

LISTING PARTICULARS DATED 13 MAY 2011

**Essar Energy Investment Limited**

*(a limited liability public company incorporated in Jersey with registered number 104716)*

**U.S.\$550,000,000  
4.25 per cent. Guaranteed Convertible Bonds due 2016**

*guaranteed by, and convertible into ordinary shares in*

**Essar Energy plc**

*(incorporated with limited liability in England and Wales with registered number 07108619)*

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**Issue Price: 100 per cent.**

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The Listing Particulars comprise listing particulars in compliance with the listing rules of the UK Listing Authority (the “**Listing Rules**”) made under Section 73A of the Financial Services and Markets Act 2000, as amended by the UK Listing Authority (the “**UKLA**”). Applications have been made for the US\$550,000,000 4.25 per cent. Guaranteed Convertible Bonds due 2016 (the “**Bonds**”) of Essar Energy Investment Limited (the “**Issuer**”) to be admitted to the official list of the UKLA (the “**Official List**”) and to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the “**London Stock Exchange**” or “**LSE**”) (the “**Market**”). The London Stock Exchange’s Professional Securities Market is an unregulated market for the purposes of the Markets in Financial Investments Directive (“**Directive 2004/39/EC**”). Essar Energy plc (the “**Essar Energy**” or the “**Parent Guarantor**”) intends to apply for any Ordinary Shares issued on conversion of the Bonds to be admitted to the premium segment of the Official List and admitted to trading on the EEA regulated market of the London Stock Exchange on or shortly following their date of issue. These Listing Particulars are to be read in conjunction with all the documents which are incorporated by reference herein (see “Presentation of Financial Information – Documents Incorporated by Reference”).

Each of the Issuer and the Parent Guarantor accepts responsibility for the information contained in these Listing Particulars. The Issuer and the Parent Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

These Listing Particulars are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Parent Guarantor, that any recipient of these Listing Particulars should purchase any of the Bonds. Each investor contemplating purchasing the Bonds should make its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and the Parent Guarantor.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Parent Guarantor to subscribe for or purchase any Bonds or Ordinary Shares. The distribution of these Listing Particulars and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer and the Parent Guarantor to inform themselves about and to observe any such restrictions.

No person is authorised to give any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Parent Guarantor. Neither the delivery of these Listing Particulars, nor any sale made in connection herewith, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Parent Guarantor since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer or the Parent Guarantor since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented, or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Bonds, the Guarantee (as defined herein), and the Ordinary Shares have not been, and will not be, registered under the United States of America Securities Act of 1933, as amended (the “**Securities Act**”). The Bonds were offered outside the United States in accordance with Regulation S under the Securities Act (“**Regulation S**”) and, subject to certain exceptions, may not be offered or sold within the United States. The Ordinary Shares issuable upon conversion of the Bonds will be issued in reliance on Regulation S under the Securities Act and accordingly, a Bondholder exercising its conversion right must certify, among others, that it is located outside the United States. See “Terms and Conditions of the Bonds — Conversion of Bonds.”

The Bonds are in registered form and were issued on 1 February 2011 in the principal amounts of US\$100,000 (US\$59,500,000 in aggregate principal amount of the Bonds are represented by a restricted global bond in registered form (the “*Restricted Global Bond*”) and US\$490,500,000 in aggregate principal amount of the Bonds are represented by an unrestricted global bond in registered form (the “*Unrestricted Global Bond*”), and together with the Restricted Global Bond, the “*Global Bonds*”), without interest coupons, which were deposited on the Closing Date with a common depository for, and registered in the name of a common nominee of, Euroclear Bank S.A./N.V. (“*Euroclear*”) or Clearstream Banking, *société anonyme* (“*Clearstream, Luxembourg*”). The Global Bonds will be exchangeable in certain limited circumstances in whole, but not in part, for definitive Bonds in registered form (the “*Definitive Bonds*”). See “Summary of Provisions Relating to the Bonds While in Global Form”.

Unless the source is otherwise stated, the market, economic and industry data in these Listing Particulars about the Issuer and the Parent Guarantor constitutes the Issuer’s and the Parent Guarantor’s estimates, respectively, using underlying data from various industry sources where appropriate. Market data and certain industry forecasts (where applicable) used throughout these Listing Particulars have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Issuer and the Parent Guarantor do not make any representation as to the accuracy of that information. Each of the Issuer and Parent Guarantor hereby confirms that where the information in these Listing Particulars has been reproduced from third-party sources, it has been accurately reproduced and that, as far as the Issuer and the Parent Guarantor are aware, and able to ascertain from information published by the sources mentioned herein, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Jersey Financial Services Commission (the “*Commission*”) has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds by the Issuer and circulation of the Term Sheet. The Commission has also given, and has not withdrawn, its consent under Article 1 of the Control of Borrowing (Jersey) Order 1958 to the Parent Guarantor raising monies in Jersey by the issue of the Bonds. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that law. A copy of these Listing Particulars has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and not withdrawn, consent to its circulation. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

Any individual intending to invest in any investment described in these Listing Particulars should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

It should be remembered that the price of the securities and the income from them can go down as well as up.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

These Listing Particulars contain “forward-looking statements” that are based on our current expectations, assumptions, estimates and projections about the Company and our industry. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “will”, “project”, “seek”, “should” and similar expressions. These statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you

that reliance on any forward-looking statement involves risks and uncertainties, and that, although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be materially incorrect.

Factors which could cause these assumptions to be incorrect are more fully discussed in “Risk Factors” and elsewhere in these Listing Particulars. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans, objectives or projected financial results referred to in any of the forward-looking statements. Except as required by law, we do not undertake to release revisions of any of these forward-looking statements to reflect future events or circumstances.

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## PRESENTATION OF FINANCIAL INFORMATION

### Presentation of Financial Information

The consolidated financial information incorporated by reference in these Listing Particulars has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU except for the purposes of presenting the 2008 and 2009 historical financial information on a combined basis and certain deviations from IFRS in the 2008 and 2009 historical financial information resulting from the application of certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standards applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board.

### Non-IFRS Financial Measures

In this document, certain financial measures are presented which are not recognised by IFRS, including Current Price Gross Refining Margin (“**CP GRM**”).

CP GRM reflects underlying operational performance and better communicates industry comparable performance of the refinery. Certain adjustments are made to the gross refining margin (“**GRM**”) to produce the CP GRM. These adjustments are as follows:

- The sales quantity is taken as actual production during the period. This eliminates the effect of inventory gains and losses in the GRM. This sales quantity is allocated into export and domestic sales based on the actual ratio of export and domestic sales for the period.
- The cost of crude is taken at the current prices of crude grades actually consumed, net of premium or discounts as applicable. Prevailing custom duty is applied on the cost of crude.
- To calculate the revenue from the sales quantity the domestic sales price is valued based on the RTP of the same period rather than any other period. Export prices are based on actual realised export prices, as they do not have timing differences. Revenue is adjusted for premiums or discounts achieved by the Company. For domestic sales custom duty recovery is built up in RTP itself whilst Duty Benefit for exports is added separately.
- The impact of economic hedging gains or losses is excluded.
- The impact of the Gujarat government sales tax benefit is separately identified.

Other companies in the Company's industry may calculate these measures differently from how the Company does, limiting its usefulness as a comparative measure.

CP GRM has been disclosed in this document as it is used by management in determining results from refining operations and Essar Energy believes it is a measure commonly used in the industry.

### Currency presentation

Unless otherwise indicated, all references in this document to:

- “**pounds sterling**” or “**£**” are to the official currency of the United Kingdom of Great Britain and Northern Ireland (“**United Kingdom**” or “**UK**”);

- “*rupees*” and “*Rs.*” are to Indian rupees, the official currency of the Republic of India (*India*); and
- “*US dollars*” or “*US\$*” are to the lawful currency of the United States

The Company prepares its financial statements in US dollars. Certain Essar Energy group companies, including Essar Oil Limited (“*Essar Oil*”), prepare their financial statements in other currencies, including rupees. Solely for convenience, the Company has presented certain amounts denominated in rupees in this document using a constant currency translation at the rate as follows:

**For the year ended 31 December 2010**

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	Rs./\$
Opening rates	46.68
Average Rates	45.74
Closing Rates	44.81

**Year conventions**

For Indian tax purposes, the year-end is 31 March. References in this document to, for example, 2008/09 are to the tax year ended 31 March 2009.

**Rounding**

Certain data in this document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

**Market, economic and industry data**

The Company confirms that information extracted from third-party sources has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render reproduced information inaccurate or misleading. Such information has not been audited or independently verified.

Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

## DOCUMENTS INCORPORATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the following information:

Document	Section	Pages
(a) The prospectus produced in respect of the initial public offering of Essar Energy dated 30 April 2010	“Part 11 – Financial Information” Consolidated annual accounts of the Company for the years ended 31 March 2008 and 2009 and for the 9 months to 31 December 2009, together with the accompanying reports of Deloitte LLP	207 - 270
(b) The Company’s annual report and accounts for the year ended 31 December 2010	Consolidated annual accounts of the Company for the year ended 31 December 2010, together with the accompanying audit report of Deloitte LLP	66 - 115

Copies of documents incorporated by reference in these Listing Particulars can be obtained from the registered office of the Company and on the Company’s website at [www.essarenergy.com](http://www.essarenergy.com). Other than that specified at (a) and (b) above, no information available on the Company’s website is incorporated by reference in these Listing Particulars.

Where documents incorporated by reference themselves incorporate information by reference, such information does not form part of these Listing Particulars.

Investors in the Bonds shall be deemed to have notice of all information contained in, or incorporated by reference in, such documents as if all such information were included in these Listing Particulars. Investors who have not previously reviewed such information should do so in connection with their purchase of the Bonds.



## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in these Listing Particulars prior to making any investment decision with respect to the Bonds. Each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares or the rights of investors under the Bonds or the Ordinary Shares and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Issuer and the Company face. Each of the Issuer and the Parent Guarantor has described only those risks relating to its operations that it considers to be material. There may be additional risks that they currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above.*

*Prospective investors should read the entire Listing Particulars, together with the documents incorporated by reference herein. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in these Listing Particulars have the same meanings in this section.*

*Investing in the Bonds involves certain risks. Prospective investors should consider, among other things, the following risks which may affect the Issuer’s and/or the Parent Guarantor’s ability to fulfil their respective obligations under the Bonds:*

### **RISKS RELATING TO THE COMPANY**

***1. The Company plans to expand significantly, involving substantial capital expenditures and execution risks that it may not be able to manage. The expansion projects may not be completed on time, according to specifications or within budget.***

The Company’s growth strategy in its power business contemplates Construction Phase Power Projects, which involve an expansion of the power business’s installed power generation capacity by 8070 MW through the construction of ten additional power plants that are expected to be completed between 2011 and 2014, and Development Phase Power Projects, which involve the expansion of two planned power plants of capacity 1,800 MW and are currently expected to be completed in 2014 (subject to securing fuel supplies), while the Company’s growth strategy in its oil and gas business contemplates a substantial expansion of its oil and gas exploration and production operations as well as increasing the Vadinar refinery’s production capacity through the Phase I Refinery Project, the Phase I Refinery Optimisation Project and the Phase II Refinery Project (together, the “**Refinery Expansion Projects**”).

The Company’s implementation of the Power Plant Projects and the Refinery Expansion Projects (together, the “**Expansion Projects**”), as well as the exploration and development of its oil, gas and coal blocks, involves risks associated with major projects, such as changes in scope of work causing cost overruns, delays in implementation, technical and economical viability risks and intervening changes in market conditions. While the Company has entered into turnkey contracts for the supply and installation of equipment and for civil works in relation to the Construction Phase Power Projects, and the Development Phase Power Projects and the Phase I Refinery Project, there is a risk that the Company will have to fund project delays or cost overruns arising from changes in the scope of the projects. In addition, the scheduled completion dates for the Expansion Projects are estimates and subject to delays as a result of, for example, construction cost increases, shortages of or defects in equipment and materials, customs clearance delays, shortages of the necessary technical personnel, inability to obtain Indian visas for non-Indian equipment installers and technicians, adverse weather conditions, third-party performance failures, bankruptcies of suppliers or contractors, environmental issues, legal disputes, changes in

government or regulatory policies and delays in obtaining requisite approvals, permits, licences or certifications from the relevant authorities. The Company has outsourced the project management, engineering, construction and supply of equipment for a number of the Power Plant Projects and the Refinery Expansion Projects to Essar Affiliated Companies, which have, in turn, outsourced certain elements of these projects to other contractors. Essar Energy has limited, if any, control over the day-to-day activities of the Essar Affiliated Companies and their subcontractors in the performance of their services in accordance with the terms of their contracts. These risks could have a material adverse effect on the Company's ability to complete its Expansion Projects to the original specifications in a timely manner, or at all.

As a result of a substantial increase in industrial development in India in recent years, the demand for contractors offering specialist design and engineering and project management skills and services has increased, resulting in increasing costs for the services of these contractors. The execution risks the Company faces as a consequence include the non-completion of construction and/or the installation of critical equipment on time, within budget or to the specifications set forth in the applicable agreements with such contractors. While the Company generally seeks to agree a fixed price for construction work necessary for its Expansion Projects, such contracts contain price variation clauses triggered by certain events (including a change in applicable laws) that under such circumstances may entitle contractors to renegotiate fixed prices. If the Company is unable to engage skilled and experienced contractors at reasonable rates or at all, the Expansion Projects may be delayed or abandoned or the costs of completing these projects may increase substantially.

The Company has experienced delays in completing projects on schedule in the past. In the power business, the Company experienced delays in completing the Essar Power-Hazira, the Vadinar Power-Jamnagar and the Bhandar Power-Hazira power plants. Additionally, the construction of the Vadinar refinery was disrupted by a tropical cyclone in June 1998, leading to substantial delays and cost overruns in completing the construction of the refinery and the adjoining oil terminal owned by an Essar Affiliated Company. The Company has also deferred its Phase II Refinery Project beyond its original completion date due to the general downturn in the global economy, including the tightening of credit available in the Indian and international financial markets and recent adverse movements in oil prices. In addition, due to delays in two units of the Phase I Refinery Project, it is now scheduled to be mechanically completed by mid 2011, a delay of few months from the date originally planned. This will be preceded by a 35 day shut down during September/October 2011 to allow for the tie-in of the new units and for routine maintenance. Ramp up of the new units will commence in Q3 2011 with the majority of the increased production expected from mid Q4 2011.

In addition, the Company is in the process of acquiring certain land needed to complete its Construction Phase Power Projects. There can be no assurance that the Company will succeed in completing additional land acquisitions in a timely manner and on terms that are commercially acceptable, or at all.

Failures to complete a project according to its original specifications or on schedule may give rise to additional potential losses, including cost overruns, the forfeiture of security deposits, performance guarantees being invoked, lower or no returns on capital, erosion of capital, reduced revenues and the loss of certain benefits available under various government programmes. To the extent the Company is unable to service its debt as a result of the aforementioned factors this would result in defaults under the Company's financing arrangements, pursuant to which the maturity of the Company's indebtedness could be accelerated. If such indebtedness is accelerated and the Company does not have sufficient cash on hand to repay the indebtedness, the Company could be required to refinance such indebtedness, which may be at a higher capital cost, or scale back or delay its expansion projects. If any of the above risks materialise, the Company's business, results of operations and financial condition could be materially and adversely affected.

In addition, if there are delays in the construction of the Power Plant Projects and related transmission facilities, the Company could be required to pay liquidated damages and penalties to its power off-take customers. Any failure by the project companies implementing the Power Plant Projects to make timely debt service payments could also result in a loss on the Company's investment in such project companies if lenders exercise their rights in respect of the security provided under financing arrangements due to a project company's default, which could in turn adversely impact the Company's ability to pre-qualify for financing for future projects. In the short-term the Company's expansion projects which are expected to be completed and have debt facilities that could be impacted by the risks set out in this paragraph are the Essar Power M.P. – Mahan, Essar Power Gujarat–Salaya and Vadinar Power Expansion Phase II projects. These projects are expected to become commercially operational during 2011. If these risks were to materialise in the short-term the Company would use existing cash balances to fund debt service payments.

In addition, the Company has not yet applied for or received certain permits, approvals and licences that will be required for the Expansion Projects and the exploration and development of its oil, gas and coal blocks, and certain of the in-principle approvals that it has obtained are subject to conversion to final approvals. There can be no assurance that the Company will receive such approvals on a timely basis, or at all. Any approvals may also be subject to the fulfilment of certain conditions, including undertakings made by the Company in its applications for the approvals, and subject to revocation, renewal or modification, including the requirement of operational changes to the Expansion Projects that could increase costs significantly and/or cause delays in the completion of these projects. Non-compliance with these conditions may lead to these approvals not becoming operational or being revoked or suspended as well as adversely impacting the likelihood of further approvals being granted. Certain of the Company's approvals are also granted subject to final decisions by courts, and adverse decisions may affect their validity. The occurrence of any of the above risks may delay or result in the non-completion of the Expansion Projects as well as the incurrence of substantially higher irrecoverable costs, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's growth strategy is expected to place significant demands on its management, financial and other resources and will require the Company to develop its operational, financial and internal controls on a continuous basis. In particular, continued expansion and international diversification will increase the challenges involved in financial and technical management, training and retaining sufficiently skilled technical and management personnel and developing and improving internal administrative infrastructure. The Company's growth is dependent on its ability to meet these challenges successfully, and any inability to do so could have a material adverse effect on the Company's business, results of operations and financial condition.

***2. The Company has substantial debt requirements. The structure and terms of the Company's financing arrangements could give rise to additional risks.***

The Company operates in a capital intensive industry and has significant debt financing requirements. To finance the Power Plant Projects, the oil and gas exploration and production projects and the Phase I Refinery Project and Phase I Refinery Optimisation Project, the Company expects that in addition to equity funding and cash from operations, it needs debt funding of US\$7,542 million for the Power Plant Projects, US\$526 million for the oil and gas exploration and production projects, US\$1,037 million for the Phase I Refinery Project and US\$253 million for the Phase I Refinery Optimisation Project, a certain portion of which has already been obtained. As of 31 December 2010, the Company had US\$ 4.5 billion of borrowings outstanding, including borrowings under long term and short term debt facilities including working capital facilities.

The Company has secured debt financing commitments for 100 per cent. of the total expected debt financing for the Construction Phase Power Projects. 100 per cent. of debt for the Phase I Refinery Project and 100 per cent. of debt for the Phase I Refinery Optimisation Project is committed. The debt required for the Development Phase Power Projects and the Phase II Refinery Project is not yet committed. The projected capital expenditure for 2011 in respect of Company's exploration and production assets is focused on its CBM Raniganj block and the Company has only minimum capital commitments under the PSC for its other oil & gas blocks. The majority of the Company's future capital expenditure for some of the Construction Phase Power Projects and all the Development Phase Power Projects, the Phase II Refinery Project (if consummated) and the exploration and production projects is expected to be incurred in 2012 and beyond. Debt financing for phase I of the Raniganj project has already been committed.

The Company's debt financing requirements are subject to a number of variables and the actual amount of capital required to complete these projects may differ from the Company's current estimates. The Company has included a number of contingencies in relation to potential cost and schedule overruns in its plans for the Construction Phase Power Projects and the Phase I Refinery Project, and the Development Phase Power Projects. Further engineering, procurement and construction contracts for the Power Plant Projects are fixed price with standard escalation provisions based on the agreed scope for each project. For any projects the Company might choose to undertake in the longer term the Company may not be able to enter into similar fixed price contracts. In such an instance, should the Company experience a significant increase in capital requirements or delays with respect to the implementation of its planned capital projects, the Company may need to obtain additional debt financing, which may be at a higher capital cost, or scale back or delay such capital projects. As noted in risk factor 1 above, the Company has experienced higher financing costs as a result of delays in completing capital projects in the past.

Whilst the Company has already drawn down a majority of the debt required for the Phase I Refinery Project as well as some of the Construction Phase Power Projects, there can be no assurance that the Company will meet the conditions precedent required for any further draw downs on the relevant project financing arrangements. These conditions precedent include confirmation that as of the date of any draw down, all representations and warranties contained in the documentation governing the financing arrangements are true and correct, no material adverse change has occurred in the Company's business, operations or financial condition and there has been no event of default. In the event that the Company is not able to meet any such condition precedents for the remaining debt draw downs, it expects that it will fund any short falls using existing cash balances until it can satisfy such conditions precedent.

The Company currently has not secured any debt financing commitments for the Development Phase Power Projects, the Phase II Refinery Project and Phase II Raniganj project, and there can be no assurance that additional debt financing will be forthcoming to fund these projects, or that such debt financing will be available at reasonable capital costs. Any development costs incurred in relation to the Development Phase Power Projects and the oil and gas exploration and production projects before debt financing is secured for these projects will be funded from existing cash balances. Moreover, should the Company pursue the acquisition of the Shell Refineries, it will need to obtain additional financing.

In connection with the agreement to acquire the Stanlow Refinery (See "Business – Purchase of the Stanlow Refinery"), Essar Energy (or one of its subsidiary undertakings) will be required to make a separate payment for the crude oil, refined products and certain other inventory on the Stanlow Refinery site ("**Inventory**"). The price of the Inventory will be determined by prevailing market prices and will be at cost. Currently, oil is trading at two-and-a-half year high and persistence of the current global climate could adversely inflate the price at which Essar Energy acquires the Inventory. Additionally, Essar Energy (or one of its subsidiary undertakings) intends to finance the purchase of the Inventory from third party debt facilities. In the event that the

Inventory cannot be financed by third party debt facilities, Essar Energy will be required to purchase the Inventory using its own existing resources. If the risks in this paragraph materialise, Essar Energy group's financial condition could be materially adversely affected.

The Company's substantial current and expected indebtedness and the terms of such indebtedness could place restrictions on the Company, including the following:

- requiring the Company to dedicate a substantial portion of its cash flow from operations to service its indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures, expansion projects and other general corporate activities;
- limiting the ability of Essar Energy subsidiary companies to pay dividends or loan money to each other and restricting Essar Energy from making dividend payments to its shareholders in certain circumstances; and
- placing the Company at a competitive disadvantage compared to its less-leveraged competitors, who may have greater flexibility in planning for, or reacting to, economic and industry changes.

In addition, the structure of, and specific provisions of, the Company's financing arrangements give rise to certain significant additional risks. The Company's existing and future project financing arrangements are and will be secured by pledges and charges over substantially all of the assets to which the financing arrangements relate, including the shares of significant subsidiaries of the Company including the Company's shares in Essar Oil. In the event of a default, lenders may exercise their rights under the pledges and become owners of the shares to the extent pledged. In addition, the Company is subject to restrictive covenants in respect of its financing arrangements that require the Company in certain circumstances to obtain the prior consent of its lenders before taking certain actions, including entering into material contracts, declaring dividends, incurring additional indebtedness, altering the Company's capital structure, making investments and capital expenditures, making disposals, making material changes to the documents relating to the Expansion Projects and the constitutional documents of the Company, as well as changes in the management of the Company's subsidiaries. In addition, certain of the Company's financing arrangements require it to maintain various financial ratios. If certain events of default occur, certain lenders have the right to accelerate the relevant credit facility, exercise share and asset pledges and/or convert all or any portion of certain outstanding loan amounts into shares of the Company's subsidiaries. In addition, defaults may automatically trigger cross defaults under the financing arrangements of Essar Oil, Essar Power and their subsidiaries.

The Company had obtained term loans from various lenders from 1996 to 1999 for the construction of its refinery in Vadinar. However, the project site was badly hit by a cyclone in June 1998 and came to a standstill due to extensive damages. The Company was referred to the CDR forum set up under the aegis of RBI for restructuring its debt. The CDR Package of the Company was initially approved in August 2003 and final CDR Package was approved in November 2004 and implemented January 2005. The master document governing the CDR Package is the Master Restructuring Agreement ("**MRA**"). It is a condition of Essar Oil's MRA that Essar Oil obtains the benefits of the sales tax deferral. While the CDR lenders have provided extensions since 2005, with the current extension valid until June 2011, in the event Essar Oil is unable to receive further extensions from the CDR lenders or the ongoing sales tax incentive litigation described in paragraph 4 of "General Information" is not resolved in Essar Oil's favour, this may be considered to be an event of default under the MRA. The CDR lenders will then have an option to demand payment of all outstanding amounts or convert such outstanding amounts into shares of Essar Oil. This may also trigger cross default provisions in certain other financing documents. The MRA also contains a mechanism whereby the lenders can call for an increase in

interest rates payable on certain facilities if they determine that the cash flows or profitability of Essar Oil allow such payments. Further, the lenders' committee may accelerate the repayment schedule if it is of the view that the cash flows of Essar Oil would allow such acceleration. If any of these risks materialise and the Company is unable to renegotiate its existing facilities, it could be required to scale back or delay some of its expansion projects, and the Company's business, results of operations and financial conditions could be materially and adversely affected.

Certain of the Company's subsidiaries have historically not complied with certain covenants in their debt facilities, in respect of which they have now received waivers or have otherwise repaid such facilities.

Essar Oil intends to exit the CDR Scheme at an appropriate time and continues to evaluate its options with regard to such an exit.

**3. *The Company enjoys significant tax incentives, which may not be available in the future, and is involved in litigation in relation to certain tax incentives.***

The Company currently enjoys, in the form of tax holidays, exemptions and subsidies, the benefit of various tax incentives provided by the Indian federal and state governments designed to encourage investment in the power and oil and gas sectors. These incentives have a material impact on the Company's investment returns on its existing and planned power plants and the Vadinar refinery. The Company's results of operations and financial condition could be materially adversely affected if these benefits were amended or withdrawn or were to become unavailable or if the Company's claim for these benefits were disputed or disallowed by the tax authorities.

Further, any change in tax laws, including the proposed migration from the Income Tax Act, 1961 to a direct tax code, or in the interpretation of the tax laws, may result in discontinuation or withdrawal of these tax benefits. Tax regulations have historically been subject to varying interpretations and applications by tax authorities, courts and tribunals. The government of India has also recently proposed comprehensive indirect tax reforms including a shift to a unified goods and services tax system. The Company cannot currently ascertain the impact that such changes may have on the Company, and any change in tax laws or the interpretation and application of such laws could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company is currently engaged in litigation with the government of the state of Gujarat regarding whether the Company is eligible to retain, under the Gujarat state's Capital Investment Incentive to Premier/Prestigious Unit Scheme, 1995-2000, the proceeds of the sales tax collected for a period of approximately 13 years on sales of refined petroleum products from the Vadinar refinery in an amount of up to approximately Rs.91 billion (US\$2.03 billion). The Company received a favourable judgement from the High Court of Gujarat in its order dated 22 April 2008. The state of Gujarat has filed a special leave petition before the Supreme Court against the order of the High Court of Gujarat. The special leave petition was listed on 25 February, 2011 and was adjourned at the request of the State Government. The same shall now be listed in July 2011 for hearing. The retained sales taxes are repayable, on an interest-free basis, to the state government beginning in 2021/22 or on exhaustion of the full eligible amount, whichever is earlier, in six equal annual instalments. The Company collected sales taxes in the amount of Rs.15.16 billion (US\$338.31 million), Rs.14.74 billion (US\$328.94 million) and Rs.12.69 billion (US\$283.2 million) under this scheme and included these amounts in revenue, net of the present value of Rs.3.01 billion (US\$67.17 million), Rs.2.95 billion (US\$65.83 million) and Rs.2.78 billion (US\$62.04 million), respectively, during the periods from 1 May 2008 to 31 March 2009 and from 1 April 2009 to 31 March 2010 and 1 April 2010 to 31 December 2010 respectively. The government of the state of Gujarat has asserted that Essar Oil is not eligible to

participate in the sales tax incentive scheme because the Vadinar refinery did not commence commercial production by 15 August 2003. If the ruling in this litigation is adverse to Essar Oil, Essar Oil may have to promptly pay the tax retained under the tax incentive programme to the state of Gujarat and would not be able to benefit from the scheme going forward, which would have a material adverse impact on the Company's results of operations and financial condition. As described in risk factor 2 above, this may also result in the occurrence of an event of default under the MRA.

While, pursuant to a factoring arrangement, the Company has assigned its sales tax liability under the sales incentive scheme of Rs.42.60 billion (US\$950.68 million) to Essar House Limited ("**Essar House**"), an Essar Affiliated Company, at the present value agreed pursuant to the factoring arrangement of Rs.11.83 billion (US\$264.0 million) and paid Rs.11.26 billion (US\$251.28 million) to Essar House as of 31 December 2010. The Company however remains ultimately liable for the payment of the sales tax liability to the state of Gujarat in the event that Essar House does not make payments on the due dates. The Company has since entered into a tripartite agreement with Essar Investment Ltd ("**EIL**"), an Essar Affiliated Company, whereby EIL will guarantee the payment of the sales tax liability to the state of Gujarat in the event of Essar House being unable to fulfil its commitments under the factoring arrangement.

**4. *Essar Global exerts significant influence over the Company and its interests may conflict with those of other shareholders and with those of Bondholders.***

As at the date of this document, Essar Global owns 76.72 per cent. of the issued Ordinary Shares of the Company. In addition, on 18 January 2011, Essar Global acquired an economic interest in a further 1.28 per cent. of the issued Ordinary Shares of the Company pursuant to an Equity Swap Transaction as part of the arrangements relating to the Bonds. As a result, Essar Global is able to exercise significant influence over certain of the Company's corporate decisions, including the election or removal of Directors, the declaration of dividends, whether to accept the terms of a takeover offer and the determination of other matters to be decided by the Company's shareholders. By exercising its powers of control, Essar Global could take certain actions regarding changes in the control of the Company or in its capital structure or regarding business combinations involving the Company, or encourage or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

The Company has entered into a relationship agreement with Essar Global dated 30 April 2010 (the "**Relationship Agreement**") to ensure that the Company will be able to carry on its business independently of Essar Global and its Associates (as defined in the Relationship Agreement) and to ensure that transactions and relationships with Essar Global and its Associates (as defined in the Relationship Agreement) are at arm's length and on normal commercial terms except for certain small transactions. See section "Relationship Agreement" under "Major Shareholder" for further details.

**5. *The Company's operations are dependent on the Essar Affiliated Companies.***

The Company benefits from the operational experience, industry contacts, brand and reputation of Essar Affiliated Companies and the Company's reputation is closely tied to that of the Essar Affiliated Companies. The Company's ability to implement its business strategies and to manage its operations efficiently depends on the continuing profitability and support of Essar Affiliated Companies. If any of the Essar Affiliated Companies were to suffer material damage to their reputation, business, relationships or financial condition, this may have a material adverse effect on the Company's results of operations and financial condition.

Some of the Company's power plants are, and are expected to continue to be, dependent on Essar Affiliated Companies for a significant amount of the plants' fuel supplies and for the off-take of a significant amount of their generated power.

In addition, because Essar Affiliated Companies are the sole or major off-take customers for a number of the Company's existing and planned power plants, the viability of these plants is dependent on the continued viability of the relevant Essar Affiliated Company.

The Company has outsourced the project management, engineering, construction and procurement of equipment for a number of the Power Plant Projects and the Refinery Expansion Projects to Essar Affiliated Companies. In addition, the Company's bulk steel requirements for its Power Plant Projects and Refinery Expansion Projects are being sourced from an Essar Affiliated Company.

The Company does not have direct control over the timing or quality of services, equipment or supplies provided by Essar Affiliated Companies. There can be no assurance that Essar Affiliated Companies will not experience conflicts of interests and prioritise their own interests over those of the Company in providing the services and products to the Company. There can also be no assurance that future agreements that the Company enters into with Essar Affiliated Companies will be on as favourable terms to the Company as the existing agreements. In addition, as noted above, in the event that the Company has a conflict of interest with the Essar Global or its subsidiaries that are not part of the Company ("*Essar Group*"), it may not be possible for the Company to resolve the conflict on the most favourable terms to the Company.

The reputation and value associated with the Company's brand names could also be negatively affected by events outside of the Company's control, including environmental disasters or the behaviour of Essar Affiliated Companies and third parties, such as retail fuel station franchisees.

In addition, a substantial portion of the land required for the Company's currently operational power plants and the Construction Phase Power Projects is leased by Essar Affiliated Companies to the Company. The Company has not independently verified the titles to the land leased by Essar Affiliated Companies, and any defects in these titles would have a significant adverse impact upon the relevant power plant and consequently on the Company. For the Essar Power Orissa—Paradip project, the Company expects to lease the land for this project from Essar Steel Orissa. However, since the land is currently in the process of being acquired by Essar Steel Orissa, the Company has not yet secured a formal contractual lease arrangement. There can be no assurance that the land required for this power plant will be available from Essar Steel Orissa. Further, for the Essar Power Gujarat—Salaya project, the fuel, which is imported coal, is proposed to be imported through a captive jetty being constructed by Essar Bulk Terminal, an Essar Affiliated Company, which in turn will require substantial government approvals, land and funding, all of which are beyond the Company's control. Delays in constructing this captive jetty may delay the commissioning of the commercial operations of the Essar Power Gujarat—Salaya Construction Phase Power Project and the related Essar Power Gujarat—Salaya Construction Phase Power Project and may cause the Company to incur higher transportation costs for transporting coal to fuel this power plant.

For information about the Company's Relationship Agreement see "Major Shareholder".

***6. Activities in the power generation and oil and gas sectors can be dangerous. The Company's Indian refinery operations are located in an area where natural disasters have occurred.***

The Company's operations are subject to the significant hazards and risks inherent in the oil and gas and power generation sectors. These hazards and risks include:



- explosions and fires;
- blowouts and other operational disruptions in relation to the Company's upstream exploration and production operations;
- severe weather, cyclones, earthquakes and other natural disasters;
- ruptures and spills from crude and product carriers or storage tanks;
- equipment break-downs and other mechanical failures;
- improper installation or operation of equipment;
- disruption of deliveries of crude oil, fuel, equipment and other supplies;
- disruption of electricity, water and other utility services;
- acts of political unrest, war or terrorism;
- labour disputes; and
- community opposition activities.

If any of these risks were to occur, this could result in the partial or total shut-down of the operations at the affected facility or a cessation of the construction activity at the Expansion Projects, other damage to the Company's properties, environmental pollution, personal injury or wrongful death claims and damage to the properties of others.

Given that India has experienced severe weather disruptions, cyclones, earthquakes and other natural disasters in the past, the Company's operations are significantly dependent upon the Company's ability to protect its existing and planned facilities against damage from natural disasters. While the Vadinar refinery has been designed to withstand certain earthquake risks, the refinery is located in an area that has experienced severe earthquakes and cyclones, including a cyclone in June 1998 that substantially disrupted and delayed the construction of the refinery and the associated Vadinar terminal, which is owned by an Essar Affiliated Company, by causing extensive damage to the seawater intake facilities and other equipment and assets.

The Company maintains insurance with respect to its operations in accordance with industry practice, including third-party liability insurance up to specified limits, and it believes that its insurance programme is adequate to cover the consequences of the insurable hazards and risks to which the Company's operations are subject. However, the Company may be exposed under certain circumstances to uninsurable hazards and risks. There is also no guarantee that the Company will be able to maintain adequate insurance in the future at rates the Company considers reasonable. The occurrence of any event that is not fully covered by insurance could have a material adverse effect on the Company's business, results of operations and financial condition.

***7. The Company is subject to significant health, safety, environmental and other regulations.***

All of the Company's operations are extensively regulated. National, state and local authorities in the countries in which the Company has operations regulate the industries in which the Company operates with respect to matters such as labour, employee health and safety, permitting and

licensing requirements, planning and development, supply of water, environmental compliance (including, for example, compliance with waste and wastewater treatment and disposal, air emissions, discharges and forest and soil conservation requirements), rehabilitation requirements, resettlement of persons affected by projects, restrictions on the storage, handling and transportation of crude oil, petroleum products and other hazardous substances, plant and wildlife protection, reclamation and restoration of properties after operations are complete, the effects that power generation, mining and upstream exploration and development operations and refining have on water quality and availability and surface subsidence from underground exploration and production activities. Numerous governmental permits, approvals and licences are required for the Company's operations. The Company has not yet obtained several of the required permits, approvals and licences for the Expansion Projects and the exploration and development of oil, gas and coal blocks, although it has applied for such permits, approvals and licences and it expects to receive them in due course. In addition, the Company may not be in compliance with all terms and conditions of permits, approvals and licences obtained by it. Certain material contracts, PSCs, require agreement with government entities and any delays in entering such contracts could have an adverse effect on the Company's operations. Failure to obtain the necessary authorisations or violations of the conditions of any authorisations or other legal or regulatory requirements could result in substantial fines, sanctions, permit revocations, injunctions and other penalties. The Company is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed power generation, mining or exploration and production and refinery activities may have upon the environment. The costs, liabilities and requirements associated with complying with environmental laws and regulations or to comply with changes in these laws and regulations or the manner in which they are applied are expected to be substantial and time-consuming and may delay the commencement or continuation of power generation, mining or exploration and production and refinery activities. Failure to comply with environmental laws and regulations or to obtain or renew the necessary permits, approvals and licences may result in the loss of these authorisations.

Specifically, Essar Oil received a notice dated 17 August 2009 from the Gujarat Pollution Control Board (the "GPCB") under Section 33-A of the Water (Prevention and Control of Pollution Act), 1974 claiming that the production at the Vadinar refinery in May 2009 was higher than the approved production in the authorisation dated 22 January 2008 and that complaints had been received from people in surrounding areas regarding damage to health and crops. GPCB has proposed issuing directions to curtail production in accordance with the conditions of the authorisation as well as directions to authorities to stop the supply of electricity and water to the refinery. In response to this notice, Essar Oil clarified in a letter to GPCB dated 5 September 2009 that it had applied to GPCB on 14 June 2009 to operate the refinery at 14 mmtpa and that so far as the complaints of the villagers were concerned, Essar Oil had been meeting the norms prescribed by GPCB for emissions, effluent and hazardous waste. GPCB has not responded to this letter or initiated any further action. In the event that GPCB initiates any such action, this may have an adverse impact on the operations of the Vadinar refinery. On 2 March 2010, however, Essar Oil received authorisation and consent from GPCB, which was valid up to 16 September 2010. The said authorisation and consent was extended up to 1 June 2011 to operate the refinery at 14 mmtpa. Hence, on this basis the Company believes that no further action by GPCB as to this matter is likely. In the event that Essar Oil is not able to extend this authorisation and consent (or obtain consent from the GPCB for the Phase I Refinery Project expansion to 18 mmtpa), it may be required to limit its operating throughput which would have a material adverse effect on its business, results of operations and financial condition.

Environmental legislation or regulations may be adopted in the future that may materially adversely affect the Company's operations and its cost structure. Authorities generally have or reserve the right to impose additional or modified conditions for existing approvals on account of a number of factors, including factors beyond the Company's control. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and

regulations or additional or modified conditions to existing approvals, may also require the Company or its customers to change operations significantly or incur increased costs, which could have an adverse effect on the results of operations or financial condition of the Company. In particular, India is expected to tighten its CO<sub>2</sub> emission regulations in the future, which will impose substantial compliance costs on the Company for upgrading facilities, and potentially require further investment by the Company in green technology.

The Company expects to generate a considerable amount of ash from its coal-fuelled Power Plant Projects. There are limited options for utilising ash in India and, as a result, the demand for ash is currently low. Certain of the Company's approvals have specific conditions in relation to disposal and sale to third parties of ash, which the Company is required to comply with, typically in a time-sensitive manner. While the Company is continuing to explore methods to utilise or dispose of ash, the Company's ash utilisation activities may be insufficient to dispose of the ash it expects to generate, including in the manner stipulated in the relevant approvals, which may lead to imposition of fines or penalties as well as suspension or revocation of the license and other regulatory actions.

In addition, a violation of health and safety laws relating to the Company's operations or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a proportion of the Company's facilities or operations or the loss of the Company's permits, approvals and licences and the imposition of costly compliance procedures. If health and safety authorities require the Company to shut down all or a portion of its facilities or operations to implement costly compliance measures, whether pursuant to existing or new environmental, health and safety laws and regulations, this could have a material adverse effect on the Company's results of operations or financial condition.

**8. *The Company is exposed to fluctuations in exchange rates.***

The prices of the natural gas and imported coal needed to run the Company's power operations and crude oil, feedstocks needed for the Company's production of refined petroleum products are generally denominated in or tied to the US dollar, while most of the Company's other operating expenses and revenues are denominated in rupees. Therefore, the Company's profitability will be affected by exchange rate fluctuations to the Company's aggregate US dollar-denominated expenses and revenues to the extent such expenses and revenues do not match its rupee-denominated expenses and revenues. In the oil and gas business, the Company currently hedges a portion of its foreign currency exposure.

Changes in the exchange rate of the rupee against other currencies in which the Company does business, in particular, the US dollar, will affect the Company's results of operations. For example, depreciation of the rupee against the US dollar will significantly increase the rupee cost of the Company's US dollar-denominated payment obligations which would be offset only to the extent of any US dollar-denominated or correlated receivables. The exchange rate between the rupee and other major currencies has fluctuated significantly in recent years. A substantial number of contracts for critical plant and equipment and the transportation thereof into India for the Company's Power Plant Projects are denominated in US dollars, and the Company's power operations in India are not expected to have any revenues in US dollars. Payments in most of these contracts is in stages or on pre-determined dates in the future, and the Company has not currently entered into any contractual arrangements to hedge the risks associated with the Indian rupee depreciating against the US dollar in relation to such contracts, which, in the event of unfavourable currency movements, may significantly increase outflows and consequently the capital cost of the relevant power projects. Additionally, The Company faces exchange rate risks in particular in relation to its revenues from sales of refined petroleum products to the Indian national oil companies, which are received in rupees at rates of exchange against the US dollar that are reset at fortnightly or monthly intervals depending upon the product. Similarly, when

there are rapid fluctuations in exchange rates, there may be a mismatch between the Company's rupee-denominated revenues and the rupee-equivalent cost of its US dollar-denominated expenditures.

The Company's functional and presentational currency is the US dollar. Therefore, it also faces translation risks to the extent that the assets, liabilities, revenues and expenses of its subsidiaries are denominated in currencies other than the US dollar. In preparing the Company's financial information, the values of those assets, liabilities, revenues and expenses are translated into US dollars at the applicable exchange rates. Consequently, increases and decreases in the value of the US dollar against other currencies, in particular the rupee, will affect the value of these items in the Company's financial statements, even if their value has not changed in their original currency. Changes in the exchange rate of the Indian rupee against the US dollar have had a significant effect on the Company's results of operations. The Indian rupee depreciated against the US dollar by approximately 28 per cent. in the year ended 31 March 2009, appreciated by approximately 11 per cent. in the year ended 31 March 2010 and appreciated by approximately 0.4 per cent. in the nine months ended 31 December 2010. Primarily as a result of these changes, the Company experienced a loss of US\$459.0 million and a gain of US\$ 199.08 million, from currency exchange effects in the year ended 31 March 2009 and 31 March 2010 respectively. The Company reported a gain of US\$94.4 million from currency exchange effects for the 12 months ended 31 December 2010.

***9. The Company may not be able to implement more advanced technologies into its facilities in a timely and cost-effective manner.***

To remain competitive and better optimise production from its power generation and refinery facilities and to comply with increasingly stringent environmental regulations, the Company's success will depend on its ability to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. In the current industry environment, power projects and oil and gas increasingly seek to implement newly developed, sophisticated and complex machinery built by third parties that has not been extensively field tested and is therefore susceptible to malfunction. In addition, because acquisition of technology is costly, if the technology is not utilised in a productive and efficient manner, the Company may not realise the expected benefits of these technologies and its operations and profitability may be adversely affected.

Changes in technology may also make newer power generation or refinery facilities or equipment more competitive than the Company's facilities and require the Company to make additional capital expenditure to upgrade its facilities. For example, the Company's operational power plants in India do not currently employ the latest industry-specific technology available as the Company believes the cost of purchasing and implementing this technology currently outweighs the financial benefit of employing such technology. However, the Company intends to employ the latest industry specific technology in certain of the Construction and Development Phase Power Projects that involve large-scale power-generation units or where superior environmental performance is required. In addition, alternative technologies exist for power generation, including fuel cells, micro turbines, windmills and photovoltaic (solar) cells, and may become increasingly attractive and efficient alternatives to the power generation technologies used by the Company. If the Company is unable to adapt in a timely manner to changing technology, this could have a material adverse effect on the Company's business, results of operations and financial condition.

***10. The Company's recent and planned expansion into new countries involves uncertainties and additional risks.***

The Company has made acquisitions of, and investments in, power plants, coal mines and oil and gas exploration and production assets and refinery assets both inside and outside of India in recent years, including in Canada, Indonesia, Kenya, Madagascar, Nigeria and Vietnam, and intends to continue to increase its refining production and petroleum product sales and marketing capacity by establishing a greater presence in its existing and additional non-Indian markets, including through select acquisition opportunities. In addition, the Company intends to seek new exploration and production opportunities through the acquisition of additional hydrocarbon assets. The Company's ability to make acquisitions will depend on a number of factors, including the Company's ability to identify acquisition candidates, consummate acquisitions on favourable terms, successfully integrate acquired businesses into the Company, obtain financing for these acquisitions and many other factors beyond the Company's control.

Such acquisitions and investments, both within India and in other countries, subject the Company to risks, including:

- the impact of unforeseen risks, such as contingent or assumed liabilities, and in particular environmental liabilities, relating to the acquired businesses that may only become apparent after the acquisition is finalised;
- the assumption of substantial new debt and exposure to future funding obligations;
- difficulties in integrating the financial, technological and management standards, processes and controls of acquired businesses with those of the Company's existing operations;
- unexpected losses of key employees, customers and suppliers of the acquired operations; and
- challenges in managing the increased scope and geographic diversity of the Company's operations.

If the Company is unable to successfully meet the challenges associated with one or more of its acquisitions, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's growing international operations also expose it to additional risks in each of the jurisdictions in which the Company operates, including:

- devaluations and fluctuations in currency exchange rates;
- imposition or increase of withholding and other taxes on remittances by foreign subsidiaries;
- imposition of export or import controls, including trade restrictions or embargoes against certain states, preventing the Company from buying crude oil and other feedstock from, or selling products to, these states;
- limitations on investments and other restrictions imposed by foreign governments, including, potentially nationalisation, expropriation or cancellation of contract rights;
- failure to comply with a wide variety of foreign laws;
- unexpected changes in regulatory environments and government policies;

- the invalidity of governmental approvals and contracts which require renewals, extensions or waivers from governments or counterparties, as the case may be, and which may not be forthcoming on terms acceptable to the Company after an acquisition is consummated, or at all; and
- political conflicts and unrest.

***11. The Company depends on timely access to raw materials, supplies and equipment and on a reliable transportation and transmission infrastructure.***

The Company is dependent upon a reliable transportation and transmission infrastructure, including power transmission lines, port terminals, roadways, canals, railways and pipelines for the transmission of power generated and for transport of the substantial amounts of raw materials, fuel, water and other supplies and equipment needed to carry out the Company's existing and future business operations and its Expansion Projects. India's physical infrastructure is less developed and less reliable than that of many developed nations. In addition, some of the transmission and transportation infrastructure needed for the completion of the Company's Expansion Projects has not been constructed. The construction of public and private transmission and transportation infrastructure projects entails obtaining approvals and rights of way. The Company or the third party owners of a number of these infrastructure projects have not obtained all necessary rights of way and approvals. There can be no assurance that these approvals and rights of way will be forthcoming or, if they are forthcoming, how quickly they will be forthcoming. In addition, in India the government and government-owned utilities undertake the development and construction of public transmission and transportation projects. The Company may not succeed in convincing the relevant government and government-owned utilities to develop and construct additional public transmission and transportation infrastructure in a manner that suits the Company's needs. There also can be no assurance that additional private and public transmission and transportation infrastructure will be constructed in a timely manner, operated on a cost effective basis and maintained at adequate levels, which may delay or prevent the completion of, or the commissioning of, the Expansion Projects as well as the exploration and development of the Company's oil, gas and coal blocks. If supply or delivery disruptions were to occur or the Company were not to have access to the additional transmission and transportation infrastructure it needs for its operations, or if the costs associated with the same are higher than anticipated, Essar Energy may be unable to operate its power plants and refinery, deliver power and refined petroleum products to customers, or complete the Expansion Projects on a timely basis, or at all.

The Company's access to the transmission and transportation infrastructure needed to run its existing and future operations could be interrupted as a result of, among other things, political events that affect supplier relations or supply infrastructure; insufficient transportation infrastructure and other problems in transporting sufficient quantities of these supplies to the Company's facilities, including pipeline ruptures, disruptions of port terminal facilities, railways and roads; fires; adverse weather conditions; sabotage; government restrictions; economic sanctions against the governments of countries where suppliers are located or where supplies are to be received; industrial action; regional hostilities; adverse weather conditions; and other hazards and force majeure events.

The Company's power plants require supplies of significant quantities of water for cooling. Regions in India have from time to time suffered from serious water shortages and insufficient rainfall, including in 2009. In the event of water shortages, the affected power plants may be required to reduce their water consumption, which would reduce their power generation capacity. In addition, if the Company does not obtain and maintain the necessary governmental approvals and licences to draw water, the Company may have to locate alternative sources of water. Alternative sources of water may not be available on terms acceptable to the Company.

If one of the suppliers to the power plants or the refinery were to fail to fulfil its delivery commitment on time, the Company may need to find alternative sources of supplies on a timely basis, which may be more costly. Each of the Company's four operational power plants relies, and most of the Company's power plants under construction and development are each expected to rely, on a single primary supplier for all or substantially all of each plant's coal and other fuel supplies.

The Company is also dependent on a limited number of suppliers for the supply of certain critical power plant and refinery equipment for the Power Plant Projects and the Refinery Expansion Projects. Orders for this equipment generally require long lead times. If the suppliers of any critical items of equipment are unable to provide the equipment for any reason, this may jeopardise the completion of the project to which the equipment relates.

Certain risks relating to unforeseen site and geological conditions may also render the equipment provided unsuitable for operations, causing substantial delays and monetary loss. Further, while contracts with equipment suppliers provide for the payment of liquidated damages for delays and performance at less than guaranteed levels, such liquidated damages provisions are capped at a certain percentage of the contract price. Moreover, the overall liability is, subject to certain exceptions, also capped at a certain percentage of contract price. There can be no assurance that losses and damages incurred by the Company on account of the delay or default of any contractor would be recoverable.

In addition, the Company requires the continued and timely support of its contractors to supply necessary services and parts for the Expansion Projects at an affordable cost. If the Company is unable to procure the required services or parts from these manufacturers, or if the cost of these services or parts exceeds the budgeted cost, this could lead to disruptions in operations and substantially higher recurring costs, which would adversely affect the Company.

***12. The Company does business in countries with inherent risks relating to security, enforcement of obligations, fraud, bribery and corruption.***

The Company's businesses operate in India, Canada, Australia, Indonesia, Kenya, Madagascar, Mozambique, Nigeria and Vietnam and the Company also has significant crude supply arrangements with the National Iranian Oil Company ("**NIOC**"). Doing business in international markets brings with it inherent risks associated with security of staff or property, enforcement of obligations, fraud, bribery and corruption. In certain jurisdictions, fraud, bribery and corruption are more common than in others. The Company currently does business in a number of countries that feature prominently on Transparency International's Corruption Perceptions Index. In addition, the natural oil and gas and mining industries have historically been shown to be vulnerable to corrupt or unethical practices. While the Company maintains anti-corruption training programmes, codes of conduct, procedures and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for the Company to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents, subcontractors or joint venture partners are located. The Company may therefore be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Company operates, could have a material adverse effect on its results of operations and financial condition.

***13. The Company's long-term success depends on attracting and retaining key management and other personnel.***

The Company's future success depends substantially on the continued service and performance of the members of the Company's senior management and the senior management of Essar

Affiliated Companies. The Company is dependent on its management team and other key personnel for the running of its daily operations as well as for the planning and execution of the Company's expansion strategy.

There is competition for experienced senior management and other key personnel with technical and industry expertise in the exploration and production, mining, refining and power sectors. If the Company loses the services of any of these or other key individuals and is unable to find suitable replacements in a timely manner, the Company's ability to realise its strategic objectives could be impaired.

***14. The Company may be subject to labour disruptions.***

Whilst the Company's workforce is not unionised and the Company generally enjoys good labour relations with its employees, The Company's operations may be affected by strikes, lock-outs or labour disruptions involving the employees of third parties, including employees of contractors retained to construct the Expansion Projects and the employees of operators of transportation infrastructure needed to run the Company's operations.

***15. Land granted by or acquired from the central government and state governments in India is typically subject to certain conditions which the Company will need to comply with.***

Infrastructure projects in India typically depend on land grants from the central or state government. A substantial amount of the land for the Power Projects has been acquired from the government. Further the land for the Phase I Refinery Project has also been acquired from the government. Land granted by or acquired from the government is typically subject to certain conditions, including prohibitions on using the land for any purpose other than that for which it has been allotted or transferring the land or a portion of it without first obtaining a waiver or approval as well as requirements to surrender possession of outlying portions of the land upon receipt of notice from the government, to obtain prior approval from the government before entering into any mortgages or leases, to recruit local employees as per the industrial employment policy decided by the government and to complete construction on the land within the time period specified in the award and pursuant to the plan approved by the government. Non-compliance with such conditions may result in a loss of the Company's rights over the relevant property or in the imposition of monetary penalties. For example, Essar Oil had to surrender land comprising 481.75 hectares acquired for the Vadinar refinery to the government of the state of Gujarat due to the breach of a condition in respect to the laying of a single-buoy mooring within the limits set by the Gujarat Maritime Port Board. Any of these events could prejudice the success of the Company's existing and future operations on the affected property and may require the Company to write off substantial expenditures, particularly in respect of a project under construction or development.

***16. The Company's financial condition may be adversely affected by changes in Essar Energy's tax residence or proposed changes to the UK's controlled foreign companies taxation rules.***

*Tax residence*

In April 2010, the UK HM Revenue & Customs ("*HMRC*") has indicated that, based on the proposed location and structure of management as described to it by the Directors, and on the assumption that the structure of management as described to it is put into operation, it seems likely that Essar Energy is a dual resident of the United Kingdom and Mauritius and it appears that Essar Energy's place of effective management under the residence tie-breaker in the Mauritius/UK Double Taxation Convention will not be in the United Kingdom.



The Mauritian tax authorities have indicated that, on the assumption that Essar Energy will have its head office located in Mauritius, its Board meetings will be held in Mauritius and all its key business decisions will be taken in Mauritius, the place of its effective management will be in Mauritius and therefore it will be resident for tax purposes in Mauritius under the Mauritius-UK Double Taxation Convention. Essar Energy has also received a certificate from the Mauritius Revenue Authority, dated 31 March 2010 confirming that, having undertaken to have its central management and control in Mauritius, Essar Energy is considered as resident in Mauritius by virtue of Section 73(b)(ii) of the Income Tax Act 1995, and paragraph 3 of Article 4 of the Double Taxation Treaty signed between Mauritius and the United Kingdom, and is subject to income tax on its profits.

On the assumption that the affairs of Essar Energy are conducted as the Directors intend and in the light of the confirmations described above, the Directors have been advised that Essar Energy will be regarded as a resident of Mauritius for the purposes of Mauritian taxation law and the Mauritian tax authority's application of the Mauritius/UK Double Taxation Convention.

Accordingly, on the basis described above, it seems likely that Essar Energy will be treated as being resident for tax purposes solely in Mauritius.

It is possible that, including as a result of change of law or the practice of any relevant tax authority or the renegotiation of the Mauritius/UK Double Taxation Convention, or as a result of any change in the management or conduct of Essar Energy's affairs, Essar Energy could become, or be regarded as having been, resident in the United Kingdom and therefore become subject to the UK tax regime. This could materially adversely affect the financial results of Essar Energy's group.

#### *Controlled foreign companies taxation rules*

Even assuming that Essar Energy is solely tax resident in Mauritius, on the basis that it is incorporated in England and Wales, Essar Energy is technically subject to the UK controlled foreign company rules (the "**CFC Rules**"), which can operate to apportion the profits of overseas subsidiaries (including the Issuer) to the UK parent company which will be subject to UK corporation tax on those amounts (subject to certain deductions).

However, in February 2010 Essar Energy has obtained confirmation from HMRC in the United Kingdom that, provided that (a) all arrangements made between the relevant subsidiaries and Essar Energy (and any UK resident subsidiaries or UK permanent establishments of non-resident subsidiaries) correspond to those that would have been made between parties acting at arm's length and (b) there is no material change in the facts and circumstances of Essar Energy's group as summarised in the application letter of 26 February 2010 and in previous discussions with HMRC, the motive test exemption applies so that Essar Energy will not be subject to the operation of the CFC Rules (with the exception that Essar Energy will still have to comply with certain administrative procedures set out under these rules). The confirmation only applies to those companies that form part of Essar Energy's group as described to HMRC in the application for confirmation that the motive test exemption applies dated 26 February 2010. Any new companies which have been added to, or will be added to, Essar Energy's group since 26 February 2010, which would include the Issuer, would not be covered by this clearance and Essar Energy would need to apply for the clearance to be extended to cover those companies. There is no guarantee that such an application will be successful and any such failure could adversely affect the financial results of Essar Energy's group.

This confirmation from HMRC is stated to last for a period of 24 months starting on 7 May 2010. The confirmation is also subject to any relevant change of law, including any removal or amendment of the motive test exemption as part of the anticipated reform of the CFC Rules.

The CFC Rules are currently under review by the UK government. The UK Finance (No. 3) Bill 2011 published in March 2011 included certain interim CFC improvements, which, if enacted, would be effective for accounting periods beginning on or after 1 January 2011. A more comprehensive overhaul of the CFC Rules is anticipated in 2012. In light of these reforms, Essar Energy is in the process of filing an application to HMRC to re-confirm the motive test exemption to Essar Energy. In the event that HMRC refuses such confirmation or withdraws the motive test exemption, it may result in a substantial increase in the tax costs or effective tax rates of Essar Energy's group which in turn could have a material adverse effect on the after tax results of operations and financial condition of Essar Energy's group.

Essar Energy is in the process of requesting an exclusion from the CFC rules for the Company from HMRC. If HMRC refuses such exclusion, the profits of the Company, which would be minimal from an accounting perspective, may, if adjusted under UK tax principles, be subject to tax in the UK.

***17. Essar Energy will primarily depend upon its subsidiaries for its cash flows and income.***

Essar Energy is a holding company with no direct operations and relies on distributions from its subsidiaries and its available cash on hand to fund its cash requirements, including payment of interest and principal under the loan borrowed from the Issuer, dividends, operating expenses and other expenses. There is no legal obligation on either Essar Oil or Essar Power or any of its subsidiaries to declare dividends.

Further, each of such subsidiaries has, or may, enter into financing transactions or other transactions which impose restrictions on the cash generated by these subsidiaries, thereby restricting the dividends which may be declared and payable to Essar Energy by such subsidiaries, which in turn will adversely affect the funds available to pay interest and principal under the Bonds, and dividends declared by Essar Energy.

**RISKS RELATING TO THE COMPANY'S POWER BUSINESS**

***18. If the Company does not operate its power plants efficiently or otherwise breaches its Power Purchase Agreement ("PPA") contractual obligations, the Company may face increased irrecoverable costs. The Company's expansion into merchant sales is subject to certain risks.***

The Company's power business's profitability is largely a function of its ability to operate its power plants at the capacity contracted to be available under their PPAs and its ability to manage its costs during the terms of its PPAs.

The Company's long-term PPAs often contain restrictions on the Company's ability to, among other things, increase prices at short notice and undertake expansion initiatives with other customers. The Company's PPAs have terms of 10 to 30 years and set the relevant power plant's revenue structure over the term of the PPA. Under some of the Company's PPAs, the Company may be limited in its ability to pass on to the buyers the cost of inflation, or other unforeseen price increases and other unforeseen increases in certain non-fuel costs, such as capital and other expenditure required for the operation of the Company's power plants. Moreover, if there is an industry-wide increase in power tariffs, the Company may not be able to renegotiate the terms of its PPAs to take advantage of the increased tariffs, possibly putting the Company at a disadvantage to its competitors with PPAs with shorter durations and more flexible terms. Therefore, the prices at which the Company supplies power under some of its PPAs could have little or no relationship with prevailing market rates for power and the Company's costs incurred in generating power, leaving the Company's power business's margins at risk of being reduced.

The power business's profitability is largely dependent on how effectively it is able to manage its costs during the terms of its PPAs and its ability to operate its plants at optimal levels. The operation of a power plant involves many operational risks that could lead to a reduction in the plant's generation capacity or a total shutdown of the plant. PPAs generally require the Company to guarantee certain minimum performance standards, including plant availability and generation capacity. The tariffs the Company charges are also typically calculated and agreed assuming a certain heat rate and other technical norms. If the Company's facilities do not meet the required performance standards, its customers may be entitled to reduce their capacity payments. In addition, customers are not required to reimburse it for any increased costs arising as a result of the Company's failure to operate and maintain its power plants in accordance with the required performance standards or within the agreed norms. In addition, there can be no assurance that the Company's future PPAs will not contain more restrictive provisions regarding the Company's ability to recover its fixed and variable costs in operating its power plants than those contained in some of the Company's existing PPAs.

A majority of the Construction Phase Power Projects and all of the Development Phase Power Projects are coal-fuelled, and the Company does not have any prior experience in operating coal-fuelled power plants, as none of its operational power plants are coal-fuelled.

Many of the Company's PPAs for its Power Plant Projects require or will require that the power plants be commissioned by a specific date and require the plants to guarantee certain minimum performance standards, such as plant availability and generation capacity. In the event the Company is unable to meet the required commissioning dates or meet performance guarantees, the Company may be liable to provide performance guarantees, pay liquidated damages or the relevant PPA may be terminated.

In the future there can also be no assurance that the Company will be successful in recovering its fixed and variable costs under its existing PPAs.

The Company may be required to sell any power not covered by long-term PPAs on short notice. These short-term sales create additional variability in the power business's revenues and expose the business to risks of market fluctuations in power demand and prices. In particular, the Company may not find buyers at short notice for the relevant quantity. In addition, the prices received for such power may have little or no relationship to the cost to the Company of supplying this power.

Under its contracts with the government of the states of Madhya Pradesh, Orissa and Jharkhand for the Essar Power MP-Mahan, the Navabharat Power Private Limited ("*Navabharat*") and the Essar Power Jharkhand-Tori Construction Phase Power Projects, the Company is required to provide 7.5 per cent. 12 per cent. and 12 per cent., respectively, of the power generated at a variable cost that is below total cost of production to the relevant state governments. These supply terms could adversely affect the overall profitability of the relevant power plant.

In addition, while the Company historically has not engaged in any merchant sales of power, the Company intends to sell approximately 26 per cent. of its total combined installed capacity following the completion of the Power Plant Projects pursuant to merchant sales. Merchant sales are sales pursuant to short-term or spot sales at market rates sales in the open wholesale market to licensed power traders. Merchant sales will create additional variability in the power business's revenues, and it is not possible to ensure that the Company will be able to enter into merchant sales for all of the planned additional available installed capacity that is not covered by long-term power off-take agreements. In addition, the price per unit received for merchant sales will fluctuate due to a number of factors including seasonal, daily and hourly changes in demand for electricity, instances of extreme peak energy demand, price and availability of fuel supply,

electric transmission availability and transmission reliability within and between regions and the number of generating units undergoing maintenance.

The amount of electric energy that the Company will be able to generate and sell as merchant sales will be dependent on the availability and efficiency of the Company's power plants. If the Company's power plants are not able to generate electricity efficiently, the Company's operating expenses increase and the Company may earn lower margins on merchant sales or may not be able to sell its electric capacity not covered by long-term PPAs at all.

Merchant sales will not provide the Company with the same level of protection for coverage of the fixed and variable costs involved in generating power that the Company currently receives under PPAs and other long-term off-take agreements.

In addition, the Company could experience seasonality in the level of its revenues from its merchant sales, especially during the monsoon season months of July to September, when electricity demand generally decreases in India.

***19. The Company's power business relies on a few major customers and currently has a heavy exposure to the steel industry.***

The Company's power business relies on a few major customers. Of the power business's 1,600 MW total combined installed capacity of its operational power plants, 42 per cent. is dedicated to the Essar Steel Group, which has an option to purchase an additional 8 per cent., 19 per cent. to Gujarat Urja Vikas Nigam Limited ("**GUVNL**"), the state of Gujarat public utility, and the balance to Essar Affiliated Companies. Once the expected 9,870 MW combined additional installed capacity from the Power Plant Projects becomes available, the Company currently expects that 11 per cent. of the Company's total installed MW capacity will be dedicated to the Essar Steel Group, which has an option to purchase an additional 1 per cent., 7 per cent. for use by the Vadinar refinery, 18 per cent. to GUVNL and 34 per cent. to other state electricity boards. As a result, this dependency on steel industry is expected to decline going forward, nevertheless, any deterioration of the Company's relationship with these customers or termination of the PPAs with them, on account of a default by the Company in complying with the terms of these PPAs or otherwise, could have a material adverse effect on the Company's results of operations and financial condition.

As a result of the power business's strong dependency on its relationship with the Essar Steel Group, the power business is dependent on the financial health of the Essar Steel Group. The steel industry has experienced high volatility in its revenues and profitability in recent years. There can be no assurance as to how the Essar Steel Group or the steel industry in general will perform in the future.

The Company may also face difficulties in enforcing the payment provisions under PPAs with government entities including GUVNL. GUVNL has in the past refused to pay on several occasions for certain services billed to it by the Company under its PPA with GUVNL for the Essar Power—Hazira power plant, and the Company has recently filed a petition with respect to certain payments it believes are due to it under this PPA. The Company is also involved in a dispute with GUVNL concerning an alleged diversion of power by the Company in violation of the PPA and a refund of fuel generation credit to GUVNL. See paragraph 4 of "General Information". If these claims are ultimately resolved in favour of GUVNL, this could have an adverse effect on the Company's results of operations and cash flow. Further, SEBs have incurred substantial losses in the past and are subject to government of India decisions concerning the grant of free or reduced-rate power to farmers and other consumers, which could adversely affect these SEBs' financial health and their ability to make payments to electricity producers, including the Company.

**20. Power projects entail bidding, selection, implementation and regulatory risks.**

The Company implements some of its power projects pursuant to tendering processes sponsored by power off-take customers, in particular state-owned utility companies. The Company may continue to submit bids for power projects from time to time. There could be delays in the bid selection process. In addition, the Company's bids may not be selected or, if selected, may not be finalised within the expected time frame or on expected terms or at all owing to a variety of reasons beyond the Company's control, including an exercise of discretion by the government or off-take customers and the ability of competitors with greater resources to make more competitive bids.

In selecting power producers for major projects, off-take customers limit the tender to contractors they have pre-qualified based on criteria such as experience, technological capacity and performance, safety record and financial strength, although the price competitiveness of the bid is the most important selection criterion. Pre-qualification is key to the Company winning these projects. To bid for larger projects, the Company may need to enter into memoranda of understanding and joint venture agreements with partner companies to meet capital adequacy, technical and other requirements that may be required to qualify for a bid, but there is no assurance that the Company will be successful in doing so.

In addition, the Company modified the capacities of its Essar Power MP—Mahan and Essar Power Jharkhand-Tori Power Plant Projects subsequent to its receipt of various government approvals and its entrance into a memorandum of understanding with the government of the state of Jharkhand in relation to these projects. The Company also recently amended the business purpose behind the Essar Power Jharkhand-Tori project, which was originally envisioned as a 2,000 MW captive project for Essar Steel but is now intended to be a 1,800 MW non-captive project. The capacities of, as well as the business rationales underlying, the Company's Construction and Development Phase Power Projects may also be subject to further amendment by the Company. As such, the projected capacities and business rationales set forth herein for the Construction and Development Phase Power Projects may differ substantially from the final installed capacity of, and the business rationale underlying, the project when completed.

Power projects also involve substantial regulatory risk and the Company has not yet taken certain regulatory steps in relation to some of its Power Plant Projects. In particular, the Company has yet to apply to or notify certain governmental entities of the revisions it has made to the capacities of and business purposes underlying its Essar Power MP-Mahan and Essar Power Jharkhand-Tori Power Plant Projects. Amendments may also be required to the Company's existing approvals, which may no longer be valid. For example, the Company has not yet applied to revise the environmental and pollution control clearances that it had already received for its Essar Power Jharkhand—Tori project or notified the relevant environmental and land acquisition authorities within the governments of Madhya Pradesh and Jharkhand of these changes. Further, costs as appraised by lenders for certain Power Plant Projects may differ from those submitted to government authorities for the purpose of obtaining the initial approvals. For example, the cost estimate the Company submitted to the government of the state of Jharkhand for the Essar Power Jharkhand-Tori project was Rs.48.60 billion (US\$1,084.58 million) for a 2,000 MW project, while the cost as appraised by a lending institution was Rs.57 billion (US\$1,272.04 million), which is the cost estimate contained in this document. The relevant authorities may raise questions on account of the Company's delay in making the applications or notifications, and may also postpone granting the requisite revised approvals or further approvals as may be required in this regard, which in turn could delay the implementation of the respective project(s), including the commencement of activities with respect to the Company's captive coal mines. Further, delays in submitting such revised cost estimates may also adversely affect the Company's recovery of costs in respect of power proposed to be sold to the respective state governments or their power utilities. In addition, delays in applying for the amendment of

licences or in notification may result in the imposition of fines or penalties as well as the institution of legal proceedings.

In addition, Navabharat Power's MOU with the government of Orissa had expired in June 2010. The MOU extension has been sought and an amendment for the purpose is still to be executed. If the amendment is not executed, the government of Orissa may not support the execution of the project.

**21. Coal mining involves numerous risks and is subject to compliance with the terms of the coal allocation letters and unexpected disruptions.**

The Company has recently obtained allocations that grant licences to operate coal mines located in the states of Madhya Pradesh and Jharkhand for the supply of coal to the Company's power plants. The Company plans to mine coal using expertise hired from other coal mining operators and will subcontract certain coal-mining activities. However, the Company has no prior experience in coal-mining activities. These activities involve numerous risks, including events and operating conditions that could disrupt the mining, loading and transportation of coal at or from the Company's mines resulting in delays to the delivery of coal to the Company's power generating facilities. There can be no assurance that the Company's coal-mining operations will be successful, or that the coal mined, if any, would be sufficient to operate the relevant Power Plant Projects for the life of such mines as estimated by the Company.

In addition, under the government of India's allocation letters for the coal mines in Madhya Pradesh, Jharkhand and Navabharat's coal block, certain terms and conditions are required to be adhered to, including in relation to the submission of a mining plan, the date by which coal production must commence and the provision of geological reports. The required date for commencement of coal production for Mahan Coal Limited's ("**Mahan Coal**") block in Madhya Pradesh has already expired, though the Company has made an application for an extension. The required date for the commencement of coal production from the Chakla and Ashok Karkata coal blocks in Jharkhand has also expired or will expire prior to the scheduled date of commencement of coal production. The Company has applied for extensions of these periods. Non-compliance with the terms of allocation may lead to cancellation of one or more of these coal allocations.

Further, due to delays in the Company's receipt of certain mining-related approvals, coal from the Mahan and Chakla coal blocks may not be available in time for the scheduled commissioning dates of the Essar Power MP—Mahan and Essar Power Jharkhand—Tori Power Plant Projects. In addition, the Ashok Karkata coal block is not expected to achieve commercial production for at least 42 months from March 2010. Applications have accordingly been made to the government of India for tapering coal linkages to meet coal demand for the Essar Power MP—Mahan project and the Essar Power Jharkhand—Tori project until such time as the blocks become operational, though there can be no assurance that these applications will not be delayed.

Both Essar Power MP- Mahan and Essar Power Jharkhand- Tori power plant projects would need to make other alternate arrangements for coal besides application for tapering coal linkages, which could lead to substantially higher fuel costs which may not be fully recoverable under the PPAs thus impacting the earnings from the projects.

Navabharat has received a show cause notice from the Ministry of Coal of the government of India in relation to its coal blocks, alleging non-compliance of certain milestones provided in the relevant allocation letter. A reply to this notice has been filed. If the terms of the allocation letter are not complied with, the allocation of the coal blocks for the Navabharat projects may be revoked. If the revocation order to the allocation becomes effective, the Company and Navabharat would explore various options depending on the stage in the Navabharat projects when such order were to become effective. That is, if the order were to become effective at an

early stage (before investment by the Company of significant capital in the projects), the Company may consider, among other options, exiting the projects altogether which would result in a loss of its initial investment. If, on the other hand, the order were to become effective at a later stage (after investment of significant capital, the majority of which is expected to be invested from 2012 onwards), the Company and Navabharat would need to take remedial measures, such as making alternate arrangements for domestic or imported coal, any of which could lead to substantially higher fuel costs for Navabharat. Assuming Navabharat is able to secure other sources for the supply of coal, this is not expected to have a material impact on the timing of the projects, or on the required capital expenditure, although it would have an impact on earnings from the projects. Based on the Company's experience and publicly available information, the Directors believe that the probability of revocation is low, and that even if the coal allocation was revoked, the overall impact on the Company would be minimal.

Mahan Coal has received a show cause notice from the Ministry of Coal of the government of India in relation to its coal blocks, alleging non-compliance of certain milestones provided in the relevant allocation letter. A reply to this notice has been filed. If the terms of the allocation letter are not complied with, the allocation of the coal blocks for the Mahan Coal projects may be revoked.

**22. *Changes to the “captive power” status of the Company’s operational power plants and Power Plant Projects could materially increase the Company’s costs.***

Two of the Company's four operational power plants benefit from captive power status and at least one of the Power Plant Projects is expected to benefit from this status. Under the Electricity Act, 2003 (the “*Electricity Act*”), captive power projects benefit from reduced regulation and are not subject to the cross-subsidy surcharge tariff regulations and other restrictions imposed by India's Central Electricity Regulatory Commission and State Electricity Regulatory Commissions. Captive power plants can also avail themselves of certain tax and duty benefits. Pursuant to the current regulations, the buyer and seller are free to negotiate and agree the relevant tariff without regulatory input or approval. However, such projects first need to meet certain structural requirements to be afforded captive power status. For instance, to enable certain of the Company's power projects to qualify for captive power plant status, Essar Affiliated Companies that are the power plant's off take customers are required to own a 26 per cent. equity interest in the respective plants.

The captive status of some of the power plants owned by the Company's competitors are currently under regulatory scrutiny. There can be no assurance that any of the Company's operational or future captive power plants will obtain or retain their captive status, which could result in additional tariff regulations that could have a material adverse affect on the Company's results of operations and financial condition. In addition, any amendments made by the regulators to the conditions required to obtain or retain captive power status could result in increased compliance costs, or a loss of the plant's captive power status altogether.

**23. *Liberalisation of the Indian power sector has significantly increased competition.***

The Electricity Act, has resulted in substantial changes in the power sector in India, including the de-regulation of the power generation sector, competition in supply, open access to distribution and transmission systems and the reorganisation and privatisation of certain of the SEBs. However, while allowing the Company greater flexibility to sell power, the provisions of the Electricity Act, have increased the scope for competition in the Company's supply and distribution businesses, and may continue to do so, which could adversely affect its revenues, results of operations and prospects. The continued impact of the provisions of the Electricity Act, and the National Electricity Policy and national tariff policy could have a material adverse affect on the Company's results of operations and financial condition.

## RISKS RELATING TO THE COMPANY'S OIL AND GAS BUSINESS

### ***24. Crude oil prices, refined petroleum product prices and refining margins have fluctuated significantly in the past and could significantly impact the Company.***

The performance of the Company's oil and gas business is driven in large part by the price differential, or margin, between realised refined product prices and the prices for crude oil and other feedstocks used to produce the refined products. This price differential, plus the benefits of sales tax incentives, constitutes the Company's CP GRM. This means the Company will not generate operating profit or positive cash flow from its refining operations unless the Company is able to buy crude oil and sell refined petroleum products at margins sufficient to cover the fixed and variable costs of the Company's refinery operations.

The Company may not be able to sustain its gross refining margins at its historic margin levels. The Vadinar refinery CP GRM of US\$8.49 per barrel for the period from 1 May 2008 to 31 March 2009 and US\$4.05 per barrel for the period from 1 April 2009 to 31 March 2010 and CP GRM (excluding sales tax incentives) of US\$5.51 and US\$1.60 per barrel respectively, compared to the International Energy Agency benchmark of US\$2.14 and US\$(2.33) per barrel, respectively. The refinery generated CP GRM of US\$6.86 and US\$4.28 (excluding sales tax incentive) for the 9 months ended 31 December 2010. Historically, refining margins have fluctuated substantially both within individual refining groups and across the refining industry. Refining margins are influenced principally by supply and demand for crude oil and refined petroleum products, which in turn determine their market prices. Other factors that may have an impact on prices and refining margins, in no particular order, include:

- aggregate refining capacity in the global refining industry to convert crude oil into refined petroleum products, including those the Company refines;
- changes in global and regional economic conditions including exchange rate fluctuations;
- changes in global and regional demand for refined petroleum products;
- market conditions in countries in which the Company refines or sells its refined petroleum products and the level of operations of other refineries in the world;
- changes in the cost or availability of transportation for crude oil, feedstocks and refined petroleum products;
- availability of price arbitrage for refined petroleum products between different geographical markets;
- political developments and instability in petroleum producing regions such as the Middle East, Russia, Africa and South America;
- the inability of the Organization of Petroleum Exporting Countries and other petroleum producing nations to set and maintain oil price and production controls;
- seasonal demand fluctuations;
- expected and actual weather conditions;
- to the extent unhedged, changes in prices from the time crude feedstocks are purchased and refined petroleum products are sold;



- the extent of government regulation, in particular as it relates to fuel specifications, energy taxes or environmental policy or restrict exports or fixes prices of petroleum products;
- the ability of suppliers, transporters and purchasers to perform on a timely basis, or at all, under their agreements (including risks associated with physical delivery);
- the development, availability, price and acceptance of alternative fuels;
- terrorism or the threat of terrorism that may affect supply, transportation or demand for crude oil and refined petroleum products; and
- Potential influence on the oil prices due to the large volume of derivative transactions on petroleum exchanges and over the counter markets.

In addition, the Vadinar refinery's CP GRM benefit substantially from certain sales tax incentives provided by the state of Gujarat in relation to sales of refined petroleum products in that the state. Therefore, the Company's gross refining margins may not be comparable to the refining margins of other refiners that do not benefit from such incentives. See " - Risks Related to the Company - The Company enjoys significant tax incentives, which may not be available in the future, and is involved in litigation in relation to certain tax incentives".

The following adjustments are made to the GRM to produce the CP GRM, which reflects underlying operational performance and better communicates industry comparable performance of the Vadinar refinery:

- The sales quantity is taken as actual production during the period. This eliminates the effect of inventory gains and losses in the GRM. This sales quantity is allocated into export and domestic sales based on the actual ratio of export and domestic sales for the period.
- The cost of crude is taken at the current prices of crude grades actually consumed, net of premium or discounts as applicable. Prevailing custom duty is applied on the cost of crude.
- To calculate the revenue from the sales quantity the domestic sales price is valued based on the RTP of the same period rather than any other period. Export prices are based on actual realised export prices, as they do not have timing differences. Revenue is adjusted for premiums or discounts achieved by the Company. For domestic sales custom duty recovery is built up in RTP itself whilst Duty Benefit for exports is added separately.
- The impact of economic hedging gains or losses is excluded.
- The impact of the Gujarat government sales tax benefit is separately identified.

Long-term trends in crude oil prices also affect the results of operations of the oil and gas business's exploration and production operations. While higher crude oil prices generally benefit these operations, lower crude oil prices reduce the economic recoverability of discovered reserves and the prices realised from production.

***25. If the Company is unable to enter into term contracts for crude oil purchases, the Company may be unable to optimise its gross refining margins.***

The Company's refinery operations require crude and other feedstocks to produce refined petroleum products. In the period from 1 April 2009 to 31 March 2010, the Company purchased approximately 53 per cent. of its crude oil by volume pursuant to term contracts and 47 per cent. pursuant to spot market purchases from national oil companies, oil majors and crude oil traders. In the period from 1 April 2010 to 31 December 2010 the Company purchased approximately 55 per cent. of its crude oil by volume pursuant to term contracts and 45 per cent. pursuant to spot market purchases from national oil companies, oil majors, crude oil traders and from domestic sources. The Company believes that term purchase contracts for crude oil provide better reliability of supply of the crude oils than spot market purchases. Nearly all of the Vadinar refinery's term-contract oil procurement is presently undertaken through 12 month term contracts with the national oil companies Abu Dhabi National Oil Company, NIOC and Saudi Arabian Oil Company. The Company has also entered into a term contract for 9 months with Qatar International Petroleum Marketing Company Limited (Tasweeq). While the Company has negotiated renewals of its term contracts with these national oil companies prior to their expiry in the past, there can be no assurance that the Company will be able to negotiate renewals of these contracts in the future, or enter into new term contracts with these suppliers or other suppliers on commercially reasonable terms, or at all. Reductions in term-contract purchases of crude oil will make the Company more reliant on spot market purchases. There can be no assurance that the Company will be able to purchase the types and quantities of crude oils that it needs to maximise its refining margins in the spot market.

All of the Company's term purchases of crude oil are from the Middle East, making the Company subject to the political, geographic and economic risks attendant to doing business with suppliers located in this region, such as labour strikes, regional hostilities and unilateral announcements by any of the countries within this region that some or all oil exports for a specified period of time will be halted.

The Company may also be subject to governmental restrictions on the Company's purchases of crude oil sourced from countries subject to economic sanctions, which may result in the unavailability of the desired crude oil. The Company currently purchases a significant amount of crude oil under a term purchase contract with the NIOC (which provided approximately 37 per cent. of the Company's crude oil requirements in the nine months ended 31 December 2010), which is a government-owned entity of Iran, a country subject to sanctions by the US Office of Foreign Assets Control (the "*OFAC*"). Additionally, the Company has also purchased crude oil of Iranian origin from the spot market which amounts to approximately 1 per cent. of the Company's crude oil purchases during the period 1 April to 31 December 2010. In the future, the Company may continue to purchase crude oil from NIOC and other companies owned by the governments of Iran and other OFAC-sanctioned countries. While the Company believes that none of its business is prohibited by sanctions administered by OFAC because neither the Company nor any of its subsidiary undertakings is a US person as defined in the OFAC regulations, there can be no assurance that the Company will not be subject to sanctions in the future under OFAC because of changes to the OFAC regulations. In addition, Iran is currently subject to United Nations-imposed economic sanctions which may be heightened in the future as the result of a proposal by the United States, with the support of the United Kingdom, France and Germany, to impose a fourth round of Security Council sanctions against Iran. The Company may experience some limitation on its ability to finance its operations and transactions to the extent those operations facilitate transactions or those transactions are with countries subject to sanctions by OFAC, including Iran.

If the Company is unable to obtain adequate crude oil volumes of the crude oils that the Company requires at favourable prices, the Company's gross refining margins could be materially adversely affected.

**26. Any loss of the benefits from the pricing mechanism of its refined petroleum product sales to Indian national oil companies compared to export pricing could have a material adverse effect.**

To provide the Company with security of off-take for its refined petroleum products in light of the government subsidies to, and the market position of, the Indian national oil companies, the Company has entered into long-term refined petroleum product off-take agreements with the national oil companies Bharat Petroleum Corporation Limited (“**BPCL**”) of 48 months in duration from 1 April 2008, Hindustan Petroleum Corporation Limited (“**HPCL**”) of 48 months in duration from 1 January 2008 and Indian Oil Corporation Limited (“**IOCL**”) of 24 months in duration from 1 April 2009. The Company is in discussion with IOCL to further extend the agreement on the same terms by another year. Under the terms of these agreements, the Company is not guaranteed any binding minimum off-take quantity from the Indian national oil companies. However, due to the pricing terms for sales to the Indian national oil companies, the Company is able to generate higher margins on sales to these customers than on export sales. Sales to the national oil companies accounted for 56 per cent. of the oil and gas business’s revenue in the nine months ended 31 December 2010.

The national oil companies are also competitors of the Company. BPCL, HPCL and IOCL owned or controlled approximately 93 per cent. of the total number of retail fuel stations in India as of 31 December 2010. The national oil companies have announced plans to expand their refining capacity, which may make them less reliant on Indian private-sector refiners, including the Company, for supplies of refined petroleum products.

In addition, any policy changes by the Indian government in relation to the pricing terms offered by the national oil companies could result in a significant reduction of the Company’s business from the national oil companies.

The loss of one or several of the national oil companies as customers, a significant reduction in purchase volume by any of them or changes in the prices offered by them could have a material adverse effect on the Company’s results of operations and financial condition.

**27. The success of the Company’s exploration and production operations depends on its ability to acquire land, find, develop and commercially exploit resources and reserves.**

The success of the Company’s exploration and production operations depends on its ability to commercially exploit existing resources and reserves and to find and develop new commercially exploitable resources and reserves, including its ability to enter into new PSCs and acquire land on which to locate its wells and other equipment. Developing hydrocarbon resources and reserves into commercial production is a highly speculative activity involving a high degree of risk, including encountering unusual or unexpected geological formations or pressures, seismic shifts, unexpected reservoir behaviour, unexpected or different fluids or fluid properties, premature decline of reservoirs, uncontrollable flow of oil, natural gas or well fluids, equipment failures, extended interruptions due to, among other things, adverse weather conditions, environmental hazards, industrial accidents, lack of availability of exploration and production equipment, explosions, pollution, oil seepage, industrial action and shortages of manpower. As a result of these risks, only a few of the properties that are explored are ultimately developed into commercially producing properties. There is no assurance that economically viable and commercial quantities of hydrocarbons will be recovered from the Company’s existing or future exploration and production blocks and fields. In addition, no assurance can be given that even when commercial reserves are discovered, the Company will be able to exploit the reserves as it currently plans to.

In addition, while the Company has started commercial production at one of its onshore oil and gas production blocks, the Company has not yet developed an offshore oil and gas field. Although the Company is partnering with experienced operators, offshore exploration is subject to a wide range of hazards, including capsizing, collision, bad weather and additional environmental pollution hazards. There can be no assurance that the Company will be successful in developing and operating any of its offshore oil and gas fields.

Without reserve or resource additions through further exploration and development activities or acquisitions, the Company's reserves and resources will decline. In June 2007, the Company commenced crude oil production from the ESU field of the CB-ON/3 block at Mehsana in the Cambay Basin (the "**Mehsana Block**"). The Company's exploration and development activities in Raniganj, West Bengal (the "**Raniganj Block**") are progressing with commencement of flow of CBM since the second quarter of 2010. The Company is in the process of further development in the block. Subject to the execution of the PSC (which is subject to a government approval process) and other agreements for the Ratna & R-Series fields (the "**Ratna Fields**"), the Company intends to submit a revised development plan and commence development activities in the Ratna Fields upon signing of the PSC. However, the Company's other exploration activities are yet to yield hydrocarbon reserves. If these activities are unsuccessful and the Company does not acquire properties containing proven reserves or resources, its total estimated reserves and resources will decline.

There are numerous uncertainties inherent in estimating quantities and qualities of hydrocarbon resources, the timing of development expenditures and the projection of future rates of production, and therefore uncertainty as to the hydrocarbon resources available to the Company.

**28. *The success of the Company's exploration and production operations depends on its PSCs and similar arrangements as well as on its relationship with its joint venture partners and its ability to honour supply agreements. The Company may become liable under the security arrangements if it does not complete the minimum work commitments in its PSCs.***

In addition to its PSCs and other similar arrangements with the Indian government, the Company has entered into such arrangements with the governments or government-controlled entities of Australia, Indonesia, Madagascar, Nigeria and Vietnam (collectively, the "**PSC Government Counterparties**"). The Company's PSCs are subject to the rules and regulations or the influence of governmental agencies in the jurisdictions of the PSC government counterparties that may adversely affect the Company's ability to perform or its rights under PSCs. These rules and regulations may affect the Company's rights by potentially limiting or precluding the Company from exploring and developing the full acreage provided for and may also affect the opportunities and obligations under the Company's PSCs. PSC Government Counterparties could seek, among other things, to increase the Company's expenditures or exploration and development programmes beyond the minimum contractual requirements under the PSCs. In addition, the Company must comply with certain procedural requirements under its PSCs in order to obtain the reimbursement of costs incurred under the PSCs. The Company may not be able to recover, or the PSC Government Counterparties may not approve, reimbursement of all costs incurred under PSCs. The Company may also be hindered or prevented from enforcing its rights under certain PSCs due to the doctrine of sovereign immunity.

The Company has not entered into PSC or similar arrangements for Ratna Fields. Though the Ratna Fields in India have been awarded to a consortium comprised of Essar Oil, Oil and Natural Gas Corporation Limited and Premier Oil Pacific Limited, the PSC for Ratna Fields has not yet been executed and is subject to a government approval process. The Company is also seeking permission from the government of India to exploit the CBM potential of the Mehsana Block. While the Company has signed a PSC with the government of India for the exploitation of oil and gas in that block, it will be required to enter into a separate contract to be able to exploit the CBM

potential of the block. Moreover, current regulations in India do not permit a licensee to extract CBM and oil and gas from the same field. There can be no assurance that the PSC for the Ratna Fields will be executed or if executed, without any change to the material terms, or that the Company will be permitted to exploit CBM from the Mehsana Block.

Under certain of its PSCs, the companies as the operators under the PSCs are obligated to carry out certain minimum work programmes for the relevant exploration area or block within a certain period of time. To secure these obligations, the Company has provided its counterparties under the PSCs with performance bank guarantee equivalents or other security arrangements for the amounts as required under the respective PSCs or similar agreements for the relevant minimum work programme commitments. In the event the Company fails to achieve its minimum work programme commitments stipulated within the requisite time period and it is unable to seek an extension, the relevant counterparty may collect on the performance bank guarantees towards the incomplete minimum work programme.

In addition, in the course of certain investments in joint ventures where the Company is not the operator of the relevant exploration and production asset, the Company will be largely dependent on the operating partner, including for the overall success of the joint venture. The Company also may disagree with actions proposed to be taken by the operating partner and may be exposed to liability for actions taken by the operating joint venture partner.

The Company has also entered into a supply contract on a take or pay basis with Matix Fertilisers and Chemicals Limited (“*Matix*”) for the sale of CBM from its Raniganj Block beginning in April 2012. Since Matix is developing a greenfield fertiliser project, there is a possibility that Matix’s plant may face commissioning delays, which in turn could lead to a delay in the off-take of gas from the Raniganj Block during such period. In addition, because the Company is required under the contract with Matix to supply a minimum of 90 per cent. of the contracted-for quantity annually, in the event that the Company is unable to fully comply with its supply obligations following the commissioning of Matix’s plant, the Company would be required to compensate Matix for the difference between the contract price and the price of an alternative fuel.

***29. Recent changes in the regulatory framework in India create additional regulatory uncertainties for the Company’s activities.***

Among other recent developments, the Petroleum and Natural Gas Regulatory Board Act 2006, which became effective in October 2007, provides for the creation of a Petroleum and Natural Gas Regulatory Board (the “*PNG Board*”) vested with a number of powers and functions, including the protection of Indian consumers’ interests by the fostering of fair trade and competition among those engaged in, or intending to become engaged in, the refining, processing, storage, transportation, distribution marketing, import and export of crude oil, refined petroleum products and natural gas, including the laying of pipelines for their transportation; ensuring adequate availability in the Indian market of crude oil, refined petroleum products and natural gas; monitoring prices and taking corrective measures to prevent restrictive trade practices in relation to crude oil, refined petroleum products and natural gas; securing equitable distribution of crude oil and petroleum products; imposing fees and other charges; and regulating the technical standards and specifications, including safety standards in activities relating to petroleum products and natural gas. The Company’s activities of refining, storage and transportation of crude oil and natural gas fall under the jurisdiction of the PNG Board. There can be no assurance that the rules, regulations and policies of the PNG Board will not include the imposition of pricing terms for the refining, storage and transportation of crude oil, refined petroleum products or natural gas that conflict with the Company’s contracts governing the refining, storage and transportation of these products.

**30. *Essar Oil is listed on the Bombay Stock Exchange and the National Stock Exchange and is subject to additional legal and regulatory requirements.***

Essar Oil, the Company's subsidiary which is the company primarily holding its oil and gas business, is listed on the Bombay Stock Exchange and the National Stock Exchange (together, the "**Indian Stock Exchanges**").

While the Company holds an indirect economic interest of 87.09 per cent. of Essar Oil, and an Essar Affiliated Company holds a further 2.87 per cent., other public shareholders hold the remaining 10.04 per cent. of Essar Oil Limited.

As a result of being listed on the Indian Stock Exchanges, and given the minority public shareholding, Essar Oil may be subject to additional legal and regulatory requirements and Essar Oil may require the prior approval of a particular or specified majority of shareholders and/or regulatory bodies, which may or may not be forthcoming, prior to taking certain courses of action.

Essar Energy will consider various options to provide funds to Essar Oil including as debt or equity however, these options may be subject to provisions of Indian law; for example, Essar Energy may be unable to provide funds through debt until it has a minimum equity share holding in Essar Oil. In addition, funds infused as debt into Essar Oil by Essar Energy will, inter alia, be subject to certain end use restrictions.

While Essar Oil has no intention of delisting its shares from the Indian Stock Exchanges, in the event that Essar Oil shares are proposed to be delisted from the Indian Stock Exchanges, the process would be subject to certain conditions being met and an exit opportunity being provided to all the public shareholders of Essar Oil in accordance with the conditions specified under the Securities and Exchange Board of India (Delisting of Equity Ordinary Shares) Regulations, 2009, as amended, including approval of the public shareholders by special resolution.

Even after a successful delisting, a number of public shareholders may continue to be shareholders of Essar Oil and the Company may not be able to effect a squeeze out of the remaining shareholders under Indian law. Thus, the Company may not be able to control 100 per cent. of Essar Oil in the event that it desires to increase its shareholding in Essar Oil beyond 90 per cent.

**RISKS RELATING TO THE PURCHASE OF THE STANLOW REFINERY**

**31. *Failure to complete the Acquisition***

Completion of the planned purchase of the Stanlow Refinery from Shell UK (the "**Acquisition**") is subject to a number of conditions being satisfied, including approval by the shareholders of Essar Energy. Failure to satisfy any of the conditions may result in the Acquisition not being completed. Additionally, if the Acquisition does not complete because: (i) the Essar Energy shareholders' consent has not been received; and/or (ii) Essar Oil UK has not complied with its remaining condition or completion obligations under the Asset Purchase Agreement, Essar Oil UK would nonetheless be obliged to pay a break fee of US\$50,000,000 to Shell UK and it would be liable to pay the costs of its advisers fees.

**32. *Integration of the Stanlow Refinery business***

The Company may encounter difficulties integrating its operations with the operations of the business of the Stanlow Refinery, resulting in a delay or the failure to achieve the anticipated

synergies of integration and cost savings. If such difficulties are significant, this could adversely affect the business, financial condition, results of operations and/or prospects of the Company.

### **33. *Purchase of the Inventory***

The Company will also be required to make a separate payment for the crude oil, refined products and certain other inventory on the Stanlow Refinery site ("***Inventory***").

The price of the Inventory will be determined by prevailing market prices at the time when the Acquisition is completed and will be at cost. Currently oil is trading at two-and-a-half year high and persistence of the current global climate could adversely inflate the price at which the Company acquires the Inventory. Additionally, the Company intends to finance the purchase of the Inventory from third party debt facilities. In the event that the Inventory cannot be financed by third party debt facilities, the Company will be required to purchase the Inventory using its existing resources. If the risks in this paragraph materialise, the Company's financial condition could be materially adversely affected.

## **RISKS RELATING TO INDIA**

### **34. *The Company operates in heavily regulated industries, where changes in government policy could have a negative impact.***

The power and oil and gas industries in India are heavily regulated. Since 1991, the government of India has pursued policies of economic liberalisation, including significantly relaxing restrictions on private sector involvement in the power, oil and gas and certain other industries. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The government of India under Prime Minister Singh's leadership since 2004 has announced policies and taken initiatives that have supported the continued economic liberalisation policies that have been pursued by previous governments. There can be no assurance that these liberalisation policies will continue in the future. Government corruption scandals and protests against privatisations, which have occurred in the past, could slow down the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting oil and gas and power companies, foreign investments, currency exchange rates and other matters affecting investment and doing business in India could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India generally.

### **35. *Terrorist attacks and other acts of violence could adversely affect financial markets, result in a loss of business confidence and adversely affect the Company.***

Terrorist attacks, such as the recent shooting and bomb attacks in Mumbai in November 2008, the bomb blasts that occurred in Mumbai on 25 August 2003 and 11 July 2006, the October 2004 bomb blasts that occurred in North-east India, the World Trade Center attack in New York on 11 September 2001 and the bomb blasts in London on 7 July 2005, as well as other acts of violence or war, including those involving India and the United States or other countries, may adversely affect Indian and worldwide financial markets. India's neighbour Pakistan is currently experiencing increasingly intense terrorist activities and fighting. Due to the proximity of Pakistan to the Gulf of Kutch, through which crude oil imported for the Vadinar refinery is transported, any further deterioration in the situation in Pakistan could adversely impact the Company's ability to import oil necessary for the refinery's operations by sea. The Company also faces internal security risks with respect to its exploration and production assets and activities in Assam in north eastern India due to the ethnic unrest in that region, as well as with respect to coal supplies from its mines located in central India due to the on-going Naxalite unrest in that region.

In addition, recent events in Algeria, Egypt, Libya and Bahrain and political unrest in other Northern Africa or Middle Eastern States could affect the oil industry, on which a significant part of the Company's business is dependent. Acts of violence may result in a loss of business confidence and have other consequences that could adversely affect the Company's business, results of operations and financial condition. Travel restrictions as a result of such attacks may have an adverse impact on the Company's ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries.

***36. There are certain limitations in India's property title registration system and other associated risks in relation to real property.***

In contrast to other countries, India does not have a central title registry for real property. Title registries are maintained at the state and district level and since computerisation of such records began only recently, may not be available online for inspection. In addition, because it is common practice in some parts of India (especially in villages) for transfers of title upon deaths of family members and in certain other circumstances to be made only by mutation in local revenue records, changes in the ownership of land may not be registered with the relevant land registry in a timely manner or at all. Title registries and local revenue records may not be updated or complete. As such, legal defects and irregularities may exist in the titles to the properties on which the Company's existing facilities and future facilities are located. The Company's rights in respect of these properties may be compromised by improperly executed, unregistered or insufficiently stamped conveyance instruments, unregistered encumbrances in favour of third parties, rights of adverse possessors, ownership claims of family members of prior owners, or other defects that the Company may not be aware of. These defects may arise after land is acquired by the Company, and are not necessarily revealed by a title due diligence, on account of various factors including but not limited to incomplete land records, transactions without registered documents, the decentralised nature of maintenance of land registries and local revenue records, property-related litigation in India and family disputes in the sellers' family. Any defects or irregularities of title may result in litigation and/or the loss of development rights over the affected property. With respect to projects on leasehold land, revocation/ expiry of the lease and any defect or irregularity in the lessor's title may result in loss of the Company's rights over affected property. For land that is in the process of being acquired, such as the land for the Essar Power Jharkhand-Tori Power Plant Project, title verification is pending and there can be no assurance that such land will have clear title.

***37. A slowdown in economic growth in India could have an adverse effect on the Company's business.***

The Company's performance and the growth of the Indian power and oil and gas industries are dependent on the health and growth of the overall Indian economy. The Indian economy has shown sustained growth over recent years with gross domestic product adjusted for inflation growing at 9.7 per cent. in 2010, 5.7 per cent. in 2009, 6.4 per cent. in 2008 and 9.9 per cent. in 2007 according to the International Monetary Fund's World Economic Outlook Database, October 2010. However, growth in industrial production in India has been variable. Any slowdown in the Indian economy could have a material adverse effect on the Company's business.

***38. If inflation worsens, the Company's results of operations and financial condition may be adversely affected.***

India has experienced high levels of inflation since 1980. The average annual inflation rate in India from 2005 to 2010 was 8 per cent. according to the International Monetary Fund's World Economic Outlook Database, October 2010. In the event that inflation remains high, or worsens, certain of the Company's costs, such as salaries, travel costs and related allowances, which are



typically linked to general price levels, may increase, and the Company may not be able to recoup these increases through higher refined petroleum product prices or power tariffs. In addition, the government of India, to the extent the government regulates prices and tariffs in the oil and gas and power industries, may not adjust such prices and tariffs for the effect of inflation. As a result, high rates of inflation in India could increase the Company's costs and decrease its operating margins.

**39. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on the Company.***

India's foreign exchange reserves declined, on a balance of payment basis (excluding valuation effects), by US\$20,080 million during the fiscal year 2009, as compared to an increase of US\$92,164 million during the fiscal year 2008. According to the weekly statistical supplement of the RBI Bulletin, India's foreign exchange reserves totalled US\$299.4 billion as at 21 January 2011. A sharp decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could have a material adverse effect on the Company's results of operations and financial condition.

**40. *Any downgrade of India's sovereign debt rating by an international rating agency could have a negative impact on the Company's results of operations and financial condition.***

Any downgrade of India's credit ratings for domestic and international debt by international rating agencies may have a material adverse effect on the Company's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

## **RISKS RELATING TO THE BONDS AND THE SHARES**

**41. *Bonds may not be a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in these Listing Particulars or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**42. *Reliance on Parent Guarantor and structural subordination to subsidiary debt***

The Issuer has no business other than in relation to the Bonds and has lent the proceeds of the issue of the Bonds to the Parent Guarantor. The Issuer is accordingly entirely dependent on the Parent Guarantor in respect of its ability to make interest and principal payments on the Bonds.

The Company's operations are principally conducted through subsidiaries of the Parent Guarantor. Accordingly, the Parent Guarantor is and will be dependent on its subsidiaries' operations to service the Issuer's payments obligations in respect of the Bonds. The Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Parent Guarantor's subsidiaries, and to all secured creditors of the Parent Guarantor and its subsidiaries. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Parent Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Parent Guarantor.

#### **43. Global Bonds held by or on behalf of Euroclear and Clearstream, Luxembourg**

The Bonds will be represented by the Global Bonds. The Global Bonds will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Bonds, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Bonds must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. Neither the Issuer nor the Parent Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

#### **44. Meetings of Bondholders, Modification and Waiver and Substitution**

The Trust Deed (the "*Trust Deed*") constituting the Bonds contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide, among other things, that the Trustee may, without the consent of the Bondholders (i) agree to any modification, or any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Conditions, which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby; or (iii) agree to the substitution of any Subsidiary (as defined in "Terms and Conditions of the Bonds") of the Issuer as principal debtor under the Bonds in place of the Issuer, in the circumstances described in Condition 14 (see "Terms and Conditions of the Bonds -Meetings of Bondholders, Modification and Waiver, Substitution").

#### **45. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "*Savings Directive*"), Member States of the European Union are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident, or to certain limited types of entities established, in another Member State. However, for a transitional period, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to

such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no interest be withheld), the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries (Belgium has, as from 1 January 2010, replaced this withholding tax with a regime of exchange of information with the authorities of the Member State of residence of the beneficial owner). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the European Commission's advice on the need for changes to the Savings Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Savings Directive, they would amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to the Bonds as a result of the imposition of such withholding tax. The Issuer is required to maintain a paying and conversion agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

#### ***46. Bondholders have limited anti-dilution protection***

The Conversion Price at which the Bonds may be converted into Ordinary Shares will be adjusted, inter alia, in the event that there is a consolidation, reclassification or subdivision in relation to the Ordinary Shares, capitalisation of profits or reserves, the payment of any dividend or the making of a distribution by the Issuer, rights issue or grant of other subscription rights or other adjustment which affects the Ordinary Shares, but only in the situations and only to the extent provided under "Terms and Conditions of the Bonds - Conversion of Bonds". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

#### ***47. Risks attached to the exercise of Conversion Rights***

At any point when the Bonds are outstanding, depending on the performance of the Ordinary Shares, the value of the Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Conversion Rights are exercised and when Ordinary Shares are delivered, the value of the Ordinary Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Ordinary Shares are delivered.

#### ***48. The Bonds may be redeemed prior to maturity***

The Conditions provide that the Bonds are redeemable at the Issuer's option prior to their Final Maturity Date in certain limited circumstances and accordingly the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security bearing an effective interest rate as high as that of the Bonds.

***49. There is a limited period for, and there are costs associated with, the exercise of Conversion Rights***

A Bondholder will, subject as more fully described in “Terms and Conditions of the Bonds - Conversion of Bonds”, have the right to convert his or her Bonds into Ordinary Shares. Conversion Rights may be exercised (subject to the Conditions, any applicable fiscal or other laws or regulations) at any time on or after 14 March 2011 up to, and including: (a) the close of business (at the place where the Bonds are delivered for conversion) on the date falling seven calendar days prior to the Final Maturity Date; or (b) if the Bonds have been called for redemption by the Issuer before the Final Maturity Date, the close of business (at the place aforesaid) on the seventh calendar day before the date fixed for redemption thereof. If the Conversion Rights are not exercised by Bondholders during this period, the Bonds will be redeemed at their principal amount on the Final Maturity Date unless they are previously purchased and cancelled, redeemed or converted in accordance with the Conditions.

***50. Interest rate risks***

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bond.

***51. Legal investment consideration may restrict certain investment***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

***52. No established trading market for the Bonds***

The Bonds are new securities which may not be widely distributed and for which there is currently no established trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Issuer's results of operations and the market price of the Ordinary Shares. Although applications have been made for the Bonds to be admitted to the Official List and trading on the Professional Securities Market, there is no assurance that such applications will be accepted or that an active trading market for the Bonds will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

***53. Risk of fluctuation in the price of the Ordinary Shares***

In recent years, the securities markets have experienced a high level of price and volume volatility and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of prospects of such companies. The market price of the Bonds is expected to be affected by fluctuations in the market price of the Ordinary Shares and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Issuer, the results of operations and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues of, or disposals of the Ordinary Shares by substantial shareholders may significantly affect the trading price of the Bonds or the Ordinary Shares. Even the expectation that such issues or disposals may occur may significantly affect the trading price of the Bonds and the Ordinary Shares. The Parent Guarantor has agreed to certain restrictions on its ability to issue or dispose of Ordinary Shares or certain related securities for 60 days after the issue of the Bonds. Except for such restrictions and the undertakings of the Parent Guarantor described in Condition 11 (see “Terms and Conditions of the Bonds - Undertakings”), there is no restriction on the Parent Guarantor’s ability to issue Ordinary Shares, and there can be no assurance that the Issuer will not issue Ordinary Shares or that any substantial shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

In particular, although Essar Global has agreed not to dispose of any of its holding of Ordinary Shares until after 29 April 2011, Essar Global may subsequently sell all or part of its holding of Ordinary Shares. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

***54. Ordinary Shares pledged to banks could be sold if Essar Global defaults under its financing arrangements.***

Essar Global has pledged all of the Ordinary Shares it holds in the Company as security for Essar Global’s indebtedness under certain financing arrangements. In the event of a default by Essar Global, its lenders may exercise their rights under the relevant financing arrangements and take ownership of the pledged shares, which could result in a change of control of the Company.

***55. US and other non-UK holders of Ordinary Shares may be unable to exercise their pre-emptive rights.***

In the case of an increase of the share capital of Essar Energy for cash, existing Ordinary Shareholders are generally entitled to pre-emption rights pursuant to the Companies Act, unless such rights are waived by a special resolution of the Ordinary Shareholders at a general meeting or in certain circumstances stated in the Articles of Association (the “*Articles*”) of Essar Energy. To the extent that pre-emptive rights are granted, US and other non-UK holders of the Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless Essar Energy decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirement thereunder is available. Essar Energy intends to evaluate at the time of any rights offering the costs and potential liabilities associated with any such compliance or registration statement. At such time, Essar Energy also intends to evaluate the benefits to it of enabling the exercise by US and other non-UK holders of the Ordinary Shares of the pre-emptive rights for their Ordinary Shares and any other factors Essar Energy considers appropriate at the time. On the basis of this evaluation, Essar Energy will then make a decision as to how to proceed and whether to file such a registration statement or otherwise or any other steps necessary to extend the rights offering into the other jurisdictions (including complying with local law requirements in other jurisdictions). No assurance can be given that any steps will be taken in any jurisdiction or that any registration statement will be filed to enable the exercise of such holders’ pre-emptive rights.

## BUSINESS

Essar Energy was incorporated and registered in England and Wales on 18 December 2009 as a private company limited by shares under the Companies Act with the name Goliath I Limited and with the registered number 7108619.

On 6 April 2010 Essar Energy changed its name to Essar Energy Limited and on 16 April 2010 it was re-registered as a public company limited by shares with its current name, Essar Energy plc.

Essar Energy's registered office and the business address of each of its Directors and senior management team is at 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER, United Kingdom and its head office is at DCDM Building, 10 Frere Felix de Valois Street, Port Louis, Mauritius. Essar Energy's telephone number is +44 20 7408 8700.

The principal laws and legislation under which Essar Energy operates and the Ordinary Shares have been created, are the Companies Act and regulations made thereunder.

The Company is an India-focused energy company with existing operations and projects under construction and development in both the power industry and in the oil and gas industry. The Company is amongst India's largest private power producers with a 13-year operating track record. The power business owns four operating power plants in India and one in Canada, and is planning an expansion of its capacity to 11470 MW by the end of 2014. The Company also owns a portfolio of oil, gas and CBM blocks and is developing as a leading player in the rapidly emerging domestic CBM market in India. The Company's low-cost Vadinar refinery is currently one of India's largest oil refineries and post its phase II expansion is expected to become one of the largest and most complex refineries in the world.

The power business of the Company, which was a first mover among the private-sector players in the Indian power industry, currently has a total installed generation capacity of 1,600 MW (of which 85 MW is in Canada). The Company's operating power plants are co-located with Essar Affiliated Companies, with 81 per cent. of the off-take contracted to these affiliates.

The Company's expansion projects in its power business (the "**Power Plant Projects**") are divided into two phases (the "**Construction Phase Power Projects**" and the "**Development Phase Power Projects**") and are designed to bring total installed capacity to 11,470 MW. Its ten Construction Phase Power Projects have an expected total installed capacity of 8,070 MW and are expected to become commercially operational between 2011 and 2014. In addition, the Company will seek to further expand its power operations through its two Development Phase Power Projects which are expected to increase its installed total capacity by a further 1,800 MW and are due to become commercially operational during 2014 (subject to securing fuel supplies).

For all power plant projects, the Company is focused on securing long term fuel supply and minimising price volatility. To achieve this the Company adopts a strategy of backward integration by sourcing coal from captive mines that are either owned by or allocated to the Company. The Company owns or has rights to various coal reserves, including coal blocks in India and coal mines recently acquired by the Company in Indonesia and Mozambique. The existing coal block allocations in India are subject to the term periods of such allocations being further extended, however, to bridge any gaps the Company has applied to the government of India for temporary coal supplies in the interim. Through a combination of coal block allocations, acquisitions of coal mines and long-term fuel supply arrangements with the relevant power off-taker, the Company presently has fuel security for 9,670 MW of its existing and planned power generation capacity.

Essar Energy is also investing in select high-voltage transmission lines for its power projects. Both the backward integration and the construction of Company-owned transmission lines provide the Company with further control over the timing and successful development of each power project.

The Company's oil and gas business is engaged in the exploration and production of oil and natural gas, crude oil refining and refined petroleum products sales and marketing.

The Company's Vadinar refinery has a total current production throughput capacity of 14 mmtpa (approximately 300,000 barrels per stream day). The Vadinar refinery enjoys strong structural cost benefits as a result of its location, scale, asset quality and workforce. The Vadinar refinery currently has refining operating costs of US\$1.3 per barrel. This is approximately US\$1 lower per barrel than the average operating costs within the industry (Source: KBC). Vadinar's location provides efficient access to indigenous crudes and Middle East-based crudes as well as to high-growth refined product export markets. The scale and complexity of the Vadinar refinery provide the Company with significant crude processing flexibility, with 65 per cent. of the refinery's current throughput comprising heavy and ultra-heavy crude oils.

The Company is currently expanding the refining capacity and the complexity of its Vadinar refinery. The Company has started construction on the first phase of this expansion (the "**Phase I Refinery Project**") which is expected to extend the refinery's total throughput capacity to 18 mmtpa (approximately 375,000 barrels per stream day) and increase the complexity of the Vadinar refinery from an average Complexity Index of 6.1 to 11.8. The Phase I Refinery expansion is scheduled to reach mechanical completion mid 2011. This will be preceded by a 35 day shut down during September/October 2011 to allow for the tie-in of the new units and for routine maintenance. Ramp up of the new units will commence in Q3 2011, with the majority of the increased production expected from mid Q4 2011. While the construction costs of the Phase I Refinery Project are within the overall budget including the contingency utilisation relating to change of scope, costs are estimated to be increased by approximately US\$111.6 million. This increase is mainly due to expected delay in commissioning and related interest costs and pre-operative expenditures. In November 2010, the Company announced plans to further increase the capacity of the refinery to 20 mmtpa, or 405,000 barrels per stream day ("**Phase I Refinery Optimisation Project**"). This will be achieved through optimisation of some of the refinery units at an estimated cost of Rs.17 billion (c. US\$379 million). The move follows a detailed project review that identified several opportunities to de-bottleneck the refinery and revamp some of the units at an extremely competitive capital cost. The Phase I Refinery Optimisation Project is expected to be completed by September 2012. The Company is also considering undertaking a second expansion phase (the "**Phase II Refinery Project**") which will add a new refinery stream with a projected additional capacity of 18 mmtpa (approximately 375,000 barrels per stream day). The timing for the implementation and completion of the Phase II Refinery Project will be decided following a review of market conditions and the securing of financing commitments for the project. The Company has recently appointed two external consultancy firms to conduct a market analysis and technical feasibility study respectively. Upon completion of the Phase II Refinery Project, the Company expects the Vadinar refinery as a whole to have an average Complexity Index of 12.8 and a total refining throughput capacity of 38 mmtpa (approximately 775,000 barrels per stream day) and to be able to produce up to Euro V grades of petrol and high-speed diesel.

The vast majority of the Company's refined petroleum products are sold domestically to the large Indian national oil companies, with some products sold internationally and exported through the Vadinar port terminals owned by Vadinar Oil Terminal Limited ("**VOTL**") an Essar Affiliated Company. The Company also maintains a franchisee-owned and -operated network of 1,381 retail fuel stations in India, which supplements the Company's domestic distribution platform. In addition, the Company owns a 50 per cent. interest in the Kenya Petroleum Refinery Limited, which is anticipated to lead to additional international refined petroleum product distribution in the future.

The equity component required by the Company for the completion of its Power Plant Projects, the expansion of its oil and gas exploration and production operations and the Phase I Refinery Project will be funded from the net proceeds of the Company's 2010 initial public offer and cash from operations. The Company has secured debt financing commitments for 100 per cent. of the total expected debt financing requirements for the Construction Phase Power Projects, 100 per cent. of debt for the Phase I Refinery Project and 100 per cent. of debt for the Phase I Refinery Optimisation Project is committed. The debt required for the Development Phase Power Projects and the Phase II Refinery Project is not yet committed.

Essar Energy is the principal operating and holding company of the Essar Energy group. The principal subsidiaries and subsidiary undertakings of Essar Energy are as follows:

<b>Name</b>	<b>Country of incorporation and registered office</b>	<b>Percentage of shares held as at 31 December 2010</b>	<b>Nature of business</b>
Essar Power Hazira Holdings	Mauritius	100.0%	Investment Holding
Algoma Power Cooperatief U.A	Netherlands	100.0%	Investment Holding
Algoma Power B.V	Netherlands	100.0%	Investment Holding
Essar Power Canada Limited	Canada	100.0%	Investment Holding
Essar Power Limited	India	74.0%	Power Plant
Essar Power Overseas Ltd	BVI	100.0%	Investment Holding
Essar Power Transmission Company Limited	India	100.0%	Power Transmission
Essar Power (Jharkhand) Limited	India	100.0%	Power Plant
Essar Power Chattisgarh Limited	India	100.0%	Power Plant
Essar Power Hazira Limited	India	100.0%	
Essar Power MP Limited	India	100.0%	Power Plant
Essar Power Gujarat Limited	India	100.0%	Power Plant
Essar Wind Power Private Limited	India	100.0%	Wind Turbine
Essar Power (Orissa) Limited	India	74.0%	Power Plant
Essar Power Tamil Nadu Limited	India	100.0%	Power Plant
Essar Electric Power Development Corporation Limited	India	100.0%	Power Trading
Bhander Power Limited	India	74.0%	Power Plant
Vadinar Power Company Limited	India	100.0%	Captive Power Plant
Essar Power Salaya Limited	India	100.0%	Power Plant
Navabharat Power Private Limited	India	96.4%	Power Plant
Essar Power & Minerals S.A. Limited	Mauritius	100.0%	Investment Holding
Essar Power (East Africa) Limited	Kenya	100.0%	Power Plant
Essar Minerals FZE	U.A.E.	100.0%	Investment Holding
Essar Recourses Minerais de, Mocambique, Limitada	Mozambique	100%	Mining Company
PT Bara Pratama Indonesia	Indonesia	100%	Investment Holding
PT Manoor Bulatn Lestari	Indonesia	100%	Mining Company
PT Essar Minerals Indonesia	Indonesia	99.96%	Mining Company
Main street 736 (Proprietary) Limited	South Africa	100.0%	Investment Holding
Essar Power Holdings Ltd	Mauritius	100.0%	Investment Holding
Vadinar Oil	Mauritius	100.0%	Investment Holding
Essar Petroleum (East Africa) Limited	Kenya	100.0%	Marketing and trading of Petroleum Products
Essar Oil Limited	India	87.09%	Refinery
Essar Energy Overseas Ltd	Mauritius	100.0%	Investment Holding
Essar Syngas Limited*	Mauritius	100.0%	Investment Holding
Essar Infrastructure Africa Limited	Nigeria	100.0%	Investment Holding
Essar Chemicals Limited	Mauritius	100.0%	Investment Holding
Essar Gujarat Petrochemicals Limited	India	100.0%	Petrochemical
Essar Eastman Chemicals Holdings Limited*	Mauritius	100.0%	Investment Holding



<b>Name</b>	<b>Country of incorporation and registered office</b>	<b>Percentage of shares held as at 31 December 2010</b>	<b>Nature of business</b>
Essar Exploration and Production Limited	Mauritius	100.0%	Exploration and Production
Essar Exploration and Production Limited	Nigeria	100.0%	Exploration and Production
Essar Exploration and Production India Limited	India	100.0%	Exploration and Production
Essar Energy Holdings Limited	Mauritius	100.0%	Investment Holding
Essar Oil Holding Ltd	Mauritius	100.0%	Investment Holding / Exploration and Production
Essar Oil (UK) Limited	United Kingdom	100.0%	Investment Holding
Essar Oil Germany GmbH	Germany	100.0%	Investment Holding
Essar Oil Stanlow Limited	United Kingdom	100.0%	Investment Holding
Essar Arkema Chemicals Holdings Limited*	Mauritius	100.0%	Investment Holding
Essar Exploration and Production Madagascar Limited*	Madagascar	100.0%	Exploration and Production
Essar Energy Services (UK) Limited	UK	100.0%	Service Company
Essar Energy Investment Limited	Jersey	100.00%	Investment Holding/Issuer of Bonds
<u>Essar Energy Services (Mauritius) Limited</u>	Mauritius	100.0%	Service Company

\* Under Liquidation

In addition, the Company has a 50 per cent. interest in Mahan Coal Limited, a jointly controlled entity which is in the process of setting up coal mines, and it acquired a 50 per cent. interest in Kenya Petroleum Refineries Ltd, a jointly controlled entity, in July 2009.

#### ***Purchase of the Stanlow Refinery***

Essar Energy, through its indirect wholly owned subsidiary Essar Oil UK, entered into an asset purchase agreement with Shell UK dated 29 March 2011 to acquire the oil refinery and other associated assets at Stanlow, near Ellesmere Port, Cheshire (the "***Stanlow Refinery***") from Shell UK for a consideration of US\$350,000,000 (£219 million) in cash. Acquisition of the Stanlow Refinery, which is the second largest refinery in the UK, will give Essar Energy direct access to the UK market. It is also aligned with Essar Energy's strategy to provide options for the export of products from its high value refinery at Vadinar, in Gujarat state, India. The acquisition is subject to certain conditions including the approval of Essar Energy's shareholders. It is expected that the acquisition will be completed during the second half of 2011.

## MANAGEMENT

The Directors and senior management are:

### Directors

Ravi Ruia.....	Chairman
Prashant Ruia.....	Vice-Chairman
Naresh Nayyar.....	Chief Executive
Sattar Hajee Abdoula.....	Non-Executive Director
Philip Aiken.....	Non-Executive Director
Subhash Lallah.....	Non-Executive Director
Simon Murray.....	Non-Executive Director

### Senior Management

P Sampath.....	Chief Financial Officer
K.V.B. Reddy.....	Executive Director – Essar Power
Mark Lidiard.....	Director of Investor Relations and Communications

The board of Directors of Essar Energy (the “**Board**”) is collectively responsible for the long term success of Essar Energy and has ultimate responsibility for the management, direction and performance of the Company and its businesses. The Board is required to exercise objective judgement on all corporate matters and is accountable to shareholders for the proper conduct of the business. The day to day management of Essar Energy is delegated to and run by the Management Committee the role of which is to focus on monitoring the implementation of the Company’s strategy, progress against agreed plans and operational matters to ensure that Board decisions are implemented and to make recommendations to the Board.

The Management Committee membership comprises the Vice Chairman, Mr Prashant Ruia, as Chairman of the Committee, the Chief Executive of the Company, Mr Naresh Nayyar, the Chief Executives of the business groups, the Chief Financial Officer, Mr P Sampath and the Director of Investor Relations and Communications, Mr Mark Lidiard.

### Conflict of Interests

Mr Ravi Ruia and Mr Prashant Ruia are both directors of various entities in the Essar Group and have entered into advisory and consultancy agreements. Potential conflicts of interests may arise between the duties owed by such Directors to the Company and their duties to other entities in the Essar Group, particularly where the Company enters into transactions with such other entities in the Essar Group. In addition, Mr Ravi Ruia and Mr Prashant Ruia are shareholders of companies which are beneficiaries of trusts which ultimately control Essar Global Limited. The Relationship Agreement regulates the ongoing relationship between members of the Company and the Essar Group. However, there is potential for conflict of interests to arise as a result of transactions between the Company and those entities in which Mr Ravi Ruia and Mr Prashant Ruia are direct or indirect shareholders.

Save for the interests disclosed above, there are no other conflicts of interest between any duties to the Company of its Directors or the Senior Managers listed herein and their private interests and/or other duties.

## MAJOR SHAREHOLDER

As at the date of this document, Essar Global owns 76.72 per cent. of the issued ordinary share capital of Essar Energy. In addition, on 18 January 2011, Essar Global acquired an economic interest in a further 1.3 per cent. of the issued Ordinary Shares of the Company pursuant to an Equity Swap Transaction as part of the arrangements relating to the Bonds. Accordingly, Essar Global controls Essar Energy and its subsidiaries having interests in the power business and the oil and gas business. Essar Global has pledged and continues to pledge the shares it owns in Essar Energy, and will pledge any future shares (whether in the ordinary equity share capital or otherwise) issued to it by Essar Energy for the purposes of securing various financing facilities of the Essar Group and, pursuant to such pledge, has agreed that it will continue to hold at least 70 per cent. of the issued ordinary share capital of Essar Energy.

### Relationship Agreement

The “Relationship Agreement” regulates the ongoing relationship between Essar Global and Essar Energy. The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of Essar Global and its Associates (as defined in the Relationship Agreement) and that transactions and relationships with Essar Group are at arm’s length and on normal commercial terms except certain de minimis transactions as described below. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange and Essar Global, together with its Associates (as defined in the Relationship Agreement), have an aggregate interest at least of 30 per cent. in the issued Shares of Essar Energy.

Under the Relationship Agreement:

- (i) Essar Global will exercise its powers as shareholder to ensure that the Company is capable, at all times, of carrying on its business independently of Essar Global and its Associates (as defined in the Relationship Agreement);
- (ii) the Company and Essar Global agree that transactions and relationships between the Company and Essar Global and its Associates as defined in the Relationship Agreement will be at arm’s length and on a normal commercial basis, except in the case where the size of such transaction or arrangement is such that (a) each of the applicable percentage ratios (as defined in the Listing Rules) for such transaction or arrangement, when aggregated with other such transactions or arrangements in any 12 month period, is equal to or less than 0.25 per cent. or (b) the Listing Rules in force at the relevant time would not apply, whichever is the smaller;
- (iii) Essar Energy shall not and shall procure (so far as it is legally able) that its Associates shall not take any action (or omit to take any action) to prejudice Essar Energy’s status as a listed company or its suitability for listing under the Listing Rules after Admission has occurred or Essar Energy’s ongoing compliance with the Listing Rules and the Disclosure Rules and Transparency Rules, provided this does not prevent Essar Global or its Associates (as defined in the Relationship Agreement) from accepting an offer for Essar Energy made under the City Code on Takeovers and Mergers or making such an offer for Essar Energy;
- (iv) Essar Global has agreed that except as required by law, as contemplated by the Relationship Agreement or as unanimously agreed by the independent Non-Executive Directors, it will exercise the rights attaching to its Ordinary Shares to ensure that, so far as it is legally able, Essar Energy is managed in accordance with the Companies Act, the Listing Rules, the Disclosure Rules and Transparency Rules and that the principles of good governance set out in the Code are complied with by Essar Energy;

- (v) Essar Energy shall use its reasonable endeavours to procure and Essar Global shall exercise its powers as shareholder to procure, so far as it is reasonably able, that at all material times: at least half of the Board (including the Chairman) will be independent Non-Executive Directors, the audit and remuneration committees will consist only of independent Non-Executive Directors and the nominations and governance committee will consist of a majority of independent Non-Executive Directors;
- (vi) Essar Global is entitled to nominate such number of directors for appointment to the Board so as to ensure that at least half the Board (including the Chairman) will be independent Non-Executive Directors;
- (vii) Directors of Essar Energy nominated by Essar Global shall not be permitted, unless the Independent Non-Executive Directors agree otherwise, to vote on any resolutions of the Board to approve any aspect of the Company's involvement in or enforcement of any arrangements, agreements or transactions with any member of the Essar Group;
- (viii) Essar Global shall procure that the Directors nominated by Essar Energy do not vote on any resolution at meetings of the Board relating to the entry, variation, amendment, novation, termination, abrogation or enforcement of any contract, arrangement or transaction between the Company and the Essar Group;
- (ix) Essar Global agrees that in the event that any member of the Essar Group is proposing to enter any arrangements with another member of the Essar Group or with the Company in connection with substantially similar products, goods or services, no member of the Essar Group will be offered such arrangement on more favourable terms or be given preference over the Company;
- (x) Essar Global shall notify Essar Energy of all dealings between the Essar Group and the Company that are not of a revenue nature in the ordinary course of business and are of a revenue nature in the ordinary course of business;
- (xi) The parties agree to use commercially reasonable efforts to put in place a process in relation to dealings between the Essar Group and the Company following the date of Admission to ensure, inter alia, that dealings where the size of the dealing is such that (a) any percentage ratio (as defined in the Listing Rules) in relation to the relevant transaction exceeds 0.25 per cent. when aggregated with other such transactions in any 12 month period or (b) any smaller percentage ratio applicable to dealings between related parties under the Listing Rules in force at the relevant time would apply to such transaction, are on arm's length terms; to agree the standard terms and conditions on which ordinary course arrangements between the Essar Group and the Company following Admission are entered into and to take all reasonable steps to ensure such terms and conditions apply to such arrangements in place as at Admission;
- (xii) Essar Global shall not cause or permit any amendment to the Articles which would be inconsistent with the Relationship Agreement or affect the listing of Essar Energy;
- (xiii) Essar Global and its Associates (as defined in the Relationship Agreement) have agreed not to misuse and maintain confidential any confidential information received by them and are only entitled to disclose such information in the circumstances set out in the Relationship Agreement;
- (xiv) Essar Global represents and warrants that neither it, nor, to the best of its knowledge, any of its Associates, currently own or have any interest in any company or business the principal business of which is crude oil refining, oil and gas exploration and production, gas or power generation worldwide (each a "**Competing Business**") other than: through the Company or the Group; in respect of the 30 MW thermal captive power plant at Hazira and the 35 MW thermal captive power plant at Vizag; and in respect of the Myanmar exploration blocks; and

- (xv) Essar Global undertakes that for the duration of the Relationship Agreement and one year following, it shall not, and shall procure (to the extent it is reasonably able) that its Associates (as defined in the Relationship Agreement) shall not, acquire or have any interests in or carry on or be involved with any Competing Business except: where any acquisition, investment, carrying on or involvement in a Competing Business has been approved by a majority of the independent Non-Executive Directors; the acquisition or ownership of a Competing Business, the opportunity to acquire or invest in which has been offered or made available to the Company and which the independent Non-Executive Directors have determined (such determination being recorded in writing) is not an opportunity which the Company is able or willing to pursue, where (except where the independent Non-Executive Directors determined that the opportunity was of a nature which it was not appropriate for the Company to pursue on any terms, such determination being recorded in writing) Essar Global or its Associates (as defined in the Relationship Agreement) participates in such opportunity on terms which are not more favourable overall than those which were available to the Company; the acquisition or ownership of not more than 15 per cent. of any Competing Business that is listed or traded on a public stock exchange, where Essar Global has not appointed or does not have the right to appoint representatives to the Board or senior management of such business, it does not have the right to exercise material influence over such business and such acquisition or ownership would not result in the Company being obliged to acquire an increased ownership of such business; a passive investment only is held in a fund or similar entity where Essar Global has no control or influence over or involvement in the management of the relevant business held by the fund or similar entity and, so far as Essar Global is aware to the best of its knowledge having made reasonable enquiry, no more than 15 per cent. of the fund or similar entity's investments by value are in Competing Businesses; in relation to the exploration, extraction and processing of minerals (which excludes natural gases and hydrocarbons); captive power plants where such interest, carrying on of business or involvement is for tax efficiency and/or regulatory purposes and is approved in advance by the independent Non-Executive Directors in writing; where an interest in, carrying on of, or involvement in a Competing Business is for a regulatory purpose and is approved in advance by the independent Non-Executive Directors in writing; any interest in, carrying on of business or involvement in respect of the Myanmar exploration blocks.

The Directors believe that the terms of the Relationship Agreement as described above enables the Company to carry on its business independently from the Essar Group and its Associates (as defined in the Relationship Agreement).

## DESCRIPTION OF ESSAR ENERGY INVESTMENT LIMITED

### Introduction

The Issuer was incorporated in Jersey, Channel Islands (registered number 104716) on 30 December 2009 as a private company limited by shares under the Companies (Jersey) Law 1991, as amended, under the name Essar Energy Investment Limited and converted to a public company with its registered address at 43/45 La Motte Street, St Helier, Jersey, Channel Islands, JE4 8SD, telephone number +44 1534 702 800.

### Business of the Issuer

The Issuer is a wholly-owned subsidiary of Essar Energy and its sole business is the issue and maintenance of the Bonds and the loan of the proceeds of the issue of the Bonds to the Parent Guarantor. Since the date of its incorporation, other than entering into contracts in connection with the matters described above, the Issuer has not commenced business nor has it incurred any liabilities.

### Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer is authorised to issue 10,000 limited liability shares with a par value of £1.00 per share. The Issuer can issue Founders' Shares (as defined herein). Founders' Shares are issuable at an agreed issue price of £1.00 each.

As of the date of these Listing Particulars, the Issuer had issued two Founders' Shares at an agreed price of £1.00 each.

### Corporate Administration

Minerva Financial Services Limited of 43/45 La Motte Street, St Helier, Jersey, Channel Islands, JE4 8SD will act, or procure that a subsidiary acts, as the corporate services provider for the Issuer (the "*Corporate Services Provider*") pursuant to the terms of a corporate services agreement to be entered into between the Issuer and the Corporate Services Provider. In consideration of the foregoing, the Corporate Services Provider will be entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

### Management and Employees

The Issuer has no employees other than those directors listed below in the section entitled "—Directors and Secretary".

## **Directors and Secretary**

The directors of the Issuer and their other principal activities as of the date hereof are as follows:

<b>Name</b>	<b>Function</b>
Neel Sahai	Director
P. Sampath	Director
Vinayak Joshi	Director

The company secretary of the Issuer is Minerva Trust Company Limited of 43/45 La Motte Street, St Helier, Jersey, Channel Islands, JE4 8SD.

The business address of the directors is at 43/45 La Motte Street, St Helier, Jersey, Channel Islands, JE4 8SD.

Mr P. Sampath is Chief Financial Officer of Essar Energy and Mr Vinayak Joshi holds directorships in a number of companies in the Essar Group. Potential conflicts of interests may, therefore, arise between the duties these Directors owe to the Issuer and their duties to other entities in the Essar Group, particularly where the Issuer enters into transactions with such other entities in the Essar Group.

There are no other conflicts of interest between any duties owed to the Issuer by its directors and their private interests and/or other duties.

## **Financial Statements**

On an annual basis, the Issuer will prepare and publish audited financial statements, which will be filed in accordance with Jersey law. The Issuer only intends to prepare audited annual financial statements. As of the date hereof, the Issuer has not yet prepared any financial statements.

It is anticipated that the Issuer will have an accounting reference date of 31 December with its first fiscal year ending 31 December 2011.

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.*

The issue of the U.S.\$550,000,000 4.25 per cent. Guaranteed Convertible Bonds due 2016 (the “**Bonds**” which term shall, unless otherwise indicated, include any Further Bonds (as defined below)) was (save in respect of any Further Bonds) authorised by a resolution of the Board of Directors of Essar Energy Investment Limited (the “**Issuer**”) passed on 17 January 2011. The giving of the guarantee (the “**Guarantee**”) by Essar Energy plc (the “**Parent Guarantor**”) in respect of the Bonds was authorised by a resolution of a committee of the Board of Directors of the Parent Guarantor (the “**Board**”) passed on 17 January 2011.

The Bonds are constituted by a trust deed dated 1 February 2011 (the “**Trust Deed**”) between the Issuer, the Parent Guarantor and The Bank of New York Mellon (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the “**Conditions**”) are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds in both global and definitive form. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying, Transfer and Conversion Agency Agreement dated 1 February 2011 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Parent Guarantor, the Trustee and The Bank of New York Mellon in its capacity as Principal Paying, Transfer and Conversion Agent (the “**Principal Paying, Transfer and Conversion Agent**”, which expression shall include any successor as principal paying transfer and conversion agent under the Agency Agreement), the paying, transfer and conversion agents for the time being (such persons, together with the Principal Paying, Transfer and Conversion Agent, being referred to below as the “**Paying, Transfer and Conversion Agents**”, which expression shall include their successors as Paying, Transfer and Conversion Agents under, in any case, the Agency Agreement) and any other paying, transfer and conversion agent appointed under these Conditions, and the registrar named therein (the “**Registrar**” which expression shall include any successor registrar under the Agency Agreement).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the Closing Date at One Canada Square, London E14 5AL), and at the specified offices of the Paying, Transfer and Conversion Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings ascribed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

### **1 Form, Denomination, Title, Status and Guarantee**

#### *(a) Form and Denomination*

The Bonds are in registered form, serially numbered in principal amounts of U.S.\$100,000 (an “**Authorised Denomination**”) without coupons attached.



(b) *Title*

Title to the Bonds will pass by transfer and registration (as described in Condition 4). The Issuer, the Parent Guarantor, the Trustee, the Registrar and any Paying, Transfer and Conversion Agents will (except as otherwise required by law) deem and treat the registered holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership on the certificate representing it or notice of any previous loss or theft of the related certificate as appropriate or anything written on the certificate representing it (other than a duly executed transfer thereof)) for all purposes.

(c) *Status*

The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 2) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(d) *Guarantee*

The payment of all amounts payable in respect of the Bonds and all other moneys payable under or pursuant to the Trust Deed and the performance of the Issuer's obligations in respect of the Conversion Rights described herein has been unconditionally and irrevocably guaranteed by the Parent Guarantor in the Trust Deed. The obligations of the Parent Guarantor under the Trust Deed constitute senior, unsubordinated, direct, unconditional, and (subject to Condition 2) unsecured obligations of the Parent Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 2, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations

## 2 **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed):

- (i) neither the Issuer nor the Parent Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Debt (as defined below) or any guarantee or indemnity in respect of any Relevant Debt; and
- (ii) the Parent Guarantor will not permit any of its Material Subsidiaries (as defined below) to create or permit to subsist any Security upon the whole or any part of their respective undertaking, assets or revenues, present or future, to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt,

unless, at the same time or prior thereto, the obligations of the Issuer or, as the case may be, the Parent Guarantor under the Bonds and the Trust Deed, (x) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee; or (y) have the benefit of such other security, guarantee,

indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

### 3 Definitions

In these Conditions, unless otherwise provided:

“*Additional Shares*” has the meaning provided in Condition 6(c).

“*Aggregate Value*” means, in respect of any dealing day, the U.S. dollar amount calculated as follows:

$$AV = OS \times MP$$

where

AV = the Aggregate Value

OS = the number of Ordinary Shares that would fall to be delivered in relation to the exercise of Conversion Rights in respect of a Bond in the principal amount of U.S.\$100,000 assuming for this purpose the Conversion Date to be such dealing day.

MP = the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend or other entitlement on the Relevant Stock Exchange (determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit)), translated into U.S. dollars at the Prevailing Rate on such dealing day.

“*Bondholder*” and “*holder*” mean, in relation to a Bond, the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)).

“*business day*” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“*Closing Date*” means 1 February 2011.

“*Companies Act*” means the Companies Act 2006.

“*Conversion Date*” has the meaning provided in Condition 6(h).

“*Conversion Notice*” has the meaning provided in Condition 6(h).

“*Conversion Period*” has the meaning provided in Condition 6(a).

“*Conversion Price*” has the meaning provided in Condition 6(a).

“*Conversion Right*” has the meaning provided in Condition 6(a).

**“Current Market Price”** means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend or other entitlement on the Relevant Stock Exchange; or
- (b) if the Ordinary Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend or other entitlement on the Relevant Stock Exchange (in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit),

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

**“dealing day”** means a day on which the Relevant Stock Exchange is open for business, other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time.

**“Dividend”** means any dividend or distribution to Shareholders or similar entitlement (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other securities to Shareholders credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where:
- (1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a Dividend in cash, then, for the purposes of this definition, the Dividend in question shall be treated as a cash Dividend of the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded on the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of first public announcement of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or
  - (2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded on the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares to be issued or transferred and delivered is determined;
- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) above shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Parent Guarantor by the Parent Guarantor or any Subsidiary of the Parent Guarantor shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of the Parent Guarantor or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a "Specified Share Day") in respect of such purchases or buy backs (translated, if not in pounds sterling, into pounds sterling at the exchange rate between the pound sterling and such currency derived from Bloomberg page WMCO at or about 16.00 (London time) on such Specified Share Day, or if on such Specified Share Day such rate is not available from such page, at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available)) exceeds by more than five per cent. the average of the daily Volume Weighted Average Price of an Ordinary Share on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Parent Guarantor or

any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend in an amount equal to the amount by which the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Parent Guarantor or, as the case may be, any of its Subsidiaries (translated where appropriate into pounds sterling as provided above) exceeds the product of (i) 105 per cent. of the average of the daily Volume Weighted Average Price of an Ordinary Share determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

- (d) if the Parent Guarantor or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser;
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Parent Guarantor for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than, (or in addition to) the Parent Guarantor, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Parent Guarantor, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly; and
- (f) a dividend or distribution that is a Spin-Off shall be deemed to be a Dividend paid or made by the Parent Guarantor.

**“equity share capital”** has the meaning ascribed to it in Section 548 of the Companies Act 2006.

**“Exempt Newco Scheme”** means a Newco Scheme (as defined below) where immediately after completion of the relevant scheme of arrangement or analogous proceeding the ordinary shares of Newco (as defined below) are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Parent Guarantor or Newco may determine.

**“Extraordinary Resolution”** has the meaning provided in the Trust Deed.

**“Fair Market Value”** means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser, provided that (i) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity as determined in good faith by an Independent Financial Adviser, the Fair Market Value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market commencing on such date (or, if later, the first

such trading day such Spin-Off Securities options, warrants or other rights are publicly traded), or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof; and (v) in the case of (i) converted into pounds sterling (if declared or paid in a currency other than pounds sterling) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the cash Dividend in pounds sterling; and in any other case, converted into pounds sterling (if expressed in a currency other than pounds sterling) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on that date (or, if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such a rate is available). In addition, in the case of (i) and (ii), the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit.

“**Final Maturity Date**” means 1 February 2016.

“**Further Bonds**” means any further Bonds issued pursuant to Condition 18 and consolidated and forming a single series with the then outstanding Bonds.

“**Group**” means the Parent Guarantor and its Subsidiaries

“**Indebtedness**” means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) for the payment or repayment of money.

“**Independent Financial Adviser**” means an investment bank of international repute appointed by the Issuer or the Parent Guarantor and, in any such case, approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed) or, if the Issuer and the Parent Guarantor fail to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) and provided that the Issuer or the Parent Guarantor, as the case may be, shall be responsible for all costs, fees and expenses of such adviser.

“**Interest Payment Date**” has the meaning provided in Condition 5(a).

“**London business day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London.

“**London Stock Exchange**” means the London Stock Exchange plc.

“**Material Subsidiary**” means, at any particular time, a Subsidiary of the Parent Guarantor:

- (a) whose (i) total assets or (ii) gross revenues (in each case (x) attributable to the Parent Guarantor and (y) consolidated in respect of a Subsidiary which itself has Subsidiaries) are equal to or greater than 7.5 per cent. of the consolidated total assets or consolidated gross

revenues, as the case may be, of the Parent Guarantor, in each case as calculated by reference to the then latest audited consolidated or, as the case may be, unconsolidated financial statements of the relevant Subsidiary or Subsidiaries and the then latest audited consolidated financial statements of the Parent Guarantor provided that (i) in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the financial period to which the then latest audited consolidated accounts of the Parent Guarantor relate, the reference to the then latest audited consolidated accounts of the Parent Guarantor for the purposes of the above calculation shall, until the consolidated audited accounts of the Parent Guarantor are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest audited consolidated accounts of the Parent Guarantor adjusted in such manner as may be appropriate to consolidate the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such accounts; or

- (b) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Parent Guarantor which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the Parent Guarantor shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary (subject to the provisions of paragraph (a) above).

A report by two Directors of the Parent Guarantor that in their opinion a Subsidiary of the Parent Guarantor is or is not, or was or was not, at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders and the Trustee shall be entitled to rely on such report without liability to any person.

“**Newco Scheme**” means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company (“**Newco**”) between the Shareholders of the Parent Guarantor immediately prior to the scheme of arrangement (the “**Existing Shareholders**”) and the Parent Guarantor; provided that only ordinary shares of Newco are issued to Existing Shareholders and that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders (other than a nominal holding by initial subscribers) and that all Subsidiaries of the Parent Guarantor immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Parent Guarantor) are Subsidiaries of the Parent Guarantor (or of Newco) immediately after the scheme of arrangement.

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

“**Optional Redemption Notice**” has the meaning provided in Condition 7(b).

“**Ordinary Shares**” means the ordinary shares of the Parent Guarantor having a nominal value at the Closing Date of £0.05 each (and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification of such Ordinary Shares).

“**Parent Guarantor**” means Essar Energy plc.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

**“Prevailing Rate”** means in respect of any dealing day, the spot rate of exchange between the U.S. dollar and the pound sterling as at or about 12 noon (London time) on that date as appearing on or derived from Bloomberg L.P. or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding dealing day on which such rate is so available.

**“Project Finance Indebtedness”** means any Indebtedness (other than Indebtedness incurred by the Issuer or the Parent Guarantor) incurred to finance the ownership, acquisition, development and/or operation of any project, business, assets or installations (**“Relevant Property”**), in respect of which the person or persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group for the repayment thereof except for:

- (a) recourse to such borrower for amounts limited to the present and future cash flow or net cash flow from the Relevant Property; and/or
- (b) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any security or encumbrance given by such borrower over any such Relevant Property or the income, cash flow or proceeds deriving therefrom provided that the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement; and/or
- (c) recourse to any shareholder or the like in the borrower over its shares or the like (in each case, to the extent paid up) in the capital of or shareholder loans or the like (in each case, to the extent drawn) to secure such Indebtedness; and/or
- (d) recourse to such borrower generally or to any other member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available.

**“Record Date”** means, in respect of a payment, the seventh London business day before the due date for the relevant payment.

**“Reference Date”** has the meaning provided in Condition 6(h).

**“Register”** has the meaning provided in Condition 4(a).

**“Relevant Date”** means, in respect of any Bond, the date on which said payment first becomes due except that, if the full amount of the moneys payable has not been duly received by the Principal Paying, Transfer and Conversion Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 17.

**“Relevant Debt”** means any present or future indebtedness (other than Project Finance Indebtedness) of the Issuer, the Parent Guarantor or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which (i) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market



(excluding tradeable loan certificates representing Indebtedness advanced by a bank lender or lenders which are not for the time being, with the consent of the person issuing the same, so quoted, listed or ordinarily dealt in) and (ii) are or were not initially distributed entirely within India.

a “**Relevant Event**” shall occur if:

- (a) any person or persons, acting together, other than a Relevant Person, acquires or becomes entitled to control more than 50 per cent. of the Voting Rights of the Parent Guarantor;
- (b) an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate of the offeror (as defined in Section 988(1) of the Companies Act 2006)), to acquire all or a majority of the issued ordinary share capital of the Parent Guarantor or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Parent Guarantor has or will become unconditionally vested in the offeror and/or such associate as aforesaid; or
- (c) a Relevant Person or any person or persons acting together with a Relevant Person acquires or becomes entitled to control more than 80 per cent. of the Voting Rights of the Parent Guarantor or more than 85 per cent. of the Ordinary Shares of the Parent Guarantor.

“**Relevant Event Notice**” has the meaning provided in Condition 6(g).

“**Relevant Event Period**” has the meaning provided in Condition 6(b)(x).

“**Relevant Event Put Date**” has the meaning provided in Condition 7(f).

“**Relevant Event Put Exercise Notice**” has the meaning provided in Condition 7(f).

“**Relevant Person**” means:

- (a) Essar Global Limited;
- (b) any other person or persons controlled by Essar Global Limited; and
- (c) any person or persons acting together with Essar Global Limited and/or any such person or persons as are referred to in (b) above.

“**Relevant Stock Exchange**” means the London Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in.

“**Retroactive Adjustment**” has the meaning provided in Condition 6(c).

“**securities**” includes, without limitation, shares in the share capital of the Parent Guarantor and options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Parent Guarantor.

“**Shareholders**” has the meaning given to it in Condition 6(b)(ii).

“**Specified Date**” has the meaning provided in Conditions 6(b) (vi), (vii) and (viii).

**“Spin-Off”** means:

- (a) a distribution of Spin-Off Securities by the Parent Guarantor to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Parent Guarantor) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Parent Guarantor or any of its Subsidiaries.

**“Spin-Off Securities”** means equity share capital of an entity other than the Parent Guarantor or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Parent Guarantor.

**“Subsidiary”** means a subsidiary of the Parent Guarantor within the meaning of Section 1159 of the Companies Act.

**“Tax Redemption Date”** has the meaning provided in Condition 7(c).

**“Tax Redemption Notice”** has the meaning provided in Condition 7(c).

**“UK Listing Authority”** means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

**“Volume Weighted Average Price”** means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page HP (setting Weighted Average) or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, if such page is not available, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or as the Independent Financial Adviser might otherwise determine in good faith to be appropriate.

**“Voting Rights”** means the right generally to vote at a general meeting of Shareholders of the Parent Guarantor.

**“£”** and **“sterling”** means the lawful currency for the time being of the United Kingdom.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders **“as a class”** or **“by way of rights”** shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders (as the case may be) other than Shareholders or Existing Shareholders (as the case may be) to whom, by reason of the laws of any territory or requirements of

any recognised regulatory body or any other stock exchange in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6 (a), (b), (c), (h) and (i) and Condition 11 only, (a) references to the “*issue*” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Parent Guarantor or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Parent Guarantor or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Parent Guarantor or any of its Subsidiaries shall not be considered as or treated as “*in issue*”.

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the EEA Regulated Market or, in relation to the Bonds, the Professional Securities Market of the London Stock Exchange and references to “*EEA Regulated Market*” means a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

#### **4 Registration and Transfer of Bonds**

(a) *Registration*

The Issuer will cause a register (the “*Register*”) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds. Bondholders will be entitled to receive only one Bond in respect of their respective holdings.

(b) *Transfer*

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part in an Authorised Denomination by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will, within seven Business Days (as defined below) of any duly made application for the transfer of a Bond, deliver a new Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor), at the specified office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary uninsured mail, at

the expense of the transferee or, as the case may be, the transferor) mail the Bond by ordinary uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof) (i) during the period of 15 calendar days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(h); (iii) in respect of which a Bondholder has exercised its right to require redemption pursuant to Condition 7(f); or (iv) during the period of 15 calendar days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

(e) *Business Days*

In this Condition 4, “**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the place of the specified office of the Registrar

## 5 Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 4.25 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 1 February and 1 August in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 1 August 2011.

Where interest is required to be calculated for any period which is not an Interest Period it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

“**Interest Period**” means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(k)) or (ii) in the case of a redemption of the Bonds, from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Bonds is improperly withheld or refused, and in such event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying, Transfer and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

## 6 Conversion of Bonds

(a) *Conversion Period and Conversion Price*

Subject to and as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Ordinary Shares, credited as fully paid, (a "**Conversion Right**").

The number of Ordinary Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the conversion price (the "**Conversion Price**") in effect on the relevant Conversion Date.

The initial Conversion Price is U.S.\$11.0861 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b).

A Bondholder may exercise the Conversion Right in respect of an Authorised Denomination of a Bond by delivering such Bond, together with a duly completed Conversion Notice, to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(h) whereupon the Issuer shall (subject as provided in these Conditions) procure the delivery, to the Bondholder (or, if directed by the relevant Bondholder in the relevant Conversion Notice, to a nominee on behalf of such Bondholder), of Ordinary Shares credited as paid up in full as provided in this Condition 6.

Subject to and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from 14 March 2011 (the "**Conversion Period Commencement Date**") to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such

payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 17 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Notwithstanding the foregoing, if a Relevant Event occurs the Conversion Right may be exercised prior to the Conversion Period Commencement Date, in which case a Bondholder exercising the Conversion Right shall, as a pre-condition to receiving Ordinary Shares, be required to certify in the Conversion Notice, among other things, that it or, if it is a broker-dealer acting on behalf of a customer, such customer:

- (i) will, on conversion, become the beneficial owner of the Ordinary Shares; and
- (ii) is located outside the United States (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended).

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 10 or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 7(f).

Save where a notice of redemption is given by the Issuer in the circumstances provided in Condition 6(k), Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the “*Conversion Period*”.

Fractions of Ordinary Shares will not be issued on exercise of Conversion Rights or pursuant to Condition 6(c) and no cash payment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares to be delivered on conversion or pursuant to Condition 6(c) are to be issued to the same person, the number of Ordinary Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Ordinary Shares.

The Issuer will procure that Ordinary Shares to be issued on exercise of Conversion Rights will be issued to the holder of the Bonds completing the relevant Conversion Notice or his nominee. Such Ordinary Shares will be deemed to be issued as of the relevant Conversion Date. Any Additional Shares to be issued pursuant to Condition 6(c) will be deemed to be issued as of the relevant Reference Date (as defined in Condition 6(h)).

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation or sub-division, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

- A is the nominal amount of one Ordinary Share immediately after such alteration; and
- B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) If and whenever the Parent Guarantor shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the “*Shareholders*”) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive or (y) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (z) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii)
- (A) If and whenever the Parent Guarantor shall pay or make any Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

A

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Parent Guarantor or any member of the Group, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

*“Effective Date”* means, in respect of this sub-paragraph (b)(iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

(B) For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of *“Dividend”* and in the definition of *“Fair Market Value”*) be determined as at the Effective Date.

(iv) If and whenever the Parent Guarantor shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

A + C

where:



- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares comprised therein would purchase at such Current Market Price per Ordinary Share on the Effective Date (provided that, in the event that such aggregate consideration receivable is not determinable on the Effective Date, B shall be calculated on the first day on which such aggregate amount is so determinable, but by reference to the Current Market Price per Ordinary Share on the Effective Date); and
- C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means, in respect of this sub-paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Parent Guarantor shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means, in respect of this paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Parent Guarantor shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of a Conversion Right or

on the exercise of any rights of conversion into, or exchange or subscription for, or purchase of Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares (other than the Bonds, which term shall for this purpose include any Further Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

provided that if at the time of issue of such Ordinary Shares or date of issue or grant of such options, warrants or rights (as used in this sub-paragraph (b)(vi), the “*Specified Date*”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this sub-paragraph (b)(vi), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means, in respect of this paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Parent Guarantor or any Subsidiary of the Parent Guarantor or (at the direction or request of, or pursuant to any arrangements with, the Parent Guarantor or any Subsidiary of the Parent Guarantor) any other company, person or entity (otherwise than as mentioned in sub paragraph (iv), (v) or (vi) above) shall

issue wholly for cash or for no consideration any securities (other than the Bonds, which term shall for this purpose exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Parent Guarantor for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant securities or date of grant of such rights (the "**Specified Date**"), such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (vii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means, in respect of this paragraph (b)(vii), the date of issue of such securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Bonds, which term shall for this purpose include any Further Bonds) as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Parent Guarantor for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities as so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall determine in good faith appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (vii) above,

provided that if at the time of such modification (the “*Specified Date*”), such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this sub-paragraph (viii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as

at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

- (ix) If and whenever the Parent Guarantor or any Subsidiary of the Parent Guarantor or (at the direction or request of or pursuant to any arrangements with the Parent Guarantor or any Subsidiary of the Parent Guarantor) any other company, person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under subparagraph (ii), (iii), (iv) or (v) above (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day)) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“*Effective Date*” means, in respect of this sub-paragraph (b)(ix), the first date on which the Ordinary Shares are traded ex- rights on the Relevant Stock Exchange.

- (x) If a Relevant Event shall occur, the Conversion Price (the “*Relevant Event Conversion Price*”) shall be determined as set out below, provided that the Relevant Event Conversion Price shall only apply to Bonds in respect of which Conversion Rights are duly exercised and the Conversion Date falls within the period (the “*Relevant Event Period*”) commencing on (and including) the date the Relevant Event occurs and ending on (and including) the date 60 calendar days following the occurrence of the Relevant Event or, if later, on (and including) the date 60 calendar days following the date on which notice of such Relevant Event is given to Bondholders by or on behalf of the Issuer or the Parent Guarantor:

$$RECP = OCP / (1 + (CP \times c/t))$$

where:

RECP = means the Relevant Event Conversion Price

OCP	=	means the Conversion Price in effect on the relevant Conversion Date
CP	=	means 30 per cent. (expressed as fraction)
c	=	means the number of days from and including the date the Relevant Event occurs to but excluding the Final Maturity Date
t	=	means the number of days from and including the Closing Date to but excluding the Final Maturity Date

- (xi) If the Parent Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (i) to (x) above), the Parent Guarantor shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine in good faith as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub paragraph (xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Parent Guarantor, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be appropriate to give the intended result.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (b)(iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the

consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by the Parent Guarantor to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date referred to in sub-paragraph (b)(iv), (b)(vi), (b)(vii) or (b)(viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be);

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be, or expressed, in a currency other than pounds sterling it shall be converted into pounds sterling at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on the relevant Effective Date (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available);
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or otherwise in connection therewith; and
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Parent Guarantor or another entity.

(c) *Retroactive Adjustments*

If the Conversion Date in relation to any Bond shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in sub-paragraphs (b)(ii), (iii), (iv), (v) or (ix) above, or after the date of first public announcement of the terms of any such issue as is mentioned in sub-paragraphs (b)(vi) and (vii) above or of the terms of any such modification as is mentioned in sub-paragraph (b)(viii) above, but before the relevant adjustment becomes effective under paragraph (b) above (each such adjustment, a “**Retroactive Adjustment**”), the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice (subject to any applicable exchange control or other laws or other regulations), such number of additional Ordinary Shares (the “**Additional Shares**”) as, together with the Ordinary Shares issued or to be issued on conversion of the

relevant Bond (together with any fraction of an Ordinary Share not so issued) is equal to the number of Ordinary Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment (more particularly referred to in the said provisions of paragraph (b) above) to the Conversion Price had in fact been made and become effective on the relevant Conversion Date. In such circumstances, the Issuer shall procure that the Additional Shares are issued to the relevant Bondholder (or, if directed by the relevant Bondholder in the relevant Conversion Notice, to a nominee on behalf of such Bondholder). Such Additional Shares will be allotted as at the relevant Conversion Date or as at the date of issue of Ordinary Shares if the adjustment results from an issue of Ordinary Shares.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Parent Guarantor and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.

(e) *Employees' Share Schemes*

No adjustment will be made to the Conversion Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Parent Guarantor or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share or option scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of US\$0.0001, shall be rounded down to the nearest whole multiple of U.S.\$0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 17 and to the Trustee as soon as practicable after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal or par value of the Ordinary Shares or in circumstances not permitted by applicable law.



(g) *Relevant Event*

Within 14 calendar days following the occurrence of a Relevant Event, the Issuer or the Parent Guarantor shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 17 (a “**Relevant Event Notice**”). The Relevant Event Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(f).

The Relevant Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Relevant Event;
- (ii) the Conversion Price immediately prior to the occurrence of the Relevant Event and the Relevant Event Conversion Price applicable pursuant to Condition 6(b)(x) during the Relevant Event Period;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Relevant Event Notice;
- (iv) the last day of the Relevant Event Period;
- (v) the Relevant Event Put Date;
- (vi) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(h) *Procedure for exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the Registrar or any Paying, Transfer and Conversion Agent.

Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

A Conversion Right may be exercised only in respect of an Authorised Denomination.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “*Conversion Date*”) shall be the London business day immediately following the date of the delivery of the relevant Bond and the Conversion Notice as provided in this Condition 6(h).

Ordinary Shares to be delivered on exercise of Conversion Rights (including any Additional Shares) will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK and Ireland Limited, known as CREST, unless at the time of issue, the Ordinary Shares are not a participating security in CREST, in which case they will be issued in certificated registered form.

Where Ordinary Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than seven London business days following the relevant Conversion Date (or, in the case of any Additional Shares, not later than seven London business days following the date (the “*Reference Date*”) the relevant Retroactive Adjustment takes effect). Where Ordinary Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by ordinary mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder (or, if directed by the relevant Bondholder in the relevant Conversion Notice, to a nominee on behalf of such Bondholder) within 14 days following the relevant Conversion Date or, as the case may be, the Reference Date.

The Ordinary Shares to be issued on exercise of Conversion Rights will not be available for issue (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. as operator of the Euroclear System or Clearstream Banking, *société anonyme* or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

(i) *Transfer Taxes*

- (i) A Bondholder exercising a Conversion Right must pay any taxes and capital, stamp, issue and registration duties, stamp duty reserve tax or similar taxes or duties arising on conversion (other than any taxes or capital, stamp, issue and registration duties, stamp duty reserve tax or similar duties or taxes payable in Jersey, Mauritius or the United Kingdom in respect of the allotment, issue and delivery of any Ordinary Shares issued on conversion (including any Additional Shares), including, save as provided in sub-clause (ii) below, any stamp duty or stamp duty reserve tax payable under Sections 67, 70, 93 or 96 of the Finance Act 1986, which shall be paid by the Issuer or the Parent Guarantor) and such Bondholder must pay all, if any, other taxes arising by reference to any disposal or deemed disposal of a Bond, or any interest therein in connection with such conversion.
- (ii) A Bondholder shall be responsible for any United Kingdom stamp duty or stamp duty reserve tax payable under Sections 67, 70, 93 or 96 of the Finance Act 1986 to the extent that such tax arises on conversion of the Bonds as a result of Ordinary Shares being issued in contravention of the last paragraph of Condition 6(h) at the

sole request of the Bondholder, provided that, absent such request, the Ordinary Shares would have been issued without such tax arising.

(j) *Ordinary Shares*

- (i) Ordinary Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Shares, on the relevant Reference Date (except in any such case for any right excluded by mandatory provisions of applicable law), except that the Ordinary Shares or, as the case may be, the Additional Shares so issued will not rank for any rights, distributions or entitlement where the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (ii) Save as provided in Condition 6(k), no payment or adjustment shall be made on exercise of Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(k) *Interest on Conversion*

If an Optional Redemption Notice is given on or after the fifteenth London business day prior to a record date in respect of any Dividend or distribution payable in respect of the Ordinary Shares, which record date has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) and where such notice specifies an Optional Redemption Date falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue on Bonds in respect of which Conversion Rights shall have been exercised and in any such case in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest or procure that any such interest is paid by not later than 14 days after the relevant Conversion Date by transfer to a U.S. dollar account maintained with a branch of a bank in New York City, in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice

(l) *Purchase or Redemption of Ordinary Shares*

The Parent Guarantor or any Subsidiary of the Parent Guarantor may exercise such rights as it may from time to time enjoy to purchase or redeem any shares of the Parent Guarantor (including Ordinary Shares) or any receipts or certificates representing any such shares (including Ordinary Shares) without the consent of the Bondholders.

(m) *No Duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price and will not be responsible or liable to any person for any loss arising from any failure by it to do so, nor shall the Trustee be responsible or liable to any person for any determination of whether or not an adjustment to the Conversion Price is required or should be made nor as to the determination or calculation of any such adjustment.

## 7 Redemption and Purchase

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b) or 7(c) (subject, in the case of redemption pursuant to Condition 7(c), to the provisions of Condition 7(d)), and may only be redeemed by the Bondholders prior to the Final Maturity Date in accordance with Condition 7(f).

(b) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 17, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued interest to such date (i) at any time on or after 16 February 2014, if the Aggregate Value on not less than 20 dealing days in any period of 30 consecutive dealing days ending not more than 14 days prior to the giving of the relevant Optional Redemption Notice, exceeds U.S.\$140,000; or (ii) if, at any time prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued.

For the purposes of Condition 7(b)(ii), the principal amount of the Bonds originally issued shall be the aggregate of the principal amount of the Bonds, including any Further Bonds.

(c) *Redemption for Taxation Reasons*

The Bonds may at any time after the Bonds are listed on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange, be redeemed (subject to the provisions of Condition 7(d)) at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 on the date specified in the Tax Redemption Notice (the "**Tax Redemption Date**") at their principal amount, together with interest accrued up to but excluding the Tax Redemption Date, if the Issuer satisfies the Trustee immediately prior to the giving of such Tax Redemption Notice that (1) it (or, if the Guarantee were called, the Parent Guarantor) has or will become obliged to pay

additional amounts in respect of any payments of interest in respect of the Bonds as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Jersey or Mauritius or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 18 January 2011, and (2) such obligation cannot be avoided by the Issuer (or the Parent Guarantor, as the case may be) taking reasonable measures available to it, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Parent Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or the Parent Guarantor, as the case may be) stating that the obligation referred to in (1) above has arisen and cannot be avoided by the Issuer (or the Parent Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept and rely on such certificate (without liability to any person) as sufficient evidence of the satisfaction of the conditions precedent set out in (1) and (2) above, in which event it shall be conclusive and binding on the Bondholders.

(d) *Bondholders' Tax Option*

If the Issuer gives a Tax Redemption Notice as provided in Condition 7(c), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed pursuant to such Tax Redemption Notice and that the provisions of Condition 9 shall not apply in respect of any payment of interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts as provided or referred to in Condition 9 shall be payable in respect thereof pursuant to Condition 9, and all payments of interest to be made in respect of the Bonds shall be made subject to the deduction or withholding of Jersey, Mauritius or United Kingdom (as the case may be) taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 7(d), the relevant Bondholder must present his Bond(s) together with a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying, Transfer and Conversion Agent (a "***Bondholder's Tax Exercise Notice***") on or before the date falling 15 days prior to the Tax Redemption Date at the specified office of any Paying, Transfer and Conversion Agent.

(e) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall (subject, in the case of a Tax Redemption Notice, to Condition 7(d)) be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, (ii) the Conversion Price, (iii) the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or Tax Redemption Notice, and (iv) the last day on which Conversion Rights may be exercised by Bondholders.

(f) *Redemption at the Option of Bondholders upon a Relevant Event*

Following the occurrence of a Relevant Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Relevant Event Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer and Conversion Agent together with a duly completed and signed notice of exercise (a “**Relevant Event Put Exercise Notice**”), in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent at any time during the Relevant Event Period. The “**Relevant Event Put Date**” shall be the fourteenth calendar day after the expiry of the Relevant Event Period.

Payment in respect of any such Bond shall be made by transfer to a U.S. dollar account with a bank in New York City specified by the relevant Bondholder in the Relevant Event Put Exercise Notice.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

(g) *Purchase*

Subject to the requirements (if any) of the stock exchange on which the Bonds may be listed at the relevant time, the Issuer or the Parent Guarantor or any Subsidiary of the Parent Guarantor may at any time purchase Bonds in the open market or otherwise at any price. Such Bonds may be held, resold or reissued, or, at the option of the Issuer or the Parent Guarantor, surrendered to any Paying, Transfer and Conversion Agent for cancellation.

(h) *Cancellation*

All Bonds in respect of which Conversion Rights are exercised or which are otherwise redeemed pursuant to this Condition 7 will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or the Parent Guarantor or any Subsidiary of the Parent Guarantor may be surrendered for cancellation or may be held, reissued or resold.

(i) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

## 8 **Payments**

(a) *Principal*

Payment of the principal amount of the Bonds and of interest due other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date and subject to surrender of the Bonds, at the specified office of the Registrar or any Paying, Transfer and Conversion Agent by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Payments of interest due in respect of Bonds on an

Interest Payment Date shall be made to the persons shown in the Register at the close of business on the Record Date.

Payments of all other amounts will be made as provided in these Conditions.

(b) *No charges*

All payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. No commissions or expenses shall be charged to the Bondholders in respect of such payments

(c) *Non-Business Days*

A Bond may only be presented for payment on a day which is a business day in the place of presentation and surrender and a business day in London and New York City and if payment is due on any other day, a Bond may not be presented for payment prior to the next following day which is a business day in the place of presentation and surrender and a business day in London and New York City. No further interest or other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8(c) falling after the due date.

(d) *Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and their initial specified offices are listed below. The Issuer and the Parent Guarantor reserve the right under the Agency Agreement at any time, with the prior written approval of the Trustee (which approval shall not be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying, Transfer and Conversion Agent or the Registrar and appoint additional or other Paying, Transfer and Conversion Agents or another Registrar, provided that they will maintain (i) a Principal Paying, Transfer and Conversion Agent, (ii) a Registrar with a specified office outside the United Kingdom and (iii) a Paying, Transfer and Conversion Agent with a specified office in a European Union Member State, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying, Transfer and Conversion Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 17.

(e) *Fractions*

Each payment by the Issuer or the Parent Guarantor to a Bondholder will be rounded down to the nearest unit of the relevant currency.

## **9 Taxation**

All payments in respect of the Bonds by or on behalf of the Issuer or the Parent Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Jersey or the United Kingdom or Mauritius or any authority therein or thereof having power to

tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Parent Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that, no such additional amounts shall be payable in respect of any payment of interest to be made in respect of any Bond:

- (a) **Other connection:** presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of such holder having some connection with Jersey or, in the case of payments made by the Parent Guarantor, the United Kingdom or Mauritius other than the mere holding of the Bond; or
- (b) **Presentation more than 30 days after the Relevant Date:** where presentation of a Bond is required pursuant to these Conditions, if such Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond for payment on the last day of such period of 30 days; or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying, Transfer and Conversion Agent:** to or to any person on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying, Transfer and Conversion Agent in a Member State of the European Union.

Any reference in these Conditions to principal and/or interest in respect of the Bonds shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

This Condition 9 shall not apply in respect of any Bonds which are the subject of an election by the relevant Bondholder in accordance with Condition 7(d).

Where a withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature is imposed, levied, collected, withheld or assessed by or within the United Kingdom, the exclusions in Condition 9(a) to (d) shall only apply for so long as the Bonds are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Professional Securities Market (or any other recognised stock exchange (as such term is defined in Section 1005 of the Income Tax Act 2007)).

## 10 Events of Default

The Trustee at its discretion may, and if so requested by holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately



become, due and payable at their principal amount together with accrued interest, if any of the following events (each an “*Event of Default*”) shall have occurred and is continuing:

- (a) **Non-Payment:** (i) the Issuer or the Parent Guarantor fails to pay all or any part of the principal of any of the Bonds when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or (ii) the Issuer or a Guarantor fails to pay any interest in respect of any of the Bonds as and when the same shall become due and payable, and in either case such failure continues for a period of 14 calendar days; or
- (b) **Conversion Rights:** the Issuer or the Parent Guarantor fails to deliver or procure the delivery of the Ordinary Shares when the same shall become deliverable and such failure continues for a period of 14 calendar days; or
- (c) **Breach of Other Obligations:** the Issuer or the Parent Guarantor defaults in the performance or observance of or compliance with any of its other obligations set out in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 45 calendar days (or such longer period as the Trustee may permit) after the date on which written notice specifying such failure, stating that such notice is a “*Notice of Default*” under the Bonds and demanding that the Issuer remedy the same, shall have been given to the Issuer or, as the case may be, the Parent Guarantor by the Trustee; or
- (d) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or of the Parent Guarantor or any Material Subsidiary for or in respect of moneys borrowed becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or of the Parent Guarantor or such Material Subsidiary, as the case may be) by reason of any event of default (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period ; or (iii) the Issuer or the Parent Guarantor or any Material Subsidiary fails to pay when due (or within any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed, (I) provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which any one or more of the events mentioned above in this Condition 12(d) has or have occurred and is continuing equals or exceeds the higher of U.S.\$25,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee) and (II) provided further that, where any one or more of the events mentioned above in this Condition 12(d) has or have occurred in relation to a Material Subsidiary incorporated in India, (x) the existence or enforceability of the relevant obligation is not being contested in good faith on the basis of appropriate legal advice provided by reputable independent counsel in the relevant jurisdiction or jurisdictions and by appropriate proceedings; and (y) not less than 14 days have elapsed since a final notice requiring payment of such indebtedness or any amount payable under a guarantee or indemnity, as the case may be, has been served on the Material Subsidiary by the lender of such indebtedness or beneficiary of the guarantee or indemnity, as the case may be and either such notice has by then not been withdrawn or the relevant indebtedness or other amount has not been paid; or
- (e) **Enforcement Proceedings:** a distress, attachment, execution or other legal process (other than distraint or attachment imposed by any government, authority or agent prior to enforcement foreclosure) is levied, enforced or sued out, as the case may be, on or against all or a

substantial part of the property, assets or revenues of the Parent Guarantor or all or substantially all of the property, assets or revenues of the Issuer or any Material Subsidiary and is not: (i) discharged or stayed within 60 calendar days; or (ii) (in the case of such a distress, attachment or other legal process that relates to a Material Subsidiary incorporated in India or that relates to the Parent Guarantor or another Material Subsidiary in circumstances where the Parent Guarantor or such Material Subsidiary have been joined to an action or other legal process involving a Material Subsidiary incorporated in India) being contested in good faith on the basis of appropriate legal advice provided by reputable independent counsel in the relevant jurisdiction or jurisdictions and by appropriate proceedings; or

- (f) **Security Enforced:** an encumbrancer takes possession or a receiver, administrative receiver, administrator, manager or other similar person is appointed over, or an attachment order is issued and enforced in respect of, the whole or a substantial part of the undertaking, property, assets or revenues of the Parent Guarantor or the whole or substantially all of the undertaking, property, assets or revenues of the Issuer or any Material Subsidiary and in any such case such possession or appointment is not stayed or terminated or the debt on account of which such possession was taken or appointment made is not discharged or satisfied within 60 calendar days of such appointment or the issue of such order; or
- (g) **Insolvency:** the Issuer or the Parent Guarantor or any Material Subsidiary (i) is insolvent or bankrupt or stops or suspends payment of all or substantially all of (or of a particular type of) its debts as they mature; or (ii) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or substantially all of the debts of the Issuer or the Parent Guarantor or any Material Subsidiary; or
- (h) **Winding-up, Disposals:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Parent Guarantor or any Material Subsidiary, or the Issuer or the Parent Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations or sells or disposes of all or substantially all of its assets or business whether as a single transaction or a number of transactions, related or not; except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or other similar arrangement (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, not arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a Subsidiary; or
- (i) **Expropriation:** any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates (excluding any distraint or attachment prior to enforcement or foreclosure) all or a substantial part of the assets or shares of the Issuer or the Parent Guarantor or all or substantially all of the assets or shares of any Material Subsidiary; or
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Parent Guarantor not to be) in full force and effect; or

- (k) **Analogous Events:** any event occurs which under the laws of Jersey or, in the case of any Material Subsidiary, the laws of the relevant Material Subsidiary's place of incorporation or principal place of business has an analogous effect to any of the events referred to in paragraphs (e) to (i) above.

Upon any such notice being given to the Issuer, the Bonds will immediately become due and payable at their principal amount together with accrued interest as provided in the Trust Deed, provided that no such notice may be given unless an Event of Default shall have occurred and provided that, in the case of paragraph (c) and, in relation to a Material Subsidiary only, (e), (f), (g), (h) and (i), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

For the purposes of paragraph (d) above, any indebtedness which is in a currency other than US dollars shall be translated into US dollars at the middle spot rate for the sale of US dollars against the purchase of the relevant currency quoted by any leading bank selected by the Trustee on any day when the Trustee requests a quotation for such purposes.

## 11 Undertakings

Whilst any Conversion Right remains exercisable, the Parent Guarantor will, save with the approval of an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) be the direct or indirect beneficial owner of not less than 100 per cent. of the ordinary share capital of the Issuer;
- (ii) issue and deliver Ordinary Shares on exercise of Conversion Rights in accordance with these Conditions and at all times keep available for issue free from pre-emptive rights (where necessary) out of its authorised but unissued capital sufficient authorised but unissued Ordinary Shares to enable the issue in full such number of Ordinary Shares as are required to be issued by it upon exercise of Conversion Rights, and all other rights of subscription and exchange for Ordinary Shares in full at the current subscription prices or exchange prices;
- (iii) other than in connection with a Newco Scheme, not issue or pay up any securities, in either case by way of capitalisation of profits or reserves, other than (A) by the issue of fully paid Ordinary Shares or other shares or securities to the holders of Ordinary Shares and other holders of shares in the capital of the Parent Guarantor which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or securities on a capitalisation of profits or reserves, or (B) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend, or (C) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Parent Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares), or (D) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Parent Guarantor or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme

whether for all employees, directors, or executives or any one or more of them, unless in any such case the same gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

- (iv) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than such rights but so that nothing in this sub-paragraph (iv) shall prevent (A) the issue of equity share capital to employees or former employees or directors (including directors holding or formerly holding executive office or the personal service company of any such person) (or the spouse or relative of any such person) whether of the Parent Guarantor or any of its subsidiary or associated companies by virtue of their office or employment pursuant to any employees' share scheme as defined in Section 1166 of the Companies Act 2006 now in existence or which may in the future be approved by the Parent Guarantor in general meeting, or (B) any consolidation or sub-division of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa, or (C) any modification of such rights, or any such issue which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the Bondholders, or (D) without prejudice to any rule of law or legislation, the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Parent Guarantor to enable title to securities of the Parent Guarantor (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Parent Guarantor made in connection with the matters described in this sub paragraph (iv) or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of securities, including Ordinary Shares, dealt with under such procedures), or (E) any issue of equity share capital where the issue of such equity share capital results (or would, but for the provisions of any other Condition, otherwise result) in an adjustment of the Conversion Price, or (F) without prejudice to Condition 6(b)(x) or Condition 7(f), the amendment of the articles of the Parent Guarantor following a Relevant Event to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Relevant Event will receive the same consideration for the Ordinary Shares of the Parent Guarantor as it would have received had it exercised its Conversion Right at the time of the Relevant Event or (G) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Parent Guarantor shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined in good faith either that no adjustment is required or that an adjustment is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (v) procure that no securities (whether issued by the Parent Guarantor or any of its Subsidiaries or procured by the Parent Guarantor or any of its Subsidiaries to be issued) issued without rights to convert into or exchange or subscribe for Ordinary Shares shall subsequently be granted

such rights at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at close of business on the last dealing day preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise (or would but for the provisions of Condition 6(f) relating to the carry forward of adjustments) to an adjustment of the Conversion Price and that at no time shall there be in issue Ordinary Shares of different nominal values save where such Ordinary Shares have the same economic rights;

- (vi) not make any issue, grant or distribution or take any other action if the effect thereof would be that, on the conversion of the Bonds, Ordinary Shares would (but for the provisions of Condition 6(f)) have to be issued at a discount or otherwise could not, under any applicable law then in effect, be legally issued as fully paid;
- (vii) not reduce its issued ordinary share capital, ordinary share premium account or capital redemption reserve or any uncalled liability in respect thereof except (A) pursuant to the terms of issue of the relevant ordinary share capital, or (B) by means of a purchase or redemption of ordinary share capital of the Parent Guarantor, or (C) as permitted by Sections 610(2) and (3) of the Companies Act 2006, or (D) where the reduction does not involve any distribution of assets, or (E) where the reduction results in (or would but for the provisions of Condition 6(f) relating to the carry forward of adjustments result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made, or (F) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or (G) a reduction of share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the High Court and which does not involve the return, either directly or indirectly, of an amount standing to the credit of the share premium account of the Parent Guarantor and in respect of which the Parent Guarantor shall have tendered to the High Court such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of the Parent Guarantor as a result of such reduction; or (H) by way of transfer of reserves as permitted under applicable laws; or (I) to create distributable reserves; or (J) pursuant to a Newco Scheme or (K) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction and the Trustee shall be entitled to rely on such advice without liability to any person;
- (viii) if any offer is made to all (or as nearly as may be practicable all) holders of Ordinary Shares or all (or as nearly as may be practicable all) such holders other than the offeror and/or any associates of the offeror (as defined in section 988(1) of the Companies Act 2006), to acquire all or a majority of the issued ordinary share capital of the Parent Guarantor, or if any person proposes a scheme (other than an Exempt Newco Scheme) with regard to such acquisition, give notice of such offer or scheme to the Trustee and the Bondholders in accordance with Condition 17, at the same time as any notice thereof is sent to the Parent Guarantor's shareholders (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer has become or been declared unconditional in all respects, use its reasonable endeavours to procure that a like offer or scheme is extended to the holders of

any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights and/or to the holders of the Bonds;

- (ix) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights will be admitted to listing and to trading on the Relevant Stock Exchange, and that such Ordinary Shares will be listed, quoted or dealt in on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (x) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer and the Parent Guarantor (with the Issuer and the Parent Guarantor providing a joint and several guarantee) subject to and as provided in the Trust Deed or (b) Newco becomes a guarantor under the Bonds and the Trust Deed (jointly and severally with the Parent Guarantor) and, in either case, that such other adjustments are made to these Conditions and the Trust Deed to ensure that the Bonds may be converted into or exchanged for ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed as the Trustee shall, in its opinion, think fit.

## **12 Prescription**

Claims against the Issuer or any Guarantor in respect of the principal amount, interest or any other amount payable in respect of the Bonds shall become void unless presentation for payment is made as required by Condition 8 within a period of 10 years in the case of principal and five years in the case of interest or any other amounts from the appropriate Relevant Date.

## **13 Replacement of Bonds**

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying, Transfer and Conversion Agent or the Registrar for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs and expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Parent Guarantor, the Principal Paying, Transfer and Conversion Agent and the Registrar may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

## **14 Meetings of Bondholders, Modification and Waiver, Substitution**

### *(a) Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Parent Guarantor or the Trustee and shall be convened by the Trustee at the request of Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being remaining outstanding. The quorum at any such meeting for

passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes modifying the Final Maturity Date, or any date for payment of interest on the Bonds, reducing or cancelling the principal amount or the rate of interest payable in respect of, or altering the currency of payment of, the Bonds, increasing the Conversion Price other than in accordance with these Conditions, modifying or varying the Conversion Rights in respect of the Bonds or modifying certain of these Conditions or certain of the provisions of the Trust Deed, the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders, to any modification (save as mentioned in the Trust Deed) of or to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement or the Bonds or determine without any such consent as aforesaid that any Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, and without any such consent as aforesaid, to any modification which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorisation, determination or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders promptly in accordance with Condition 17.

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of any other Subsidiary of the Parent Guarantor or of Newco (as provided in Condition 11(x)) in place of the Issuer, or, in the case of a Newco Scheme, in place of the Issuer and the Parent Guarantor, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds, subject to the Bonds

continuing to be convertible, *mutatis mutandis* as provided in these Conditions, into Ordinary Shares or, in the case of a Newco Scheme, subject to the Bonds being convertible or exchangeable for ordinary shares of Newco *mutatis mutandis*. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 17.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Parent Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 15 Enforcement

The Trustee may at any time, at its discretion and without notice, take such actions, steps or proceedings against the Issuer or the Parent Guarantor as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such actions, steps or proceedings or any other action or step in relation to the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer or the Parent Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## 16 The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee is entitled, *inter alia*:

- (i) to enter into business transactions with the Issuer or the Parent Guarantor, and/or the Subsidiaries of the Parent Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to the Issuer or the Parent Guarantor and/or the



Subsidiaries of the Parent Guarantor and any entity related to the Issuer or the Parent Guarantor without accounting for any profit;

- (ii) to rely without liability to Bondholders on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise;
- (iii) to accept and rely on any such report, confirmation or certificate where the Issuer or the Parent Guarantor procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall, if so relied upon, be binding on the Issuer, the Parent Guarantor, the Trustee and the Bondholders in the absence of manifest error;
- (iv) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of or consequences for individual Bondholders;
- (v) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith; and
- (vi) to call for and be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed on behalf of the Issuer or the Parent Guarantor by two directors of the Issuer or, as the case may be, the Parent Guarantor as to any fact or matter upon which the Trustee may, in the exercise of any of its trusts, duties, powers, authorities, rights and discretions under the Trust Deed, require to be satisfied or have information, or to the effect that in the opinion of the person so certifying any particular transaction or thing is expedient, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee acting on such certificate.

## **17 Notices**

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

## **18 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or

upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the prior written consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

## **19 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

## **20 Governing Law and Jurisdiction**

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Issuer and the Parent Guarantor have each in the Trust Deed submitted to the jurisdiction of the English courts in respect of any disputes that may arise out of or in connection with the Bonds and the Trust Deed (“*Proceedings*”) and the Issuer has appointed the Parent Guarantor as its agent for service of process in connection with any Proceedings in England.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

The Global Bonds each contain provisions which apply to the Bonds while they are in global form, some of which will modify the effect of the terms and conditions of the Bonds. The following is a summary of certain of those provisions.

### **Exchange**

Owners of beneficial interests in the Bonds in respect of which the Global Bonds are issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive registered Bonds if (1) either Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer and approved by the Trustee on behalf of which the Bonds evidenced by the Global Bonds may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so (2) there shall have occurred and be continuing an Event of Default or (3) instructions have been given for the transfer of an interest in the Bonds evidenced by the Restricted Global Bonds to a person who would otherwise take delivery thereof in the form of an interest in the Bonds evidenced by the Unrestricted Global Bond where the Unrestricted Global Bond has been exchanged for definitive registered Bonds (and visa versa in respect of the Unrestricted Global Bond).

In such circumstances, the Issuer will cause sufficient individual Definitive Bonds to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders within 21 days following a request thereof by the holder of the Global Bond.

### **Payments**

Payments of principal in respect of Bonds represented by the Global Bonds will be made against presentation and, if no further payments fails to be made in respect of the Bonds, surrender of the Global Bonds to or to the order of the Principal Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of this Global Bond for such purpose.

### **Notices**

So long as Bonds are represented by the Global Bonds and the Global Bonds are held on behalf of Euroclear or Clearstream, Luxembourg, notices to the holders of such Bonds may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for notification, as required by the Conditions.

### **Meetings**

The holder of the Global Bonds shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$100,000 principal amount of Bonds represented by the Global Bonds.

### **Purchase and Cancellation**

Cancellation of any Bond following its purchase will be effected by reduction in the principal amount of the Bonds in the Register.

### **Conversion**

Subject to the requirements of Euroclear and Clearstream, Luxembourg, Conversion Rights attaching to Bonds represented by the Global Bonds may be exercised by the presentation of one or more

Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bond together with the Global Bond to the Principal Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of the Global Bond for such purpose for annotation. The provisions of Condition 6 of the Bonds will otherwise apply.

#### **Redemption at the Option of Bondholders**

The option of the Bondholders provided for in Condition 7(f) may be exercised by the holder of the Global Bonds giving notice to the Principal Paying, Transfer and Conversion Agent within the time limits relating to the deposit of Bonds with the Agent set out in that Condition substantially in the form of the redemption notice available from any Agent and stating the principal amount of Bonds in respect of which the option is exercised and at the same time presenting the Global Bonds to the Principal Paying, Transfer and Conversion Agent for notation accordingly in the Schedule to the Global Bonds.

#### **Transfer of the Restricted Global Bond**

The Restricted Global Bonds and the guarantee in respect thereof and the Ordinary Shares of the Company deliverable upon conversion of the Restricted Global Bonds have not been registered under the Securities Act, or any state securities law, and may not be offered, sold, pledged or otherwise transferred except (1) pursuant to Rule 144A under the Securities Act, (2) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S to a person U.S. person (as defined in Regulation S), (3) pursuant to Rule 144 under the Securities Act (if a available), (4) pursuant to an effective registration statement under the Securities Act or (5) pursuant to any other available exemption from the registration requirements of the Securities Act, and in each case in compliance with any applicable securities laws of any state of the United States or any other jurisdiction, provided that in the case of (3) and (5) above, the Issuer and the Parent Guarantor have been furnished with an opinion of counsel satisfactory to the Issuer, the Parent Guarantor and their counsel that registration is not required under the United States securities laws, together with certificates or such other information as the Issuer and the Parent Guarantor may request to confirm that the proposed transfer is being made pursuant to the applicable resale restrictions.

## DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions of the Articles of Essar Energy. This summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the Articles of Essar Energy.

### Share rights

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as Essar Energy may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, the Board may issue shares which are to be redeemed or are liable to be redeemed at the option of Essar Energy or the holder. Subject to the Articles and to the Companies Act, all the shares for the time being in the capital are at the disposal of the Board.

### Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of shares in Essar Energy have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to Essar Energy the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

### Dividends and other distributions

Subject to the provisions of the Companies Act, Essar Energy may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of Essar Energy available for distribution

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against Essar Energy unless otherwise provided by the rights attached to the share.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to Essar Energy the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter serve a direction notice on such member and withhold payment from such member of any dividend otherwise payable, if the relevant shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of Essar Energy, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by Essar Energy.

A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of Essar Energy and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

#### **Variation of rights**

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

#### **Lien and forfeiture**

Essar Energy shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to it (whether presently or not) in respect of that share. Essar Energy may sell any share on which it has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to Essar Energy the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by Essar Energy by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

#### **Transfer of shares**

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on

behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of one class of share only; and
- (c) is in favour of not more than four persons.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with Essar Energy.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

#### **Performance and volatility of shares**

Information on the past and further performance and volatility of the Ordinary Shares can be found on the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary.html?fourWayKey=GB00B5SXP57GBGBXSET1>.

## TAXATION

*The following is a general description of Jersey and United Kingdom withholding and stamp taxes considerations relating to the Bonds and the Ordinary Shares. It does not purport to be a complete analysis of all tax considerations relating to the Bonds and the Ordinary Shares whether in Jersey, the United Kingdom or elsewhere and relates only to persons who are the absolute beneficial owners of their Bonds. Prospective acquirers of Bonds should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Jersey and the United Kingdom of acquiring, holding and disposing of Bonds and Ordinary Shares and receiving payments of interest, principal and/or other amounts under the Bonds and Ordinary Shares or in respect of an exercise of Conversion Rights. The following is based upon the law and the Company's understanding of published revenue authority practice as in effect on the date of these Listing Particulars and is subject to any change in law that may take effect after such date (possibly with retrospective effect). The information below is a summary only and may not apply to certain categories of Bondholder.*

### **Jersey Taxation**

The following summary of the anticipated treatment of the Issuer and Bondholders (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this document and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situate in Jersey). Bondholders should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Bonds under the laws of any jurisdiction in which they may be liable to taxation.

#### *Taxation of the Issuer*

The Issuer is regarded as resident for tax purposes in Jersey and on the basis that the Issuer is neither a financial services company nor a utility company for the purposes of the Income Tax (Jersey) Law 1961, as amended, the Issuer is subject to income tax in Jersey at a rate of zero per cent. Payments in respect of the Bonds may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax and Bondholders (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Bonds.

#### *Stamp duty*

In Jersey, no stamp duty is levied on the issue or transfer of the Bonds except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Bonds on the death of a holder of such Bonds. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a holder of Bonds domiciled in Jersey, or situate in Jersey in respect of a holder of Bonds domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75 per cent. of such estate.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

#### *EU Savings Directive*

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey has introduced a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to Member States of information regarding such payments. During this



transitional period, such an individual beneficial owner resident in a Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Department of the States of Jersey (being the predecessor to the Chief Minister's Department of the States of Jersey). Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

**If you are in any doubt as to your tax position you should consult your professional tax adviser.**

### **United Kingdom Taxation**

*The following is a summary of the Company's understanding of current law and HMRC practice in the United Kingdom as at the date of these Listing Particulars relating to the withholding tax treatment of interest paid on the Bonds and of UK stamp duty and stamp duty reserve tax implications of acquiring, disposing or conversion of the Bonds and the acquisition or disposal of the Ordinary Shares. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

#### ***Interest on bonds***

It is not expected that interest on the Bonds will constitute UK source income for tax purposes. As such, payments of interest on the Bonds should be made without withholding on account of UK tax.

However, even if (contrary to expectations) interest on the Bonds do constitute UK source income, the Bonds will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "Act") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. In the case of Bonds to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the Bonds are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange. HM Revenue & Customs have confirmed that securities that are admitted to trading on the Professional Securities Markets satisfy the condition of being admitted to trading on the London Stock Exchange. Accordingly, even if (contrary to expectations) interest on the Bonds do constitute UK source income, payments of interest on the Bonds may be made without withholding on account of UK income tax provided the Bonds remain so listed at the time of payment.

Any paying agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HM Revenue and Customs. HM Revenue and Customs may communicate information to the tax authorities of other jurisdictions.

#### ***EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual or certain limited types of entity established in that other Member State. However, for a transitional period Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments. The transitional period will end after agreement on exchange of information is reached

between the European Union and certain non-European Union states. No withholding will be required where the bondholder authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. A number of third countries have adopted equivalent measures and certain British and Dutch dependent or associated territories have adopted the same measures with effect from the same date.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

***UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No UK stamp duty or SDRT should be payable on the issue of the Bonds.

As the Issuer is not incorporated in the United Kingdom and the Bonds are not registered in a register kept in the United Kingdom by or on behalf of the Issuer, it is considered that no SDRT should be payable on the transfer of, or an agreement to transfer, the Bonds. No UK stamp duty will be payable on the transfer of the Bonds provided that this does not involve a written instrument of transfer. Stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, will arise only in respect of a written instrument effecting the transfer of the Bonds.

The transfer on sale of an Ordinary Share will be liable to UK stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded-up to the nearest £5. The purchaser normally pays the stamp duty.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date that the agreement is entered into or (if later) the date that it becomes unconditional, any SDRT paid is repayable, generally with interest, and the SDRT charge is cancelled.

On the assumption that the Ordinary Shares will not be issued to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, no stamp duty or SDRT will be payable by the Bondholders on an issue of Ordinary Shares to them (or their nominee on their behalf) into CREST on a conversion of the Bonds. Under the CREST system for paperless share transfers, transfers of Ordinary Shares within CREST for a consideration in money or money's worth will be liable to SDRT rather than stamp duty (usually at a rate of 0.5 per cent. of the amount or value of the consideration).

## GENERAL INFORMATION

### 1. Listing

Application has been made to the UKLA for the Bonds to be admitted to the Official List. Application has also been made to the London Stock Exchange for the Bonds to be admitted to trading on the Professional Securities Market. It is expected that admission of the Bonds to the Official List and admission to trading of the Bonds on the Professional Securities Market will take place and that dealings in the Bonds will commence at 8 a.m. on 19 May 2011.

The listing of the Bonds on the London Stock Exchange will be expressed in US dollars as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in US dollars for delivery on the third business day in London after the date of the transaction.

### 2. Authorisation

The Issuer and the Parent Guarantor have each obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The creation and issue of the Bonds has been authorised by resolutions of the board of directors of the Issuer dated 17 January 2011 and 31 January 2011. The giving of the Guarantee has been authorised by the resolution of the sub-committee of the Board of the Parent Guarantor dated 17 January 2011.

### 3. Clearing

The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 058276987. The International Securities Identification Number for the Bonds is XS0582769872. The address of Euroclear is 1 Boulevard du Roi Albert I, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

### 4. Governmental, Legal or Arbitration Proceedings

Except as described in this section, "Government, Legal or Arbitration Proceedings", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Parent Guarantor is aware) during the 12 months before the date of these Listing Particulars which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer, the Parent Guarantor and/or the Parent Guarantor and its subsidiaries taken as a whole.

#### Power Business

##### *Dispute with GUVNL*

On 14 September 2005, GUVNL, an entity controlled by the State of Gujarat, filed a petition against Essar Power with the Gujarat Electricity Regulatory Commission (the "**GERC**") alleging that Essar Power diverted electricity generated by its Hazira power plant to Essar Steel, an affiliate of Essar Power, in violation of its Power Purchase Agreement ("**PPA**") with the Gujarat Electricity Board, whose assets and liabilities were transferred to GUVNL in 2003; and incorrectly claimed certain fuel generation credits from GUVNL between 1996 and 2006. GUVNL claimed a total of Rs.15,830 million (approximately US\$353.27 million) from Essar Power.

On 18 February 2009, the GERC ruled in favour of GUVNL for the diversion of electricity by Essar Power. The GERC also awarded GUVNL a refund for generation incentives incorrectly claimed from 14

September 2002 to 29 May 2006. The GERC, however, ruled that recovery of the incorrectly claimed generation incentives and of compensation for the electricity supplied to Essar Steel in breach of the PPA prior to September 2002 was barred by the applicable statute of limitation.

Both Essar Power and GUVNL appealed the GERC's ruling to the Appellate Tribunal for Electricity, New Delhi (the "*Appellate Tribunal*"). The Appellate Tribunal held on 22 February 2010 that Essar Power was not liable to pay compensation for alleged wrongful diversion of power to Essar Steel or for the reimbursement of the annual fixed charges. The Appellate Tribunal further held that Essar Power was liable to refund to GUVNL the deemed generation incentive paid on and after 14 September 2002. On 9 April 2010, GUVNL lodged an appeal with the Supreme Court in respect of the ruling dated 22 February 2010 of the Appellate Tribunal and applied for a stay of the implementation of the said ruling. A hearing on admission of the appeal has not yet been scheduled.

On 29 January 2010 Essar Power filed a petition before the GERC against GUVNL claiming certain payments due to it under the PPA. Essar Power has made a claim for an aggregate amount of Rs.3,937.5 million (US\$87.87 million) comprising delayed payment charges, depreciation, foreign exchange variation, interest on debentures, bill discounting charges, interest on working capital and alleged wrongful deduction of rebate by GUVNL. The matter was last listed on 19 February 2011 and the date of the next hearing is not yet fixed.

#### *Disputes with Gujarat Energy Transmission Corporation Limited*

In a dispute between Essar Steel and Gujarat Energy Transmission Corporation Limited, the Gujarat High Court held that "transmission" charges (fee charges assessed on the transporting of electric power over transmission lines) are leviable in respect of 215 MW of power supplied by Essar Power to Essar Steel. These transmission charges aggregate to Rs.2,439 million (approximately US\$54.42 million) and are payable by Essar Steel. Gujarat Energy Transmission Corporation Limited has claimed payment of transmission charges from Essar Power on the basis of certain observations made by the High Court in its judgement; Essar Power appealed against the Single Judge's Order of the Gujarat High Court before the Division Bench of the Gujarat High Court on various grounds, including that it was not a party to the original dispute, and filed an application for a stay of the order. The application for a stay was rejected by the Divisional Bench and Essar Power was ordered to pay both arrears of transmission charges and current wheeling charges. In the appeal filed by Essar Power and others, the Supreme Court granted a stay subject to payment by Essar Steel of 30 per cent. of the transmission charges demanded in February of 2007. Essar Steel has complied with the demand. The appeal of Essar Power and Essar Steel has been heard by the Divisional Bench of the Gujarat High Court and judgment has been reserved for the time being.

#### *Cases in relation to land acquisition for the power plant of Essar Power MP*

Various persons have filed petitions before the High Court of Madhya Pradesh challenging notifications and declarations issued by the government of Madhya Pradesh under the Land Acquisition Act, 1894 (the "*Land Acquisition Act*") for the acquisition of the land for the power plant of Essar Power MP, on the ground that certain provisions of the Land Acquisition Act and related rules made thereunder were violated. In certain cases, the High Court of Madhya Pradesh has passed an order of status quo and the matters are currently pending.

Certain public interest litigation petitions have also been filed in the High Court of Madhya Pradesh challenging a notice issued by the government of Madhya Pradesh for the acquisition of the land for the Essar Power MP power plant and seeking, among other things, cessation of any demolition and compensation for displaced persons in the form of land at alternative sites and employment.

Certain displaced persons have also filed petitions claiming benefits under the rehabilitation policy of the Land Acquisition Act.

Separately, Northern Coalfields Limited has filed a petition in the High Court of Madhya Pradesh against M.P. Purva Kshetra Vidyut Vitran Company Limited (“*M.P. Purva*”) challenging the order of the Collector of Singrauli district in Madhya Pradesh granting permission to M.P. Purva to erect poles for the supply of power from its sub-station to Essar Power MP’s site, which has been acquired for coal mining. The High Court of Madhya Pradesh has granted a stay and the matter is pending. Due to the nature of this litigation, the amount in dispute is not quantifiable.

## **Oil and Gas Business**

### *Dispute with United India Insurance Company Limited*

Essar Oil obtained an insurance policy on 23 August 1996 from the United India Insurance Company Limited ( “*United India Insurance*”) covering all construction risks and advance loss of profits up to Rs.35,825 million (approximately US\$799.49 million) for physical losses, Rs.100 million (approximately US\$2.23 million) for third party liability and Rs.10,720 million (approximately US\$239.23 million) for advance loss of profits, aggregating to a total of Rs.46,625 million (approximately US\$1,040.50 million). In June 1998, a cyclone hit the coastal area of the state of Gujarat and caused damage to the refinery project and, in turn, delayed the commissioning of the project. Essar Oil claimed a sum of Rs.2,050 million (approximately US\$45.75 million) for physical loss of which United India Insurance paid on account Rs.300 million (approximately US\$6.69 million), pending loss adjustment. Essar Oil claimed Rs.8,863 million (approximately US\$197.79 million) towards advance loss of profits. Whilst a without prejudice settlement was in discussions for a substantial period, by a letter dated 20 February 2003, United India Insurance repudiated the claim of Essar Oil. Essar Oil filed a protective suit claiming a sum of Rs.17,578.3 million (approximately US\$392.29 million) with future interest and costs towards loss of profits in the City Civil Court, Vadodara, Gujarat. In 2008, United India Insurance and Essar Oil jointly referred the dispute to arbitration, with the claim of Essar Oil being Rs.30,200 million (approximately US\$673.96 million) comprising Rs.3,310 million (approximately US\$73.87 million) towards the physical damage claims and Rs.26,890 million (approximately US\$600.09 million) towards the loss of profits claims, with interest thereon. Essar Oil has withdrawn the suit filed in the City Civil Court, Vadodara, Gujarat. The claim amounts have been revised during the arbitration proceedings to Rs. 1368 crores plus interest of 11.99 per cent. to be compounded quarterly from 26 December 1999. The matter is currently pending before the arbitral tribunal. All evidence and pleading has been completed and closing submission hearings will be held during 3 – 13 May 2011.

### *Public interest litigation filed by Pankti Jog*

On 8 May 2009, Pankti Jog (the “*Petitioner*”) filed a public interest litigation against the government of Gujarat and Union of India in the High Court of Gujarat and Essar Power Gujarat Limited and Essar Bulk Terminal (Salaya) Limited have also been impleaded. The Petitioner is seeking to permanently restrain the government of Gujarat and the Union of India from granting permission for the establishment and/or expansion of any industry, jetty, effluent treatment plant, thermal power plant, oil refinery or any other industrial activity or expansion of any existing industries within the area of any marine national park or marine sanctuary in any part of southern coastal region of the Gulf of Kutch, from Okha to Zinduda. Specific reference has been made to Essar Power Gujarat Limited and Vadinar Oil Terminal Limited in the petition. Essar Oil is not a party to this litigation. The matter was fixed for filing objections on behalf of Essar Power Gujarat Limited and Essar Bulk Terminal (Salaya) Limited. This which was done on 4 March 2011 but, as yet, no hearing date has been confirmed. As Essar Oil is not a party to the proceedings and has authorisation for the establishment of the Vadinar refinery, the Company does not anticipate any adverse impact from this litigation. Due to the nature of this litigation, the amount in dispute is not quantifiable.

#### *Dispute in relation to customs duty*

In May 1987, Essar Oil purchased a second hand rig, which was sent to Bahrain for repairs in June 1992. On its return it was treated as a vessel under the then current import and export policy procedures, in accordance with the practice at that time.

Pursuant to an agreement dated 23 December 1996, the rig was sold to Noble Asset Company Limited (“*Noble*”) and was delivered to Noble on 11 December 1997 in international waters. However on 12 May 2001, the Commissioner of Customs (Preventive) Mumbai (the “*CoC*”) seized the rig from Noble. The rig was released to Noble under certain terms and conditions, including the providing by Noble of a bank guarantee of Rs.150 million (approximately US\$3.35 million) and a bond of Rs.970 million (approximately US\$21.65 million). By an order dated 23 March 2005, the CoC rejected the treatment of the rig as a vessel and held that Essar Oil was liable to pay Rs.78.9 million (approximately US\$1.76 million) as duty on repair charges for the repairs carried out in Bahrain. Further, a penalty of Rs.20 million (approximately US\$0.45 million) was also imposed on Essar Oil and an aggregate fine of Rs.2.8 million (approximately US\$0.06 million) levied on three of Essar Oil’s officers.

Noble was directed to pay: (i) Rs.750 million (approximately US\$16.74 million) in customs duty as the CoC treated the action as an import of the rig, when it was bought from Essar Oil in international waters; (ii) Rs.860 million (approximately US\$19.19 million) in customs duty as Noble had carried out repairs on the rig in Sharjah and brought back the rig to Indian territory (although the order clarified that if Noble paid the duty of Rs.750 million, it would not be liable to pay further duty of Rs.860 million (approximately US\$19.19 million)); (iii) a redemption fine of Rs.150 million (approximately US\$3.35 million); and (iv) a penalty of Rs.20 million (approximately US\$0.45 million). In response to the CoC order against it, Noble filed an arbitration claim of Rs.1,786.8 million (approximately US\$39.88 million) against Essar Oil before an arbitral tribunal at London to claim indemnity under the agreement for the purchase of the rig.

Additionally, Essar Oil and Noble filed appeals against the order of the CoC before the Custom Excise and Service Tax Appellate Tribunal, Mumbai (“*CESTAT*”), which CESTAT allowed. The order of CESTAT was challenged before the Bombay High Court by the CoC. The Bombay High Court dismissed the appeal filed by the CoC. The CoC has filed a special leave petition in the Supreme Court against the decision of the Bombay High Court and this is posted for hearing on 20 April 2011. In view of the matter pending before the Supreme Court, the arbitral tribunal in London has stayed the arbitration proceedings between Essar Oil and Noble. The Company believes that the appeal by CoC to the Supreme Court is unlikely to succeed and accordingly, does not anticipate any adverse impact on Essar Oil. Further, the Supreme Court in another matter involving a similar question of law has recently held that the Collector of Customs (Preventive) is not a “proper officer” within the meaning of Section 2(34) of the Customs Act, 1962 and hence, was not competent to issue a show cause notice for re-assessment under Section 28 of the Customs Act, 1962. This judgment of the Supreme court shall be relied upon while arguing this matter. The matter is coming up for hearing before the Supreme Court but a date has not yet been fixed.

#### *Dispute in relation to sales tax incentives*

Essar Oil was granted registration in June 1999 under the Capital Investment Incentive Premier/Prestigious Unit Scheme 1995—2000 which was issued by the Industries and Mines Department, government of Gujarat under a resolution offering certain incentives to industrial undertakings set up in the state of Gujarat.

The scheme provided for sales tax deferment of 0 - 17 years in respect of the tax levied under the Gujarat Sales Tax Act, 1969 for up to 125 per cent. of the eligible capital investment. This scheme was operative for the units starting commercial production from 16 August 1995 to 15 August 2000. The conditions of

approval under the scheme required Essar Oil to commence commercial production by 15 August 2000, which period was subsequently extended until 15 August 2003.

The Company collected sales taxes in the amount of Rs.15.16 billion (US\$338.32 million), Rs.14.74 billion (US\$328.94 million) and Rs.12.69 billion (US\$283.2 million) under this scheme and included these amounts in revenue, net of the present value of Rs.3.01 billion (US\$67.17 million), Rs.2.95 billion (US\$65.83 million) and Rs.2.78 billion (US\$62.04 million), during the periods from 1 May 2008 to 31 March 2009 and from 1 April 2009 to 31 March 2010 and 1 April 2010 to 31 December 2010, respectively.

However, Essar Oil was not able to start commercial production by 15 August 2003 and the state of Gujarat asserted that on account of this Essar Oil was not eligible to participate in the sales tax incentive scheme. Essar Oil filed a special civil application before the High Court of Gujarat on various grounds, including that the company was prevented from commencing commercial production due to external factors including a court order and other actions of the state of Gujarat. Essar Oil requested that the date for commencement of commercial production be extended to 16 June 2008. The High Court of Gujarat, by its order dated 22 April 2008, allowed Essar Oil's application and extended the date of commencement of commercial production from 15 August 2003 to 2 April 2007 due to the exclusion of the period from 13 July 2000 to 27 February 2004.

The state of Gujarat has filed a special leave petition before the Supreme Court against the order of the High Court of Gujarat. This special leave petition was listed for hearing on 25 February 2011 and shall now further be listed in July 2011. Pursuant to the order of the High Court of Gujarat dated 22 April 2008, as of 31 March 2010, Essar Oil had deferred sales tax liability of an amount aggregating to Rs.29.91 billion (approximately US\$667.48 million). Essar Oil assigned its sales tax liability of Rs.42.60 billion (US\$950.68 million) as of 31 December 2010 to Essar House, an Essar Affiliated Company, at the present value agreed pursuant to the factoring arrangement of Rs.11.83 billion (US\$264.0 million) and paid Rs.11.26 billion (US\$251.28 million) to Essar House as of 31 December 2010. However, Essar Oil remains ultimately liable for the payment of the sales tax to the state of Gujarat in the event that Essar House does not make payments on the due dates. The Company has since entered into a tripartite agreement with Essar Investment Ltd ("EIL"), whereby EIL will guarantee the payment of the sales tax liability to the state of Gujarat in the event of Essar House is not being able to fulfil to the commitments under the factoring arrangement.

#### *Dispute with Gujarat Pollution Control Board*

Essar Oil received a notice dated 17 August 2009 from the GPCB under Section 33-A of the Water (Prevention and Control of Pollution Act), 1974 claiming that the production of 14 mmtpa at the Vadinar refinery in May 2009 was higher than the approved production of 9 mmtpa in the authorisation dated 22 January 2008 and that complaints had been received from people in surrounding areas regarding damage to health and crops. GPCB has proposed issuing the relevant directions to curtail production in accordance with the conditions of the authorisation, as well as directions to the relevant authorities to stop the supply of electricity and water to the refinery. In response to this notice, Essar Oil clarified in a letter to the GPCB dated 5 September 2009 that it had applied to GPCB on 14 June 2009 to operate the refinery at 14 mmtpa and that so far as the complaints of the villagers were concerned, Essar Oil had been meeting the norms prescribed by GPCB for emissions, effluent and hazardous waste. GPCB has not responded to this letter or initiated any further action. On 2 March 2010, however, Essar Oil received authorisation and consent from GPCB, which was valid until 16 September 2010. The said authorisation and consent was extended up to 1 June 2011 to operate the refinery at 14 mmtpa. Hence, on this basis the Company believes that no further action by GPCB as to this matter is likely. Due to the nature of this dispute, the amount in dispute is not quantifiable.

## **6. Financial and Trading Position**

There has been no significant change in the financial or trading position, or material change in the prospects, of the Parent Guarantor and its subsidiaries taken as a whole since 31 December 2010.

There has been no significant change in the financial or trading position, or material change in the prospects, of the Issuer since 30 December 2009, its date of incorporation.

## **7. Financial Information**

The consolidated financial statements of the Company have been reported on without qualification for the two years ended 31 March 2009, the 9 months to 31 December 2009 and the year ended 31 December 2010 by Deloitte LLP of 2 New Street Square, London EC4A 3BZ, United Kingdom, registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.

## **8. Expenses**

The total expenses related to the admission to trading of the Bonds are expected to be £97,175.

## **9. Material Contracts**

The following contracts directly concerning the issue of the Bonds have been entered into by the Parent Guarantor and the Issuer immediately preceding the publication of these Listing Particulars and are, or may be, material:

- (i) the Trust Deed dated 1 February 2011 between the Issuer, the Parent Guarantor, the Bank of New York and/or as Trustee, constituting the Bonds and appointing the Trustee to act as trustee and under which such commission in respect of the service of the Trustee as shall be agreed between the Issuer, the Parent Guarantor and the Trustee shall be paid;
- (ii) the Subscription Agreement dated 18 January 2011 between the Issuer, the Parent Guarantor and the Joint Bookrunners under which, inter alia, the Issuer agreed to issue the Bonds, the Joint Bookrunners agreed to use reasonable endeavours to procure purchasers for the Bonds, and the Issuer and the Parent Guarantor gave certain warranties and indemnities to the Joint Bookrunners; and
- (iii) a Paying, Transfer and Conversion Agency Agreement dated 1 February 2011 between the Issuer, the Parent Guarantor, the Registrar, the Principal Paying, Transfer and Conversion Agent and the Trustee setting out, inter alia, the terms of appointment and duties of the Registrar and the Principal Paying, Transfer and Conversion Agent and under which such commissions in respect of the services of the agents as shall be agreed between them and the Issuer and the Parent Guarantor are to be paid.

## **10. Documents on Display**

Copies of the following documents may be inspected during normal business hours at the offices of the Parent Guarantor during the 12 months starting on the date on which these Listing Particulars are made available to the public as required by the prospectus rules made by the FSA:

- (i) the Memorandum of Association and Articles of the Issuer;
- (ii) the Articles of Essar Energy; and



- (iii) the consolidated annual accounts of the Company for the years ended 31 March 2008 and 2009 for the 9 months to 31 December 2009 and the consolidated annual accounts of the Company for the year ended 31 December 2010.

In addition, these Listing Particulars are also available at the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

### Definitions

Except in “Terms and Conditions of the Bonds”, the following definitions apply throughout this document unless the context requires otherwise:

“Admission”	the admission of the Bonds to the Official List of the UK Listing Authority and the Professional Securities Market of the London Stock Exchange
“ARI”	Advance Resources International, Inc., an independent consultancy specialising in petroleum and gas reservoir evaluation
“Articles”	Articles of Association
“Asset Purchase Agreement”	an agreement to purchase the Stanlow Refinery, entered into between Shell UK and Essar Energy and dated 29 March 2011
“bcf”	billion cubic feet
“Board”	the board of Directors of Essar Energy
“Bombay Stock Exchange”	Bombay Stock Exchange Limited
“Bondholder”	mean, in relation to a Bond, the person in whose name a Bond is registered in the Register (as defined in Condition 4(a) of the Terms and Conditions section in these Listing Particulars)
“Bonds”	US\$550,000,000 4.25 per cent. Guaranteed Convertible Bonds due 2016
“BPCL”	Bharat Petroleum Corporation Limited
“CBM”	Coal bed methane
“CDR”	Corporate Debt Restructuring
“CFC Rules”	UK controlled foreign company rules
“City Code on Takeovers and Mergers”	the United Kingdom City Code on Takeovers and Mergers
“Clearstream, Luxembourg”	Clearstream Banking, <i>société anonyme</i>
“Closing Date”	1 February 2011
“Code”	“The Combined Code on Corporate Governance” issued by

	the Financial Reporting Council of the UK in June 2010
“Company”	Essar Energy plc, together with its subsidiaries
“Companies Act”	the Companies Act 1985, as amended and repealed by the United Kingdom Companies Act 2006
“Complexity Index”	the Complexity Index assigns a complexity factor to each major piece of refinery equipment based on its complexity and cost in comparison to crude distillation, which is assigned a complexity factor of 1.0. The complexity of each piece of refinery equipment is then calculated by multiplying its complexity factor by its throughput ratio as a percentage of crude distillation to determine a refinery’s complexity on the Complexity Index
“Construction Phase Power Projects”	the Company’s expansion projects in its power business, as described under the “Business” section
“Conversion Notice”	has the meaning provided in Condition 6(h) of the Terms and Conditions section of these Listing Particulars
“Conversion Price”	has the meaning provided in Condition 6(a) of the Terms and Conditions section of these Listing Particulars
“Conversion Rights”	has the meaning provided in Condition 6(a) from the Terms and Conditions section within these Listing Particulars
“CP GRM”	Current Price GRM
“Definitive Bonds”	Bonds in definitive form
“Development Phase Power Projects”	The Company’s expansion projects in its power business, as described under the “Business” section
“Directors”	the executive directors and non-executive directors of Essar Energy
“Disclosure Rules and Transparency Rules”	United Kingdom Listing Authority’s disclosure rules
“Duty Benefit”	A tax deduction (Advance License) granted by government on import of certain products (Crude Oil) against export of the goods manufactured in domicile country in order to encourage Export
“Electricity Act”	the Electricity Act, 2003
“Essar Affiliated Companies”	members of the Essar Group and any other companies which are not part of the Group which are owned and/or controlled directly or indirectly by Mr Ravi Ruia, Mr Prashant Ruia or members of their immediate family (meaning their brothers, sisters, parents or spouses)

“Essar Energy” or “Parent Guarantor”	Essar Energy plc, a company incorporated with limited liability in England and Wales
“Essar Global”	Essar Global Limited
“Essar Group”	Essar Global Limited and its subsidiaries that are not part of the Company
“Essar House”	Essar House Limited
“Essar Oil”	Essar Oil Limited
“Essar Oil UK”	Essar Oil (UK) Limited
“Essar Power Jharkhand”	Essar Power Jharkhand Limited
“Essar Power”	Essar Power Limited, an Essar Affiliated Company, or Essar Power and its consolidated subsidiaries, as the context indicates
“Essar Power MP”	Essar Power MP Limited
“Essar Steel Group”	Essar Steel Limited and its subsidiaries
“Essar Steel Orissa”	Essar Steel Orissa Limited
“European Commission”	The executive body of the European Union
“European Parliament”	The Parliament of the European Union
“EU” or “European Union”	the European Union as established by the Treaty on European Union
“Euroclear”	Euroclear Bank S.A./N.V.
“Expansion Projects”	Power Plant Projects and the Refinery Expansion Projects
“Final Maturity Date”	1 February 2016
“Founders’ Shares”	founders’ shares of £1.00 each in the capital of the Issuer
“FSA”	Financial Services Authority of the United Kingdom
“FSMA”	the United Kingdom Financial Services and Markets Act 2000, as amended
“GERC”	Gujarat Electricity Regulatory Commission
“Global Bond”	a Bond in global form
“GPCB”	Gujarat Pollution Control Board
“GRM”	gross refining margin

“Guarantee”	the unconditional and irrevocable guarantee provided by the Parent Guarantor pursuant to the Trust Deed of the due and punctual payment of all sums from time to time payable by the Issuer in respect of the bonds and the due and punctual performance by the Issuer of its other obligations in respect of the Bonds
“GUVNL”	Gujarat Urja Vikas Nigam Limited
“HMRC”	UK HM Revenue & Customs
“HM Treasury”	Her Majesty’s Treasury
“IFRS”	International Financial Reporting Standards, as adopted by the EU
“India”	Republic of India
“independent Non-Executive Directors	means any Non-Executive Director who is determined by the Board to be independent for the purposes of the UK Corporate Governance Code
“IOCL”	Indian Oil Corporation Limited
“Issuer”	Essar Energy Investment Limited
“Joint Bookrunners”	J.P. Morgan Securities Ltd., Deutsche Bank AG, London Branch and Standard Chartered Bank
“KBC”	KBC Process Technology Limited . The company prepared a report on the Indian and international petroleum refining industry and the Vadinar refinery dated March 2010 for the purposes of the initial public offering of Essar Energy.
“Listing Rules”	the listing rules of the UK Listing Authority
“LSE” or “London Stock Exchange”	London Stock Exchange plc
“Mahan Coal”	Mahan Coal Limited
“Mehsana Block”	ESU field of the CB-ON/3 block at Mehsana in the Cambay Basin
“Member State”	Member state of the EU
“mmt”	Million metric tonnes
“mmtpa”	Million metric tonnes per annum
“MOU”	Memorandum of Understanding
“MRA”	Essar Oil’s Master Restructuring Agreement

“MW”	megawatt
“National Electricity Policy”	National Electricity Policy of February 2005 promulgated by the Indian Government under the Electricity Act
“National Stock Exchange”	National Stock Exchange of India Limited
“Navabharat”	Navabharat Power Private Limited
“NIOC”	National Iranian Oil Company
“Official List”	the official list maintained by the UKLA for the purposes of Part VI of the FSMA
“Ordinary Shares”	ordinary shares of \$0.10 each in the Company, which have an ISIN number of GB00B5SXP57 and a SEDOL number of B5SXP57 and have been admitted to the premium listing segment of the Official List of the FSA and to trading on the LSE’s EEA regulated market.
“Phase I Refinery Project”	part of the Company’s refinery expansion projects, as described under the “Business” section
“Phase I Refinery Optimisation Project”	part of the Company’s refinery expansion projects, as described under the “Business” section
“Phase II Refinery Project”	part of the Company’s refinery expansion projects, as described under the “Business” section
“Power Plant Projects”	the Company’s expansion projects in its power business
“PPA”	power purchase agreement
“Principal Paying, Transfer and Conversion Agent”	The Bank of New York Mellon
“PSCs”	production sharing contracts
“PSU”	public sector undertaking
“Raniganj Block”	RG (East)-CBM-2001/1 block in West Bengal, India
“Ratna Fields”	Ratna & R-Series Fields
“RBI Bulletin”	Reserve Bank of India Bulletin
“Refinery Expansion Projects”	Phase I Refinery Project, the Phase I Refinery Optimisation Project and the Phase II Refinery Project
“Register”	has the meaning provided in Condition 4(a) of the Terms and Conditions

“Registrar”	The Bank of New York Mellon
“Regulation S”	Regulation S under the Securities Act
“Relationship Agreement”	Essar Global and Essar Energy entered into an agreement dated 30 April 2010
“Restricted Global Bond”	the restricted Bond in global form representing US\$49,500,000 in aggregate principal amount of the Bonds
“Rs.” or “rupees”	Indian rupees, the official currency of India
“RTP”	RTP represents trade parity price or the price at which products are sold from refinery gate to the PSUs
“Savings Directive”	EC Council Directive 2003/48/EC on the taxation of savings income
“SEBs”	State Electricity Boards
“Securities Act”	United States Securities Act of 1933, as amended
“Senior Managers”	members of Essar Energy’s management team, detailed of whom are set out in the Management section of these Listing Particulars
“Shell Refineries”	Shell’s oil refinery in Stanlow, United Kingdom, and Shell’s refineries in Hamburg and Heide, Germany
“Shell UK”	Shell UK Limited
“Stanlow Refinery”	the oil refinery and other associated assets at Stanlow, near Ellesmere Port, Cheshire, United Kingdom
“Subscription Agreement”	the subscription agreement dated 18 January 2011 entered into among the Joint Bookrunners, the Issuer and the Parent Guarantor in relation to the Bonds
“Supreme Court”	the Supreme Court of India
“Term Sheet”	the term sheet dated 18 January 2011 in relation to the Bonds
“Trust Deed”	the trust deed dated 1 February 2011 among the Issuer, the Parent Guarantor and the Trustee constituting the Bonds
“Trustee”	The Bank of New York Mellon
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purpose of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA

“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possession, any state of the United States of America and the District of Columbia
“Unrestricted Global Bond”	the unrestricted Bond in global form representing US\$490,500,000 in aggregate principal amount of the Bonds
“US\$” or “US dollars”	the lawful currency of the United States