

For Immediate Release

January 17, 2011

Essar Oil Limited: Results For The Quarter Ended 31 December 2010

- **Essar Oil Limited (EOL) reports strong financial performance**
- **EBITDA grows more than 263%, to Rs 827 crore from Rs 228 crore**
- **Revenues increase by 21%, to Rs 13,809 crore from Rs 11,420 crore**
- **Profit After Tax jumps by Rs 499 crore — a profit of Rs 273 crore from a loss of Rs 226 crore**
- **Refinery achieves highest quarterly throughput ever at 3.73 MMT**
- **Lost Time Incident Free days of refinery operations crosses 1,000 in this quarter**
- **Company announces 35-day planned shutdown in May-June 2011 for tie-in of expansion units**
- **Project to enhance refinery capacity to 20 MMTPA on track**

Quarterly performance

Essar Oil Ltd (EOL) today reported revenues of Rs 13,809 crore for the quarter ended 31 December 2010, an increase of 21 percent compared to the corresponding quarter in the last financial year. Revenues were boosted by higher crude prices and the refinery's record throughput.

At Rs 827 crore, EBITDA grew by more than 263 percent over the corresponding quarter last year. This growth can be attributed to increased GRMs (Gross Refining Margins).

All these factors helped the company register a PAT (Profit After Tax) of Rs 273 crore, against a loss of Rs 226 crore in the corresponding quarter last fiscal.

EOL's Current Price GRM was US\$ 7.21 per barrel, boosted by a strengthening of refining margins in this quarter.

Performance for 9-month ended 31 December 2010

For the 9-month ended 31 December 2010, EOL's revenues were Rs 38,273 crore, registering a growth of over 26%, compared to Rs 30,460 crore in the 9-month ended 31 December 2009. At Rs 1,868 crore, EBITDA grew by more than 49 percent, compared to Rs1,255 crore previously. Additionally PAT grew to Rs 333 crore, against a previous loss of Rs 150 crore.

Highlights of financial performance:

	Q3 FY2010-11	Q3 FY2009-10	9M FY2010-11	9M FY2009-10
Throughput (in million tonnes)	3.73	3.51	11.1	9.9
Revenue (in Rs crores)	13,809	11,420	38,273	30,460
EBITDA (in Rs crores)	827	228	1,868	1,255
PAT (in Rs crores)	273	(226)	333	(150)
Current Price GRM (in \$/bbl)	7.21	1.56	6.5	3.1

Speaking on the results, Mr. Naresh Nayyar, Managing Director, EOL said, "I am delighted to report strong financial and operating performance for Essar Oil in the last quarter. This has been driven by increased refinery throughput and a recovery in global oil demand, which has led to an improvement in refining margins. We will take a 35-day shutdown in May-June 2011 to complete the tie-ins for the new units of our 18 MMTPA expansion project. The project to further enhance our refinery capacity to 20 MMTPA is on track."

As announced earlier, Essar Oil's parent company, Essar Energy plc, which was listed at the London Stock Exchange and had successfully raised USD 1.95 billion through an Initial Public Offer in May 2010, has already infused about USD 500 million through equity or FCCBs (Foreign Currency Convertible Bonds) in EOL.

Refinery

The operating performance of the EOL refinery at Vadinar was impressive in the quarter. At 3.73 million metric tonnes (MMT), this is highest quarterly throughput ever. The annualized capacity utilization has been consistently above 135%.

The strong operating performance at the refinery was registered without any compromise on safety. In the quarter, EOL completed 1,000 days of refinery operations without any lost-time incident, thus achieving more than 18.7 million man-hours of safe operations. The Vadinar refinery received the Gujarat Safety Council's winner's shield for the Lowest Disability Injury Index in 2009.

Refinery expansion project

The refinery expansion project made steady progress in the quarter. Overall project progress was 78% at the end of December 2010 and mechanical completion is expected by end of June 2011.

Several ancillary units and facilities that will support the expanded refinery have either been commissioned or are under trial operations. This will include a new 380 MW gas-fired power plant for power and process steam, a new jetty and road gantry for product evacuation, and 30 new tanks for storage of crude and products.

The company has announced a planned 35-day shutdown during May-June 2011 to complete the revamp of its Crude Distillation Unit to 18 MMTPA and FCCU (Fluidized Catalytic Cracking Unit) to 3.9 MMTPA, and carry out the tie-in jobs for the expansion units. EOL will also take advantage of the period of shutdown to carry out routine maintenance work at the refinery.

With the Phase I expansion, the EOL refinery capacity will go up from 14 MMTPA (million metric tonnes per annum) or 300,000 bpsd (barrels per stream day) to 18 MMTPA or 375,000 bpsd, with the complexity being enhanced from 6.1 to 11.8. This will enable the conversion of the majority of negative margin fuel oil into high-value products and pet coke. The expanded refinery will also give higher flexibility between light and middle distillates. In addition, post expansion, the refinery will be able to process nearly 90 percent heavy and ultra-heavy crude. These factors will significantly increase GRMs.

Refinery optimization project

As announced in November 2010, the company has decided to further enhance the refinery's capacity by 2 million tonnes per year to 20 MMTPA. This will be achieved through optimization of some of the refinery units; the project will be completed by September 2012. Augmenting refining capacity by an additional 2 million tonnes per year will help EOL capture the growing domestic demand for petro products at a very competitive capital cost of Rs 1,700 crore, resulting in very strong economic performance for the refinery. The project is on track.

Marketing

Of EOL's total sales during the quarter, 63% was in the domestic market while the rest was in exports. Export sales increased primarily as a result of a number of EOL's domestic customers moving to natural gas consumption displacing fuel oil purchases.

In domestic oil retail, with the advantage of a level playing field in petrol, EOL recorded its highest petrol retail sales in the quarter, registering a growth of 16% over the corresponding quarter last year. The company continues to expand its retail network, with 1,385 operational outlets currently, and over 240 in various stages of construction. In a bid to provide its franchisees with additional revenue sources, the company has forged alliances with alternative fuel and non-fuel retailers in segments like autogas, auto components, lubricants and services. EOL is also in talks with retailers in the food & beverages, agro products, telecom and banking/finance segments to set up points of sale at its outlets.

Exploration & Production

Essar's Exploration & Production business owns a portfolio of highly prospective hydrocarbon blocks both in India and internationally, with 2.1 billion barrels of oil equivalent of reserves and resources. Of this, 150 million are 2P and 2C resources.

Production from EOL's Raniganj Coal Bed Methane (CBM) block steadily increased in the quarter. At the end of the quarter production had reached 30,000 scmd (standard cubic metres per day), up from 18,000 scmd in the previous quarter. EOL has drilled 35 of the 143 wells that comprise the first phase of the Raniganj block development. Financial closure of the first phase has been achieved and EOL is fast-tracking the drilling of new wells. Sales of some amount of gas have already started to the local industry in the area. Pipeline connectivity to bigger customers has been completed and commercial sales will start shortly.

The Competent Person's Report for the Raniganj block has certified contingent resources of 0.2 tcf and best estimate prospective resources of 0.792 tcf.

EOL is producing small quantities of oil from its Mehsana block and is now looking to augment the production by developing some of the other proven wells in this block. Preparations are on to start work on the company's Nigeria block, OPL 226.

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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 oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 45,000 sq km available for

exploration. Essar Oil has over 300,000 bpsd (barrels per stream-day) of crude refining capacity that is being expanded to 405,000 bpsd. There are over 1,300 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, Oil & Gas, Power, Communications, Shipping Ports & Logistics, Construction and Minerals. With operations in more than 20 countries across five continents, the Group employs 70,000 people, with revenues of USD 15 billion.

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