

Investment Opportunities In Emerging Markets

Paper on:

CHEMICAL AND MINING COMPANY OF CHILE INC. (SYMBOL: SQM)

SASOL LIMITED, SOUTH AFRICA (SYMBOL: SSL)

TEMPLETON DRAGON FUND, INC. (Symbol: TDF)

TEMPLETON INSTL EMERGING MARKETS (Symbol: TEEMX)

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Chemical and Mining Company of Chile Inc.

RECENT STATISTICS

The Company in Chile

The exact name of registrant as specified in its charter in Chile is **SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.** and it translates to **Chemical and Mining Company of Chile Incorporated ("The Company")** in English. The Address of principal executive offices in Chile is **El Trovador 4285 Piso 6, Santiago, Chile.** Chile is the Jurisdiction of the incorporation.

Two classes of shares have been outstanding, namely, Series A & B shares, in the form of American Depositary shares. They are registered on the New York Stock Exchange. 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, that is, December 31, 2002 is 142,819,552 of Series A shares and 120,376,972 of Series B shares.

Company History

The Company headquartered at in Santiago, Chile, and is an open stock corporation organized under the laws of the Republic of Chile. Commercial exploitation of the caliche ore deposits in northern Chile began in the 1830's, when sodium nitrate was extracted from the ore for use in the manufacturing of explosives and fertilizers. By the end of the nineteenth century, nitrate production had become the leading industry in Chile and the country was the world's leading supplier of nitrates.

The accelerated commercial development of synthetic nitrates in the 1920s and the global economic depression in the 1930s caused a serious contraction of the Chilean nitrate business, which did not recover significantly until shortly before the Second World War. After the war, the widespread commercial production of synthetic nitrates resulted in a further contraction of the natural nitrate industry in Chile, which continued to operate at depressed levels into the 1960s.

Through a series of acquisitions, the company became a government owned property between 1971 and 1983. In 1983, the Company began its privatization and listing of company shares to the public on "the Santiago Stock Exchange" in

Chile. By 1988, all of the Company shares were owned privately. In September 1993, the Company established its American Depositary Receipt (ADR) program and, in connection with an international offering and a capital increase of approximately US\$170 million, its shares were listed on the New York Stock Exchange as ADRs.

Company Description

Between 1994 and 1999, the Company participated in the biggest non-metallic mining project ever carried out in Chile and this project demanded an investment of approximately US\$300 million. The followings were constructed:

- A 500 thousand ton capacity potassium chloride plant
- A 22 thousand ton capacity lithium carbonate plant
- A 250 thousand ton capacity potassium sulfate plant
- A 16 thousand ton capacity boric acid plant

The potassium chloride, lithium carbonate, potassium sulfate, and boric acid plants are currently under operations.

The years 2000, 2001, and 2002 have been a period of consolidation of the investments carried out in the preceding 5 years. The Company has focused its efforts in reducing costs and on improving the efficiencies throughout its organization.

By the end of December 31, 2002, the Company had 3,024 permanent employees total, 158 employees outside of Chile; and 77 temporary employees, apprentices, and trainees. The average tenure of full time employees with the Company and its subsidiaries is approximately 9.6 years.

Products and Services

The Company and its subsidiaries, **is the world's largest integrated producer of specialty fertilizers, iodine, lithium carbonate** and a producer of certain industrial chemicals, including industrial nitrates. The Company sells its products in over 100 countries through its worldwide distribution network and derives approximately **80% of its revenues from exports**. The Company products are

derived from mineral deposits found in the Desert region of northern Chile, where the Company mines and processes caliche ore and brine deposits. The caliche ore contains the largest known nitrate and iodine deposits in the world and is the world's only commercially exploited source of natural nitrates. The brine deposits contain the highest known concentrations of lithium and potassium as well as significant concentrations of sulfate and boron.

The Company products are divided into five main categories:

1. Specialty fertilizers
2. Iodine
3. Lithium
4. Industrial chemicals
5. Other products.

The Company is the largest importer and distributor of fertilizers in Chile.

Sources of Revenue in 2002

Product	% of Company Revenue
Specialty fertilizers	51%
Iodine and iodine derivatives	15%
Lithium carbonate and lithium derivatives	7%
Industrial chemicals (industrial grade nitrates, sodium sulfate and boric acid)	13%
Other products (mainly imported fertilizers distributed in Chile and potash sold to third parties)	14%
Total:	100%

The Company estimates that it accounted for approximately 29% of world iodine sales by volume in 2002 and 41% of world lithium carbonate and equivalents (excluding lithium minerals) sales by volume.

Business strategy

The Company's general business strategy is to:

- Participate in businesses where the Company sells at the lowest cost.
- Differentiate itself from commodity producers by manufacturing, marketing, and distributing specialty products that sell at high value
- Continually increase the efficiency of its production processes and reduce costs in order to increase the Company's productivity.
- Maintain leadership in its principal business areas, that is, specialty fertilizers, iodine, and lithium; in terms of installed capacity, costs, production, pricing, and development of new products.
- Vertically integrate towards more value added markets.

Iodine is used in a wide range of medical, agricultural, and industrial applications. Lithium carbonate is used in a wide variety of applications including the production of ceramics and glass, aluminum, chemicals, pharmaceuticals, lubricants and batteries, being lithium a basic element for the development of new technologies.

Production Volumes and Sales

Sales Volume (in metric tons)	1998	1999	2000	2001	2002
Sodium nitrate	105,419	98,598	71,200	63,100	59,500
Potassium nitrate & sodium potassium nitrate	422,252	415,452	472,200	544,800	558,600
Potassium Sulfate	49,903	79,892	151,600	156,600	161,000
Blended and other specialty fertilizers*	188,808	176,614	200,200	241,800	276,600
Revenues (in US\$ millions)	\$219.6	\$210.4	\$229.9	\$259.1	\$281.4

Global Sales Distribution

Sales Breakdown	2000	2001	2002
Central and South America	26%	24%	30%
North America	20%	18%	17%
Europe	15%	14%	15%
Others	22%	31%	27%
Chile	17%	13%	11%

The Company sells its specialty fertilizer products outside Chile principally through its own worldwide network of representative offices and through its sales, technical support and distribution affiliates.

Competitors

Specialty Fertilizers

The Company is currently the world's largest producer of sodium nitrate for agricultural use. The principal means of competition in the sale of potassium nitrate are product quality, customer service, location, agronomic expertise, and price.

Competitor Company Name	Country of Origin	Product and Competition Information
Trans Resources International	<ul style="list-style-type: none"> • Cedar Chemicals in USA • Haifa Chemicals Ltd. in Israel 	<ul style="list-style-type: none"> • Potassium Nitrate • Is the Company's significant competitor
Kali und Salz GmbH	Germany	Potassium Sulfate
Tessengerlo Chimie	Belgium	Potassium Sulfate
Great Salt Lake Minerals Corp.	United States	Potassium Sulfate
PCS Yumbes SCM, A subsidiary of Potash Corporation of Saskatchewan, Inc.	Canada	Sodium Nitrate for agricultural use.
SCM Yodo y Salitre	Chile	Nitrate and Iodine Producer.
Norsk Hydro ASA Is the world's largest producer of calcium nitrate.	Norway	<ul style="list-style-type: none"> • Calcium Nitrate • Accounted for 95% of total world sales of agricultural calcium nitrate • The main markets were the U.S. and European countries.

Iodine and Lithium

The Company is the world's largest producer of iodine and the world's largest producer of lithium carbonate. The Company and several producers in Chile and Japan are the world's main producers of iodine. The Company estimates that eight Japanese iodine producers accounted for approximately 38% of world iodine sales.

Competitor Company Name	Country of Origin	Product and Competition Information
Ise Chemicals Ltd.	Japan	12% of World's iodine sales
3 Iodine Producers Combined	United States	7% of world iodine sales
4 Iodine Producers Combined (Excluding the Company)	Chile	24% of world iodine sales
The Company	Chile	29% of world iodine sales
FMC Corporation and Chemetall GmbH (a subsidiary of Dynamit Nobel Aktiengesellschaft) Combined together	United States and Germany, Respectively.	45% of the lithium carbonate and equivalents (excluding lithium minerals)

Industrial Chemicals

The Company is the world's largest producer of industrial **sodium nitrate** and it is estimated that it accounted for approximately 80% of world production of industrial sodium nitrate in 2002 (excluding China and India, for which reliable estimates are not available).

The Company has some competitors mainly in Europe and Asia. These producers together represent 19% of total production and produce sodium nitrate as a by-product of other production processes.

For agricultural **potassium nitrate**, the Company's principal competitor is Haifa Chemicals Limited with a 30% world market share. A third competitor in this market, PCS, maintains a minority market share of about 3%. The Company's world market share is at 40%.

Assets: Property, Plants, and Equipment

The Company holds the rights to explore and exploit the mineral resources in an area covering more than 1,444,500 hectares of land in northern Chile. The Company conducts surface mining operations on less than 1% of the land area to which it holds rights at four sites. The Company made payments to the Chilean government for its Exploration and Exploitation Concessions of approximately US\$3.05 million in 2002.

The Company also holds water rights for a supply of water from rivers and wells near the Company's production facilities sufficient to meet its current and anticipated operational requirements.

Total the principal production facilities and plants cover more than 3,900 hectares. The Company owns, directly or indirectly, all of the plant facilities, free of any material liens, pledges, or encumbrances; and the facilities are suitable and adequate for the business conducted therein. **The combined gross book value of the property, plants, and equipment at US\$966.0 million.**

The Company owns and operates railway lines and equipment as well as port and storage facilities, for the transport and storage of finished products and consumable materials.

2002 Assets	US\$ (In Thousands)
Land	
Land	\$13,453
Mining Concessions	\$29,840
Subtotal Land:	\$43,293
Buildings & Infrastructure	
Buildings	\$156,244
Installations	\$281,086
Construction-in-progress	\$36,485
Other	\$891
Subtotal Buildings & Infrastructure:	\$474,706
Machinery and Equipment:	\$512,911
Other fixed assets:	\$43,433
Total Assets:	\$1,074,343

Financial Analysis

Revenues

	2002 Revenue		2001 Revenue		2000 Revenue	
	US\$	%	US\$	%	US\$	%
Specialty fertilizers	\$281.4	51%	\$259.1	49%	\$229.9	46%
Iodine and derivatives	\$84.1	15%	\$81.4	16%	\$87.1	17%
Lithium and derivatives	\$37.3	7%	\$37.0	7%	\$33.0	7%
Industrial chemicals	\$70.8	13%	\$69.6	13%	\$69.8	14%
Others (1)	\$80.2	14%	\$79.3	15%	\$82.0	16%
Total	\$553.8	100%	\$526.4	100%	\$501.8	100%

During the years 2002, 2001 and 2000, the company capitalized interests in the amount of US\$1.9 million, US\$2.4 million, and US\$4.4 million respectively.

Revenues from Sales Outside of Chile

US\$ in Thousands	2002	2001	2000
Foreign sales	\$440,257	\$417,737	\$383,604
Total sales	\$553,809	\$526,439	\$501,792
% of foreign sales	79.5%	79.4%	76.4%

Long-Term Debt

LONG-TERM DEBT (in thousands of US dollars)	Expected Maturity Date						Total
	2003	2004	2005	2006	2007	Thereafter	
Total:	\$20,804	\$32,000	\$62,000	\$230,000	—	—	\$344,804

The Company belongs to the Basic Materials sector of the Chemical Manufacturing industry.

Country Risk

Japan is Chile's biggest trading partner. Chile is a commodity country and exports commodities such as copper, silver, and gold. If the commodity market in Chile goes down, everything else will go down as well, including the stock market. Chile is at its high prices for stocks. It is risky to invest in Chile today.

Political Risks

The prospects and results of operations of the Company could be affected by:

- The changes in policies of the Chilean government.
- Other political developments affecting Chile.
- Regulatory and legal changes.
- Administrative practices of Chilean authorities.

Foreign holders of ADS are generally not subject to Chilean taxation of capital gains with respect to gains from the sale or exchange of ADSs evidenced by American Depositary Receipts. The deposit and withdrawal of the shares in exchange for ADSs will not be subject to any Chilean taxes.

Currency Risks

The Company had 41% of its long-term financial debt (US\$140 million at Libor Index plus a spread) priced at a variable rate and 59% at a fixed rate.

Although the U.S. dollar is the primary currency in which the Company transacts its businesses, the Company's operations throughout the world expose it to exchange rate variations for non-U.S. dollar currencies. Fluctuations in the exchange rate of such local currencies to the U.S. dollar may affect the Company's financial condition and results of operations. To lessen these effects, the Company maintains forward contracts to protect most of the net difference between its principal assets and liabilities, for currencies other than U.S. dollar, from fluctuations in exchange rates. These contracts are renewed monthly depending on the amounts in each currency that must be covered. Aside from this, the Company does not hedge potential future income and expenses in currencies other than the U.S. dollar with the

exception of the Euro. The Company estimates annual sales in Euro and secures the exchange difference with an option contract.

The Company exports its products to more than 100 countries and, as such, the results and prospects for the Company's operations in these countries can be expected to be dependent, in part, on the general level of political stability, economic activities, and policies in those countries.

Sasol Limited

RECENT STATISTICS

The Company in South Africa

The exact name of registrant as specified in its charter in the Republic of South Africa is **Sasol Limited**. The Address of the principal executive offices in South Africa is **1 Sturdee Avenue, Rosebank 2196, Republic of South Africa ("Sasol")**. The Republic of South Africa is the Jurisdiction of the incorporation.

Although all of Sasol shares have been registered with the New York Stock Exchange as American Depository Shares, they are all traded at Ordinary Shares of no par value. The number of outstanding shares is 609,056,948 as of June 30, 2003.

Presence in the United States

Merisol is a joint venture company formed in 1997 by the merger of Sasol Phenolics with the phenolics activities of Merichem Company, based in Houston, Texas. Sasol Limited and Merichem each own 50% of Merisol. Merisol has a strong presence in the global market for natural phenolics and cresylics with manufacturing facilities in Houston, Sasolburg, and Oil City, Pennsylvania, and has manufacturing joint ventures with Sumitomo Chemicals in Oita, Japan, and Sasolburg. Merisol derives about 87% of its revenue from the United States, European, and the Far East markets and the balance from other regions.

Sasol North America is headquartered in Houston, Texas, and it is an integrated producer of commodity and specialty chemicals employing approximately 800 people. Manufacturing locations are in Baltimore, Maryland, Lake Charles, Louisiana, and Tucson, Arizona. The Company's Research & Development facility is in Austin, Texas.

It was formed from the chemical division of CONOCO, Inc., when Vista Chemical became a private company in July 1984. In 1986, it became a publicly traded

company, and in 1991, it became a wholly owned subsidiary of the German oil and gas producer, RWE-DEA, as part of the CONDEA Group. On March 1, 2001, RWE-DEA concluded an agreement with Sasol Limited for the purchase of the CONDEA Group.

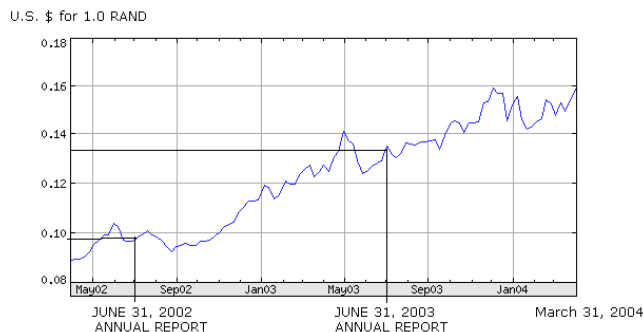
Sasol North America ("Sasol NA") operates as part of Sasol Olefins & Surfactants, headquartered in Frankfurt, Germany. Sasol Olefins & Surfactants is part of Sasol Chemical Industries Ltd. headquartered in Johannesburg, South Africa.

Company History

In 1950, the South African government through the Industrial Development Corporation, a state-owned entity, formed the predecessor company known as the ***South African Coal, Oil, and Gas Corporation*** Limited to manufacturing fuels and chemicals from indigenous raw materials.

Sasol Limited was incorporated in South Africa as a public company under South African law in 1979. In October 1979, **Sasol Limited** was listed on the ***JSE Securities Exchange***, and 70% of its share capital was privatized. Subsequently, the interest in Sasol share capital held by the South African government through the Industrial Development Corporation was further reduced to its current 7.96%. In 1982, Sasol ADRs were quoted on the NASDAQ National Market through an unsponsored ADR program.

Sasol has adopted the International Financial Reporting Standards, or IFRS, for the financial years ended 25 June 2000, 25 June 2001, 30 June 2002 and 30 June 2003. Sasol adopted United States General Accepted Accounting Principles (US GAAP) for public accounting reports. Sasol annual report has been reported in Rand (R), the currency of the Republic of South Africa. The exchange rate between Rand and US\$ was R7.50 per \$1.00 on June 30, 2003 12:00 PM.



Company Description

Sasol is a South African company. About 60% of Sasol operations are located in South Africa and 48% of its sales are generated in South Africa. Sasol is an integrated oil and gas group with substantial chemical interests based in South Africa, and operating in 23 other countries throughout the world. Sasol is the leading provider of liquid fuels in South Africa in terms of both turnover and sales volumes, and a major international producer of chemicals. Sasol uses a world-leading technology for the commercial production of **Synthetic Fuels** (SynFuels) and chemicals from low-grade coal. Sasol expects in future to apply this technology to convert natural gas to diesel and chemicals.

Sasol manufactures over 200 fuel and chemical products, which Sasol sells in more than 90 countries. Sasol operates coalmines to provide feedstock for their SynFuels and chemical plants, manufacture and market synthesis gas (SynGas) and operates the only inland crude oil refinery in South Africa.

Company Directors

All of Sasol directors and officers, except one director, named in the 2003 annual report reside outside the United States, principally in South Africa. We may not be able 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, substantially all of Sasol assets and the assets of their directors and officers are located outside the United States. As a result, we may not be able to enforce against Sasol or their directors and officers judgments obtained in U.S. courts predicated on the civil liability provisions of the federal securities laws of the United States.

A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts under certain conditions.

Products and Services

1. Sasol Mining
 - a. Mining operations in South Africa.
 - b. Supplies coal SynFuels and chemicals plants.
 - c. Exports coal to international customers.
 - d. Accounts for 2% of total revenue.
2. Sasol SynFuels
 - a. Operates the world's only large commercial-scale coal-based SynFuels manufacturing operation
 - b. Manufactures SynGas from low-grade coal
 - c. Converts SynGas into a range of products, including SynFuels, chemical feedstock, and industrial pipeline gas.
 - d. Accounts for 21% of total revenue.
3. Sasol Oil and Gas
 - a. Operate South Africa's only inland crude oil refinery.
 - b. Markets liquid and gaseous fuels and lubricants.
 - c. Liquid fuels include gasoline, diesel, jet fuel, fuel alcohol, illuminating kerosene and fuel oils.
 - d. Gaseous fuels include liquid petroleum gas.
 - e. Provides clean-burning synthetic pipeline gas to the South African market.
 - f. Involved in a project to construct a pipeline to transport and supply natural gas from Mozambique to the South African market.
 - g. Accounts for 13% of total revenue.
4. Sasol Olefins and Surfactants
 - a. Manufactures a wide range of surfactants, surfactant intermediates (including alcohols and alkylates), monomers and inorganic specialty chemicals derived mostly from coal and chemical feedstocks.
 - b. Markets these products in the global chemical markets.
 - c. Accounts for 30% of total revenue.
5. Sasol Polymers
 - a. Produces and markets ethylene and propylene monomers, polypropylene, polyethylene and polyvinyl chloride polymers and other chemical products through Sasol's respective businesses with operations located in South Africa, Malaysia and China.
 - b. Accounted for 10% of total revenue.
6. Sasol Solvents

- a. Manufactures and markets a range of oxygenated solvents derived mostly from coal and chemical feedstock, in the global chemicals markets.
 - b. Accounted for 9% of total revenue.
7. Sasol Wax
- a. The wax division produces and markets wax and wax-related products to commodity and specialty wax markets globally.
 - b. Manufactures crude oil-derived paraffin waxes and synthetic waxes produced on the basis of Fischer-Tropsch technology.
 - c. Accounts for 7% of total revenue.
8. Sasol Nitro
- a. Manufactures ammonia and its derivatives.
 - i. Fertilizers.
 - ii. Explosives
 - iii. Supplies these products to markets in the southern hemisphere.
 - b. Accounts for 6% of total revenue.
9. Other
- a. Sasol is involved in a number of other activities in the energy field in South Africa and other countries.
 - b. Includes
 - i. International petroleum and gas exploration and production.
 - ii. Development of GTL fuels and production of other chemical products
 - iii. Technology research and development.
 - iv. Accounts for 2% of total revenue.

Sources of Revenue in 2003

Product	% of Company Revenue
Sasol Mining	2%
Sasol SynFuels	21%
Sasol Oil and Gas	13%
Sasol Olefins and Surfactants	30%
Sasol Polymers	10%
Sasol Solvents	9%
Sasol Wax	7%
Sasol Nitro	6%
Other	2%
Total:	100%

Competitors

Sasol independent access to the retail and commercial fuel markets serves as a competitive advantage in Sasol supply arrangements with other oil companies in the market.

The main competitors in the South African retail market for *liquid fuels* are:

- 1. British Petroleum**
- 2. Shell**
- 3. Engen**
- 4. Caltex**
- 5. Total**

The main competitors for various products of Sasol *Alkylates* business unit include:

- 1. ExxonMobil, Shell and Petresa** in the *n-paraffins* market.
- 2. Huntsman, Petresa, and ISU** in the *LAB* market.

The surfactants business unit is one of the world's three biggest suppliers of surfactants. Its major competitors are **Huntsman** and **Cognis**.

Sasol *Polymers'* major focus is on the Southern African polymers market, from which it derives more than 80% of its revenue. Sasol holds the leading share in the local market as the sole producer of LDPE, LLDPE, and PVC in South Africa. The main competitors in this market are **Asian and Middle Eastern** producers.

Sasol *Solvents'* competitors vary depending on the products and include a number of major international oil and chemical companies. In the market for *ketones*, its main competitors are **ExxonMobil, Shell Chemicals, and Ineos**. In the *alcohols* market, its main competitors are **BP Chemicals, Shell Chemicals, Dow, Celanese** and, **Equistar**. In the market for *acetates* and *acids*, its main competitors include **Celanese** and **BP Chemicals**, and in the mixed alcohols market, its main competitor is **PetroSA**.

The main competitors in the world market for *waxes* are the **Chinese** producers: **China Oil** and **Sinopec**, and South African Sasol Wax.

In the specialty *wax* market, Sasol's Dutch subsidiary Paramelt competes with **Honeywell's** special products, **Witco**, and the *former* **Dusseck Campbell**, which now forms part of BP Special Products.

We are the only *ammonia* producer in South Africa (Chemical Economics Handbook—SRI International). **Omnia** and **AECI** are Sasol’s two major customers and competitors in the downstream *fertilizer* and *explosives* markets. We have entered into market-related contractual arrangements with these customers. South Africa imports a very small part of its *ammonia* and all of its *urea* requirements. The South African *explosives* market is very competitive and prices are among the lowest worldwide.

Assets: Property, Plants, and Equipment

Sasol Limited is engaged in various activities that are regulated by local and international laws, regulations and treaties. In Germany, Italy, the Netherlands, Malaysia, China and other countries, we operate plants and facilities for the storage, processing, and transportation of chemical substances, including feedstock, products and wastes. In Qatar, Nigeria, Gabon, Equatorial Guinea and other countries, we are involved, or are in the process of being involved, in exploration, extraction, processing and transportation activities in connection with feedstock, products and waste relating to natural gas, petroleum and chemical substances. Sasol Limited is in the process of constructing operating plants and facilities for the extraction, processing, storage and transportation of natural gas in Mozambique.

The followings are the Property and Plants under operations by Sasol Limited:

- Sosal Limited in South Africa:
 - Seven underground and two strip Coal mining facilities.
 - A refinery of 1.1 million square meters.
 - Main manufacturing facilities land property is 82.5 million square meters in Secunda, South Africa.
 - Other facilities land property is 51.4 million square meters in Sasolburg, South Africa
 - Breakdown: Chemical Operations is 41.0 million square meters.
 - Breakdown: Mining operation is 1.7 million square meters.
- Germany:
 - Sasol Olefins and Surfactants and Sasol Solvents.
 - Facilities at Brunsbüttel, Germany:

- Site size is 1.5 million square meters.
 - Plant size is 500,000 square meters.
- Marl, Germany:
 - Site size is 160,000 square meters.
 - Plant size is 75,000 square meters.
- Moers, Germany:
 - Site size is 808,000 square meters.
 - Plant size is 400,000 square meters.
- Sasol Wax facilities are based in Hamburg, Germany.
- Facilities at Augusta, Italy:
 - 1.35 million square meters in site size.
 - 220,000 square meters in plant size.
- Facilities at Terranova, Italy:
 - 185,000 square meters in site size.
 - 75,000 square meters in plant size.
- Facilities at Delden, the Netherlands:
 - 162,000 square meters in site size.
 - 112,000 square meters in plant size.
- Facilities Lake Charles, Louisiana:
 - 3 million square meters in site size.
 - 540,000 square meters in plant size.
- Facilities in Baltimore, Maryland:
 - 293,000 square meters in site size.
 - 255,000 square meters in plant size.

Total land and plants size is 145.7 million square meters. One square meter is 0.000247 ACRE. The land and plants owned by Sasol Limited worldwide amounts to 36,000 acres.

Financial Analysis

Revenues

Revenues from Sales Outside of Chile

Revenues from Sales Outside of Chile

Country & Political Risks

Sasol Limited operates in several countries whose political and economic instability, acts of warfare and civil clashes, governmental interventions (including protectionism and subsidies), regulatory, taxation, and legal structure changes pose a high degree of risk for Sasol's operations in those countries.

Other aspects of market conditions which may have material impact on Sasol's business in those countries are the control of field developments and transportation infrastructure, the receipts of new permits and consents, cancellation of contractual rights, and expropriation of assets.

Global supply and demand of Sasol Limited products set the prices for these products. Sasol Limited is vulnerable to the changes in international prices of crude oil and chemical products and in currency rates.

Currency Risks

Volatility in crude oil, natural gas, and petroleum products prices may adversely affect Sasol's business, operating results, cash flows and financial condition. Sudden changes in prices of crude oil, petroleum products, and gas, the fluctuations in the exchange rate of the US dollar against the South African Rand and the fluctuations in interest rates pose currency and economical risks for Sasol Limited sales and production lines. Volatility in exchange rates may adversely affect Sasol's business, operating results, cash flows and financial condition.

These risks are threefold:

1. Inflation and economical changes within South Africa.
2. Global economical changes over all countries in fine continents.
3. Currency and economical changes in the countries Sasol Limited does business with, both directly and indirectly.

The economy of South Africa at various times had high rates of inflation and high interest rates compared to the United States and Europe. Should these conditions recur, this would increase Sasol's South African-based costs and decrease Sasol's

operating margins. High interest rates could adversely affect Sasol's ability to obtain cost-effective debt financing in South Africa.

TEMPLETON DRAGON FUND, INC.

RECENT STATISTICS

The Closed-End Fund

The exact name of registrant as specified in its charter in the United States is Templeton Dragon Fund, Inc. The Address of principal executive offices in the United States is 500 East Broward Blvd., Suite 2100, Fort Lauderdale, FL 33394. The United States is the Jurisdiction of this fund.

The date of the fiscal year-end is December 31. The last Annual Report and Shareholder Information International was recorded with SEC for the end of fiscal year 2003.

The fund is a Closed-End Non-Diversified Mutual fund, and the fund is registered on the New York Stock Exchange.

The number of outstanding shares of common stocks as of the close of the period covered by the annual report, that is, December 31, 2003, is 37,919,742 shares.

The Fund Recent History

The fund has focused on investing at least 45% of its total assets in equity securities of Chinese corporations. The fund is vulnerable to outbreaks of diseases and possibilities of China to preempt a war on Taiwan. In early 2003, the SARS outbreak affected the performance of this fund; however, the fund has recuperated from its loss of value due to SARS.

The Fund's Management

Three related entities oversee and manage the fund independently through different investment approaches:

1. Franklin
 - a. Funded in 1940.
2. Templeton
 - a. Founded in 1940.
 - b. Templeton has research offices in over 25 countries.
3. Mutual Series
 - a. Established in 1949.
 - b. Searches for undervalued stocks.

The Fund Manager

Mr. Mark Mobius has been the president of Templeton Worldwide Inc. since 1994 and Chief Executive Officer since 2002. His office is in Central Hong Kong.

During the prior five years, Mr. Mobius has held the following positions:

- Portfolio Manager of various Templeton advisory affiliates
- Managing Director, Templeton Asset Management Ltd
- Executive Vice President and Director, Templeton Global Advisors Limited
- FORMERLY
 - President, International Investment Trust Company Limited in Taipei (investment manager of Taiwan R.O.C. Fund) (1983-1986)
 - Director, Vickers da Costa, Hong Kong (1980-1983)
 - Operated his own consulting firm in Hong Kong (1970-1980)

The Funds Country Distribution

Country	Fund %	Companies	Shares Ownership	Value
Hong Kong	41.20%	18	238,233,478	\$258,158,356
China	38.40%	18	403,853,024	\$241,058,714
Taiwan	19.70%	18	125,113,259	\$123,210,832
Singapore	0.70%	1	654,000	\$4,313,019
Total:	100.00%	55	767,853,761	\$626,740,921

Fund Performance

	12/31/2002	12/31/2003	Price Change	Annual Return
Market Price (NYSE)	\$8.92	\$17.99	\$9.07	101.68%
Net Asset Value (NAV)	\$9.73	\$16.62	\$6.89	70.81%

Countries' Economic Growth

Country	GDP Growth 2003	GDP Growth 2004 (estimate)	Export Change (Since 2002)	Import Change (Since 2002)	FDI 1 Inflows in 2003 (US \$ billions)	FDI Inflows Change Since 2002	Exports (US \$ billions)	Imports (US \$ billions)
Hong Kong								
China	9.1%		35%	40%	\$53.50	1.4%		
Taiwan	3.2%	4.1%	10%	13%			144.2	127.3
Singapore								
1. FDI is Foreign Direct Investments								

Fund's Investments

Research Strategy

The fund claims to analyze and research the underlying investment decisions based on the following criteria:

- Overall growth prospects
- Competitive positions in export markets
- Technologies, research and development
- Productivity, labor costs, raw material costs and sources
- Profit margins
- Returns on investment
- Capital resources
- Government regulation
- Management

Top 10 Security Holdings

The fund's top 10 holdings and their percent of ownership within the fund's portfolio as of 12/31/2003 were the following securities.

COMPANY	% OF TOTAL SECTOR / INDUSTRY	COUNTRY NET ASSETS
Dairy Farm International Holdings Ltd.	10.70%	FOOD & STAPLES RETAILING, HONG KONG
China Petroleum & Chemical Corp., H	10.60%	OIL & GAS, CHINA
China Mobile (Hong Kong) Ltd.	4.90%	WIRELESS TELECOMMUNICATION SERVICES, CHINA
PetroChina Co. Ltd., H	4.80%	OIL & GAS, CHINA
Hang Lung Group Ltd.	4.10%	REAL ESTATE, HONG KONG
Cheung Kong Infrastructure Holdings Ltd.	4.00%	CONSTRUCTION MATERIALS, HONG KONG
China Merchants Holdings(International) Co. Ltd.	3.90%	INDUSTRIAL CONGLOMERATES, HONG KONG
TCL International Holdings Inc.	3.80%	HOUSEHOLD DURABLES, HONG KONG
Beijing Datang Power Generation Co. Ltd., H	3.70%	ELECTRIC UTILITIES, CHINA
Sinopec Beijing Yanhua Petrochemical Co. Ltd., H	3.10%	CHEMICALS, CHINA
Total:	53.60%	

Partial Financial Data

Operating Performance Per Share

Fiscal Year-End DECEMBER 31	2003	2002	2001	2000	1999
Net asset value @ The beginning of the year	\$9.73	\$8.82	\$9.91	\$12.75	\$10.00
Net Asset Value @ The end of the year	\$16.62	\$9.73	\$8.82	\$9.91	\$12.75
Market value @ the end of the year	\$17.99	\$8.92	\$7.49	\$7.25	\$9.81
Net assets @ the end of year (000's)	\$626,959	\$431,779	\$429,889	\$485,091	\$673,869
Portfolio Revenue Rate	29.91%	15.75%	70.94%	132.74%	66.60%

Assets, Liabilities, and NAV Per Share

Net Asset Value Per Share = Net assets, at value / Shares Outstanding

Total Assets	\$648,521,480
Total Liabilities	\$21,562,117
Net Assets, at value	\$626,959,363
Shares Outstanding	37,719,742
Net Asset Value Per Share	\$16.62

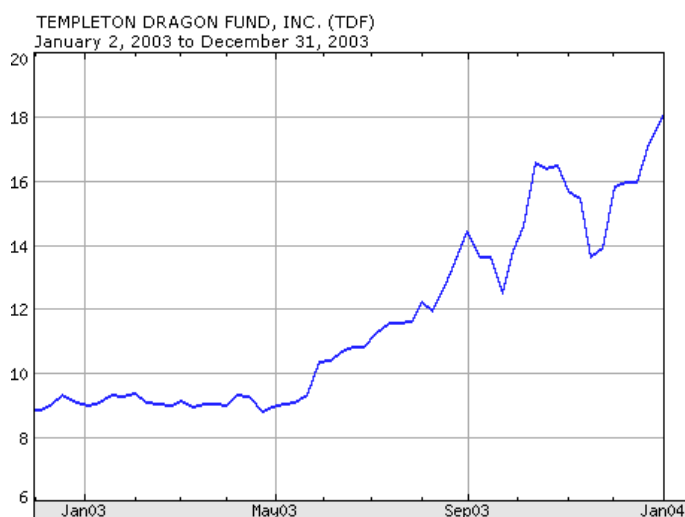
52-Week Price Range

The January 1, 2003 price was \$9.07 at closing, with a volume of 42,300 shares traded. By the end of December 31, 2003, the funds closing price had risen to \$17.99, with a volume of 138,500 shares traded (a 227% increase).

PRICES

Date	Open	High	Low	Close	Volume	Adjusted Close*
January 2, 2003	\$8.98	\$9.07	\$8.98	\$9.07	42,300	\$8.74
December 31, 2003	\$17.66	\$17.99	\$17.66	\$17.99	138,500	\$17.93

* Close price adjusted for dividends and splits.



Advantages of Closed-End Mutual Funds

A Closed-End fund has the following advantages:

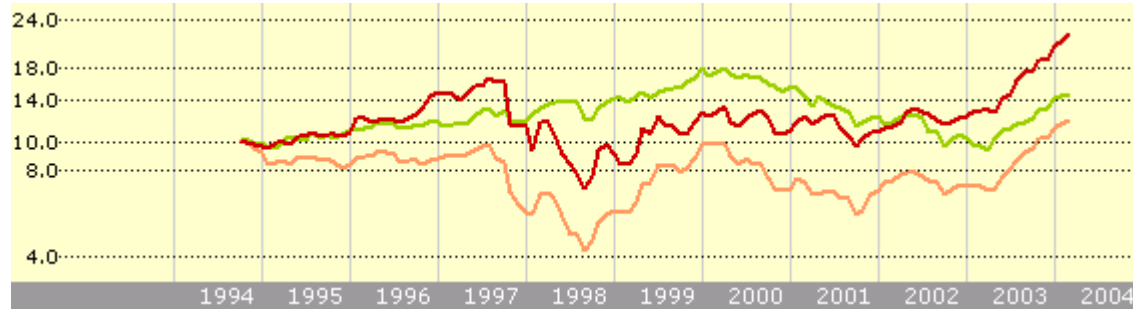
- Have a limited number of shares because of their fixed capitalization.
- Trades on an exchange
- Have lower expense ratios (e.g. It does not have 12b-1 fees).
- It is an inefficient market due to Information about the fund is not always available.
- Closed-end funds generally trade at a discount to their net asset value.
- Portfolio managers are never under pressure to sell shares in order to raise cash for redemptions.

Morning Star Financial Analysis

Growth of \$10,000

02-29-04

- Fund: Templeton Dragon
- Category: Pacific/Asia ex-Japan Stock
- Index: MSCI EAFE NDTR_D

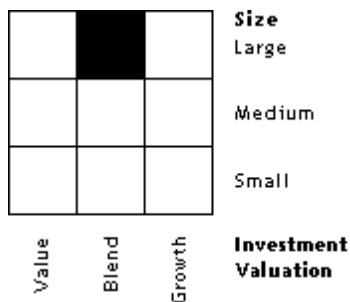


Morningstar Rating (Relative to Category)

02-29-04

	Morningstar Return	Morningstar Risk	Morningstar Rating™
3-Year	Above Average	Low	★★★★
5-Year	Above Average	Below Average	★★★★★
Overall	Above Average	Low	★★★★

Morningstar Category: Pacific/Asia ex-Japan Stock [Click here to see our Methodology](#)



Market Capitalization	% of Portfolio
Giant	27.27
Large	48.22
Medium	18.26
Small	3.51
Micro	2.74
Total:	100.00

Modern Portfolio Theory Statistics

	Standard Index S&P 500	Best Fit Index MSCI PACIFIC NDTR_D
R-Squared	26	52
Beta	0.55	0.79
Alpha	25.67	24.89

Fees and Expenses

Maximum Fees	%
Franklin Templeton for Administrative Fees	0.15%
Templeton Asset Management Ltd. For Fund Management	1.25%
Total:	1.40%

TEMPLETON INSTL EMERGING MARKETS

RECENT STATISTICS

NAV (Net Asset Value):	\$12.76
Minimum Investments:	Initial \$5,000,000
	Additional \$25
Net Assets:	US \$2.36B
Year-To-Date Return:	6.98%
Yield:	2.02%
Total Expense Ratio:	1.49%
Value Line Overall Rank:	2 (1 = Best, 3 = Average, 5 = Worst)
Value Line Risk Factor:	3 (1 = Safe, 3 = Average, 5 = Risky)
Performance:	YTD = 5.23%
	1 Year = 67.87%
	3 Year = 19.14%
	5 Year = 9.39%
	10 Year = 2.57%

The Open-End Fund

The exact name of registrant as specified in its charter in the United States is Templeton Instl Emerging Markets. The Address of principal executive offices in the United States is Broward Financial Centre, 500 East Broward Blvd., Suite 2100, Fort Lauderdale, FL 33394-3091, telephones: (800) 342-5236 and (650) 312-3200. The United States is the Jurisdiction of this fund and the fund inception date is May 3, 1993.

The fund is an Open-End Mutual Fund, and the fund is not registered on any Stock Exchanges. The fund belongs to the Diversified Emerging Markets category.

The Fund's Advisors

The fund's advisor is Templeton Asset Management Limited. Three related entities oversee and manage the fund independently through different investment approaches:

4. Franklin
 - a. Funded in 1940.
5. Templeton
 - a. Founded in 1940.
 - b. Templeton has research offices in over 25 countries.
6. Mutual Series
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The Fund Manager

Mr. Mark Mobius has been the president of Templeton Worldwide Inc. since 1994 and Chief Executive Officer since 2002. His office is in Central Hong Kong.

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 - Director, Vickers da Costa, Hong Kong (1980-1983)
 - Operated his own consulting firm in Hong Kong (1970-1980)

The Funds Country Distribution

Country	Fund %	Companies	Shares Ownership	Value
Hong Kong				
China				
Taiwan				
Singapore				
Total:	100.00%			

Fund Performance

	12/31/2002	12/31/2003	Price Change	Annual Return
Market Price (NYSE)				
Net Asset Value (NAV)				

Fund's Investments

Research Strategy

The fund invests at least 80% of its net assets in securities issued by companies in emerging markets. Fund shareholders are given 60-days advanced notice of any change to this 80% emerging markets' net asset policy.

Emerging Markets

The fund recognizes an emerging market when the country matches one or more of the following institutions recognizes the country as an emerging market:

- The World Bank sees
- International Finance Corporation
- United Nations
- The Country's own authorities
- A country with a stock market capitalization of less than 3% of the Morgan Stanley Capital International World Index

Emerging Market Companies

The emerging market companies are those companies

- Whose principle securities trading markets are in the emerging market countries, or
- Those companies who derive a significant share of their total revenue from either goods or services produced or sales made in emerging market countries, or
- Those companies that have a significant portion of their assets in emerging market countries, or
- Those companies who are linked to currencies of emerging market countries, or
- Those companies which are organized under the laws of, or with principle offices in, emerging market countries.

Top 10 and Top 25 Security Holdings

The fund's top 10 holdings and their percent of ownership within the fund's portfolio as of March 30, 2004 were the following securities.

COMPANY	% OF TOTAL SECTOR / INDUSTRY	COUNTRY NET ASSETS
Anglo Amer	3.89%	United Kingdom
Sabmiller	2.51%	United Kingdom
Citic Pacific	2.12%	Hong Kong
Hyundai Motor	2.10%	South Korea
China Mobile (Hong Kong)	1.99%	Hong Kong
Lukoil Oil	1.92%	Russia
Empresa Brasileira ADR*	1.71%	Brazil
Petroleo Brasileiro Sa Petrobras	1.69%	Brazil
Telefonos de Mexico SA ADR*	1.66%	Mexico
Banco Bradesco SA ADR	1.61%	Spain
Top 10 Holdings:	21.20%	
Kimberly-Clark De Mexico	1.56%	Mexico
Sinopec	1.55%	China
Fraser & Neave	1.42%	Singapore
Remgro	1.38%	South Africa
Kangwon Land	1.38%	South Korea
Petrochina	1.37%	China
Keppel	1.36%	Singapore
OMV	1.34%	Austria
Ptt Explortn & Prd	1.29%	Thailand
Sunplus Tech	1.28%	Taiwan
Telekomunikacja Polska	1.28%	Poland
China Telecom Corp	1.23%	China
Pkn Orlen	1.21%	Poland
Tupras(T Petr Raf)	1.18%	Turkey
Arcelik Anonim Sirketi	1.17%	Turkey
Top 25 Holdings:	41.20%	

Portfolio Composition

The total number of stock holdings is 157 stocks.

		Sector Breakdown	% of Stocks
Stocks	96.10%	Software	0.77%
Cash	3.90%	Hardware	0.97%
Bonds	0.00%	Media	0.27%
Preferred	0.00%	Telecommunications	13.82%
Convertible	0.00%	Healthcare	2.39%
Other	0.00%	Consumer Services	5.49%
		Business Services	7.88%
		Financial Services	11.37%
		Consumer Goods	18.15%
		Industrial Materials	21.51%
		Energy	14.20%
		Utilities	3.18%
		Total:	100.00%

52-Week Price Range

Date	High	Low
March 8, 2004	\$13.23	
March 17, 2003		\$7.55

TEMPLETON INSTL EMERGING MARKETS (TEEMX)



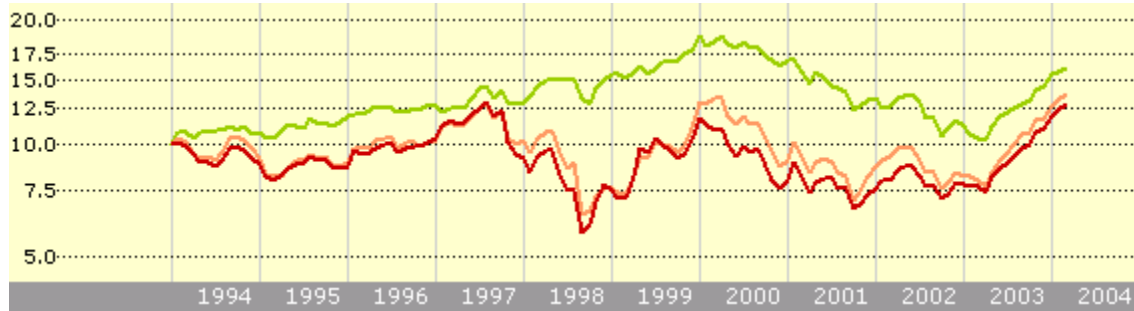
2 YEAR GRAPH

Morning Star Financial Analysis

Growth of \$10,000

02-29-04

- Fund: Templeton Instl Emerging Markets
- Category: Diversified Emerging Markets
- Index: MSCI EAFE NDTR_D

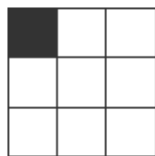


Morningstar Rating (Relative to Category)

02-29-04

	Morningstar Return	Morningstar Risk	Morningstar Rating™
3-Year	Above Average	Low	★★★★★
5-Year	Average	Below Average	★★★
10-Year	Above Average	Below Average	★★★★★
Overall	Above Average	Below Average	★★★★★

Morningstar Style Box



Large Average Mkt Cap \$Mil
 Medium 4,860
 Small

Value Blend Growth

Market Capitalization	% of Portfolio
Giant	20.65
Large	32.84
Medium	40.98
Small	4.86
Micro	0.67
Total:	100.00

Modern Portfolio Theory Statistics

	Templeton Instl Emerging Markets
R-Squared	64.00
Beta	0.84
Alpha	16.93

Fees and Expenses

Maximum Fees	%
Franklin Templeton for Administrative Fees	0.15%
Templeton Asset Management Ltd. For Fund Management	1.25%
12b-1 Fees	0.00%
Total:	1.40%

Total Cost Projections	Cost per \$10,000
3-Year	\$480
5-Year	\$830
10-Year	\$1,810