

(1) Six billion cubic feet of natural gas is converted to one million barrels of oil equivalent.

(2) Canada reserves relate to unconventional natural gas (shale/tight gas).

*Proved undeveloped reserves converted to proved developed reserves:* Proved undeveloped reserves converted to proved developed reserves in 2013 (0,2 MMbbl) in Gabon resulted from the drilling and completion of Avouma development wells. The cost associated with this reserves movement are: ETBSM-1H workover US$3 140 927 and EAVOM-3H development well capitalised US$10 389 158.

Proved developed reserves were added in Canada (8,6 Bscf) through the continued drilling programme but these volumes were not disclosed as proved undeveloped reserves last year. Net capital expenditure to Sasol was R2 622 million for well and pad preparation, drilling and completion activities and R555 million for associated infrastructure. The actual spending incurred by Sasol is affected by the capital carry obligations that form part of the consideration for Sasol's acquisition of its interest in the assets.

*Proved undeveloped reserves remaining undeveloped:* A significant volume of proved undeveloped natural gas reserves (around 650 Bscf) has remained undeveloped in the Mozambique Pande-Temane PPA asset for the last seven years. This volume was increased by about 190 Bscf this year as the result of new gas sales agreements. The total volume of some 840 Bscf represents gas that will be recovered as part of the approved field development plan and which is required to satisfy all existing gas sales agreements.

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Gas from Sasol Petroleum International's (SPI) Mozambican Pande-Temane PPA operations is sold under six gas sales contracts most of which extend to 2029 or beyond. The total proved gas reserves disclosed by us for Mozambique represent the future minimum off-take volumes under these contracts. Minimum delivery volumes are also specified in the contracts.

In order to optimise timing of capital expenditures required to convert undeveloped reserves to developed reserves we regularly study production performance from the two fields and review plans for installation of additional compression and wells. The current estimate is that additional wells will not be required before 2024 but low-pressure compression is planned to be installed in phases between 2015 and 2023.

*Preparation of reserve estimates:* To ensure natural oil and gas reserves are appropriately estimated, are accurately disclosed and are compliant with current SEC regulations and Financial Accounting Standards Board (FASB) requirements, we have established and maintain guidelines and procedures, which are reviewed by suitably experienced independent external consultants, and a set of internal controls, which are in accordance with the requirements of the Sarbanes Oxley Act of 2002. The internal controls cover, amongst other matters, the segregation of duties between those who prepare, review and approve the estimates; confirmation that those who estimate the reserves are appropriately qualified and experienced; the review, by an internal panel containing an experienced independent external assessor or by an independent consultancy, of all estimated future production rates and future capital and operating costs to ensure that the assumptions, data, methods and procedures are appropriate; a review of the technologies used in the estimation process to determine reliability; confirmation that the compensation arrangements of those who are involved in the estimation of reserves are not materially affected by the reserves; and approval and authorisation arrangements to validate the economic assumptions and to ensure that only accurate, complete and consistent data are used in the estimation of reserves.

The technical person within SPI, who is primarily responsible for overseeing the preparation of natural oil and gas reserves, is the Manager: Subsurface Characterisation & Engineering. The qualifications of the incumbent include a MA and MSc in Mathematics with 34 years' experience in oil and gas exploration and production activities and 26 years' experience in reserves estimation.

***Natural oil and gas production, production prices and production costs***

*Oil and gas production quantities:* The table below presents net production quantities, by final product sold, for the years shown.

| Production for the year ended 30 June | Mozambique | Canada | Gabon | Total |
|---|---|---|---|---|
| **2011** | | | | |
| Natural gas, billion cubic feet | 79,7 | 2,9 | | 82,6 |
| Oil, million barrels | 0,3 | | 1,9 | 2,2 |
| **Total oil equivalent, million barrels** | | | | **15,9** |
| **2012** | | | | |
| Natural gas, billion cubic feet | 81,1 | 17,0 | | 98,1 |
| Oil, million barrels | 0,3 | | 1,5 | 1,8 |
| **Total oil equivalent, million barrels** | | | | **18,1** |
| **2013** | | | | |
| Natural gas, billion cubic feet | 94,6 | 22,3 | | 116,9 |
| Oil, million barrels | 0,3 | | 1,3 | 1,6 |
| **Total oil equivalent, million barrels** | | | | **21,2** |

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*Oil and gas sales prices and production costs:* The table below summarises the average sales prices for natural gas or oil produced and the average production cost, not including *ad valorem* and severance taxes, per unit of production for each of the last three years.

| **Average sales prices and production costs for the year ended 30 June** | **Mozambique** | **Canada** | **Gabon** |
|---|---|---|---|
| | **Rand per unit** | | |
| **2011** | | | |
| Average sales prices | | | |
| Natural gas, per thousand standard cubic feet | 11,9 | 23,9 | |
| Liquids, per barrel | 451,0 | 551,8 | 558,4 |
| Average production cost* | | | |
| Natural gas, per thousand standard cubic feet | 2,3 | 7,9 | |
| Liquids, per barrel | | | 80,8 |
| **2012** | | | |
| Average sales prices | | | |
| Natural gas, per thousand standard cubic feet | 15,8 | 18,7 | |
| Liquids, per barrel | 636,6 | 650,2 | 741,7 |
| Average production cost* | | | |
| Natural gas, per thousand standard cubic feet | 3,4 | 9,2 | |
| Liquids, per barrel | | | 124,3 |
| **2013** | | | |
| Average sales prices | | | |
| Natural gas, per thousand standard cubic feet | 17,9 | 25,8 | |
| Liquids, per barrel | 712,5 | 509,9 | 807,1 |
| Average production cost* | | | |
| Natural gas, per thousand standard cubic feet | 3,4 | 13,1 | |
| Liquids, per barrel | | | 195,3 |

* Average production costs per unit of production are calculated according to the primary sales product.

***Drilling and other exploratory and development activities***

*Exploratory and development wells:* The table below provides the number of net exploratory wells and development wells completed regardless of when drilling was initiated, in each of the last three years.

| **Net number of wells drilled for the year ended 30 June** | **Mozambique** | **Canada** | **Gabon** | **Total** |
|---|---|---|---|---|
| **2011** | | | | |
| Exploratory well productive | 1,0 | | | 1,0 |
| Development well productive | 2,1 | | 0,6 | 2,7 |
| **2012** | | | | |
| Development well productive | | 26,0 | | 26,0 |
| **2013** | | | | |
| Development well productive | | 14,5 | 0,3 | 14,8 |

A dry well is an exploratory or development well that proves to be incapable of producing either oil or natural gas in sufficient quantities to justify completion.

A productive well is an exploratory or development well that is not a dry well.

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*Other exploratory and development drilling activities:*

The table below provides the number of net wells that are not exploratory wells or development wells, drilled in each of the last three years.

| Net number of wells drilled for the year ended 30 June | Mozambique | Canada | Gabon | Other areas* | Total |
|---|---|---|---|---|---|
| **2011** | | | | | |
| Stratigraphic test well exploratory type | 2,0 | | 0,3 | 0,6 | 2,9 |
| **2012** | | | | | |
| Stratigraphic test well exploratory type | | | | 0,4 | 0,4 |
| Service well | | 0,5 | | | 0,5 |
| **2013** | | | | | |
| Stratigraphic test well exploratory type | 0,4 | | 0,3 | 4,5 | 5,2 |
| Stratigraphic test well development type | | 0,5 | | | 0,5 |

* Other areas comprises of Nigeria, Papua New Guinea, Australia and Botswana

A stratigraphic test well is drilled to obtain information pertaining to a specific geological condition and is customarily drilled without the intent of being completed. Stratigraphic test wells are 'exploratory type' if not drilled in a known area or 'development type' if drilled in known area.

A service well is an injection well, water supply / disposal well or an observation well.

*Exploratory and development activities in 2011:* The key activities in 2011 were in the Mozambique Pande-Temane PPA and Pande-Temane PSA assets and the Gabon Etame Marin Permit.

In the Pande-Temane PPA asset, three development wells were completed and placed in production. In the Pande-Temane PSA asset, one (gross) horizontal exploratory well (I-9z) was drilled and liquid hydrocarbons were encountered. In the Gabon Etame Marin permit two (gross) development wells (ET-7H and ETBSM-2H) were drilled and placed in production.

Additionally a number of stratigraphic test wells exploratory type were drilled in various assets. No commercial hydrocarbons were encountered and all the wells were subsequently plugged and abandoned.

*Mozambique exploratory and development activities 2012:* In the Pande-Temane PPA asset the main activity was the completion of the 183 MGJ/a CPF expansion project.

In the Pande-Temane PSA licence an Extended Well Test (EWT) was conducted on the Inhassoro I-9z well to establish the economic viability of a liquids development. Cumulative production from the I-9z EWT since the well was opened in March 2012 was 41 900 barrels to 30 June 2012.

Other exploration and pre-development activities and technical studies were undertaken in Mozambique including the acquisition of 3D and 2D seismic data in Sofala and Area A, respectively.

*Gabon exploratory and development activities 2012:* 3D seismic data was acquired in the shallow water part of the Etame Marin Permit in 2012 and interpretation of the re-processed seismic dataset commenced with a view to identifying drillable exploration prospects and firming up resource estimates for potential new developments.

*Canada exploratory and development activities 2012:* In Canada, 52 (gross) wells were drilled in Farrell Creek, bringing the total wells drilled to 99 (gross), of which 82 are on-stream. The Farrell Creek CPF was expanded by the addition of two refrigeration units with 50 and 90 MMscf/day capacities, bringing the total processing capacity to 320 MMscf/day. In Cypress A there were 6 wells on stream. Additional 3D seismic data acquisition for Farrell Creek and Cypress A was completed.

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*Other areas exploratory and development activities 2012:* The key activities undertaken in other areas in 2012 included the drilling of three (gross) stratigraphic test wells of exploratory type. Two of these (Uge-5 and Nza-1X) were commitment wells in the Nigeria OPL-214 licence and the other (Vucko-1) was a commitment well in the Australia WA-433 licence. Both the OPL-214 wells resulted in discoveries of oil and gas. The WA-433 well was dry and has been plugged and abandoned.

In the other assets various exploration and pre-development activities and technical studies were undertaken including seismic processing and data interpretation in Papua New Guinea and the Australia ACP-52 licence and an aeromagnetic survey commenced in the Botswana PL134/2010, PL135/2010 and PL136/2010 licences.

*Mozambique exploratory and development activities 2013:* In the Pande-Temane PPA asset the main activity was a well surveillance programme, the results of which are currently being assessed. The low pressure compression project is currently at the detailed engineering stage with the procurement of long lead items initiated. The installation of the compressors will enable the existing wells to continue to meet the requirements of the existing gas sales contracts.

In the Pande-Temane PSA licence the Extended Well Test (EWT) of the Inhassoro I-9z well was extended and completed in March 2013 to establish the economic viability of a liquids development. In November 2012, an appraisal report was submitted to the Instituto Nacional de Petroleo (INP), the petroleum regulator in Mozambique. Subsequent to submission of the report, in February 2013, notice of commercial discovery of some oil and gas accumulations was made followed by the declaration of two associated development and production areas in May 2013. Both areas are currently the subject of development studies. Also in February 2013, Commercial Assessment Periods were requested on a number of other discoveries in the PSA licence area.

In November 2012, the Mupeji-1 exploration well in the offshore M-10 Concession was plugged and abandoned as a dry hole. The post-well analysis confirmed the absence of sufficient remaining potential to warrant continuing the exploration phase, and the licence was released at the end of the second period on 30 April 2013.

Sasol relinquished the Njika discovery and deepwater parts of the offshore Blocks 16&19 Concession at end of the contract term on 30 June 2013, but has retained the shallow water area with a view to perform further studies when the outcome of the Strategic Environmental Assessment is known.

In the offshore Sofala licence, the process to farm-down up to 35% Sasol equity in early 2013 resulted in no proposals. Further studies are continuing to determine if a prospect can be matured in the third period before the licence termination in January 2015.

In onshore Area A, acquisition of 2D seismic data continued throughout 2013. By end of the year, more than half of the programmed 2 247 line kilometres had been acquired, with the completion targeted for October 2013.

*Gabon exploratory and development activities 2013:* The key development activity in the Etame Marin Permit in 2013 was the drilling of one (gross) horizontal development well on the Avouma field which proved an eastern area of the field and was immediately brought into production. Two workovers were also conducted in 2013.

An exploration well was drilled as part of the 2012 drilling campaign. Both targets were encountered but discovered to be water-bearing, and the well was classified as a dry hole. The deepest section of the hole was plugged and abandoned but the top-hole section could be re-entered for additional, future drilling if required. Reprocessing of 3D seismic data has been completed, in tandem with the reprocessing of shallow water 2D lines in the shallower water area of the license. Analysis of the results is underway.

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A study was begun to examine the origin and characteristics of the $H_2S$ encountered in the Ebouri field and a project was initiated for Ebouri field crude sweetening. Sasol sanctioned the combined Ebouri Expansion and South East Etame and North Tchibala project in December 2012. All members of the Etame joint venture have approved the project. The Etame Field Development Plan was submitted to the Gabon authorities and verbal approval has been received. Engineering and design studies are in progress.

*Canada exploratory and development activities 2013:* In Farrell Creek a total of 29 (gross) development wells were drilled during this period, while 13 (gross) wells were completed, leaving 31 wells for completion in future periods. In addition, 1 stratigraphic test well was drilled in Cypress A. 3D seismic data is also in the process of being acquired in Cypress A.

*Other areas exploratory and development activities 2013:* In Botswana, an aeromagnetic survey (acquisition of approximately 31 000 line kilometres of high resolution magnetic data) and an airborne light detection, ranging and imaging survey, were completed over the PL134/2010, PL135/2010 and PL136/2010 licences. An environmental management plan was completed in November 2012 and in December 2012 the exploration core-hole project commenced. Three (gross) stratigraphic test wells exploratory type were drilled in each licence. All nine wells intersected coal containing gas in variable quantities. The project also included sampling, logging and permeability testing of reservoir sections in each well. The wells were plugged and abandoned and remediation of drill sites has been completed. Studies to understand the well results were initiated.

In the Nigeria OML-140 licence, front-end engineering design (FEED) work continues on the Bonga SW/Aparo field development project following approval of the full-field development plan in December 2012. This is a Shell operated field that overlaps part of OML 140. The project targets achievement of the final investment decision in calendar year 2014 and First Oil in calendar year 2020. No development drilling took place in 2013. Exploration activity by the operator Chevron in OML-140 comprised studies on several prospects in the permit. Exploration well planning is in progress for two prospects, which are being considered for drilling in calendar year 2014 and 2015. Some drilling long-lead items have been ordered.

In the Nigeria OPL-214 licence, operator ExxonMobil is evaluating concepts to develop the Uge field (pre-FEED stage), including a study with Chevron for Nsiko joint development. Exploration activity comprised risk and resource assessment of leads and prospects inventory, and analysis of Uge North oil quality.

In South Africa, approval of the relinquishment of exploration rights for Block 3A/4A was received in October 2012. In May 2013, SPI and PetroSA were awarded the area as a Technical Co-operation Permit for a one year study.

An application for an Exploration Right over the existing South African TCP032 permit area was submitted in September 2012 and is anticipated to be awarded in 2014. In June 2013, SPI signed a contract with CGG to licence 6 000 km seismic data. 4 830 km data was acquired by end-May 2013. This data is currently undergoing processing with delivery scheduled for end-November 2013

In Papua New Guinea, exploration activities in PPL-426 comprised acquisition of 2D seismic data and in PPL-287, seismic reprocessing was on-going to complete the work programme.

In Australia, activities in ACP-52 were limited to the joint farm-out by Sasol and Finder. In WA-433, evaluation of the Vucko-1 well result was performed and the remaining potential was reviewed.

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*Capitalised exploratory well costs:* The table below summarises the capitalised exploratory well costs, providing the amount of costs that are capitalised pending the determination of proved reserves at the end of the year.

| | Natural oil and gas | | | | |
|---|---|---|---|---|---|
| | **Mozambique** | **Canada** | **Gabon** | **Other areas** | **Total** |
| | (Rand in millions) | | | | |
| Capitalised exploratory well costs pending determination of proved reserves at 30 June 2013* | 1 220,3 | | 86,5 | 253,9 | 1 560,7 |
| Additions for the year | 698,1 | | 43,6 | 58,8 | 800,5 |
| costs incurred | 277,0 | | 43,6 | 48,2 | 368,8 |
| asset retirement obligation adjustments | 421,1 | | | 10,6 | 431,7 |
| Charged to expense for the year | 430,5 | | 27,0 | | 457,5 |
| Capitalised exploratory well costs ageing post drilling completion: | | | | | |
| 1 year | | | | 65,6 | 65,6 |
| 3 years | | | 65,2 | | 65,2 |
| 5 years | 1 101,4 | | | 76,3 | 1 177,7 |
| 6 years | | | | 26,6 | 26,6 |

* Includes amounts capitalised in respect of asset retirement obligation assets of R722 million relating to Mozambique and R10,6 million relating to other assets.

There are no other capitalised exploratory well costs which have been expensed, and there is no reclassification of previously capitalised exploratory well costs to wells, equipment and facilities due to new fields being brought into production during the year.

*Mozambique capitalised exploratory well costs:* In the Pande-Temane PSA licence, R1 101,4 million exploratory well costs continue to be capitalised for a period greater than one year after the completion of drilling. This amount includes the asset retirement obligation of R627,8 million and relates mainly to the exploration drilling conducted and completed in 2008 and the declaration of discovery areas. Appraisal drilling activities commenced in 2009 and continued in 2011 with the drilling of the Inhassoro well (I-9z) which was then tested for approximately nine months in 2012 and 2013. Notices of commercial discovery have been given for a number of accumulations in the PSA licence and development studies are under way.

*Gabon capitalised exploratory well costs:* The exploration well, EEBOM-5P, drilled in the southwest area of the main Ebouri field towards the end of 2013 was declared a dry hole after failing to encounter hydrocarbons. The upper part of the hole has been temporarily abandoned and can be re-entered for additional future drilling if required. The total cost remaining as capitalised was US$2,2 million (R21,7 million), attributable to the temporarily abandoned upper part of the hole, with US$2,7 million (R27 million) expensed to the income statement as a dry hole attributable to the plugged & abandoned lower portion. There is a small cost capitalised for EOVKM-1 during 2013 amounting to US$18 894 (R0,2 million).

The Etame Marin Permit exploratory well costs that continue to be capitalised (R65,2 million) relate to the stratigraphic test well exploratory type (ETSEM-1) that resulted in a discovery in June 2010. During 2013, the Etame joint venture sanctioned the combined Ebouri Expansion and South East Etame and North Tchibala project which includes development of the volumes discovered by ETSEM-1.

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*Canada capitalised exploratory well costs:* There are no capitalised exploratory wells costs in Canada.

*Other capitalised exploratory well costs:* The capitalised well costs, under 'Other areas' in the table above relate to licences in Nigeria and Botswana.

For the Nigeria OML-140 licence, exploratory well costs continue to be capitalised pending the completion of FEED studies on the Bonga SW/Aparo field development concepts and the completion of pre-FEED and FEED studies of a potential Nsiko field development. For the Nigeria OPL-214 licence exploratory well costs and other costs continue to be capitalised pending the assessment of a potential Uge field development which is at the pre-FEED study stage.

For Botswana, expenditure amounting to R54,4 million has been capitalised in 2013. This represents the cost of drilling nine stratigraphic test wells exploratory type in the Botswana coalbed methane PL134/2010, PL135/2010 and PL136/2010 licences. The costs will remain capitalised pending the evaluation of the well results and the completion of further technical and commercial studies.

***Present activities***

*Wells in the process of being drilled:* The table below summarises the gross number of natural oil and gas wells being drilled and the number of suspended oil and gas wells at 30 June 2013.

| | Mozambique | Gabon | Canada | Other areas | Total |
|---|---|---|---|---|---|
| | | (gross number of wells) | | | |
| Wells being drilled | | | 2 | | 2 |
| Suspended wells | | | | | |

*Mozambique present activities:* In the Pande-Temane PPA, the completion of a new well to provide additional water disposal capacity is being studied should the injectivity of the current well decrease. Low pressure compression project work is under way with planning for the installation of the compressors in early 2015.

In the Pande-Temane PSA, following notice of commercial discovery of some accumulations and proposal of development and production areas, a development project has been initiated. At present the study is in the process of finalising the development concept before initiating FEED studies in 2014 and submitting a development plan in 2015.

The only current operational activities in the Mozambique exploration concessions is the on-going acquisition of 2D seismic data in Area A, scheduled to be completed in October 2013. If any prospects are matured, the intention would be to enter the next period with a drilling commitment. Technical studies are proceeding in all three exploration concessions.

*Gabon present activities:* There was one commitment exploration well in the current approved work program. Drilling commenced on 26 July 2013 and ceased on 30 August 2013 when a decision was made to plug and abandon the well on the basis that no hydrocarbons were encountered. Further near-field exploration studies within the license area are under way based on the newly reprocessed seismic data. Results from the study to examine the origin and characteristics of the $H_2S$ encountered in the Ebouri field have been received and are currently undergoing analysis. A workover on the Ebouri field was recently completed and the well has been brought back in to production.

*Canada present activities:* Between July 2013 and December 2013, the remainder of the revised approved annual work programme provides for the drilling of 11 new wells and the completion of 27 wells, some minor in-field facility expansion and the acquisition of additional seismic data over Cypress A.

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*Other areas present activities:* In the Botswana coalbed methane PL134/2010, PL135/2010 and PL136/2010 licences evaluation of the results from the 2013 drilling programme will continue. The current work programme also includes technical and commercial studies to determine the most appropriate option for the next exploration phase.

The current approved work programme in Nigeria OPL-214 comprises studies only, mainly on concept development for the Uge field. In Nigeria OML-140 pre-FEED studies on the Nsiko field development and FEED studies on the BSWAp field development constitute the current approved work programme.

In Australia, work on the ACP-52 licence consists solely of technical studies.

In South Africa, technical studies of existing data in TCP3A/4A are on-going. If the outcome is positive, the joint venture has the option to convert the TCP to an exploration right in May 2014. In TCP032, conversion to an exploration right has been approved and the licence award is expected in 2014. The forward plan in 2014 is to evaluate the newly acquired data.

***Delivery commitments***

*Mozambique assets production:* The Pande-Temane PPA natural gas produced, other than royalty gas that is provided to the Mozambican government, is sold under six contracts; two with Sasol Gas and one each with Aggreko, Matola Gas Company S.A. (MGC), Empresa Nacional de Hidrocarbonetos (ENH) and CTRG. The gas sold to Sasol Gas under long-term sales agreements, is exported for marketing in South Africa and as part of the feedstock for Sasol's chemical and synthetic fuel operations in Secunda and Sasolburg. The gas sold to Aggreko under a short-term sales agreement, executed in 2012, is for power generation in Mozambique. The Mozambican government is dedicating royalty gas for use in the vicinity of the processing plant in Temane as well as developing the gas market in Maputo. The gas sold to MGC, ENH and CTRG under long-term sales agreements is to be utilised in Mozambique.

The natural gas condensate is currently sold locally at the central processing facilities. The buyer transports the condensate to Beira, Mozambique, for export via the port of Beira to offshore markets.

*Gabon assets production:* Oil production from Etame Marin Permit operations is sold internationally on the open market. An annual sales contract is typically entered into for the sale of the Etame Marin Permit oil based on a competitive bidding process with sales prices linked to international oil prices. The Sale and Purchase Agreements effective for the 2012 and 2013 calendar year requires all production from the Etame Marin Permit to be delivered to the buyer, Mercuria Trading NV.

*Canada assets production:* All of the gas produced from the unconventional (shale/tight gas) Farrell Creek and Cypress A asset is sold by the Talisman Sasol Montney Partnership into the Western Canada gas market under a long-term marketing agreement with Talisman Energy Canada, which is valid until 2024. Condensate and NGLs are sold under the same marketing agreement. Production from Farrell Creek and Cypress A is currently not sufficient to meet contracted gas transportation obligations. As a consequence of reduced production in 2013 (caused by the reduced drilling and completion activities, in reaction to the depressed gas price environment in Western Canada), Sasol continues to incur un-utilised demand charges by only partially utilising its pre-contracted gas transmission capacity in the Spectra and TransCanada/NOVA pipelines. Talisman, as operator, partially mitigated the potential additional gas transmission commitment exposure through placement of un-utilised gas transmission capacity in the gas transmission market.

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***Oil and gas properties, wells, operations and area***

*Productive wells and area:* The table below provides details of the productive wells and the amount of developed and undeveloped acreage at 30 June 2013.

| Number of productive wells and acreage concentrations | Mozambique | Gabon | Canada | Other | Total |
|---|---|---|---|---|---|
| **Productive oil wells (number)** | | | | | |
| Gross | | 9 | | | 9 |
| Net | | 2,5 | | | 2,5 |
| **Productive gas wells (number)** | | | | | |
| Gross | 22 | | 97 | | 119 |
| Net | 15,4 | | 48,5 | | 63,9 |
| **Developed acreage (thousand acres)** | | | | | |
| Gross | 431,7 | 28,7 | 27,2 | | 487,6 |
| Net | 302,2 | 8,0 | 13,6 | | 323,8 |
| **Undeveloped acreage (thousand acres)** | | | | | |
| Gross | 4 665,8 | 730,9 | 84,3 | 5 745,0 | 11 226,0 |
| Net | 3 879,4 | 219,3 | 42,2 | 2 283,7 | 6 424,5 |

A productive well is a producing well or a well that is mechanically capable of production.

Certain licences overlap as they relate to specific stratigraphic horizons.

*Licence terms Mozambique:* The Petroleum Production Agreement for the Pande-Temane PPA asset expires in 2034 and carries two possible five year extensions. There are no remaining licence obligations and there is no requirement to relinquish any acreage until the expiry of the Petroleum Production Agreement.

Two development and production areas have been proposed and a period for commercial assessment has been requested for the remainder of the acreage. Approval to develop the discoveries and retain the associated acreage is dependent on submission of detailed plans to the Mozambican authorities (442,8 thousand undeveloped net acres affected).

Sasol relinquished the deepwater parts of the Exploration and Production Concession for Blocks 16&19 at end of the contract term on 30 June 2013, but has retained the shallow water area with a view to defining a future work programme when the outcome of the Strategic Environmental Assessment is known. The remaining licence area is 366,3 thousand undeveloped net acres.

Following the unsuccessful outcome of the Mupeji-1 exploration well in 2013 post-well analysis confirmed the absence of sufficient remaining potential to warrant entering the third exploration phase and the Exploration and Production Concession M-10 licence was released at the end of the second period on 30 April 2013.

When entering the third period in January 2013, 50% of the original Exploration and Production Concession Sofala area was relinquished, resulting in the gross acreage being reduced to 1 208,1 thousand undeveloped net acres.

The Exploration and Production Concession Area A licence is in the first exploration period which expires in May 2014. The gravity survey commitment has been completed and the seismic acquisition commitment has commenced. The decision to enter the second exploration period and associated acreage relinquishment is dependent on the seismic interpretation results and on-going study work (1 862,1 thousand undeveloped net acres affected).

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*Licence terms Gabon:* The exploration area of the Etame Marin Permit is in the sixth term which expires 1 July 2014. There was one well commitment outstanding as at 30 June 2013, which was drilled in July 2013. The decision to apply for an exploitation permit around commercially declared resources and retain acreage is dependent on the drilling results and on-going study work. The remaining exploration area will be relinquished on 1 July 2014 unless the area can be renewed for a further term. The current exploration area potentially affected by relinquishment is 219,3 thousand undeveloped net acres.

The three exploitation areas of the Etame Marin Permit are covered by three 10-year Exclusive Exploitation Authorisations, each with two five-year extensions available on request and subject to government decree. The Etame Exclusive Exploitation Authorisation is in the first extension period to July 2016. The Exclusive Exploitation Authorisations for Avouma and Ebouri expire in March 2015 and June 2016, respectively. The current plan of development is based on granting of the various extensions to July 2021.

*Licence terms Canada:* As at 30 June 2013, Farrell Creek comprised 30 licences and leases and Cypress A comprised 27 licences and leases. Acreage retention and the conversion of licenses (which carry no production rights) to leases (with production rights) is enabled by drilling commitments, the provincial government's prescribed lease selection and validation process and licence extension applications. Between July 2012 and June 2013, the total number of Farrell Creek licences and leases increased as a consequence of partial lease conversions from a bigger licence area.

The decision to retain acreage and convert licences to leases is dependent on the drilling results and on-going study work. Drilling and retention activities have been and will be included in the applicable work programmes in order that licences and leases that are due to expire before 30 December 2014 are retained (15 licences and leases comprising 26,5 thousand undeveloped and 11,1 thousand developed net acres).

*Licence terms other areas:* In Botswana, the first exploration period of the PL134/2010, PL135/2010 and PL136/2010 licences expires at the end of September 2013. An application for the first licence renewal, for two years until 1 October 2015, was submitted on 28 June 2013 together with a request for a waiver of the required relinquishment of up to 50%. Approval of the renewal of the licences is expected in September 2013; it is also anticipated that the relinquishment waiver will be granted (367,0 thousand undeveloped net acres affected).

The operator of exploration licence OPL-214 in Nigeria, ExxonMobil, applied to the Government in April 2012 to convert the licence into a development and production licence. The exploration licence is still in force until approval is received for the conversion. The licence area covers 33,8 thousand undeveloped net acres. The Nigeria OPL-247 exploration licence was re-assigned (7,0 thousand undeveloped net acres) in 2013. The Nigeria OML-140 licence for development and production expires in 2029.

In the Papua New Guinea PPL-285, PPL-286, and PPL-288 licences a prospective area in the north of PPL-285 and PPL-288 was retained (685,9 thousand undeveloped net acres) under a combined new licence PPL-426, which was awarded in October 2012. The remaining areas of PPL-285 and PPL-288 and all of PPL-286 were relinquished in July 2012. The PPL-287 licence is in its third exploration period which ends in August 2013 (941,8 thousand undeveloped net acres). In July 2013, Sasol agreed to sell its full remaining interest in PPL-287 and PPL-426 to Talisman; these sales are subject to government approval.

In Australia, the ACP-52 licence term ended in May 2013 and an agreement has been reached for the licence to be retained but Sasol will reduce its share from 45% to 30% once all necessary approvals have been obtained (241,3 thousand undeveloped net acres affected). The WA-388 licence expired in

August 2012 when Sasol exited the licence. The WA-433 licence term ended in May 2013 when the licence was relinquished.

In South Africa, the Block 3A/4A Exploration Rights/Production Rights licence was relinquished in October 2012. In May 2013, SPI and PetroSA were awarded the area as a Technical Co-operation Permit for a one year study.

***Supplemental oil and gas information***

*Supplemental oil and gas information:* See "Item 18 Financial Statements Supplemental Oil and Gas Information" for supplemental information relating to natural oil and gas producing activities.

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## ITEM 4A. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments from the SEC staff regarding our periodic reports under the Securities Exchange Act of 1934 received not less than 180 days before 30 June 2013.

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## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section should be read in conjunction with our consolidated financial statements included in "Item 18 Financial Statements" as at 30 June 2013, 2012 and 2011, and for the years ended 30 June 2013, 2012 and 2011, including the accompanying notes, that are included in this annual report on Form 20-F. The following discussion of operating results and the financial review and prospects as well as our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Certain information contained in the discussion and analysis set forth below and elsewhere in this annual report includes forward-looking statements that involve risks and uncertainties. See "Item 3.D Key information Risk factors" for a discussion of significant factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this annual report.

### 5.A Operating results

**Company and business overview**

Sasol is an international integrated energy and chemical company that leverages the talent and expertise of our more than 35 000 people working in 37 countries. We develop and commercialise technologies, and build and operate world-scale facilities, to produce a range of high value product streams, including liquid fuels, high-value chemicals and low-carbon electricity.

The group has nine reportable segments that comprise the structure used by the group executive committee (GEC) to make key operating decisions. While the information is presented by cluster, the underlying business unit information in each of the clusters is still presented to the GEC and board. We have continued to present each of the business units as reporting segments.

While Sasol Petroleum International (SPI) and Sasol Synfuels International (SSI) do not meet the quantitative criteria for disclosure as a separate segment, they are expected to become significant contributors to the group's performance in future years as the upstream supplier of resources for the group's GTL activities. Consequently, the GEC has chosen to include SPI and SSI as reportable operating segments, as we consider this presentation to be appropriate in light of their strategic importance to the group.

We divide our operations into the following segments:

**South African energy cluster:**

- Sasol Mining;
- Sasol Gas;
- Sasol Synfuels; and
- Sasol Oil.

**International energy cluster:**

- Sasol Synfuels International; and
- Sasol Petroleum International.

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**Chemical cluster:**

- Sasol Polymers;
- Sasol Solvents;
- Sasol Olefins & Surfactants; and
- Other Chemicals includes Sasol Wax, Sasol Nitro, Merisol, Sasol Infrachem and other chemical businesses.

**Other businesses:**

- Other includes Sasol Technology, Sasol Financing, the group's central administration activities and alternative energy businesses.

**External factors and conditions**

Our business, operating results, cash flow and financial condition are subject to the influence of a number of external factors and conditions. These include conditions in the markets in which we sell our products, including the fluctuations in the international price of crude oil, effect of fluctuations in the currency markets, most notably in the exchange rate between the rand and the US dollar, cyclicality in the prices of chemical products, the effect of coal prices on export coal operations and the effects of inflation on our costs. Other factors which may influence our business and operating results include economic, social, political and regulatory conditions and developments in the countries in which we operate our facilities or market our products. See "Item 3.D Key information Risk factors".

***Fluctuations in refining margins and crude oil, natural gas and petroleum products prices***

Through our participation in the Natref refinery, we are exposed to fluctuations in refinery margins resulting from 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 indirect effect on the Basic Fuel Price (BFP) formula. A key factor in the BFP is the Mediterranean and Singapore (for petrol) or the Arab Gulf (for diesel) spot price. See "Item 4.B Business overview Sasol Synfuels", "Sasol Oil" and "Sasol Petroleum International". Furthermore, prices of petrochemical products and natural gas are also affected by fluctuations in crude oil prices.

Market prices for crude oil, natural gas and petroleum products 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 and North Africa.

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The volatility of the crude oil price is illustrated in the following table, which shows the annual high, low and average of the European Brent crude oil price (free on board) in US dollars for the past ten years and to 30 September in the 2013 calendar year:

| | US dollars per barrel (US$/b) | | |
|---|---|---|---|
| **Financial year** | **Average[1]** | **High** | **Low** |
| 2003 | 27,83 | 34,94 | 22,82 |
| 2004 | 31,30 | 39,22 | 25,51 |
| 2005 | 46,17 | 58,50 | 35,36 |
| 2006 | 62,45 | 74,45 | 52,84 |
| 2007 | 63,95 | 78,26 | 49,95 |
| 2008 | 95,51 | 139,38 | 67,73 |
| 2009 | 68,14 | 143,95 | 39,41 |
| 2010 | 74,37 | 88,09 | 58,25 |
| 2011 | 96,48 | 126,64 | 70,61 |
| 2012 | 112,42 | 128,14 | 88,69 |
| 2013 (through 30 June) | 108,66 | 119,03 | 95,51 |
| July 2013 | 107,95 | 109,78 | 103,28 |
| August 2013 | 111,26 | 116,70 | 107,49 |
| September 2013 (up to 30 September 2013) | 111,69 | 117,13 | 107,44 |

*Source: Energy Information Administration (US Department of Energy)*

(1) The average price was calculated as an arithmetic average of the quoted daily spot price.

On 30 September 2013, the price of European Brent crude oil was US$107,85/b.

Significant changes in the price of crude oil, natural gas and petroleum products over a sustained period of time may lead us to alter our production, which could have a material impact on our turnover. Decreases in the price of crude oil, natural gas and petroleum products can have a material adverse effect on our business, operating results, cash flows and financial condition.

Other factors which may influence the aggregate demand and hence affect the markets and prices for products we sell 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.

We make use of derivative instruments, including commodity options and futures contracts of short duration from time to time, as a means of mitigating price and timing risks on crude oil and other energy-related product purchases and sales. While the use of these derivative instruments provides some protection against short-term volatility in crude oil prices, it does not protect against longer-term trends in crude oil prices.

As a result of the group's substantial capital investment programme and cash flow requirements, we deemed it necessary to shield the group's income from fluctuations in crude oil prices by means of appropriate hedging strategies.

In March 2011, we entered into a zero cost collar for 4,56 million barrels of oil, equivalent to approximately 30% of our planned Sasol Synfuels' production and SPI's West African output for the final quarter of 2011. In terms of the hedge, the group was protected at crude oil prices below US$85,00/b, and benefited from crude oil prices up to US$172,77/b. As a result of the volatility in crude oil prices during the period in which the oil hedge was in effect, the settlement of the oil hedges in June 2011 had no cash flow impact for the year ended 30 June 2011 as the crude oil price remained within the zero cost collar range for the duration of the oil hedge.

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Together with the group's other risk mitigation initiatives, such as cost containment, cash conservation and capital prioritisation, the group's hedging strategy is considered in conjunction with these initiatives. The situation is monitored regularly to assess the appropriateness of oil price hedging to improve the stability and predictability of cash flows as part of Sasol's risk management activities.

In 2012 and 2013, we did not enter into any hedging contracts, as we did not consider there to have been value in the zero cost collars available in the market at that time. This situation is monitored regularly to assess when a suitable time might be to enter into an appropriate hedge again in the future. Refer to "Item 11. Quantitative and qualitative disclosure about market risk".

In 2014, for forecasting purposes, we estimate that for every US$1/b increase in the annual average crude oil price, our group operating profit will increase by approximately R610 million. This estimate is applicable for a US$108/b crude oil price and an average rand/US dollar exchange rate of R9,05. It should be noted that in the current volatile environment, these sensitivities could be materially different than those disclosed depending on the crude oil price, exchange rates, product prices and volumes.

***Exchange rate fluctuations***

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 euros, 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.

*Source: Thomson Reuters*

In 2011, the rand strengthened by 8% against the US dollar, with the average rate for the year being R7,01 per US dollar. The further strengthening of the rand had a negative impact on our operating results in 2011. In 2012, the rand weakened by 11% against the US dollar, with the average rate for the year being R7,78 per US dollar. In 2013, the rand further weakened by 14% against the

US dollar, with the average rate for the year being R8,85 per US dollar. The weakening of the rand had a positive impact on our overall operating results in 2013. However, the weakening of the rand also resulted in increased costs, which primarily impacted our South African operations negatively. The relationship between the euro and US dollar impacts the profitability of our European operations, where our costs are euro based and a significant portion of our turnover is US dollar based. In 2013, 2012 and 2011, the euro weakened against the US dollar which had a positive impact on our operating results.

Subsequent to year end, the rand/US dollar exchange rate has weakened further. On 30 September 2013, the rand/US dollar exchange rate was R10,03.

The average exchange rate for the year has a significant effect on our turnover and our operating profit. In 2014, for forecasting purposes, we estimate that for every R0,10 weakening or strengthening in the annual average rand/US dollar exchange rate, our operating profit will increase or decrease by approximately R939 million, as applicable. This estimate is applicable for a US$108/b crude oil price and an average rand/US dollar exchange rate of R9,05. It should be noted that in the current volatile environment, these sensitivities could be materially different than those disclosed depending on the crude oil price, exchange rates, product prices and volumes.

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, among other factors, exchange controls. 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 acquisitions outside South Africa and the geographic distribution of our debt. See "Item 10 Additional information".

We manage our foreign exchange risks through the selective use of forward exchange contracts and cross currency swaps. We use forward exchange contracts to reduce foreign currency exposures arising from imports into South Africa. The GEC sets intervention levels to specifically assess large forward cover amounts which have the potential to materially affect Sasol's financial position. These intervention levels are reviewed from time to time. We apply the following principal policies in order to protect ourselves against the effects (on our South African operations) on the volatility of the rand against other major currencies as well as an anticipated long-term trend of a devaluing rand:

- All major capital expenditure in foreign currency is hedged immediately on commitment of expenditure or on approval of the project (with South African Reserve Bank approval), by way of forward exchange contracts; and

- All imports in foreign currency in excess of an equivalent of US$50 000 per transaction are hedged immediately on commitment by way of forward exchange contracts.

See "Item 11 Quantitative and qualitative disclosure about market risk".

***Cyclicality in petrochemical products prices***

The demand for our chemical products is cyclical. Typically, higher demand during peaks in industry cycles leads producers to increase production capacity, at which point prices decrease. Most commodity chemical prices tend, over the longer term, to track the crude oil price.

On average, in 2013 we experienced a 1% increase in polymer prices, a 23% increase in ammonia product prices, and a 7% decrease in solvents prices compared to 2012.

Although peaks in these cycles have been characterised by increased selling prices and higher operating margins, in the past such peaks have led to overcapacity with supply exceeding demand growth. In times of high crude oil and related product prices (the primary feedstock of most

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commodity chemicals), the profit margin shifts towards the feedstock producer, while in times of high chemical prices and lower feedstock prices, the profit margin shifts towards the downstream activities. Our strategy for our commodity chemicals business, therefore, is wherever possible to invest in the value chain of raw materials to final products. As a result of this approach, the group has elected not to hedge its exposure to commodity chemical prices as this may, in part, negate the benefits of being backward integrated into its primary feed streams.

***Coal prices***

Internal coal sales are made to Sasol Synfuels and Sasol Infrachem. Coal sales prices into these internal markets are based on contracts and are subject to periodic price adjustments. Transfer price negotiations are conducted at arm's length and are market related.

Approximately 5,6% of coal production is sold to external markets (2,5 million tons (Mt) was sold to the export market in 2013 (2012 2,8 Mt) predominantly in Europe and Asia and 0,1 Mt was sold to the South African market in 2013 (2012 0,1 Mt)). External sales to these markets represented approximately 14,87% of the total turnover generated by Sasol Mining during 2013 (2012 21,13%).

Export coal sales prices are compared to the published international coal price indices to track performance. Sasol Mining's policy is to sell at prices partially on an American Petroleum Standard Index (API) related basis, and partially on a fixed price basis.

The average free on board Richards Bay price index for the past seven financial years:

*Source: Argus/McCloskey's Coal Price Index Report*

***Inflation***

While over recent years, inflation and interest rates have been at relatively low levels, the economy of South Africa, though currently well managed, has had high inflation and interest rates compared to the United States and Europe. Should these conditions recur, this would increase our South African-based costs.

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High interest rates could adversely affect our ability to ensure cost-effective debt financing in South Africa. We expect the impact of changes in the inflation rates on our international operations to be less significant.

The history of the South African consumer price index (CPI) and producer price index (PPI) is illustrated in the following table, which shows the average increase in the index for the past 10 calendar years and the annual percentage change on a monthly basis in the 2013 calendar year:

| Calendar year | CPI | PPI |
|---|---|---|
| 2003 | 5,8% | 1,7% |
| 2004 | 1,4% | 0,6% |
| 2005 | 3,4% | 3,1% |
| 2006 | 4,6% | 7,7% |
| 2007 | 7,2% | 10,9% |
| 2008 | 11,5% | 14,2% |
| 2009 | 7,1% | (0,1%) |
| 2010 | 4,3% | 6,0% |
| 2011 | 5,0% | 8,4% |
| 2012 | 5,7% | 6,2% |
| January 2013* | 5,4% | 5,8% |
| February 2013 | 5,9% | 5,4% |
| March 2013 | 5,9% | 5,7% |
| April 2013 | 5,9% | 5,4% |
| May 2013 | 5,6% | 4,9% |
| June 2013 | 5,5% | 5,9% |
| July 2013 | 6,3% | 6,6% |
| August 2013 | 6,4% | 6,7% |

*Source: Statistics South Africa*

* During 2013, Statistics South Africa (Stats SA) made a number of changes to the calculation of the South African producers' price index (SA PPI). The changes are in line with international best practice and introduced five separate categories of PPI, effective January 2013. The category for final manufactured goods, which includes petroleum products, is the index most appropriate for Sasol. We intend to refine this calculation to take into account the unique features of our business. Accordingly, the PPI rate for 2013 is not comparable to that of 2012 and Stats SA will not be publishing comparable historical data. The indicative average PPI was 6,0% for 2013 (2012 8,6% as previously reported) and the average South African consumers' price index (SA CPI) was 5,5% for 2013 (2012 5,9%).

***Our operations are subject to various laws and regulations in the countries in which we operate***

The group operates in numerous countries throughout the world and is subject to various laws and regulations which may become more stringent. Our mining, gas and petroleum-related activities in South Africa are subject to various local, national and regional safety, health and environmental laws and regulations. Our global operations are also impacted by international environmental conventions. See "Item 4. Business overview" and "Item 3.D Key information Risk factors" for the details of the various laws and regulations which may impact on our operating results, cash flows and financial condition.

In South Africa, our operations are required to comply with certain procurement, employment equity, ownership and other regulations which have been designed to address the country's specific transformation issues. These include the revised Mining Charter, the Liquid Fuels Charter and the Broad-based Black Economic Empowerment Act, along with the various Codes of Good Corporate

Practice for broad-based black economic empowerment (BEE), the MPRDA and the Restitution of Land Rights Act. See "Item 4.B Business overview".

***Broad-based Black Economic Empowerment transactions***

*Sasol Mining Ixia BEE transaction*

On 11 October 2007, Sasol Mining announced the implementation of its black economic empowerment strategy for compliance with the Mining Charter and the MPRDA. In a transaction valued at approximately R1,8 billion, a black-women controlled mining company called Ixia Coal (Pty) Ltd, through a funding company (Ixia Coal Funding (Pty) Ltd), subscribed for a 20% share in Sasol Mining for a purchase consideration of R1,8 billion. The black-women members of Ixia Coal, through WipCoal (Pty) Ltd (WipCoal), and Sasol Mining Holdings (Pty) Ltd, a wholly-owned subsidiary of Sasol Limited, contributed, in cash, equity of R47 million, in their respective shareholdings of 51% and 49%. The balance of the contribution was funded through preference share debt, including preference shares subscribed for by Sasol, issued by the funding company. Over time, the preference shares will be redeemed with the proceeds of dividends distributed by Sasol Mining.

The implementation of the transaction was conditional upon, *inter alia*, the conversion of the old order mining rights to new order rights and the South African Competition Commission approval. The conversion of the rights was approved by the Department of Mineral Resources (DMR). The converted mining rights were signed and notarially executed on 29 March 2010. The converted mining rights for the Secunda Complex have been granted for a period of 10 years. Sasol Mining has the exclusive right to apply and be granted renewal of the converted mining rights for an additional period not exceeding 30 years. The Mooikraal complex converted mining right has been granted for the maximum allowable period of 30 years. The Competition Tribunal of South Africa approved the Ixia Coal transaction on 1 September 2010. The effective date of the Ixia Coal transaction was 29 September 2010, when the remaining conditions precedent were met.

The parties are entitled to receive dividends on their shareholding in Sasol Mining in proportion to their effective interest in Sasol Mining's issued share capital, subject to the financing requirements of the preference share debt. As a result of the transaction, WipCoal now owns 10,2% of the equity in Sasol Mining.

The Ixia Coal transaction increased Sasol Mining's BEE ownership component to 20%. In May 2012, the Department of Mineral Resources confirmed that the Sasol Inzalo employee share option programme contributes 26% to the BEE ownership of Sasol Mining, based on the value of Sasol Mining's historically disadvantaged South African employees participating in the Sasol Inzalo share transaction. The combined BEE ownership in Sasol Mining is now in excess of 40%.

**Preference shares**

The preference share funding comprises A preference shares, which are held by an external financier and B preference shares, which are held by Sasol. The A preference shares are secured by the preference shares held by Sasol Mining Holdings (Pty) Ltd. In certain limited default circumstances, which include Ixia Coal being in default on the repayment of the preference shares, the external financier may require Sasol to purchase some or all of the outstanding preference shares under a call option (the preference share call option) or, alternatively, to subscribe for new preference shares issued by Ixia Coal Funding to enable Ixia Coal to redeem the preference shares held by the external financier. The B preference shares are not redeemable until the A preference shares have been fully redeemed.

The preference shares are accounted for in the statement of financial position as debt and should the preference share call option be exercised, Sasol will be required to raise the necessary funding in

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order to either exercise the preference share call option or, alternatively, honour the call under the preference share call option.

**Accounting for transaction**

The transaction was accounted for as follows:

The funding vehicle, Ixia Coal Funding, created to facilitate the transaction has been consolidated into the Sasol group results from the effective date of the transaction.

Ixia Coal, in which Sasol Mining Holdings has a 49% interest, has been accounted for as a joint venture investment and accordingly has been proportionately consolidated into the Sasol group results from the effective date of the transaction.

In 2011, an amount of R565 million was recognised in the income statement and in the share-based payment reserve in the statement of changes in equity in respect of the share-based payment expense related to the transaction. Of the amount in the share-based payment reserve, R116 million was allocated to the non-controlling interest on acquisition.

The total value of the preference shares recognised in the statement of financial position at 30 June 2013 amounts to R680 million (30 June 2012 R669 million), including finance charges and after repayment of debt issued to financial institutions related to the Ixia Coal transaction. All other preference shares issued as part of the Ixia Coal transaction have been eliminated on consolidation.

A total non-controlling interest of R374 million (30 June 2012 R256 million) related to the 10,2% investment that Ixia Coal has in Sasol Mining has been recognised in the statement of changes in equity.

Based on the weighted average number of shares issued at 30 June 2011, the share-based payment expense for 2011, resulted in a decrease in Sasol Limited's earnings per share of R0,94. The transaction did not result in a similar share-based payment expense for 2012 or 2013 and did not have an impact on earnings per share in 2012 and 2013.

*Sasol and Tshwarisano BEE transaction*

We entered into a R1,45 billion transaction with our BEE partner Tshwarisano LFB Investment (Pty) Ltd (Tshwarisano). Tshwarisano acquired a 25% shareholding in Sasol Oil (Pty) Ltd from Sasol Limited with effect from 1 July 2006. The financing of the transaction has been provided in part through the issue of preference shares by Tshwarisano to Standard Bank South Africa Limited (Standard Bank), and in part by application of the subscription proceeds from the issue of the ordinary shares to Tshwarisano ordinary shareholders. The Tshwarisano ordinary shareholders in turn raised the funding to subscribe for the ordinary shares through the issue of preference shares to Standard Bank. Over time, Tshwarisano and its ordinary shareholders will redeem their respective preference shares with the proceeds of dividends distributed by Sasol Oil. As part of this arrangement, Sasol Oil has amended its dividend policy such that it is required to pay out up to a maximum of one time earnings for that financial year by way of dividends. The actual dividend paid shall be the maximum possible amount, taking into account certain specified ratios relating to net debt to shareholders' equity and earnings before interest, tax, depreciation and amortisation to net interest. The dividend paid may not be less than one-third of earnings.

In certain limited default circumstances, which include Tshwarisano being in default on the repayment of the preference shares, Standard Bank may require that a trust (consolidated by Sasol Limited) be established in the context of the transaction to acquire the preference shares held by Standard Bank or, alternatively, to subscribe for new preference shares issued by Tshwarisano to enable

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Tshwarisano to redeem the preference shares held by Standard Bank. In addition and in the same limited default circumstances, the trust may acquire the ordinary shares held by its ordinary shareholders. As a result, the trust may own all or a portion of the outstanding securities issued by Tshwarisano. This would enable the trust to place these securities in another transaction in compliance with the Liquids Fuel Charter. Neither Tshwarisano nor its ordinary shareholders would owe any amounts to this trust or any other person. We have guaranteed the trust's obligation to make payment in these circumstances. This guarantee was valued at R39 million at the time of the transaction.

*Sasol Inzalo share transaction*

During May 2008, the shareholders approved the Sasol Inzalo share transaction, a broad-based BEE transaction, which resulted in the transfer of beneficial ownership of 10% (63,1 million shares) of Sasol Limited's issued share capital before the implementation of this transaction to its employees and a wide spread of black South Africans (BEE participants). The transaction was introduced to assist Sasol, as a major participant in the South African economy, in meeting its empowerment objectives. This transaction will provide long-term sustainable benefits to all participants and has a tenure of 10 years from the inception of the scheme. The following BEE participants acquired indirect or direct ownership in Sasol's issued share capital at the time as follows:

- Sasol employees and black managers through the Sasol Inzalo Employee Trust and Sasol Inzalo Management Trust (Employee Trusts) 4,0%;
- The Sasol Inzalo Foundation 1,5%;
- Selected participants 1,5%; and
- The black public through:
  - The funded invitation 2,6%; and
  - The cash invitation 0,4%.

The Employee Trusts and the Sasol Inzalo Foundation were funded entirely through Sasol facilitation whilst the selected participants and the black public participating, through the funded invitation, were funded by way of equity contributions and preference share funding (including preference shares subscribed for by Sasol). The black public participating through the cash invitation were financed entirely by the participants from their own resources.

The effective date of the transaction for the Employee Trusts and the Sasol Inzalo Foundation was 3 June 2008. The effective date of the transaction for the selected participants was 27 June 2008. The effective date for the black public invitations was 8 September 2008.

**The Sasol Inzalo Employee Trust and The Sasol Inzalo Management Trust**

On 3 June 2008, staff members that were South African residents or who were migrant workers that did not participate in the Sasol Share Incentive Scheme and the Sasol Share Appreciation Rights Scheme, participated in The Sasol Inzalo Employee Trust (Employee Scheme), while all senior black management that are South African residents participated in The Sasol Inzalo Management Trust (Management Scheme). The share rights, which entitled the employees from the inception of the scheme to receive ordinary shares at the end of the ten years, vest according to the unconditional entitlement as follows:

- after three years: 30%; and
- thereafter: 10% per year until maturity.

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Participants in the Employee Scheme were granted share rights to receive 850 Sasol ordinary shares. The allocation of the shares in the Management Scheme was based on seniority and range from 5 000 to 25 000. 12% of the allocated shares were set aside for new employees appointed during the first five years of the transaction. On resignation, within the first three years from the inception of the transaction, share rights granted were forfeited. For each year thereafter, 10% of such share rights will be forfeited for each year or part thereof remaining until the end of the transaction period. On retirement, death or retrenchment the rights will remain with the participant.

The Sasol ordinary shares which were issued to the Employee Trusts, were funded by contributions from Sasol, which collectively subscribed for 25,2 million Sasol ordinary shares at an issue price of R366,00 per share, with a nominal value of R0,01 per share subject to the following pre-conditions:

- right to receive only 50% of ordinary dividends paid on Sasol ordinary shares; and

- Sasol's right to repurchase a number of shares at a nominal value of R0,01 per share at the end of year 10 in accordance with a pre-determined formula.

Participants have the right to all ordinary dividends received by the Employee Trusts for the duration of the transaction.

After Sasol has exercised its repurchase right and subject to any forfeiture of share rights, each participant will receive a number of Sasol ordinary shares in relation to their respective share rights. Any shares remaining in the Employee Trusts after the distribution to participants may be distributed to the Sasol Inzalo Foundation.

**The Sasol Inzalo Foundation**

On 3 June 2008, The Sasol Inzalo Foundation (the Foundation), which is incorporated as a trust and is being registered as a public benefit organisation, subscribed for 9,5 million Sasol ordinary shares at an issue price of R366,00 per share, with a nominal value of R0,01 per share. The primary focus of the Foundation is skills development and capacity building of black South Africans, predominantly in the fields of mathematics, science and technology.

The conditions of subscription for Sasol ordinary shares by the Foundation includes the right to receive dividends in the amount of 5% of the ordinary dividends declared in respect of Sasol ordinary shares held by the Foundation. During October 2012, the group executive committee approved the increase in the dividend to 50% for the 2013 financial year end. Sasol is entitled to repurchase a number of Sasol ordinary shares from the Foundation at a nominal value of R0,01 per share at the end of 10 years in accordance with a predetermined formula. After Sasol has exercised its repurchase right, the Foundation will in future receive 100% of dividends declared on the Sasol ordinary shares owned by the Foundation.

**Selected participants**

On 27 June 2008, selected BEE groups (selected participants) which included Sasol customers, Sasol suppliers, Sasol franchisees, women's groups, trade unions and other professional associations, through a funding company, subscribed for 9,5 million Sasol preferred ordinary shares at an issue price of R366,00 per share. The shares, which were not allocated to selected participants, have been subscribed for by a facilitation trust, which is funded by Sasol. As at 30 June 2013, 1,1 million (2012 1,1 million) Sasol preferred ordinary shares were issued to the facilitation trust. The selected participants contributed equity of between 5% and 10% of the value of their underlying Sasol preferred ordinary shares allocation, with the balance of the contribution being funded through preference share debt, including preference shares subscribed for by Sasol, issued by the funding company.

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The selected participants are entitled to receive a dividend of up to 5% of the dividend declared on the Sasol preferred ordinary shares in proportion to their effective interest in Sasol's issued share capital, from the commencement of the fourth year of the transaction term of 10 years, subject to the financing requirements of the preference share debt.

At the end of the transaction term, the Sasol preferred ordinary shares will automatically be Sasol ordinary shares and will then be listed on the JSE Limited. The Sasol ordinary shares remaining in the funding company after redeeming the preference share debt and paying costs may then be distributed to the selected participants in proportion to their shareholding. The funding company, from inception, has full voting and economic rights with regard to its shareholding in Sasol.

**Black public invitations**

***Funded invitation***

The members of the black public participating in the funded invitation, through a funding company, subscribed for 16,1 million Sasol preferred ordinary shares. The black public contributed equity between 5% and 10% of their underlying Sasol preferred ordinary shares allocation, with the balance of the contribution being funded through preference share debt, including preference shares subscribed for by Sasol, issued by the funding company. As at 30 June 2013, 56 090 (2012 56 250) Sasol preferred ordinary shares, which were not subscribed for by the black public, were issued to the facilitation trust, which is funded by Sasol.

Participants in the funded invitation were not allowed to dispose of their shares for the first three years after inception. For the remainder of the transaction term of 10 years, trading in the shares is allowed with other black people or black groups through an over-the-counter trading mechanism. Participants in the funded invitation may not encumber the shares held by them before the end of the transaction term.

Members of the black public are entitled to receive a dividend of up to 5% of the dividend on the Sasol preferred ordinary shares in proportion to their effective interest in Sasol, from the commencement of the fourth year of the transaction term of ten years, subject to the financing requirements of the preference share debt.

With effect from 1 April 2012, the Sasol preferred ordinary share dividend has been increased by 10% in accordance with contractual obligations. The revised dividend is as follows for the remaining years:

R24,20 per annum for the year until 30 June 2014; and

R30,80 per annum for the last four years until 30 June 2018.

At the end of the transaction term, the Sasol preferred ordinary shares will automatically be Sasol ordinary shares and will then be listed on the JSE Limited. The Sasol ordinary shares remaining in the funding company after redeeming the preference share debt and paying costs may then be distributed to the black public in proportion to their shareholding. The funding company will have, from inception, full voting and economic rights with regard to its interest in Sasol's issued share capital.

***Cash invitation***

The cash invitation allowed members of the black public to invest directly in 2,8 million Sasol BEE ordinary shares. The Sasol BEE ordinary shares could not be traded for the first two years of the transaction term of 10 years and, for the remainder of the transaction term, can only be traded between black people and black groups. Participants in the cash invitation are entitled to encumber their Sasol BEE ordinary shares, provided that these shares continue to be owned by members of the black public for the duration of the transaction term. In February 2011, Sasol Limited listed the Sasol

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BEE ordinary shares on the BEE segment of the JSE Limited's main board. This trading facility provides Sasol Inzalo shareholders access to a regulated market in line with Sasol's commitment to broad-based shareholder development. At the end of the transaction term, the Sasol BEE ordinary shares will automatically be Sasol ordinary shares. At 30 June 2013, 17 475 (2012 17 440) BEE ordinary shares, which were not subscribed for by the black public, were issued to the facilitation trust, which is funded by Sasol.

**Preference shares**

The preference share funding comprises A, B and guaranteed C preference shares which are funded by external financiers and D preference shares funded by Sasol. The funding companies are required to maintain, inter alia, minimum share cover ratios in respect of the A and B preference shares, being the ratio between the value of the Sasol preferred ordinary shares and the amount required to redeem the preference shares. The maintenance of the ratio is dependent upon the Sasol ordinary share price and the dividends paid by Sasol on the Sasol preferred ordinary shares. Sasol has call options to purchase some or all of the outstanding A, B and C preference shares. Currently, the minimum share cover ratio will be breached when for the A preference shares, the Sasol ordinary share price falls below approximately R155 per share and R160 per share in respect of the black public and selected participants, respectively. The minimum share cover ratio will be breached when for the B preference shares, the Sasol ordinary share price falls below approximately R192 per share and R174 per share in respect of the black public and selected participants, respectively. The Sasol ordinary share price at 30 June 2013 was R431,54 per share. The share cover ratios decrease over time with the maturation of the preference shares. In addition, a further condition to the guaranteed C preference shares is that the Sasol group must maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) cover ratio equal to or less than 2,5 times. Our current net debt to EBITDA ratio is 0,0 times at 30 June 2013.

The preference shares are accounted for in the statement of financial position as debt and should the preference share covenants described above be breached, Sasol will be required to raise the necessary funding in order to either exercise the call option or, alternatively, honour the call under the guarantee.

**Accounting for the transaction**

At 30 June 2013, the transaction has been accounted for as follows:

- All special purpose entities created to facilitate the transaction have been consolidated into the Sasol group results from the applicable effective dates of the transaction.

- An amount of R372 million (2012 R470 million) has been recognised in the income statement and in the share-based payment reserve in the statement of changes in equity in respect of the share-based payment expense related to the Employee Trusts. The amount in respect of the Employee Trusts represents the current period's expense taking into account the vesting conditions of the rights granted over the tenure of the transaction and an assumed forfeiture rate. The unrecognised share-based payment expense in respect of the share rights granted, expected to be recognised over the vesting period of the transaction amounted to R721 million at 30 June 2013 (2012 R1 093 million; 2011 R1 585 million). No additional shares were issued to the black public and selected participants during the year ended 30 June 2013. There is an amount of approximately R116 million still to be recognised in respect of the shares held in the Facilitation Trusts that are still available for issue.

- The total value of the preference shares related to the Sasol Inzalo share transaction, recognised in the statement of financial position at 30 June 2013 amounts to R7 497 million (2012 R7 386 million), including finance charges.

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Based on the weighted average number of shares issued at 30 June 2013, the share-based payment expense for 2013 decreased the earnings per share by R0,62.

The total share-based payment expense relating to the Employee Trusts expected to be recognised in the 2014 financial year is estimated to be R721 million.

***Competition from products originating from countries with low production costs***

Certain of our chemical production facilities are located in developed countries, including the United States and various European countries. Economic and political conditions in these countries result in relatively high labour costs and, in some regions, inflexible labour markets, compared to other countries. Increasing competition from regions with lower labour costs, feedstock prices and more flexible labour markets, for example the Middle East and China, exerts pressure on the competitiveness of our chemical products and, therefore, on our profit margins and may result in the withdrawal of particular products or closure of facilities.

***Engineering contract costs***

We have a significant capital portfolio and are therefore exposed to fluctuations in the price and supply of engineering, procurement and construction services, in particular the availability of scarce technical skills and capacity. We are currently not expecting the abnormal inflationary pressures of the pre-recession period, but rather low to moderate increases as gradual economic recovery sets in. Significant fluctuations and volatility are, however, currently being observed.

Scarce technical skills remain a key factor, to a varying degree in different geographical areas. Cost increases will depend on the region and market dynamics, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

**Significant accounting policies and estimates**

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported results of its operations. Some of our accounting policies require the application of significant judgements and estimates by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgements are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in the industries in which we operate and information from outside sources and experts. Actual results may differ from those estimates.

Our significant accounting policies are described in more detail in the notes to the consolidated financial statements. Refer "Item 18 Financial statements". This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in "Item 18 Financial statements".

Management believes that the more significant judgements and estimates relating to the accounting policies used in the preparation of Sasol's consolidated financial statements could potentially impact the reporting of our financial results and future financial performance.

We evaluate our estimates, including those relating to environmental rehabilitation and decommissioning obligations, long-lived assets, trade receivables, inventories, investments, intangible assets, income taxes, share-based payment expenses, pension and other post-retirement benefits and contingencies and litigation on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making our judgements about carrying values of assets and liabilities that are not readily available from other sources.

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***Share options and other share-based payments***

***The Sasol Share Incentive Scheme***

In 1988, the shareholders approved the adoption of the Sasol Share Incentive Scheme. The scheme was introduced to provide an incentive for senior employees (including executive directors) of the group who participate in management and also non-executive directors from time to time. Awards are no longer granted to non-executive directors. Following the introduction of the Sasol Share Appreciation Rights Scheme in 2007, no further options have been granted in terms of the Sasol Share Incentive Scheme. The share-based payment expense recognised in the current year relates to options granted in previous years and is calculated based on the assumptions applicable to the year in which the options were granted.

We recognised a share-based payment expense for the years indicated:

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| Share-based payment expense (Rand in millions) | **2** | 15 | 33 |

The unrecognised share-based payment expense related to non-vested share options, expected to be recognised over a weighted average period of 0,5 years, amounted to Rnil million at 30 June 2013 (2012 R2 million; 2011 R17 million).

***The Sasol Inzalo share transaction***

During May 2008, our shareholders approved our broad-based BEE transaction valued then at approximately R24 billion (at R380 per share), which resulted in the transfer of beneficial ownership of 10% (63,1 million shares) of Sasol Limited's issued share capital, before the implementation of this transaction, to our employees and a wide spread of black South Africans (BEE participants). See "Broad-based Black Economic Empowerment transactions Sasol Inzalo share transaction".

| **Share-based payment expense recognised** | **2013** | **2012** | **2011** |
|---|---|---|---|
| | **(Rand in millions)** | | |
| The Sasol Inzalo Employee Trust and The Sasol Inzalo Management Trust[1] | **372** | 470 | 830 |

(1) The unrecognised share-based payment expense related to non-vested Employee and Management Trusts share rights, expected to be recognised over a weighted average period of 1,75 years, amounted to R721 million at 30 June 2013 (2012 R1 093 million and 2011 R1 585 million).

The share-based payment expense was calculated using an option pricing model reflective of the underlying characteristics of the transaction. The assumptions used in the option pricing model are described in Note 45.2 to "Item 18 Financial statements" and include, amongst others, the risk-free rate, exercise price, expected volatility, expected dividend yield and vesting period.

The valuation of share-based payment expenses requires a significant degree of judgement to be applied by management.

***The Sasol Share Appreciation Rights Scheme***

During March 2007, the group introduced the Sasol Share Appreciation Rights Scheme. This scheme replaced the Sasol Share Incentive Scheme. The objectives of the scheme remain similar to that of the Sasol Share Incentive Scheme. The Sasol Share Appreciation Rights Scheme allows certain senior employees to earn a long-term incentive amount calculated with reference to the increase in the Sasol Limited ordinary share price between the offer date of share appreciation rights and the vesting and exercise of such rights.

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With effect from September 2009, certain qualifying senior management, receive share appreciation rights that carry corporate performance targets. These qualifying employees retain the share appreciation rights with no corporate performance targets that have been previously granted to them.

Previously in terms of the long-term incentive scheme, the number of share options and share rights available to eligible group employees through the Sasol Share Incentive Scheme, Sasol Share Appreciation Rights Scheme and the Sasol Medium-term Incentive Scheme shall not at any time exceed 80 million shares/rights. Following the introduction of the Sasol Share Appreciation Rights Scheme in March 2007, no further options have been issued in terms of the Sasol Share Incentive Scheme.

In June 2012, the Sasol Limited board approved that the maximum number of rights to be issued under the Sasol Share Appreciation Rights Scheme and the Sasol Medium-term Incentive Scheme (including unvested share options issued under the Sasol Share Incentive Scheme) be 69 million shares/rights, representing 10% of Sasol Limited's issued share capital immediately after the Sasol Inzalo share transaction.

***Share Appreciation Rights with no corporate performance targets***

The Share Appreciation Rights Scheme with no corporate performance targets allows certain senior employees to earn a long-term incentive amount calculated with reference to the increase in the Sasol Limited ordinary share price between the offer date of share appreciation rights and the vesting and exercise of such rights.

No shares are issued in terms of this scheme and all amounts payable in terms of the Sasol Share Appreciation Rights Scheme will be settled in cash.

Rights are granted for a period of nine years and vest as follows:

2 years 1st third;

4 years 2nd third; and

6 years final third.

The offer price of these appreciation rights equals the closing market price of the underlying shares on the trading day immediately preceding the granting of the right. The fair value of these rights is determined at each reporting date and the unrecognised cost amortised to the income statement over the period that the employees provide services to the company.

Refer to Note 45 to "Item 18 Financial statements" for further details on this share-incentive scheme.

We recognised a share-based payment expense for the years indicated:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share-based payment expense (Rand in millions) | **234** | (52) | 332 |
| Average fair value of rights issued during year (Rand)[1] | | | 121,63 |

(1) Following the introduction of the share appreciation rights scheme with corporate performance targets, no further rights are issued under this scheme.

The total unrecognised share-based payment expense related to non-vested share appreciation rights, expected to be recognised over a weighted average period of 0,98 years, amounted to R86 million at 30 June 2013 (2012 R111 million and 2011 R318 million).

The share-based payment expense was calculated using an option pricing model reflective of the underlying characteristics of the transaction. The assumptions used in the option pricing model are

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described in Note 45.4.1 to "Item 18 Financial statements" and include, amongst others, the risk-free rate, exercise price, expected volatility, expected dividend yield and vesting period.

These rights are recognised as a liability at fair value in the statement of financial position until the date of settlement.

The valuation of share-based payment expenses requires a significant degree of judgement to be applied by management.

***Share Appreciation Rights with corporate performance targets***

During September 2009, the group introduced corporate performance targets as an additional vesting criteria for share appreciation rights. The corporate performance targets are linked to the total shareholders' return relative to the JSE Resources 10 index and the MSCI energy index, Sasol earnings growth and Sasol production volumes/employee growth. The corporate performance targets determine how many rights will vest. Qualifying employees retain the share appreciation rights with no corporate performance targets that have been previously granted to them.

No shares are issued in terms of this scheme and all amounts payable in terms of the Sasol Share Appreciation Rights Scheme will be settled in cash.

The vesting period of these rights are the same as the share appreciation rights with no corporate performance targets.

During September 2012, the group introduced share appreciation rights with new corporate performance targets. The rights are granted for a period of nine years and vest as follows:

3 years 1st third;

4 years 2nd third; and

5 years final third.

The offer price of these appreciation rights equals the closing market price of the Sasol Limited ordinary shares on the trading day immediately preceding the granting of the right. The fair value of these rights is determined at each reporting date and the unrecognised cost amortised to the income statement over the period that the employees provide services to the company.

Refer to Note 45 to "Item 18 Financial statements" for further details on this share-incentive scheme.

We recognised a share-based payment expense for the years indicated:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share-based payment expense (Rand in millions) | **707** | 134 | 163 |
| Average fair value of rights issued during year (Rand) | **166,53** | 61,00 | 127,28 |

The total unrecognised share-based payment expense related to non-vested share appreciation rights with corporate performance targets, expected to be recognised over a weighted average period of 1,7 years, amounted to R1 044 million at 30 June 2013 (2012 R509 million and 2011 R613 million).

The share-based payment expense was calculated using an option pricing model reflective of the underlying characteristics of the transaction. The assumptions used in the option pricing model are described in Note 45.4.2 to "Item 18 Financial statements" and include, amongst others, the risk-free rate, exercise price, expected volatility, expected dividend yield and vesting period.

These rights are recognised as a liability at fair value in the statement of financial position until the date of settlement.

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The valuation of share-based payment expenses requires a significant degree of judgement to be applied by management.

***The Sasol Medium-term Incentive Scheme***

During September 2009, the group introduced the Sasol Medium-term Incentive Scheme (MTI). The objective of the Sasol Medium-term Incentive Scheme is to provide qualifying employees who participate in the Share Appreciation Rights Scheme the opportunity of receiving incentive payments based on the value of ordinary shares in Sasol Limited. Refer to Note 45 to "Item 18 Financial statements" for further details on this share-incentive scheme.

Rights are granted for a period of three years and vest at the end of the third year. The MTIs are encashed at the end of the third year subject to the achievement of targets. The MTI carries no issue price. The fair value of these rights is determined at each reporting date and the unrecognised cost is amortised to the income statement over the period that the employees provide services to the company.

We recognised a share-based payment expense for the year indicated:

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| Share-based payment expense (Rand in millions) | **723** | 124 | 148 |
| Average fair value of rights issued during year (Rand) | **522,87** | 250,51 | 380,18 |

The total unrecognised share-based payment expense related to non-vested MTIs, expected to be recognised over a weighted average period of 1,04 years, amounted to R1 015 million at 30 June 2013 (2012 R370 million and 2011 R503 million).

The share-based payment expense was calculated using an option pricing model reflective of the underlying characteristics of the transaction. The assumptions used in the option pricing model are described in Note 45.5 to "Item 18 Financial statements" and include, amongst others, the risk-free rate, exercise price, expected volatility, expected dividend yield and vesting period.

These rights are recognised as a liability at fair value in the statement of financial position until the date of settlement.

The valuation of share-based payment expenses requires a significant degree of judgement to be applied by management.

***Estimation of natural oil and gas reserves***

In accordance with the United States Securities and Exchange Commission (SEC) regulations, proved oil and gas reserves, are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be recoverable commercially and be economically producible from a given date forward, from known reservoirs under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract hydrocarbons must be approved and must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions define prices and costs at which economic producibility is to be determined. The price is the average sales price during the 12-month period prior to the ending date of the period covered by the report, determined as an un-weighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements. Future price changes are limited to those provided by contractual arrangements in existence at year-end.

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Our reported natural oil and gas reserves are estimated quantities based on SEC reporting regulations. Additionally, we require that the estimated quantities of oil and gas and related substances will be produced by a project sanctioned by all internal and external parties to the extent necessary for the project to enter the execution phase and sufficient to allow the resultant products to be brought to market.

See "Item 4.D Information on the company Property, plants and equipment Oil and gas production and exploration operations Reserve disclosure".

There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production, including factors which are beyond our control. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgement. Estimates of oil and gas reserves therefore are subject to future revision, upward or downward, resulting from new data and current interpretation, as well as a result of improved recovery, extensions and discoveries, the purchase or sale of assets, commercial arrangements, operational factors and production. Accordingly, financial and accounting measures (such as the standardised measure of future discounted cash flows, depreciation and amortisation charges and environmental and decommissioning obligations) that are based on proved reserves are also subject to revision and change.

Refer to "Table 5 Standardised measure of discounted future net cash flows", on page G-7 for our standardised discounted future net cash flow information in respect of proved reserves for the year ended 30 June 2013 and to "Table 6 Changes in the standardised measure of discounted future net cash flows", on page G-9.

***Depreciation of coal mining assets***

We calculate depreciation charges on coal mining assets using the units-of-production method, which is based on our proved and probable reserves. Proved and probable reserves used for the depreciation of life-of-mine assets are the total proved and probable reserves assigned to that specific mine (accessible reserves) or complex which benefit from the utilisation of those assets. Inaccessible reserves are excluded from the calculation. A unit is considered to be produced once it has been removed from underground and taken to the surface, passed the bunker and been transported by conveyor over the scale at the shaft head. The lives of the mines are estimated by our geology department using interpretations of mineral reserves, as determined in accordance with Industry Guide 7 under the US Securities Act of 1933, as amended. The estimate of the total reserves of our mines could be materially different from the actual coal mined. The actual usage by the mines may be impacted by changes in the factors used in determining the economic value of our mineral reserves, such as the coal price and foreign currency exchange rates. Any change in management's estimate of the total expected future lives of the mines would impact the depreciation charge recorded in our consolidated financial statements, as well as our estimated environmental rehabilitation and decommissioning obligations. See "Item 4.D Information on the company Property, plants and equipment".

***Useful lives of long-lived assets***

Given the significance of long-lived assets to our financial statements, any change in the depreciation period could have a material impact on our results of operations and financial condition.

In assessing the useful life of long-lived assets, we use estimates of future cash flows and expectations regarding the future utilisation pattern of the assets to determine the depreciation to be charged on a straight-line basis over the estimated useful lives of the assets or units-of-production method where appropriate. Annually, we review the useful lives and economic capacity of the long-lived assets with reference to any events or circumstances that may indicate that an adjustment to the

depreciation period is necessary. The assessment of the useful lives takes the following factors into account:

The expected usage of the asset by the business. Usage is assessed with reference to the asset's expected capacity or physical output;

The expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used, the repair and maintenance programme of the business and the care and maintenance of the asset while idle;

Technological obsolescence arising from changes or improvements in production or from a change in the market demand for the output of the asset;

Legal or similar limits on the use of the asset, such as expiry dates and related leases; and

Dependency or co-dependency on supply of raw materials.

There were no significant changes to the useful lives of our long-lived assets (other than oil and gas and coal mining assets as discussed above) during 2013, 2012 and 2011.

***Impairment of long-lived assets***

Long-lived assets are reviewed using economic valuations to calculate impairment losses whenever events or a change in circumstance indicate that the carrying amount may not be recoverable. In carrying out the economic valuations, an assessment is made of the future cash flows expected to be generated by the assets, taking into account current market conditions, the expected lives of the assets and our latest budgets. The actual outcome can vary significantly from our forecasts, thereby affecting our assessment of future cash flows. Assets whose carrying values exceed their estimated recoverable amount, determined on a discounted basis, are written down to an amount determined using discounted net future cash flows expected to be generated by the asset. The expected future cash flows are discounted based on Sasol's weighted average cost of capital (WACC) which, at 30 June 2013 and 2012, was:

| | **2013** | **2012** |
|---|---|---|
| | % | % |
| South Africa | **12,95** | 12,95 |
| Europe | **8,0 to 11,2** | 8,0 to 8,7 |
| North America | **8,0** | 8,0 |

Discount rates for all other countries are based on their specific risk rate. Refer to the discussions included below under the Segment overview for the financial impact of the impairment assessments performed during the current year.

Management has considered the sensitivity of the values in use to various key assumptions such as crude oil and gas prices, commodity prices and exchange rates. These sensitivities have been taken into consideration in determining the required impairments and reversals of impairments. With regard to the impairment recognised in respect of the Sasol Wax SA cash generating unit, the value in use is particularly sensitive to changes in the exchange rate. A further weakening of exchange rates would significantly affect the calculated value in use. Refer to Note 41 to "Item 18 Financial statements" for the table that includes the assumptions used for impairment testing.

***Environmental rehabilitation and decommissioning obligations***

We have significant obligations to remove plant and equipment, rehabilitate land in areas in which we conduct operations upon termination of such operations and incur expenditure relating to environmental contamination treatment and cleanup. Environmental rehabilitation and

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decommissioning obligations are primarily associated with our mining, oil and gas and petrochemical operations around the world.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Expenditure related to environmental contamination treatment and cleanup incurred during the production of inventory in normal operations is expensed. The estimated fair value of dismantling and removing facilities is accrued for as the obligation arises, if estimable, concurrent with the recognition of an increase in the related asset's carrying value. Estimating the future asset removal expenditure is complex and requires management to make estimates and judgements because most of the removal obligations will be fulfilled in the future and contracts and regulations often have vague descriptions of what constitutes removal. Future asset removal costs are also influenced by changing removal technologies, political, environmental, safety, business relations and statutory considerations.

The group's environmental rehabilitation and decommissioning obligations accrued at 30 June 2013 were R9 884 million compared to R8 911 million in 2012.

It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided will not have a material adverse effect on the group's financial position, liquidity or cash flow.

The following risk-free rates were used to discount the estimated cash flows based on the underlying currency and time duration of the obligation:

| | **2013** | **2012** | **2011** |
|---|---|---|---|
| | % | % | % |
| South Africa | **5,5 to 8,3** | 5,4 to 7,5 | 6,0 to 8,5 |
| Europe | **0,3 to 2,5** | 0,6 to 2,2 | 1,9 to 4,1 |
| United States | **0,4 to 3,5** | 0,5 to 2,5 | 0,4 to 4,1 |
| Canada | **1,1 to 3,3** | 1,0 to 2,6 | 1,2 to 4,1 |

An increase in the discount rate by one percentage point would result in a decrease in the long-term obligations recognised of approximately R1 492 million and a decrease of one percentage point would result in an increase in the long-term obligations recognised of approximately R1 789 million.

***Employee benefits***

We provide for our obligations and expenses for pension and provident funds as they apply to both defined contribution and defined benefit schemes, as well as post-retirement healthcare benefits. The amount provided is determined based on a number of assumptions and in consultation with an independent actuary. These assumptions are described in Note 20 to "Item 18 Financial statements" and include, among others, the discount rate, healthcare cost inflation and rates of increase in compensation costs. The nature of the assumptions is inherently long-term, and future experience may differ from these estimates. For example, a one percentage point increase in assumed healthcare cost trend rates would increase the accumulated healthcare post-retirement benefit obligation by approximately R723 million to R4 650 million.

The group's net obligation in respect of defined benefit pension plans is actuarially calculated separately for each plan by deducting the fair value of plan assets from the gross obligation for post-retirement benefits. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

The group provides post-retirement healthcare benefits to certain of its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the

completion of a minimum service period. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the accounting methodology described in respect of defined benefit pension plans above.

While management believes that the assumptions used are appropriate, significant changes in the assumptions may materially affect our pension and other post-retirement obligations and future expense.

In terms of the Pension Funds Second Amendment Act 2001, the Sasol Pension Fund in South Africa undertook a surplus apportionment exercise as at December 2002. The surplus apportionment exercise, and the 31 December 2002 statutory valuation of the fund, was approved by the Financial Services Board on 26 September 2006. Payments of benefits to former members in terms of the surplus apportionment scheme have been substantially completed and an amount of R104 million has been set aside for members that have not claimed their benefits. Based on the rules of the fund, the latest actuarial valuation of the fund and the approval of the trustees of the surplus allocation, the company has an unconditional entitlement to only the funds in the employer surplus account and the contribution reserve. The estimated surplus due to the company amounted to approximately R407 million as at 31 March 2013 and has been included in the pension asset recognised in the current year.

***Fair value estimations of financial instruments***

We base fair values of financial instruments on quoted market prices of identical instruments, where available. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealers' price quotations and price quotations for similar instruments traded in different markets. Fair value for certain derivatives is based on pricing models that consider current market and contractual prices for the underlying financial instruments or commodities, as well as the time value and yield curve or fluctuation factors underlying the positions. Pricing models and their underlying assumptions impact the amount and timing of unrealised gains and losses recognised, and the use of different pricing models or assumptions could produce different financial results. See "Item 11 Quantitative and qualitative disclosures about market risk".

***Deferred tax***

We apply significant judgement in determining our provision for income taxes and our deferred tax assets and liabilities. Temporary differences arise between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes. These temporary differences result in tax liabilities being recognised and deferred tax assets being considered based on the probability of our deferred tax assets being recoverable from future taxable income. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realised. We provide deferred tax using enacted or substantively enacted tax rates at the reporting date on all temporary differences arising between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes unless there is a temporary difference that is specifically excluded in accordance with IFRS. The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in applicable tax jurisdictions, based on estimates and assumptions.

***Commitments and contingencies***

Management's current estimated range of liabilities relating to certain pending liabilities for claims, litigation, competition matters, tax matters and environmental remediation is based on management's judgement and estimates of the amount of loss. The actual costs may vary significantly from estimates for a variety of reasons. A liability is recognised for these types of contingencies if management

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determines that the loss is both probable and estimable. We have recorded the estimated liability where such amount can be determined. As additional information becomes available, we will assess the potential liability related to our pending litigation proceedings and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operation and financial position. See "Item 4.B Business overview Legal proceeding and other contingencies" and "Item 5.E Off-balance sheet arrangements".

**OUR RESULTS OF OPERATIONS**

The financial results for the years ended 30 June 2013, 2012 and 2011 below are stated in accordance with IFRS as issued by the IASB.

With effect from 1 July 2012, the group changed the presentation of its income statement from a classification based on function to a classification based on nature. Sasol has elected to change its income statement presentation to better reflect how it effectively manages its business as well as align to peers. The comparative periods presented has been restated to comply with the income statement classification by nature. The change in the income statement presentation did not have an impact on turnover, operating profit or earnings per share.

**Results of operations**

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | **181 269** | 169 446 | 11 823 | 7 | 142 436 | 27 010 | 19 |
| Operating costs and expenses | **(134 154)** | (130 828) | (3 326) | 3 | (112 060) | (18 768) | 17 |
| Remeasurement items | **(6 487)** | (1 860) | (4 627) | 249 | (426) | (1 434) | 337 |
| **Operating profit after remeasurement items** | **40 628** | 36 758 | 3 870 | 11 | 29 950 | 6 808 | 23 |
| Share of profit of associates, net of tax | **445** | 479 | (34) | (7) | 292 | 187 | 64 |
| Net finance costs | **(1 294)** | (1 234) | (60) | 5 | (826) | (408) | 49 |
| **Profit before tax** | **39 779** | 36 003 | 3 776 | 10 | 29 416 | 6 587 | 22 |
| Taxation | **(12 597)** | (11 746) | (851) | 7 | (9 196) | (2 550) | 28 |
| **Profit** | **27 182** | 24 257 | 2 925 | 12 | 20 220 | 4 037 | 20 |
| *Attributable to* | | | | | | | |
| Shareholders | **26 278** | 23 583 | 2 695 | 11 | 19 794 | 3 789 | 19 |
| Non-controlling interests in subsidiaries | **904** | 674 | 230 | 34 | 426 | 248 | 58 |
| | **27 182** | 24 257 | 2 925 | 12 | 20 220 | 4 037 | 20 |

**Overview**

Turnover increased by 7%, operating profit after remeasurement items by 11% and earnings attributable to shareholders by 11% in 2013 compared to 2012. The higher operating profit resulted mainly from improved operational performance and a 14% weaker average rand/US dollar exchange rate (R8,85/US$ at 30 June 2013 compared with R7,78/US$ at 30 June 2012), despite a 3% lower average Brent crude oil price (average dated Brent was US$108,66/barrel at 30 June 2013 compared with US$112,42/barrel at 30 June 2012). Overall, the group benefited from improved production performance, with Sasol Synfuels's production volumes increasing by 4% compared to the prior year.

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Stable operations as well as the performance of the plant during the phased shutdown resulted in the improved production volumes.

In addition, operating profit in 2013 was negatively impacted by net once-off charges totalling R8 508 million (30 June 2012 R2 121 million). These items relate primarily to the partial impairments of our Arya Sasol Polymer Company (ASPC) investment (R3 611 million), the Fischer Tropsch (FT) wax expansion project (R2 033 million) and of our Solvents Germany business (R242 million), as well the write off of the Mupeji-1 dry well in Mozambique amounting to R442 million. In addition, included in the once-off charges is an amount of R2 021 million related to the translation losses, primarily at our ASPC operations, resulting from the depreciation of the Iranian Rial against the US dollar. These once-off items also include a gain relating to the remeasurement to fair value of our existing shareholding in the Merisol business of R233 million, which arose from the acquisition of the remaining 50% of Merisol. Operating profit further includes a gain on the valuation of the open Canadian foreign exchange contracts amounting to R439 million.

The operating profit in 2012 includes the partial impairment of our Canadian shale gas asset and impairment of Blocks 16&19 in Mozambique of R964 million and R434 million, respectively, and the write off of unsuccessful exploration wells in Australia amounting to R274 million, offset by the profit of R124 million on the sale of our Sasol Nitro Phalaborwa operations and certain of the downstream fertiliser businesses and the profit realised on the disposal of the Witten plant in Germany of R285 million.

Further, the share-based payment expenses relating to the Sasol incentive schemes increased to R1 666 million in 2013 from R221 million in 2012 mainly due to the increase in the Sasol share price performance and additional grants made during the year.

Sasol Synfuels' delivered production volumes for the year of 7,443 million tons (Mt), which was 4% higher than the prior year. We continued to focus on production utilisation, especially in our European chemical businesses, to match lower demand and optimise margins in light of the continuing weak European market conditions.

**Turnover**

Turnover consists of the following categories:

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Sale of products | **179 578** | 167 893 | 11 685 | 7 | 141 018 | 26 875 | 19 |
| Services rendered | **1 162** | 1 027 | 135 | 13 | 867 | 160 | 18 |
| Other trading income | **529** | 526 | 3 | 1 | 551 | (25) | (5) |
| **Turnover** | **181 269** | 169 446 | 11 823 | 7 | 142 436 | 27 010 | 19 |

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The primary factors contributing to these increases were:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Turnover, 2012 and 2011, respectively | **169 446** | | 142 436 | |
| Exchange rate effects | **11 056** | 7 | 8 944 | 6 |
| Product prices | **4 422** | 3 | 23 722 | 17 |
| *crude oil* | **(240)** | | 2 036 | 2 |
| *other products (including chemicals)* | **4 662** | 3 | 21 686 | 15 |
| Net volume changes | **(3 334)** | (2) | (5 836) | (4) |
| Other effects | **(321)** | | 180 | |
| Turnover, 2013 and 2012, respectively | **181 269** | | 169 446 | |

**Operating costs and expenses**

Operating costs and expenses consists of the following categories:

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Materials, energy and consumables used | **(77 538)** | (80 410) | 2 872 | (4) | (66 127) | (14 283) | 22 |
| Selling and distribution costs | **(5 371)** | (4 621) | (750) | 16 | (4 308) | (313) | 7 |
| Maintenance expenditure | **(7 544)** | (7 421) | (123) | 2 | (6 810) | (611) | 9 |
| Employee related expenditure | **(23 476)** | (19 465) | (4 011) | 21 | (18 133) | (1 332) | 7 |
| Exploration expenditure and feasibility costs | **(1 354)** | (1 045) | (309) | 30 | (880) | (165) | 19 |
| Depreciation and amortisation | **(12 030)** | (9 651) | (2 379) | 25 | (7 400) | (2 251) | 30 |
| Translation gains/(losses) | **899** | 243 | 656 | 270 | (1 016) | 1 259 | (124) |
| Other operating expenses | **(9 692)** | (9 874) | 182 | (2) | (8 474) | (1 400) | 17 |
| Other operating income | **1 952** | 1 416 | 536 | 38 | 1 088 | 328 | 30 |
| **Operating costs and expenses** | **(134 154)** | (130 828) | (3 326) | 3 | (112 060) | (18 768) | 17 |

*Materials, energy and consumables used.* Materials, energy and consumables used in 2013 amounted to R77 538 million, a decrease of R2 872 million, or 4%, compared with R80 410 million in 2012, which increased by 22% from R66 127 million in 2011. The decrease in 2013 compared with 2012 was mainly due to a decrease in feedstock prices resulting from lower average crude oil prices and lower external purchases by Sasol Oil as result of lower production volumes at Natref resulting from an extended planned maintenance shutdown. The increase in 2012 compared with 2011 was mainly due to the increase in feedstock prices resulting from higher average crude oil prices. Compared to turnover from the sale of products, materials, energy and consumables used was 43% in 2013, 47% in 2012 and 46% in 2011.

*Selling and distribution costs.* These costs comprise marketing and distribution of products, freight and customs and excise duty after the point of sale. Selling and distribution costs in 2013 amounted to R5 371 million, which represents an increase of R750 million, or 16%, compared with R4 621 million in 2012, which increased by R313 million compared with R4 308 million in 2011. The variation in these costs was mainly attributable to weaker rand levels against major currencies which affected the foreign operations during 2013. Compared to sales of products, selling and distribution costs represented 3% in 2013, 2012 and 2011.

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*Maintenance expenditure.* Maintenance expenditure in 2013 amounted to R7 544 million, which represents an increase of R123 million, or 2%, compared with R7 421 million in 2012, which increased by R611 million compared with R6 810 million in 2011.

*Employee related expenditure.* Employee related expenditure amounted to R 23 476 million, which represents an increase of R4 011 million, or 21%, compared with R19 465 million in 2012, which increased by R1 332 million, or 7%, from 2011. This amount includes labour costs of R21 438 million (2012 18 774 million and 2011 R16 627 million) and share-based payment expenses of R2 038 million (2012 R691 million and 2011 R1 506 million). The increase in labour costs in 2013 is mainly due to the average annual inflationary increases of approximately 7%, increased share-based payment expenses related to the performance of the Sasol ordinary share price of 7%, an increase in employee numbers growth of 4%, as well as the effects of exchange rates of 4%. Labour costs increased in 2012 mainly due to inflation and increased costs associated with the establishing and advancing of various growth initiatives at SPI and SSI, including costs for a full 12 months relating to our Canadian shale gas operations.

*Exploration expenditure and feasibility costs.* Exploration expenditure and feasibility costs in 2013 amounted to R1 354 million, which represents an increase of R309 million, or 30%, compared with R1 045 million in 2012, which increased by R165 million compared with R880 million in 2011. The increase in exploration and feasibility costs in 2013 and 2012 is mainly due to increased costs associated with the establishing and advancing of various growth initiatives at SPI and SSI.

*Depreciation and amortisation.* Depreciation and amortisation in 2013 amounted to R12 030 million, which represents an increase of R2 379 million, or 25%, compared with R9 651 million in 2012, which increased by R2 251 million compared with R7 400 million in 2011. The increase in depreciation and amortisation in 2013 and 2012 is mainly due to the increased depreciation of the Canadian shale gas assets of R487 million which is based on the units-of-production method using estimated proved developed reserves as well as the increase in assets that reached beneficial operation in 2012 and 2013 at Sasol Synfuels, and the impact of the weaker rand/US dollar exchange rate.

*Translation gains and losses.* Translation gains arising primarily from the translation of monetary assets and liabilities amounted to R899 million in 2013. The gain recognised is due to the weakening of the rand/US dollar exchange rate during the year closing at R9,88 at 30 June 2013, compared with the closing rate at 30 June 2012 of R8,17 per US dollar. The closing rate is used to translate, to rand, all our monetary assets and liabilities denominated in a currency other than the rand at the reporting date and, as a result, a net gain was recognised on these translations in 2013. The strengthening of the rand has a positive impact on the translation of our monetary liabilities, while the weakening of the rand has a negative impact on the translation of our monetary assets. Included are translation losses of R2 021 million (2012 R727 million), relating primarily to our ASPC operations, mainly due to the depreciation of the Iranian Rial against the US dollar. In 2012, foreign exchange gains of R243 million were recognised due to the weakening of the rand/US dollar exchange rate towards the end of the year closing at R8,17 at 30 June 2012 compared to the closing rate at 30 June 2011 of R6,77 per US dollar. A net foreign exchange loss of R1 016 million was recognised in 2011.

*Other operating expenses.* Other operating expenses in 2013 amounted to R9 692 million, a decrease of R182 million, compared to R9 874 million in 2012, which increased by R1 400 million from R8 474 million in 2011. This amount includes rental expenses of R1 013 million (2012 R862 million and 2011 R772 million), insurance costs of R516 million (2012 R438 million and 2011 R535 million), computer costs of R1 514 million (2012 R1 403 million and 2011 R1 286 million), hired labour of R841 million (2012 R503 million and 2011 R405 million) and professional fees of R2 034 million (2012 R1 567 million and 2011 R1 216 million). Other operating expenses also includes the impact of the change in discount rates for environmental provisions amounting to a gain of

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R1 007 million (2012 loss of R598 million and 2011 loss of R52 million). Other operating expenses in 2011 included amounts in respect of competition related administrative penalties of R112 million. There were no competition related administrative penalties in 2013 and 2012.

*Other operating income.* Other operating income in 2013 amounted to R1 952 million, which represents an increase of R536 million, or 38%, compared with R1 416 million in 2012, which increased by R328 million compared with R1 088 million in 2011. Included in other operating income for the 2013 year is R129 million received in respect of deferred income received related to emission rights (2012 R128 million and 2011 R79 million), gain on hedging activities realised by Sasol Financing on foreign exchange contracts of R262 million (2012 R335 million and 2011 R276 million) and insurance proceeds of R173 million (2012 R39 million and 2011 R46 million).

**Remeasurement items** The effects of remeasurement items[1] recognised for the year ended 30 June are set out below:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| **South African Energy Cluster** | | | |
| Sasol Mining | **7** | 61 | 3 |
| *impairments* | | *6* | |
| *scrapping of assets* | ***13*** | *55* | *5* |
| *profit on disposal of property, plant and equipment* | ***(6)*** | | *(2)* |
| Sasol Gas | | 11 | 6 |
| *scrapping of assets* | | *11* | *6* |
| Sasol Synfuels | **77** | 238 | 197 |
| *scrapping of assets* | ***78*** | *238* | *197* |
| *profit on disposal of property, plant and equipment* | ***(1)*** | | |
| Sasol Oil | ***78*** | *14* | *17* |
| *impairments* | ***45*** | *1* | *7* |
| *reversal of impairments* | ***(8)*** | | |
| *scrapping of assets* | ***35*** | *13* | *25* |
| *(profit)/loss on disposal of property, plant and equipment* | ***8*** | | *(15)* |
| *profit on disposal of businesses* | ***(2)*** | | |
| **International Energy Cluster** | | | |
| Synfuels International | **(7)** | 34 | 126 |
| *impairments* | | | *123* |
| *scrapping of assets* | | *34* | *3* |
| *profit on disposal of property, plant and equipment* | ***(7)*** | | |
| Petroleum International | **428** | 1 609 | 442 |
| *impairments* | ***15*** | *1 398* | *1* |
| *scrapping of assets* | ***14*** | | |
| *profit on disposal of property, plant and equipment* | ***(1)*** | | |
| *profit on disposal of businesses* | ***(69)*** | *(59)* | |
| *write off of unsuccessful exploration wells* | ***469*** | *270* | *441* |

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| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| **Chemical Cluster** | | | |
| Sasol Polymers | **3 572** | 62 | 46 |
| *impairments* | ***3 611*** | *61* | *5* |
| *reversal of impairments* | ***(61)*** | | |
| *scrapping of assets* | ***22*** | *2* | *42* |
| *profit on disposal of property, plant and equipment* | | *(1)* | *(1)* |
| Sasol Solvents | **341** | 83 | 63 |
| *impairments* | ***242*** | *37* | *38* |
| *reversal of impairment of property, plant and equipment* | | | *(15)* |
| *scrapping of assets* | ***97*** | *44* | *32* |
| *loss on disposal of property, plant and equipment* | ***2*** | *2* | *8* |
| Sasol Olefins & Surfactants | **64** | (179) | (500) |
| *impairments* | ***61*** | *85* | *6* |
| *reversal of impairments* | | | *(520)* |
| *scrapping of assets* | ***5*** | *9* | *4* |
| *loss on disposal of property, plant and equipment* | ***12*** | *12* | *13* |
| *profit on disposal of business* | ***(14)*** | *(285)* | *(3)* |
| Other Chemicals | **1 815** | (94) | (11) |
| *impairments* | ***2 075*** | *35* | *6* |
| *reversal of impairments* | ***(38)*** | *(12)* | |
| *scrapping of assets* | ***8*** | *37* | *10* |
| *profit on disposal of property, plant and equipment* | ***(1)*** | *(137)* | *(15)* |
| *loss on disposal of intangible assets* | ***4*** | | |
| *profit on disposal of associate* | | *(7)* | *(6)* |
| *fair value gain on acquisition of business* | ***(233)*** | | |
| *profit on disposal of businesses* | | *(10)* | *(6)* |
| **Other businesses** | **112** | 21 | 37 |
| *impairments* | ***53*** | *19* | *4* |
| *scrapping of assets* | ***70*** | *16* | *35* |
| *profit on disposal of property, plant and equipment* | ***(11)*** | *(14)* | *(2)* |
| **Remeasurement items** | **6 487** | 1 860 | 426 |

(1) Remeasurement items includes items of income and expense recognised in the income statement that do not relate to the normal operating activities of the reporting entity and includes the impairment of non-current assets, profit or loss on disposal of non-current assets including businesses and investments, and scrapping of assets.

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**Operating profit**

The factors contributing to the increase in operating profit are set forth in the table below:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Operating profit, 2012 and 2011, respectively | **36 758** | | 29 950 | |
| Exchange rate effects[1] | **10 048** | 27 | 7 384 | 25 |
| Net product and feedstock price[2] | **444** | 2 | 6 720 | 23 |
| *crude oil effects* | **(1 207)** | (3) | 7 453 | 25 |
| *other products (including chemicals)* | **1 651** | 5 | (733) | (2) |
| Inflation on other operating costs | **(2 367)** | (6) | (2 650) | (9) |
| Net volume and productivity effects[3] | **2 397** | 7 | (607) | (2) |
| Effects of remeasurement items[4] | **(4 627)** | (13) | (1 434) | (5) |
| Other effects[5] | **(2 025)** | (6) | (2 605) | (9) |
| Operating profit, 2013 and 2012, respectively | **40 628** | | 36 758 | |

(1) This arises primarily from the effects of the average US dollar exchange rate during the year on both turnover and operating expenses and the increase in translation loss relating to our ASPC operations of R1 294 million arising from the depreciation of the Iranian Rial against the US dollar.

(2) This arises primarily from the effects of changes in product and feedstock prices on turnover and materials, energy and consumables used.

(3) This arises primarily from the effects of plant volumes and productivity on materials, energy and consumables used and services rendered.

(4) This arises primarily from the effects of remeasurement items refer to previous analysis.

(5) These primarily include the effects of the increased share-based payment expenses recognised in 2013 and the increase in the depreciation charge of our Canadian operations of approximately R487 million in 2013.

**Share of profit of associates, net of tax**

Share of profit of associates, net of tax consists of the following:

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Profit before tax | **599** | 621 | (22) | (4) | 388 | 233 | 60 |
| Taxation | **(154)** | (142) | (12) | 8 | (96) | (46) | 48 |
| **Share of profit of associates, net of tax** | **445** | 479 | (34) | (7) | 292 | 187 | 64 |

The share of profit of associates (net of tax) amounted to R445 million in 2013 compared with R479 million in 2012 and R292 million in 2011. The decrease in 2013 is attributable to the lower share of associates profit earned during the year. The increase in 2012 is attributable to the higher share of associates profit earned during the year.

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**Net finance costs**

Net finance cost consists of the following:

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Finance income | **708** | 796 | (88) | (11) | 991 | (195) | (20) |
| Finance costs | **(2 002)** | (2 030) | 28 | (1) | (1 817) | (213) | 12 |
| **Net finance costs** | **(1 294)** | (1 234) | (60) | 5 | (826) | (408) | 49 |

*Finance income.* Finance income 2013 amounted to R708 million, which represents a decrease of R88 million, or 11%, compared with R796 million in 2012, which decreased by R195 million compared with R991 million in 2011. Included in finance income for the 2013 year is R681 million interest received (2012 R766 million and 2011 R943 million) and dividends received of R24 million (2012 R22 million and 2011 R40 million).

*Finance costs.* Finance costs in 2013 amounted to R2 002 million, which represents a decrease of R28 million, or 1%, compared with R2 030 million in 2012, which increased by R213 million compared with R1 817 million in 2011. Included in finance costs for the 2013 year is R774 million interest on debt (2012 R558 million and 2011 R506 million), R712 million A and B preference share dividends (2012 R822 million and 2011 R677 million) that relates to the Sasol Inzalo long-term debt and notional interest of R574 million (2012 R489 million and 2011 R468 million). The increase in interest on debt is primarily due to the US$1 billion bond issued during November 2012. R302 million was capitalised to assets under construction during 2013 (2012 R24 million and 2011 R43 million). This increase is mainly due to the increase in interest on general borrowings eligible for capitalisation.

**Income tax**

Income tax expense in 2013 amounted to R12 597 million, an increase of 7%, compared with R11 746 million in 2012, which increased by 28% from R9 196 million in 2011.

The income statement charge consists of the following:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Current tax | | | |
| South African normal tax | **9 355** | 7 358 | 5 235 |
| Dividend withholding tax | **69** | 16 | |
| Secondary tax on companies (STC) | | 1 032 | 771 |
| Foreign tax | **2 001** | 1 861 | 1 192 |
| Total current tax | **11 425** | 10 267 | 7 198 |
| Deferred tax | | | |
| South African | **1 324** | 1 711 | 1 491 |
| Foreign | **(152)** | (232) | 507 |
| Total deferred tax expense | **1 172** | 1 479 | 1 998 |
| **Income tax expense for the year** | **12 597** | 11 746 | 9 196 |

The effective tax rate was 31,7% in 2013, 32,6% in 2012 and 31,3% in 2011.

The decrease in the effective tax rate from 32,6% in 2012 to 31,7% in 2013 is mainly due to an increase in non-deductible expenses relating mainly to once-off charges, which was offset by the

absence of Secondary Tax on Companies, due to the implementation of dividend withholding tax, as well as the increase in exempt income.

The increase in the effective tax rate from 31,3% in 2011 to 32,6% in 2012 is primarily as a result of the lower share-based payment expenses in 2012, resulting from the once-off Ixia Coal transaction in 2011, a decrease in the utilisation of tax losses in 2012, additional tax losses which have not been recognised as deferred tax assets compared to the prior year, an increase in income received which is exempt for tax purposes, an increase in expenditure which is not tax deductible, increase in the interest rates of the A and B preference shares dividends relating to the Sasol Inzalo long-term debt of which the dividends are not deductible for tax purposes and other adjustments. The share-based payment expenses are not deductible for tax purposes.

**Non-controlling interests in subsidiaries**

Profit attributable to non-controlling interests in subsidiaries in 2013 amounted to R904 million compared with R674 million in 2012 and R426 million in 2011. In 2013, 2012 and 2011, the non-controlling interests in subsidiaries increased due to an increase in profits earned from Sasol Oil, in which outside shareholders hold a 25% interest.

**Segment overview**

Segmental financial performance is measured on a management basis. This approach is based on the way in which the GEC organises segments within our group for making operating decisions and assessing performance. The segment overview included below is based on our segment results. Inter-segment turnover was entered into under terms and conditions substantially similar to terms and conditions which would have been negotiated with an independent third party.

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## Turnover per segment

| | South African energy cluster | | | | | International energy cluster | | Chemical cluster | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Saso Mining | Sasol Gas | Sasol Synfuels | Sasol Oil | Other | Sasol Synfuels International | Sasol Petroleum International | Sasol Polymers | Sasol Solvents | Sasol Olefins & Surfactants | Other Chemicals | Other businesses | Total |
| | (Rand in millions) | | | | | | | | | | | | |
| **2013** | | | | | | | | | | | | | |
| External turnover | 1 833 | 4 524 | 1 508 | 67 359 | | 5 252 | 2 177 | 22 957 | 19 513 | 40 580 | 15 556 | 10 | 181 269 |
| % of external turnover | 1% | 2% | 1% | 37% | | 3% | 1% | 13% | 11% | 22% | 9% | | 100% |
| Inter-segment turnover | 10 491 | 3 730 | 56 767 | 634 | | | 1 457 | 149 | 1 778 | 698 | 4 082 | 358 | 80 144 |
| % of inter-segment turnover | 13% | 5% | 71% | 1% | | | 2% | | 2% | 1% | 5% | | 100% |
| **Total turnover** | **12 324** | **8 254** | **58 275** | **67 993** | | **5 252** | **3 634** | **23 106** | **21 291** | **41 278** | **19 638** | **368** | **261 413** |
| **2012** | | | | | | | | | | | | | |
| External turnover | 2 256 | 3 967 | 1 268 | 66 800 | | 5 182 | 1 778 | 19 952 | 17 429 | 37 044 | 13 720 | 50 | 169 446 |
| % of external turnover | 2% | 2% | 1% | 39% | | 3% | 1% | 12% | 10% | 22% | 8% | | 100% |
| Inter-segment turnover | 8 416 | 2 964 | 47 523 | 620 | | 136 | 1 333 | 129 | 1 485 | 654 | 4 339 | | 67 599 |
| % of inter-segment turnover | 13% | 4% | 70% | 1% | | | 2% | | 2% | 1% | 7% | | 100% |
| **Total turnover** | **10 672** | **6 931** | **48 791** | **67 420** | | **5 318** | **3 111** | **20 081** | **18 914** | **37 698** | **18 059** | **50** | **237 045** |
| **2011** | | | | | | | | | | | | | |
| External turnover | 2 029 | 3 170 | 1 208 | 54 265 | | 3 715 | 1 211 | 16 985 | 16 156 | 31 116 | 12 554 | 27 | 142 436 |
| % of external turnover | 1% | 2% | 1% | 38% | | 3% | 1% | 12% | 11% | 22% | 9% | | 100% |
| Inter-segment turnover | 7 117 | 2 275 | 36 277 | 519 | | | 946 | 97 | 1 124 | 599 | 4 223 | | 53 177 |
| % of inter-segment turnover | 14% | 4% | 68% | 1% | | | 2% | | 2% | 1% | 8% | | 100% |
| **Total turnover** | **9 146** | **5 445** | **37 485** | **54 784** | | **3 715** | **2 157** | **17 082** | **17 280** | **31 715** | **16 777** | **27** | **195 613** |

## Operating profit/(loss) after remeasurement items per segment

| | South African energy cluster | | | | | International energy cluster | | Chemical cluster | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sasol Mining | Sasol Gas | Sasol Synfuels | Sasol Oil | Other | Sasol Synfuels International | Sasol Petroleum International | Sasol Polymers | Sasol Solvents | Sasol Olefins & Surfactants | Other Chemicals | Other businesses | Total |
| Operating profit/(loss) 2013 (Rm) | 2 213 | 4 069 | 28 624 | 2 072 | | 1 601 | (1 886) | (2 829) | 916 | 3 580 | 252 | 2 016 | 40 628 |
| % of total | 5% | 10% | 71% | 5% | | 4% | (5%) | (7%) | 2% | 9% | 1% | 5% | 100% |
| Operating profit/(loss) 2012 (Rm) | 2 287 | 2 985 | 22 095 | 1 592 | (2) | 1 881 | (1 936) | 716 | 1 403 | 3 193 | 1 188 | 1 356 | 36 758 |
| % of total | 6% | 8% | 60% | 4% | | 5% | (5%) | 2% | 4% | 9% | 3% | 4% | 100% |
| Operating profit/(loss) 2011 | 1 063 | 2 578 | 15 188 | 1 180 | (62) | 1 205 | 382 | 1 579 | 1 655 | 4 161 | 1 317 | (296) | 29 950 |

| (Rm) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % of total | 4% | 9% | 51% | 3% | 4% | 1% | 5% | 6% | 14% | 4% | (1%) | 100% |

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**Segment review**

***South African energy cluster***

***Sasol Mining results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 1 833 | 2 256 | (423) | (19) | 2 029 | 227 | 11 |
| Inter-segment | 10 491 | 8 416 | 2 075 | 25 | 7 117 | 1 299 | 18 |
| **Total turnover** | **12 324** | **10 672** | **1 652** | **15** | **9 146** | **1 526** | **17** |
| Operating costs and expenses(1) | (10 111) | (8 385) | (1 726) | 21 | (8 083) | (302) | 4 |
| **Operating profit after remeasurement items** | **2 213** | **2 287** | **(74)** | **(3)** | **1 063** | **1 224** | **115** |
| Operating margin % | 18 | 21 | | | 12 | | |

(1) Operating costs and expenses net of other income.

*Results of operations 2013 compared to 2012*

Total turnover increased by 15% from R10 672 million to R12 324 million mainly due to higher volumes and sales prices to Sasol Synfuels and the positive impact of the weaker rand/US dollar exchange rate, offset by lower US dollar export coal prices per ton and lower export sales volumes. Sales volumes increased by 4% to 44,5 million tons (Mt) for 2013 compared with 42,8 Mt in 2012.

Production volumes were slightly higher than those of the prior year at 40,1 Mt for 2013 compared with 40,0 Mt in 2012.

Operating costs and expenses increased by 21%, mainly due to inflation and increased mining costs to create additional capacity in phasing out old shafts while ramping up new shafts. This impacted negatively on productivity leading to external coal purchases and increased transport costs. Production in the export plant was affected by new geological information relating to the Thubelisha shaft, which has a significant impact on the planned future market of the mine. This also resulted in lower productivity and higher costs at certain sections of the Twistdraai colliery.

*Results of operations 2012 compared to 2011*

Total turnover increased by 17% from R9 146 million to R10 672 million mainly due to higher sales prices to Sasol Synfuels and the positive impact of the weaker rand/US dollar exchange rate, offset by lower US dollar export coal prices per ton. Sales volumes were in line with those of the prior year at 42,8 million tons (Mt) for 2012 compared with 42,6 Mt in 2011.

Production volumes increased by 4% to 40,0 Mt for 2012 compared with 38,6 Mt in 2011, despite industrial action and adverse geological conditions due to some collieries reaching the end of their life of mine.

Operating costs and expenses increased by 12% excluding the effects of the Sasol Ixia transaction, mainly due to higher labour costs, inflation, maintenance costs and material costs.

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The main factors contributing to the decrease/increase in operating profit were:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Operating profit after remeasurement items, 2012 and 2011, respectively | **2 287** | | 1 063 | |
| Exchange rate effects | **217** | 10 | 258 | 24 |
| Net product price | **437** | 19 | 383 | 36 |
| Inflation on other operating costs | **(306)** | (13) | (310) | (29) |
| Net volume and productivity effects | **119** | 5 | 347 | 33 |
| Effects of remeasurement items | **54** | 2 | (58) | (6) |
| Other effects[1] | **(595)** | (26) | 604 | 57 |
| Operating profit after remeasurement items, 2013 and 2012, respectively | **2 213** | | 2 287 | |

(1) The amount includes increased depreciation of R196 million that relates to the increased capital expenditure on existing and new mines.

*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement items:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Scrapping of property, plant and equipment | **13** | 43 | 5 |
| Scrapping of assets under construction | | 12 | |
| Impairment of property, plant and equipment | | 6 | |
| Profit on disposal of property, plant and equipment | **(6)** | | (2) |
| Total loss | **7** | 61 | 3 |

The remeasurement items in 2013 includes the scrapping of refurbishments of R7 million as well as the scrapping of geographical expansions R4 million. The profit of R6 million on disposal of property, plant and equipment relates to the sale of a continuous miner.

The remeasurement items in 2012 include the scrapping of thin seam mining components which were no longer economically viable (R43 million) and projects, which were discontinued and whose technologies could no longer be used (R12 million). In addition, an impairment was recognised in respect of battery haulers of which the recoverable amount was assessed as being below R6 million of its carrying amount.

During 2011 numerous assets with small carrying values were retired from use and the remaining carrying values attributable to these assets were written off. Other smaller assets were disposed of in 2011 realising a profit of R2 million in 2011.

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***Sasol Gas results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 4 524 | 3 967 | 557 | 14 | 3 170 | 797 | 25 |
| Inter-segment | 3730 | 2 964 | 766 | 26 | 2 275 | 689 | 30 |
| **Total turnover** | **8 254** | **6 931** | **1 323** | **19** | **5 445** | **1 486** | **27** |
| Operating costs and expenses[(1)] | (4 185) | (3 946) | (239) | 6 | (2 867) | (1 079) | 38 |
| **Operating profit after remeasurement items** | **4 069** | **2 985** | **1 084** | **36** | **2 578** | **407** | **16** |
| Operating margin % | 49 | 43 | | | 47 | | |

(1) Operating costs and expenses net of other income.

*Results of operations 2013 compared to 2012*

Total turnover increased by 19% from R6 931 million in 2012 to R8 254 million in 2013 mainly due to higher sales volumes and sales prices and the positive impact of the weaker rand/US dollar exchange rate. Sales volumes were 5% higher at 160,1 MGJ for 2013 compared with 152,4 MGJ in 2012.

Operating costs and expenses increased by 6% mainly due to inflation.

*Results of operations 2012 compared to 2011*

Total turnover increased by 27% from R5 445 million in 2011 to R6 931 million in 2012 mainly due to higher sales volumes due to stronger demand from Sasol's operations in Sasolburg and Secunda and higher gas sales prices, despite the negative impact of exchange rates on gas purchases.

Sales volumes were 1,5% higher at 152,4 MGJ for 2012 compared with 150,2 MGJ in 2011.

Operating costs and expenses increased by 38% which was as a result of higher cash fixed costs, higher labour costs due to the filling of vacant positions, and increases in corporate fees and sundry costs.

The main factors contributing to the increase in operating profit were:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Operating profit after remeasurement items, 2012 and 2011, respectively | **2 985** | | 2 578 | |
| Exchange rate effects | **117** | 4 | 3 | |
| Net product price | **897** | 30 | 427 | 16 |
| Inflation on other operating costs | **(34)** | (1) | (30) | (1) |
| Net volume and productivity effects | **198** | 7 | 123 | 5 |
| Effects of remeasurement items | **11** | | (5) | |
| Other effects | **(105)** | (4) | (111) | (4) |
| Operating profit after remeasurement items, 2013 and 2012, respectively | **4 069** | | 2 985 | |

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*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement item:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Scrapping of assets under construction | | 11 | 6 |
| Total loss | | 11 | 6 |

In 2012 and 2011, smaller projects which were no longer considered economically viable were written off.

***Sasol Synfuels results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 1 508 | 1 268 | 240 | 19 | 1 208 | 60 | 5 |
| Inter-segment | 56 767 | 47 523 | 9 244 | 19 | 36 277 | 11 246 | 31 |
| **Total turnover** | **58 275** | **48 791** | **9 484** | **19** | **37 485** | **11 306** | **30** |
| Operating costs and expenses[(1)] | (29 651) | (26 696) | (2 955) | 11 | (22 297) | (4 399) | 20 |
| **Operating profit after remeasurement items** | **28 624** | **22 095** | **6 529** | **30** | **15 188** | **6 907** | **45** |
| Operating margin % | 49 | 45 | | | 41 | | |

(1) Operating costs and expenses net of other income.

*Results of operations 2013 compared to 2012*

Total turnover increased by 19% from R48 791 million in 2012 to R58 275 million in 2013 mainly due to a weaker average rand/US dollar exchange rate resulting in favourable product prices and margins, and increased sales volumes.

Production volumes of 7,443 million tons were 4% higher than the prior year due to stable operations, as well as the performance of the running plant during the phased shutdown in September 2012.

Operating costs and expenses increased by 11% mainly due to higher feedstock prices, which are largely internal to the group, as well as increased labour and energy costs.

*Results of operations 2012 compared to 2011*

Total turnover increased by 30% from R37 485 million in 2011 to R48 791 million in 2012 mainly due to the higher average crude oil prices, higher product prices and the weakening of the rand against the US dollar.

Production volumes were 1,1% higher than in the previous year, due to improved plant efficiencies and a phase shutdown in comparison with a full shutdown in the previous year which were reduced by the impact of plant instabilities and incidents in the first half of the year.

Operating costs and expenses increased by 20% mainly due to increased feedstock, maintenance and energy costs, as well as provisions for rehabilitation expenses.

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The main factors contributing to the increase in operating profit were:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Operating profit after remeasurement items, 2012 and 2011, respectively | **22 095** | | 15 188 | |
| Exchange rate effects | **6 628** | 30 | 3 980 | 26 |
| Net product and feedstock price | **(2 198)** | (10) | 6 345 | 42 |
| *crude oil effects* | **(1 605)** | (7) | 5 567 | 37 |
| *other products* | **(593)** | (3) | 778 | 5 |
| Inflation on other operating costs | **(1 001)** | (5) | (1 202) | (8) |
| Net volume and productivity effects | **1 932** | 9 | (863) | (6) |
| Effects of remeasurement items | **161** | 1 | (41) | |
| Other effects[(1)] | **1 007** | 5 | (1 312) | (9) |
| Operating profit after remeasurement items, 2013 and 2012, respectively | **28 624** | | 22 095 | |

(1) The most significant movement in 2013 was a decrease in provision for rehabilitation due to a change in the discount rate.

*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement items:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Scrapping of property, plant and equipment | **62** | 57 | 151 |
| Scrapping of assets under construction | **16** | 181 | 46 |
| Profit on disposal of property, plant and equipment | **(1)** | | |
| Total loss | **77** | 238 | 197 |

The remeasurement items in 2013 include the scrapping of sections of projects and property, plant and equipment (R62 million) and assets under construction (R16 million) which are no longer economically viable and whose technologies can no longer be used. Other smaller assets were disposed of realising a profit of R1 million in 2013.

The remeasurement items in 2012 include the scrapping of sections of projects and property, plant and equipment (R57 million) and assets under construction (R181 million) which are no longer economically viable and whose technologies can no longer be used.

The remeasurement items in 2011 include the scrapping of sections of projects and property, plant and equipment which are no longer economically viable and whose technologies can no longer be used (R140 million), critical spares (R7 million), term operating assets (R7 million), precious metals (R13 million), catalyst losses (R9 million) and other smaller items (R21 million).

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***Sasol Oil results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 67 359 | 66 800 | 559 | 1 | 54 265 | 12 535 | 23 |
| Inter-segment | 634 | 620 | 14 | 2 | 519 | 101 | 19 |
| **Total turnover** | **67 993** | **67 420** | **573** | **1** | **54 784** | **12 636** | **23** |
| Operating costs and expenses[1] | (65 921) | (65 828) | (93) | | (53 604) | (12 224) | 23 |
| **Operating profit after remeasurement items** | **2 072** | **1 592** | **480** | **30** | **1 180** | **412** | **35** |
| Operating margin % | 3 | 2 | | | 2 | | |

(1) Operating costs and expenses net of other income.

*Results of operations 2013 compared to 2012*

Total turnover increased by 1% from R67 420 million in 2012 to R67 993 million in 2013 mainly due to higher crude refining margins of US$9,67 in 2013 compared to US$8,44 in 2012 as well has higher virtual refining margins of US$3,23/b in 2013 compared to US$3,21/b in 2012. In addition, profitability was enhanced by higher petroleum product prices and a weaker average rand/US dollar exchange rate. This benefit was partially offset by lower sales and production volumes due to lower demand, in particular for black products, on the back of higher petroleum product prices. Total liquid fuel sales were lower at 8,9 million cubic metres ($Mm^3$) in 2013 compared with 9,6 $Mm^3$ in 2012, specifically due to the overland exporters into Southern Africa and lower sales to refining wholesalers resulting from lower production volumes at Natref.

The crude oil throughput at our Natref refinery decreased by 21% from 3,3 million cubic metres ($Mm^3$) in 2012 to 2,6 $Mm^3$ in 2013, resulting from an extended planned maintenance shutdown at the Natref refinery.

Operating costs and expenses remained in line with the previous year. Higher marketing and refining margins, together with higher product prices underpinned the improved operating profit. Higher wholesale margins were also partly negated by the impact of the weaker rand/US dollar exchange rate.

*Results of operations 2012 compared to 2011*

Total turnover increased by 23% from R54 784 million in 2011 to R67 420 million in 2012, mainly due to higher virtual refining margins of US$3,21/b in 2012 compared to US$2,43/b in 2011 and the weakening of the rand against the US dollar. Total liquid fuel sales were lower at 9,6 million cubic metres ($Mm^3$) in 2012 compared with 10,5 $Mm^3$ in 2011, specifically due to the overland exporters into Southern Africa.

The crude oil throughput at our Natref refinery decreased by 12% from 3,7 $Mm^3$ in 2011 to 3,3 $Mm^3$ in 2012, resulting from an extended planned shutdown at the Natref refinery, coupled with crude oil supply shortages resulting from an unplanned third party single buoy mooring (SBM) shutdown in December 2011 and sales volumes were further negatively impacted by reduced trading activities.

Operating costs and expenses increased mainly as a result of higher labour costs. Higher marketing margins, together with higher product prices underpinned the improved operating profit. Higher wholesale margins were also partly negated by the impact of the weaker rand/US dollar exchange rate.

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The main factors contributing to the increase in operating profit were:

| | Change 2013/2012 (Rand in millions) | % | Change 2012/2011 (Rand in millions) | % |
|---|---|---|---|---|
| Operating profit after remeasurement items, 2012 and 2011, respectively | **1 592** | | 1 180 | |
| Exchange rate effects | **292** | 18 | 162 | 14 |
| Net product and feedstock price | **441** | 28 | 585 | 50 |
| Inflation on other operating costs | **(118)** | (7) | (119) | (10) |
| Net volume and productivity effects | **(192)** | (12) | (185) | (16) |
| Effects of remeasurement items | **(64)** | (4) | 3 | |
| Other effects[(1)] | **121** | 7 | (34) | (3) |
| Operating profit after remeasurement items, 2013 and 2012, respectively | **2 072** | | 1 592 | |

(1) This amount mainly increased compared to 2012 due to a bad debt provision of R97 million recognised in 2012 compared to R6 million recognised in 2013.

*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement items:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Net impairment of property, plant and equipment | **(8)** | 1 | 7 |
| Impairment of goodwill | **45** | | |
| Scrapping of property, plant and equipment | **17** | 11 | 18 |
| Scrapping of assets under construction | **18** | 2 | 7 |
| Loss/(profit) on disposal of property, plant and equipment | **8** | | (15) |
| Profit on disposal of business | **(2)** | | |
| Total loss | **78** | 14 | 17 |

The remeasurement items in 2013 include the impairment of goodwill of R45 million that relates to the disposal of Sasol's bitumen business, operated by Tosas. The reversal of impairment of property, plant and equipment of R8 million relates to the improved operational performance of retail convenience centres resulting from the successful implementation of turnaround plans. In addition, various projects and assets with small carrying values were retired from use and scrapped, with the remaining carrying values attributable to these assets written off. The profit on the disposal of property, plant and equipment relates to various small items.

The remeasurement items in 2012 include the impairment and scrapping of various projects and assets with small carrying values.

The remeasurement items in 2011 include the impairment of property, plant and equipment of R7 million relating to the poor operational performance of a retail convenience centre in Durban, South Africa. In addition, various projects and assets with small carrying values were retired from use and scrapped, with the remaining carrying values attributable to these assets written off. The profit on the disposal of property, plant and equipment relates to various small items.

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***International energy cluster***

***Sasol Synfuels International (SSI) results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 5 252 | 5 182 | 70 | 1 | 3 715 | 1 467 | 39 |
| Inter-segment | | 136 | (136) | (100) | | 136 | 100 |
| **Total turnover** | **5 252** | **5 318** | **(66)** | **(1)** | **3 715** | **1 603** | **43** |
| Operating costs and expenses[1] | (3 651) | (3 437) | (214) | 6 | (2 510) | (927) | 37 |
| **Operating profit after remeasurement items** | **1 601** | **1 881** | **280** | **(15)** | **1 205** | **676** | **56** |
| Operating margin % | 30 | 35 | | | 32 | | |

(1) Operating costs and expenses net of other income.

*Results of operations 2013 compared to 2012*

Total turnover decreased by 1% from R5 318 million in 2012 to R5 252 million in 2013 mainly due to lower volumes from the ORYX GTL plant in Qatar due to the planned statutory shutdown in February 2013.

Production volumes (our share of production by our joint ventures) decreased by 8% from 5,05 million barrels in 2012 to 4,67 million barrels in 2013 of refined products produced. The ORYX GTL plant achieved a full year average utilisation rate, taking into account the planned statutory shutdown, of 80% of nameplate capacity. Average throughput for the month of May and June 2013 exceeded 106% of design capacity.

Operating costs and expenses increased by 6% mainly due to inflation and higher US GTL study costs offset by the positive impact of the weaker average rand/US dollar exchange rate.

*Results of operations 2012 compared to 2011*

Total turnover increased significantly by 43% from R3 715 million in 2011 to R5 318 million in 2012 mainly due to continued increased production volumes at the ORYX GTL plant in Qatar and higher product prices derived from crude oil prices.

Production volumes (our share of production by our joint ventures) increased by 9% from 559k tons to 611k tons of refined products produced. The ORYX GTL plant continues to achieve new production records and is consistently producing above design capacity of 32 400 bpd.

Operating costs and expenses increased by 37% mainly due to inflation, the impact of negative translation differences and increased spending on study costs in North America. Savings were obtained on labour costs due to staff migration and information technology centralisation in certain areas.

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The main factors contributing to the decrease/increase in operating profit were:

| | Change 2013/2012 | | Change 2012/2011 | |
|---|---|---|---|---|
| | (Rand in millions) | % | (Rand in millions) | % |
| Operating profit after remeasurement items, 2012 and 2011, respectively | **1 881** | | 1 205 | |
| Exchange rate effects | **533** | 28 | (357) | (30) |
| Net product price | **(21)** | (1) | 569 | 47 |
| Inflation on other operating costs | **(25)** | (1) | (76) | (6) |
| Net volume and productivity effects | **(432)** | (23) | 411 | 34 |
| Effects of remeasurement items | **41** | 2 | 92 | 8 |
| Other effects | **(376)** | (20) | 37 | 3 |
| Operating profit after remeasurement items, 2013 and 2012, respectively | **1 601** | | 1 881 | |

*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement items:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Scrapping of property, plant and equipment | | | 3 |
| Scrapping of assets under construction | | 34 | |
| Profit on disposal of property, plant and equipment | **(7)** | | |
| Impairment of investment in associate | | | 123 |
| Total (profit)/loss | **(7)** | 34 | 126 |

The remeasurement items in 2013 include the profit on disposal of property, plant and equipment of R7 million which primarily relates to catalysts sold to ORYX GTL.

The remeasurement items in 2012 include the scrapping of assets under construction of R34 million which primarily relates to costs capitalised in respect of ORYX GTL.

The remeasurement items in 2011 include the scrapping of a number of assets with small carrying values that were retired from use and the remaining carrying values attributable to these assets were written off.

The 10% interest in EGTL is recognised as an investment in associate. Due to the delay in the project and the increasing costs of completion, an impairment review was performed based on the current project economics. The results of the impairment review indicated that the value in use was lower than the carrying value of the investment. A partial impairment of R123 million was recognised in 2011.

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***Sasol Petroleum International (SPI) results of operations***

| | 2013 | 2012 | Change 2013/2012 | Change 2013/2012 | 2011 | Change 2012/2011 | Change 2012/2011 |
|---|---|---|---|---|---|---|---|
| | (Rand in millions) | | | (%) | (Rand in millions) | | (%) |
| Turnover | | | | | | | |
| External | 2 177 | 1 778 | 399 | 22 | 1 211 | 567 | 47 |
| Inter-segment | 1 457 | 1 333 | 124 | 9 | 946 | 387 | 41 |
| **Total turnover** | **3 634** | **3 111** | **523** | **17** | **2 157** | **954** | **44** |
| Operating costs and expenses[(1)] | (5 520) | (5 047) | (473) | 9 | (1 775) | (3 272) | 184 |
| **Operating (loss)/profit after remeasurement items** | **(1 886)** | **(1 936)** | **50** | **(3)** | **382** | **(2 318)** | **(607)** |
| Operating margin % | (52) | (62) | | | 18 | | |

(1) Operating costs and expenses net of other income and including exploration costs and depreciation.

*Results of operations 2013 compared to 2012*

Total turnover increased by 17% from R3 111 million in 2012 to R3 634 million in 2013.

Production volumes from our combined assets in Mozambique, Canada and Gabon, increased by 16% compared to 2012. Natural gas produced and sold increased by 14% from 90,0 MGJ in 2012 to 103,0 MGJ in 2013. Our Canadian operations produced and sold 22,3 billion standard cubic feet (Bscf) of natural gas during 2013 compared to 17,0 Bscf in 2012. Total condensate sales increased from 0,3 million bbl in 2012 to 0,5 million bbl in 2013. Total oil sales after royalties from Gabon was 1,3 million bbl in 2013 compared to 1,5 million bbl in 2012. Although Gabon oil production is slowly declining, we are maturing additional volumes in Gabon to sustain the asset life-time.

Operating costs and expenses increased by 9% mainly due to the advancing of various growth initiatives, the impact of a weaker rand/US dollar exchange rate, increased depreciation relating to our Canadian operations as well as the write off of the Mupeji-1 dry well in Mozambique amounting to R442 million. The operating loss for the prior year includes a partial impairment of R964 million relating to our Canadian shale gas asset and the impairment of Blocks 16&19 in Mozambique of R434 million.

Our Canadian shale gas asset remains under pressure due to low gas market prices and high depreciation charges, contributing to the operating loss for the year. We are actively de-risking this asset to optimise ramp-up of development activities once gas prices increase.

*Results of operations 2012 compared to 2011*

Total turnover increased significantly by 44% from R2 157 million in 2011 to R3 111 million in 2012.

Increased gas production volumes from our Mozambique operations and sustained production at our Gabon operation contributed positively to SPI's results. Natural gas produced and sold increased by 2% from 88,0 MGJ in 2011 to 90,0 MGJ in 2012. Our Canadian operations produced and sold 17,0 billion standard cubic feet (Bscf) of natural gas during 2012 compared to 2,9 Bscf in 2011. Total condensate sales was maintained at 0,3 million bbl in 2012 and 2011. Total oil sales after royalties from Gabon was maintained at 1,5 million bbl from 2011.

Operating costs and expenses increased by 184% mainly due to the impact of increased depreciation of R1 296 million relating to our Canadian operations, which were acquired in the last quarter of 2011, and a partial impairment of R964 million related to our Canadian (shale/tight gas)

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asset. The price of gas in North America is currently displaying more volatility than initially anticipated, coupled with higher than expected drilling and completion costs and sub-surface complexities. The asset in Canada remains under pressure in the short-term due to the extremely low natural gas prices in North America, but we are positive about the medium to long-term volume potential and strategic value of the asset.

In addition, the impairment of Blocks 16&19 in Mozambique amounting to R434 million and the write-off of a dry well, WA-433 in Australia, for an amount of R274 million, negatively impacted our operating loss in 2012.

The main factors contributing to the movement in the operating loss were:

| | Change 2013/2012 (Rand in millions) | % | Change 2012/2011 (Rand in millions) | % |
|---|---|---|---|---|
| Operating (loss)/profit after remeasurement items, 2012 and 2011, respectively | **(1 936)** | | 382 | |
| Exchange rate effects | **(63)** | 3 | (46) | (12) |
| Net product and feedstock price | **30** | (2) | 439 | 115 |
| *crude oil effects* | **(67)** | 3 | 270 | 71 |
| *other products* | **97** | (5) | 169 | 44 |
| Inflation on other operating costs | **(31)** | 2 | (45) | (12) |
| Net volume and productivity effects | **81** | (4) | 158 | 41 |
| Effects of remeasurement items | **1 181** | (61) | (1 167) | (305) |
| Other effects[1] | **(1 148)** | 59 | (1 657) | (434) |
| Operating loss after remeasurement items, 2013 and 2012, respectively | **(1 886)** | | (1 936) | |

(1) Mainly due to increase in depreciation and increased costs associated with the establishing and advancing of various growth initiatives.

*Remeasurement items*

Operating costs and expenses include the effect of the following remeasurement items:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | (Rand in millions) | | |
| Write off of unsuccessful exploration wells | **469** | 270 | 441 |
| Impairment of property, plant and equipment | | 519 | |
| Net impairment of assets under construction | **15** | 879 | 1 |
| Scrapping of assets under construction | **14** | | |
| Profit on sale of property, plant and equipment | **(1)** | | |
| Profit on disposal of businesses | **(69)** | (59) | |
| Total loss | **428** | 1 609 | |