ESSAR OIL & GAS

ESSAR OIL LIMITED: RESULTS FOR THE QUARTER ENDED 30TH JUNE 2012

Essar Oil Limited, the India-focused integrated energy company, part of UK listed Essar Energy Plc, today released its results for the quarter ended June 30th, 2012

Key Highlights

- All new units of refinery expansion and optimisation stabilised & refinery now operating at over 20 mmtpa capacity.
- Benefit of higher complexity begins to get reflected. Current price GRM $5.12/bbl over IEA Singapore margins during Q1FY13 against $2.5/bbl over the same benchmark margin in Q1FY12. Full margin benefit of approx. $7-8 /bbl over IEA will start getting reflected from next quarter onwards.
- Highest ever quarterly revenue in Q1FY13, up 34% to Rs 22,109 crore as compared to Rs 16,478 crore in Q1 FY12.
- Steep fall in crude oil prices coupled with sharp depreciation in rupee has severely impacted the financial results of Indian refining companies. Q1FY13 PAT at negative Rs 1,400 crore compared to Rs 73 crore (net of Rs 375 crore of sales tax benefit) in Q1FY12. With upward movement of crude oil price and stabilisation of rupee at Rs 56 levels against the US dollar, coupled with higher margins coming out of enhanced refinery complexity and stabilisation of ramped up capacity, the results are expected to witness significant upward movement from next quarter.
- Vadinar Refinery received "Refinery of the Year" Award from Petroleum Federation of India.

Mumbai, 14th August 2012:

Essar Oil Ltd. (EOL) today reported its highest ever gross quarterly revenues at Rs 22,109 crore for Q1FY13, compared to Rs 16,478 crore in Q1FY12, up 34%, mainly due to higher product price realization on account of increased domestic sales and rupee depreciation.

The Current Price Gross Refinery Margin *(see Appendix for explanation of CP GRM)* in Q1 FY13 was US$ 4.69 per barrel, compared to US$ 4.20 per barrel in Q1 FY12. Essar Oil reported upswing in CP GRM in spite of benchmark IEA margin contracting by US$ 1.8/bbl during the same period, indicating improvement of margin post completion of refinery expansion project. Essar Oil's GRM for the April-June 2012 quarter was $5.12/bbl better than the benchmark IEA margin, against $2.5/bbl higher in the same quarter last year.

EBIDTA has declined to (Rs 316 crore) as compared to Rs. 913 crore for Q1FY12, due to sharp decline in crude prices and depreciation of rupee against US dollar during the quarter ended June, 2012 and sales tax incentive of Rs 375 crore included in EBIDTA for Q1 FY12.

For the quarter, the profit before and after tax declined due to lower EBITDA and high interest cost and depreciation post capitalization of expansion and optimization projection. Due to this, the company has reported negative PAT for Q1FY13 at Rs. (1,400 crore) against PAT of Rs. 469 crore in Q1FY12 including sales tax incentive income.

Vadinar Refinery's Phase I optimisation project, was completed on 5 June, 2012, four months ahead of its planned completion. Post completion of this project, the refinery has achieved total refining capacity of 405,000bbl/day (20 MMTPA) at a complexity of 11.8.

Full benefit of higher complexity, stabilizing of units, and captive coal fired power plant will be felt from next quarter onwards. **Essar Oil's GRMs are expected to be $7-8 higher than the benchmark IEA margins from current quarter onwards.**

Higher complexity has already resulted in the share of heavy and ultra heavy crude going up to 89% in Q1FY13 against 66% in Q1FY12. Similarly, valuable light and middle distillates' share in the overall crude slate in Q1FY13 is 83%, against 73% in Q1FY12.

LK Gupta, EOL's Managing Director and CEO said: "With the completion of our optimization project during the quarter, we have significantly moved up in the refining value chain and our world class assets have begun delivering value to our stakeholders. Benefits of higher capacity and complexity have already begun reflecting in our results. We are very happy to report highest ever quarterly revenues at Rs 22,109 crore, and significant improvement of GRMs over the benchmark margins. Going forward, we are confident of maintaining the momentum of improved GRMs, given the full benefit of our expansion will accrue from current quarter onwards."

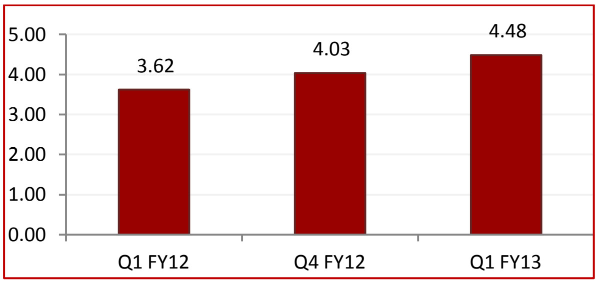
Suresh Jain, CFO, Essar Oil said, "Significant drop in crude oil prices, coupled with rupee depreciation has impacted the whole industry. In addition, due to ramp up in capacity, we had higher interest and depreciation cost post capitalization, which will be offset in the coming quarters with improved margins.

Quarterly Financial Performance: Key Indicators (Rs in crore)

Particulars	Q1 FY12	Q1 FY13	Q4 FY12
Revenue (Gross)	16,478	22,109	19,160
EBITDA	913	(316)	444
Profit Before Tax	448	(1,400)	(220)
Profit After Tax	469	(1,400)	(515)

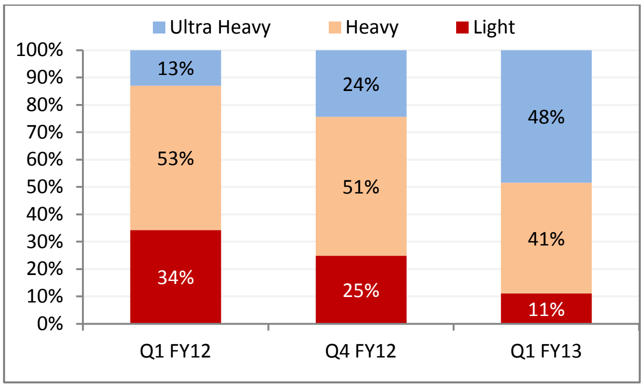
Operational Highlights

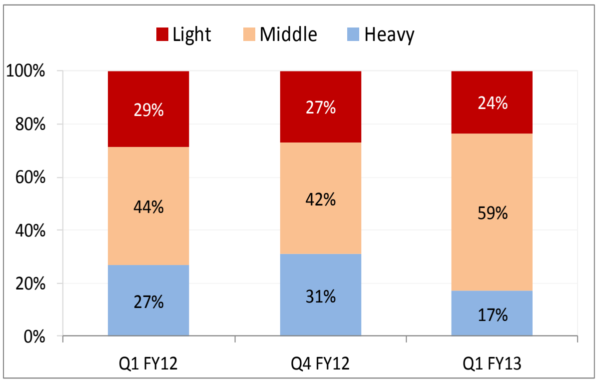
Refinery Business: Throughput



During the quarter ended June, 2012, the Vadinar refinery achieved a throughput of 4.48 million metric tonnes (mmt) compared with 3.62 mmt in same period last year, a 24% increase. The increase in throughput was primarily due to the completion of the refinery expansion project at the end of quarter ending March, 2012. The operation of all expansion units were stabilised during the quarter and by the end of the period the refinery achieved the full design capacity of 20 mmtpa.

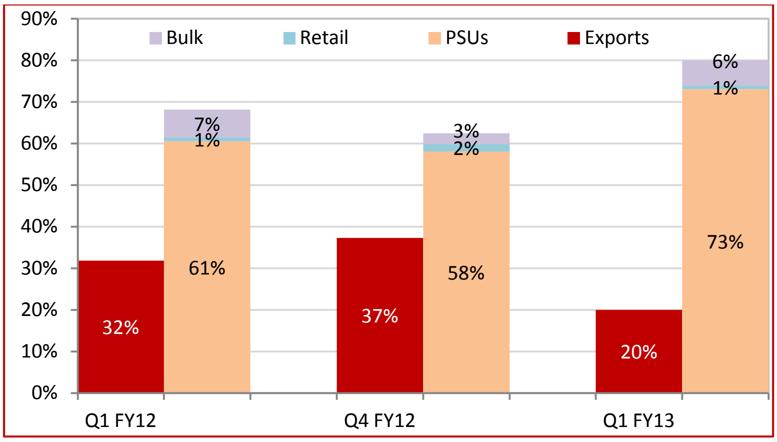
Refinery Business: Crude Mix & Product Mix





During the quarter to June 2012, the crude mix improved to 89% heavy and ultra-heavy crudes compared to 66% heavy and ultra-heavy crudes in the same period last year. Despite the increase in heavy and ultra-heavy crudes in its crude mix, the Vadinar refinery improved the production of higher margin middle and light distillates, which comprised 83% of the total product mix in the June 2012 quarter against 73% in the June 2011 quarter.

Refinery Business: Sales Mix



Domestic sales increased to 80% of total sales compared to 68% for same period of previous year, mainly due to heavy demand of gasoil, which has replaced gasoline, fuel oil and even CNG, due to retail price of same being regulated by Government. Export sales from Vadinar Refinery decreased to 20% of the total against 32% in the same quarter last year. Export sales mainly comprise Gasoline, Fuel Oil and VGO.

Safety track record and recognition

As on 30th June, 2012, the Vadinar refinery has recorded 1551 days of operations without a Lost Time Injury (LTI), 1136 major fire free days, and 12.53 million hours of safe operations. This goes to show that the refinery personnel have consistently delivered a high production rate without making any compromises on safety standards. Vadinar refinery has won “Refinery of the Year” Award from Petroleum Federation of India.

Refinery Expansion Project set to deliver Significant Value:

Vadinar Refinery is second largest single site refinery in India and amongst the most complex globally for a refinery of this scale. The refinery has been built with one of the lowest capital cost of $12,746 per barrel, against world average of $23,000 per barrel.

Vadinar refinery will benefit from fully integrated infrastructure developed including power plant, port, pipeline, and tankages with multi product multi modal despatch facilities. Capacity addition, complexity impact, and coal fired power plant to collectively add significant uplift to EBITDA in the coming years.

CDR exit to lead to greater operational and financial flexibility

Lenders approved the CDR exit proposal of the Company in CDR core group meeting held on 29th June, 2012. Under the proposal, the Corporate Debt Restructuring (CDR) loan facility set up in December 2004 which facilitated the construction of its refinery in Gujarat will be replaced with a new Rs 9,400 crore debt facility with similar group of lenders. The exit will assist in the company enjoying greater operational and financial flexibility.

Company seeks SC’s direction on sales tax repayments;

Pursuant to the unfavourable verdict from Hon’ble High Court of Gujarat on writ petition filed by the Company on 25 June 2012, the Company filed a Special Leave Petition (‘SLP’) before the Hon’ble Supreme Court of India on 10 July 2012 for payment of the sales tax liability in instalments and remission of interest. Hon’ble Supreme Court on 17 July 2012 directed the Company to pay Rs. 1,000 crore towards the Sales Tax dues to the State of Gujarat by 31th July 2012, which it has already complied with. The next court hearing is scheduled for 23 August

2012. The Company has tied up a loan of Rs 5,000 crore with Indian lenders to take care of any amount immediately payable to state government under sales tax matter.

Exploration & Production

Essar Oil has the largest acreage of coal bed methane blocks in India, with approximately 10 trillion cubic feet (unrisked) of gas resources across five blocks spread across 2,733 sq km of acreage (see table below). It has a presence in key markets that are deficient in natural gas supplies.

CBM Blocks	Place	Certified	Acreage (km^2)	2P/2C resources (bcf)	Prospective Resources (bcf)	In place Unrisked Resource (bcf)
Raniganj	West Bengal	NSAI, Jan12	500	558	297	
Rajmahal	Jharkhand	CPR, ARI	1128		4,723	
Sohagpur	M.P. & Chhattisgarh	DGH	339			600
Talcher	Orissa	DGH	557			2,600
IB Valley	Orissa	DGH	209			1,200
Total			2733	558	5,020	4,400

Current production at the Raniganj CBM block is around 25,000 standard cubic metres of gas per day (scm/d) from 15-20 wells, reduced to minimise flaring, while test sales through a pipeline to the Durgapur industrial estate are continuing. Subject to all clearances being received, we expect to achieve the plateau production of c.3 million scm/day in the second half of 2013. A provisional gas price for test sales of US$5.25/mmbtu plus US$1.00/mmbtu for transportation charges has been approved by the Government of India for incidental gas produced during phase II. The Grant Order for the Mining Lease (from the State Government of West Bengal), allowing commercial sales to proceed, was secured on 29th June 2012. The Government of India is now in the process of making a decision on the full commercial sales price for Raniganj and other CBM developers in India.

To date, Essar Oil has drilled 73 wells and has received approval to drill four support wells from the existing wells approved under phase II area i.e. 232 wells additional wells can be drilled. In addition to the ten rigs already operating at site, 20 more are being planned to be deployed to achieve fast track development of the block. Environmental approval for the Full Field Development, of up to 500 wells is progressing well. The full field development plan has already been approved by the Director General of Hydrocarbons (DGH).

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About Essar Oil

Essar Oil is a fully integrated oil & gas company of international scale with strong presence across the hydrocarbon value chain from exploration & production to refining and oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 1.7 billion barrels of oil equivalent in reserves & resources. Essar Oil now has over 405,000 bpsd (barrels per stream-day). There are more than 1,600 Essar-branded oil retail outlets in various parts of India.

About Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Energy, Infrastructure and Services. With operations in more than 25 countries across five continents, the Group employs 75,000 people, with revenues of US$ 17 billion.

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