

**CONFIDENTIAL**

Clean proof

**Job Number:** 3387

**Date:** 18 February 2006

**Proof Stage:** 1

Jotter Space

## IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION OF THE DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR (THE "SECURITIES") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OR OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Circular or make an investment decision with respect to the Securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). This Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are not a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of this Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Securities be made by a licensed broker or dealer and the underwriters appointed in relation to the Securities or any affiliate of such underwriters is a licensed broker or dealer in that jurisdiction, the offering of the Securities shall be deemed to be made by such underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Barclays Bank PLC, any person who controls Barclays Bank PLC, nor any of their respective directors, officers, employees, agents or affiliates and the Company accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from Barclays Bank PLC.



## Vedanta Finance (Jersey) Limited

(incorporated with limited liability in Jersey with registered number 92207)

A9.1.1  
A13.1.1  
A13.4.1

**U.S.\$725,000,000**

**4.60 per cent. Guaranteed Convertible Bonds due 2026**

(subject to an increase of up to a further U.S.\$125,000,000 pursuant to the Option described herein)  
unconditionally and irrevocably guaranteed by

## VEDANTA RESOURCES PLC

(incorporated with limited liability in England and Wales with registered number 04740415)

The issue price of the U.S.\$725,000,000 4.60 per cent. Guaranteed Convertible Bonds due 2026 (the "Bonds" which expression shall, except where otherwise indicated, include the Optional Bonds (as described herein)) of Vedanta Finance (Jersey) Limited (the "Issuer") is 100 per cent. of their principal amount. The Bonds will bear interest from (and including) 21 February 2006 (the "Closing Date") at the rate of 4.60 per cent. per annum. Interest shall be payable on the Bonds semi-annually in arrear on 21 February and 21 August in each year commencing on 21 August 2006. Payments on the Bonds will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by Jersey or the United Kingdom to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

A9.4.1.1  
A13.4.8

Vedanta Resources plc (the "Guarantor" or the "Company") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds (the "Guarantee").

A6.1; A6.2

Subject as provided below, unless previously redeemed or purchased and cancelled, each Bond will be convertible, at the option of the holder, into Preference Shares (as defined below) of the Issuer, on and after 3 May 2006 up to the close of business on (i) the date falling six days prior to the Final Maturity Date (both days inclusive) or (ii) if the Bonds are called for redemption prior to the Final Maturity Date, the sixth day prior to the relevant date fixed for redemption. Preference Shares issued on conversion will have a paid up value ("Paid-up Value") equal to the principal amount of the Bonds converted. The Preference Shares arising on conversion of the Bonds will be delivered to the Guarantor in consideration for which the Guarantor will issue Ordinary Shares. The number of Ordinary Shares to be issued will be determined by dividing the aggregate Paid-up Value of the Preference Shares issued on conversion by the Exchange Price then in effect. The initial Exchange Price will be £14.54 per Ordinary Share. The Ordinary Shares will be represented by global depositary receipts ("GDRs") to be issued by The Bank of New York (the "Depositary"), unless a Share Settlement Election (as defined herein) is in effect, in which case converting holders will receive Ordinary Shares. As at the date of this document, each GDR will represent one Ordinary Share.

Until such time as the Guarantor may notify holders, holders of the GDRs will not be entitled to exercise voting rights, in respect of the Ordinary Shares represented by the GDRs, and will not be entitled to withdraw such Ordinary Shares from the deposit facility (see "*Risk Factors- Risks relating to the Bonds and the GDRs-Holders of GDRs may not be able to exercise their voting rights*" and "*Description of the Global Depositary Receipts*").

Prior to the Election Date (as defined herein), upon conversion, holders of the Bonds (the "Bondholders") will not receive GDRs or Ordinary Shares, but will receive a cash payment in sterling determined by reference to the volume weighted average price of the Ordinary Shares, as described herein. See "*Terms and Conditions of the Bonds — Conversion and Exchange*".

The Bonds are subject to redemption in whole (but not in part only) at their principal amount, together with accrued interest, at the option of the Issuer (i) at any time on or after 14 March 2009 if on each dealing day in any period of not less than 30 consecutive dealing days ending not earlier than 14 days prior to the date on which the relevant notice of redemption is given to the Bondholders, the value of the Ordinary Shares that would fall to be issued in relation to the conversion of a Bond in the principal amount of U.S.\$100,000 would exceed U.S.\$130,000 or (ii) at any time if, prior to the giving of notice of such redemption, Conversion Rights shall have been exercised and/or purchases and cancellations and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued. The Bonds are also subject to redemption in whole (but not in part only) at their principal amount together with accrued interest at the option of the Issuer in the event of certain changes in Jersey or United Kingdom taxation affecting the Bonds, subject to the right of each Bondholder to elect, in lieu of redemption, thereafter to receive all payments of principal and interest in respect of the Bonds subject to withholding of any applicable Jersey and United Kingdom taxes.

The Bonds may also be redeemed at the option of Bondholders at their principal amount on 21 February 2013, 21 February 2018 and 21 February 2022. See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

A13.4.9

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at their principal amount together with unpaid accrued interest on 21 February 2026 (the "Final Maturity Date").

This Offering Circular is issued in compliance with the listing rules made under section 74 of the Financial Services Markets Act 2000 (the "FSMA") by the UK Listing Authority (the "UKLA"). Applications have been made for the Bonds to be admitted to the Official List of the UKLA and to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the "London Stock Exchange"). Application has been made for the GDRs to be listed on the Luxembourg Stock Exchange's alternative market for the listing and trading of securities (the "Luxembourg Euro MTF"). The offering and settlement of the Bonds is not conditional upon obtaining such listings. The Guarantor has undertaken to apply to have the Ordinary Shares (including those that may be represented by GDRs) issueable upon conversion of the Bonds admitted to the Official List and admitted to trading on the EEA Regulated Market of the London Stock Exchange.

A13.4.1  
A13.5.1  
A14.1.7

See "*Risk Factors*" for a discussion of certain factors that should be considered in connection with an investment in the Bonds, the Ordinary Shares and the GDRs.

The Bonds, the Guarantee, the guarantee by way of deed poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares, the Ordinary Shares and the GDRs have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act"). The Bonds are being offered outside the United States by the Lead Manager (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in registered form and issued in the principal amounts of U.S.\$100,000 and thereafter in integral multiples of U.S.\$1,000. The Bonds will be represented by a global bond in registered form (the "Global Bond"), without interest coupons, which will be deposited on or around the Closing Date with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for definitive Bonds in registered form. See "*Summary of Provisions Relating to the Bonds in Global Form*". GDRs will be represented by a master GDR (the "Master GDR") in registered form, which will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream.

A13.4.4  
A13.7.5

LEAD MANAGER  
BARCLAYS CAPITAL

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. The Issuer and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. A9.1.2  
A13.1.2

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Bonds, the Preference Shares, the GDRs or the Ordinary Shares other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Lead Manager (as defined in “*Subscription and Sale*”).

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor, the Trustee or the Lead Manager that any recipient of this Offering Circular should purchase any of the Bonds. Each investor contemplating purchasing 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 Guarantor.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances constitute a representation or create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs or condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular or that the information contained in this Offering Circular is correct as at any time subsequent to its date.

This Offering Circular comprises listing particulars for the purposes of the Listing Rule 2.2.11 of the Listing Rules of the Financial Services Authority 2005.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Lead Manager to subscribe or purchase, any Bonds, Preference Shares, GDRs or Ordinary Shares.

The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Lead Manager to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Offering Circular and other offering material relating to the Bonds, see “*Subscription and Sale*”.

The Lead Manager has not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, the Preference Shares, the GDRs or Ordinary Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Lead Manager in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing.

Market data and certain industry forecasts (where applicable) used throughout this Offering Circular 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 A9.13.2

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, the Guarantor and the Lead Manager do not make any representation as to the accuracy of that information. The Issuer and Guarantor hereby confirm that where the information in this Offering Circular has been reproduced from a third party source, it has been accurately reproduced and that, as far as the Issuer and the 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.

In connection with the issue of the Bonds, Barclays Bank PLC (the “Stabilising Manager”) or any person acting on behalf of the Stabilising Manager may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds.

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 under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Preference Shares by the Issuer. The Commission has also given, and has not withdrawn, its consent under Article 1 of the Control of Borrowing (Jersey) Order 1958 to the Guarantor raising monies in Jersey by the issue of the Ordinary Shares and to the circulation in Jersey of this Offering Circular by the Guarantor. 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 this Offering Circular 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.

If you are in any doubt about the contents of this Offering Circular you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

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

## TABLE OF CONTENTS

	<b>Page</b>
PRESENTATION OF INFORMATION .....	5
BUSINESS SUMMARY .....	9
OVERVIEW OF THE OFFERING.....	12
RISK FACTORS .....	18
TERMS AND CONDITIONS OF THE BONDS .....	35
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM.....	80
USE OF PROCEEDS .....	82
DESCRIPTION OF VEDANTA FINANCE (JERSEY) LIMITED .....	83
CAPITALISATION AND INDEBTEDNESS .....	85
DESCRIPTION OF THE VEDANTA RESOURCES GROUP.....	86
PRINCIPAL SHAREHOLDERS AND RELATIONSHIP WITH VOLCAN.....	135
INFORMATION ON INDIA .....	139
DESCRIPTION OF THE ISSUER'S SHARE CAPITAL AND THE PREFERENCE SHARES .....	145
DESCRIPTION OF THE DEED POLL .....	149
DESCRIPTION OF THE ORDINARY SHARES .....	151
OVERVIEW OF THE GDRs .....	156
TERMS AND CONDITIONS OF THE GDRs .....	161
INFORMATION RELATING TO THE DEPOSITARY .....	180
TAXATION .....	181
SUBSCRIPTION AND SALE .....	185
GENERAL INFORMATION .....	188
DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS .....	201

## PRESENTATION OF INFORMATION

### Presentation of financial information

Unless otherwise indicated, the financial information as of 31 March 2004 and 2005, for the years then ended, in this Offering Circular has been prepared in accordance with generally accepted accounting principles in the United Kingdom (“UK GAAP”) as applicable to the Group as at 31 March 2005. The financial information as of 30 September 2005 has been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

The Company will adopt IFRS for the first time in its financial statements for the year ended 31 March 2006, with comparative financial information for the year ended 31 March 2005. In accordance with the transitional provisions of IFRS 1 “First Time Adoption of International Financial Reporting Standards”, standards that are effective on 31 March 2006 will be applied to determine the IFRS balance sheet as of 1 April 2004 and the IFRS financial statements for the two years ended 31 March 2006.

On 27 September 2005, the Guarantor issued an IFRS press release, entitled “Vedanta Resources plc Adoption of IFRS” (the “IFRS Financial Information”), which presents audited results in accordance with IFRS as of 1 April 2005 and for the year ended 31 March 2005. This information has been included in the IFRS Announcement, which is incorporated by reference in this Offering Circular.

As highlighted in the audit report relating to, and as discussed in the notes to the basis of, preparation of the IFRS financial information referred to in the preceding paragraph, there is a possibility that the preliminary IFRS financial information may require adjustment before constituting the final IFRS financial information. Moreover, the audit report draws to attention the fact that, under IFRS, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Guarantor’s financial position, results of operations and cash flows in accordance with IFRS.

The financial information for the year ended 31 March 2004 incorporated by reference in this Offering Circular represents the audited financial information of the Group as set out in the Vedanta Resources plc 2004 Annual Report as restated in respect of the adoption of UTIF Abstract 38 “Accounting for ESOP Trusts” which was adopted from 1 April 2003. As required by this abstract, own shares held by employee trusts have been reclassified from other investments and are recorded as a reduction in shareholders’ funds. The audited consolidated financial statements for the year ended 31 March 2004 and the audit report relating to these statements are incorporated by reference in this Offering Circular. See “*Presentation of Information — Documents incorporated by reference*”.

The UK GAAP financial information for the year ended 31 March 2005 included in this Offering Circular has been extracted without material adjustment from the Vedanta Resources plc 2005 Annual Report and has been audited. The audit report relating to the audited consolidated financial statements for the year ended 31 March 2005 is incorporated by reference in this Offering Circular. See “*Presentation of Information — Documents incorporated by reference*”. The audited IFRS Financial Information for the year ended 31 March 2005 as at 1 April 2005 has been extracted without material adjustment from the IFRS Announcement.

The unaudited IFRS financial information for the six months ended 30 September 2005 has been extracted without material adjustment from the Vedanta Resources plc interim results report as at and for the six months ended 30 September 2004 and 2005.

UK GAAP differs in certain respects from IFRS. A description of the principal differences between UK GAAP and IFRS as applicable to Vedanta Resources plc is set forth in the IFRS Announcement.

## Documents incorporated by reference

The auditors' report and audited consolidated financial statements for the year ended 31 March 2004 which appear on page 46 and pages 47 to 93, respectively of the Vedanta Resources plc 2004 Annual Report, the auditors' report and audited consolidated financial statements for the year ended 31 March 2005 which appear on page 67 and pages 68 to 117 of the Vedanta Resources plc 2005 Annual Report and the press release dated 19 January 2006 entitled "Vedanta Resources plc – Unaudited Results for the Third Quarter and Nine Months Ended 31 December 2005" (RNS Number: 1468X) are incorporated by reference in, and form part of, this Offering Circular. Those documents have previously been published and have been filed with the UK Listing Authority. The interim results for the six months ended September 2005 and the announcement released on 27 September 2005 entitled "Adoption of IFRS" (RNS Number: 7842R) (the "IFRS Announcement"), which have previously been published and have been filed with the UK Listing Authority, are also incorporated by reference in, and form part of, this Offering Circular. Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Guarantor.

A9.11.1

A9.11.2

Where documents incorporated by reference themselves incorporate information by reference, such information does not form part of this Offering Circular.

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 this Offering Circular. Investors who have not previously reviewed such information should do so in connection with their purchase of Bonds.

## Currencies

In this Offering Circular, references to "Australian Dollars" or "A\$" are to the lawful currency of Australia, references to "Euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to "Indian Rupee" or "INR" are to the lawful currency of India, references to "Pounds Sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom, references to "U.S. dollars", "U.S.\$", "cents" or "¢" are to the lawful currency of the United States and references to "Zambian Kwacha" are to the lawful currency of Zambia.

A13.4.5

Unless otherwise indicated, the financial information contained in this document has been expressed in U.S. dollars.

As at the date of this Offering Circular, the exchange rate of the Indian Rupee against the U.S. dollar is U.S.\$1.00 to [●] INR.

## Non-GAAP measures

The financial information includes the presentation of certain non-GAAP measures, including EBITDA (defined by the Guarantor as earnings before interest, tax, depreciation, amortisation and exceptional items, excluding its share of operating profits and losses of its associates), underlying profits (defined as profit to the year after adding back exceptional items and their resultant tax and minority interest effects) and operating profit before exceptional items. These measures are not measures of financial performance or cash flows under UK GAAP and may not be comparable to similarly titled measures of other companies because they are not uniformly defined. The Company's operating profit is the closest measure to EBITDA. These measures should not be considered by investors as an alternative to operating profit or profit on ordinary activities before taxation as an indication of operating performance, or as an alternative to cash flow from operating activities as an indication of cash flows.



## Ore reserve and mineral resource reporting -- basis of preparation

Ore reserves and mineral resources reported in this document comply with the “Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves”, other than those relating to Konkola Copper Mines plc (“KCM”) which comply with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the “SAMREC Code”). The former code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the “JORC Code”. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated December 2004 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves. A9.5.1.2

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology - the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves.

The resource and reserve estimates provided in this document comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code. For the relevant definitions from the December 2004 edition of the JORC Code and the March 2000 edition of the SAMREC Code see “*Definitions and glossary of technical terms*”.

In this Offering Circular, resource and reserve estimates are reported as at 31 March 2005. In this Offering Circular, copper resources at Copper Mines of Tasmania Pty Ltd (“CMT”) are inclusive of reserves and copper resources at KCM and bauxite and zinc resources are additional to reserves.

### Inferred Resources

The resource and reserve tables in “*The Vedanta Resources Group*” make reference to “Inferred Resources”. An Inferred Resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

### Resources, reserves and production

In this Offering Circular, unless expressly stated otherwise, references to resources and reserves are to total resources and total reserves. Total resources and total reserves mean that part of the resources and reserves from a mine in which subsidiaries of the Group have an interest. The A9.5.1.2

Group does not wholly own certain of its subsidiaries and therefore total resources and total reserves include resources and reserves attributable to third party interests in controlled subsidiaries.

In this Offering Circular, unless expressly stated otherwise, references to production are to total production. Total production means that part of production at mines and operations in which subsidiaries of the Group have an interest. The Group does not wholly own certain of its subsidiaries and therefore total production includes production attributable to third party interests in controlled subsidiaries.

### **Forward-looking statements**

Certain statements contained in this Offering Circular, including those under the captions “*Business Summary*”, “*Risk Factors*”, “*The Vedanta Resources Group*” and “*Information on India*” contained in this document constitute “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “intends”, “may”, “will” or “should” or in each case their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, changes in government regulation, currency fluctuations (including the A\$/U.S.\$, the INR/U.S.\$ and the Zambian Kwacha/U.S.\$ exchange rates), the Group’s ability to recover its reserves or develop new reserves, implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks described in “*Risk Factors*”. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Offering Circular will, in fact, occur.

These forward-looking statements speak only as at the date of this Offering Circular. The Company will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document except as required by law or by any appropriate regulatory authority.

### **Effective Interest and Economic Interest**

The Group’s Economic Interest in Sterlite Industries (India) Limited (“Sterlite”) is different from its Effective Interest as a consequence of Sterlite shares being held in the Sterlite Employee Welfare Trust (“SEWT”). The Effective Interest is derived by combining the Group’s direct and indirect shareholdings in Sterlite. SEWT is treated as a trust and its shares held in Sterlite are recorded as a reduction in shareholders funds and treated as if the shares were cancelled. Because SEWT is a quasi-subsiary of the Company and its assets are consolidated as Group assets, this has the effect of making the Group’s Economic Interest higher than its Effective Interest. The Group’s Economic Interest is the basis on which the attributable profit and net assets are determined in the Accounts.

Where the term “interest” is used in this Offering Circular, this means a direct shareholding in the relevant company.

## BUSINESS SUMMARY

### Summary of the Business of the Group

*The following summary highlights significant aspects of the Group's business. The summary should be read as an introduction to the Offering Circular and should be read together with the whole Offering Circular. Where a claim relating to the information contained in the Offering Circular is brought before a court, the plaintiff investor may, under the national legislation of the EEA States, have to bear the costs of translating the Offering Circular before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular.*

A9.1.2

A13.1.2

The Group is a diversified non-ferrous mining and metals company, with operations located primarily in India. The Group focuses on the growing Indian copper, aluminium and zinc markets and, in India, is one of the two leading copper producers by volume, has a significant market share in aluminium production and is the leading and only integrated zinc producer.

The Group comprises three major businesses:

### Copper

The Copper Business consists of three major operations: the Sterlite smelter in India, a copper mine in Australia and the KCM copper mines and smelter in Zambia. Sterlite is a subsidiary of the Company in which the Group, as at 31 December 2005, through Twin Star and MALCO, has an Economic Interest, through Vedanta Resources Holdings Limited ("VRHL"), of 78.7 per cent. Sterlite is one of the two leading domestic copper producers by volume in India. Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, oxygen plant, sulphuric acid plant and copper rod plant at Tuticorin in Southern India, a refinery and two copper rod plants at Silvassa in Western India and a copper mine in Australia. KCM, the largest copper producer in Zambia, is a subsidiary of the Company in which the Group as at 31 December 2005, had an interest of 51 per cent. KCM is an integrated copper producer operating three copper mines, a smelter, a refinery and a tailing leach plant in Zambia.

### Aluminium

The Aluminium Business is owned and operated by BALCO (in which Sterlite as at 31 December 2005, has a 51 per cent. interest) and MALCO (in which the Group as at 31 December 2005, has an 80 per cent. interest). BALCO is a fully integrated producer with its own bauxite mines, a captive power plant and refining, smelting and fabrication facilities. MALCO is also a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities.

### Zinc

The Zinc Business is owned and operated by Hindustan Zinc Limited ("HZL"), a fully integrated zinc producer. HZL is India's leading zinc producer, in which Sterlite as at 31 December 2005, has a 64.9 per cent. interest. HZL's zinc operations include two zinc smelters and one lead-zinc smelter in Northwest India, one zinc smelter in Southeast India and three lead-zinc mines in Northwest India.

The Group is also engaged in establishing a 1,000,000 tpa alumina refinery and a 500,000 tpa aluminium smelter in the Eastern Indian State of Orissa. The Group's other activities include an aluminium conductor business, consisting of two power transmission aluminium conductor plants. The Group also has an investment in an aluminium foil business, owned and operated by India Foils Limited ("IFL") which is an associated company of Vedanta Resources. The Group is evaluating strategic alternatives for IFL, which may include a sale of the business.

The Group is headquartered in London and has approximately 23,500 employees worldwide.

### **Key strengths**

The Directors believe that the key strengths of the Group's businesses are:

- (i) a strong competitive position enjoyed as a result of the Group's market share in the growing Indian copper, aluminium and zinc markets;
- (ii) management's track record in and ability to:
  - (i) turn around and optimise underperforming businesses;
  - (ii) improve manpower productivity and deliver operational efficiencies; and
  - (iii) implement capital programmes on time and within budget;
- (iii) a well-balanced commodity portfolio; and
- (iv) a strong pipeline of expansion projects.

### **Group strategy**

The Group's strategy is to generate strong financial returns and create a world-class metals and mining company.

The Group is pursuing this strategy by:

- (i) optimising the performance of the existing assets: the Guarantor's operational plans for each of its businesses are to debottleneck plants, further improve efficiency, expand output and drive down unit costs;
- (ii) completing the projects relating to the 250,000 tpa at the Korba complex, the 500,000 tpa GAMI-based aluminium smelter in Orissa, the proposed 1,000,000 tpa alumina refinery in Orissa, the new 170,000 tpa zinc smelter at Chanderiya and progressing the Konkola Deep Mining Project ("KDMP") and a copper smelter at KCM;
- (iii) consolidating the group structure: the Guarantor will endeavour to continue to increase its direct ownership in the underlying businesses; and
- (iv) leveraging established skills: the Guarantor will seek further growth opportunities in India, including through the Government's privatisation programmes, and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.

### **Financial highlights for the year ended 31 March 2005 (audited figures)**

- (i) Group turnover was U.S.\$1.884 billion.
- (ii) Turnover for the Copper, Aluminium and Zinc Businesses was U.S.\$1,014.7 million, U.S.\$281.7 million and U.S.\$486.4 million respectively.
- (iii) Group EBITDA was U.S.\$455 million.
- (iv) EBITDA for the Copper, Aluminium and Zinc Businesses was U.S.\$161.2 million, U.S.\$75.6 million and U.S.\$218.8 million respectively.
- (v) Group operating profit before exceptional items was U.S.\$353.7 million.
- (vi) Total Group profit was U.S.\$120 million.

- (vii) The Group had a 32 per cent. return on capital employed, excluding project capital work in progress.

The Group's objective is to take advantage of its low cost base, achieve the best possible margins across its businesses and to consistently earn a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently.

#### **Relationship with Volcan Investments Limited**

Volcan Investments Limited ("Volcan") owns approximately 54 per cent. of the issued ordinary share capital of the Guarantor. Volcan is owned and controlled by members of the Agarwal family, including Anil Agarwal, the Executive Chairman of Vedanta Resources, his father, DP Agarwal, and his son, Agnivesh Agarwal.

## OVERVIEW OF THE OFFERING

*The following overview refers to certain provisions of the Terms and Conditions of the Bonds, the Preference Shares, the Ordinary Shares, the GDRs, the Deposit Agreement and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Circular. Terms which are defined in “Terms and Conditions of the Bonds” and “Description of the GDRs” have the same meaning when used in this overview.*

<b>Issuer</b>	Vedanta Finance (Jersey) Limited	
<b>Guarantor</b>	Vedanta Resources plc	
<b>Bonds</b>	U.S.\$725,000,000 4.60 per cent. Guaranteed Convertible Bonds due 2026.	A13.4.1 A13.4.5
<b>The Offering</b>	The Bonds are being offered by the Lead Manager outside the United States in accordance with Regulation S under the United States Securities Act of 1933.	
<b>The Option</b>	The Issuer has granted to the Lead Manager an option, exercisable on two occasions up to and including 23 March 2006 to purchase up to an additional U.S.\$125,000,000 aggregate principal amount of Bonds (the “Optional Bonds”) at their Issue Price plus accrued interest, if any.	A14.1.5
<b>Closing Date/Issue Date</b>	21 February 2006	A14.1.6
<b>Issue Price</b>	100.00 per cent. of the principal amount	A13.4.13 A13.4.9
<b>Final Maturity</b>	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on 21 February 2026 at their principal amount.	
<b>Form and Denomination</b>	The Bonds will be in registered form and issued in the principal amounts of U.S.\$100,000 and thereafter in integral multiples of U.S.\$1,000. The Bonds will be represented by a global bond in registered form (the “Global Bond”), without interest coupons, which will be deposited on or around the Closing Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for definitive registered Bonds.	A13.4.4 A13.4.5 A14.1.3 A14.1.4
<b>Interest</b>	The Bonds bear interest from and including the Closing Date at 4.60 per cent. per annum payable semi-annually in equal instalments in arrear on 21 February and 21 August each year, commencing on 21 August 2006.	A13.4.8
<b>Status of the Bonds</b>	The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3 of the Bonds) unsecured obligations of the Issuer and rank <i>pari passu</i> without 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 3 of the Bonds, at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.	A13.4.6

<b>Yield</b>	4.6 per cent. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.	A13.4.10
<b>Guarantee of the Bonds</b>	The Guarantor will in the Trust Deed unconditionally and irrevocably guarantee 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 all of the Issuer's other obligations in respect of the Bonds.	A6.1 A.6.4.1
<b>Status of the Guarantee</b>	The Guarantee constitutes an unsubordinated, direct, unconditional and (subject to Condition 3 of the Bonds) unsecured obligation of the Guarantor and shall, save such exceptions as may be provided by applicable legislation and subject to Condition 3 of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.	A6.1
<b>Negative Pledge</b>	So long as any Bond remains outstanding, the Issuer and the Guarantor will not, and the Guarantor will not permit any of its Material Subsidiaries to, create or permit to subsist any Security upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure Indebtedness (in the case of the Issuer and the Guarantor) or any Relevant Debt (in the case of the Material Subsidiaries), or any guarantee of or indemnity in respect of any indebtedness or Relevant Debt, as the case may be, subject to the exceptions in Condition 3. See " <i>Terms and Conditions of the Bonds — Negative Pledge</i> ".	
<b>Cross Default</b>	The Bonds will contain a cross default provision as further described in " <i>Terms and Conditions of the Bonds — Events of Default</i> ".	
<b>Other Events of Default</b>	For a description of certain other events that will cause the Bonds to become immediately due and payable at their principal amount, together with accrued interest, see " <i>Terms and Conditions of the Bonds — Events of Default</i> ".	
<b>Redemption at the Option of the Issuer</b>	The Bonds may be redeemed at the option of the Issuer in whole (but not in part only) at their principal amount as at the date fixed for redemption together with accrued interest to such date (i) at any time on or after 14 March 2009 if on each dealing day in any period of not less than 30 consecutive dealing days ending not earlier than 14 days prior to the date on which the relevant notice of redemption is given to Bondholders, the value of the Ordinary Shares that would fall to be issued in relation to the conversion of a Bond in the principal amount of U.S.\$100,000 exceeds U.S.\$130,000 or (ii) at any time if prior to the date on which the relevant notice of redemption is given to Bondholders, 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 (including, for the avoidance of doubt, any Optional Bonds and any further bonds consolidated and forming a single series with the Bonds at such date).	A14.1.5

<b>Redemption at the Option of Bondholders</b>	The holder of each Bond will have the right to require the Issuer to redeem that Bond on 21 February 2013, 21 February 2018 or 21 February 2022 at its principal amount.	
<b>Taxation</b>	All payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within Jersey or the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer or the Guarantor shall pay any additional amounts to Bondholders to compensate for such withholding or deduction, subject in the case of payments of interest to certain customary exceptions.	
<b>Tax Redemption</b>	The Bonds may be redeemed in whole (but not in part only) at their principal amount together with accrued interest to the date fixed for redemption in the event of certain changes in Jersey or United Kingdom taxation affecting the Bonds. However in such circumstances, each Bondholder will have the right to elect that their Bond(s) shall not be redeemed in such circumstances and, to the extent that such election is made, the Issuer and/or Guarantor shall not be obliged to pay additional amounts in respect of payments of interest under the Bonds under Condition 11 ( <i>Taxation</i> ).	
<b>Conversion Right</b>	Unless previously redeemed or purchased and cancelled and subject as provided in " <i>Cash Settlement</i> " below, each Bond will be convertible, at the option of the holder, into Preference Shares of the Issuer during the Conversion Period. Each U.S.\$1,000 principal amount of a Bond is convertible into one Preference Share with a Paid-up Value of U.S.\$1,000. The Preference Shares arising on conversion of the Bonds will be delivered to the Guarantor in consideration for which the Guarantor will issue Ordinary Shares, which shall, save where a Share Settlement Election is in effect, be represented by GDRs, which will be issued by the Depositary to the relevant Bondholder. The number of Ordinary Shares to be issued will be determined by dividing the aggregate Paid-up Value of the Preference Shares issued on conversion of the Bonds by the Exchange Price in effect on the relevant Conversion Date, and if necessary rounding down to the nearest multiple of the number of Ordinary Shares represented by a GDR. See " <i>Terms and Conditions of the Bonds — Conversion and Exchange</i> ".	A14.1.5
<b>Cash Settlement</b>	Until such time as the Election Date (as defined below) has passed, upon exercising Conversion Rights, holders will receive, in lieu of Ordinary Shares or GDRs, a cash payment in sterling determined by reference to the Volume Weighted Average Price of the Ordinary Shares which otherwise would have fallen to have been issued on such conversion. The Issuer may give notice to Bondholders that with effect from the date specified in such notice (the "Election Date") Bondholders will be entitled to receive GDRs or, where a Share Settlement	A13.4.9



	Election is in effect, Ordinary Shares in circumstances where the relevant Conversion Date falls on or after the Election Date.	
<b>Share Settlement Election</b>	The Issuer may elect (such election, a “Share Settlement Election”) by giving notice to the Bondholders that the exercise of Conversion Rights, where the Conversion Date falls on or after the date specified in such notice (the “Share Settlement Date”) will be satisfied by delivering, in lieu of GDRs, such number of Ordinary Shares as would have been represented by the GDRs that in the absence of such Share Settlement Election would have been required to be delivered.	
<b>Conversion Period</b>	The period beginning on and including 3 May 2006 and ending on and including the earlier to occur of:	A14.1.5
	<ol style="list-style-type: none"> <li>(1) the close of business on the date falling six days prior to the Final Maturity Date; and</li> <li>(2) if the Bonds shall have been called for redemption by the Issuer before the Final Maturity Date, the close of business on the day which is six days before the date fixed for redemption.</li> </ol>	
<b>Exchange Price</b>	£14.54 per Ordinary Share, subject to adjustment in accordance with the Articles of the Issuer.	
<b>Ordinary Shares</b>	Any Ordinary Shares to be delivered following conversion and delivery of the Preference Shares to the Guarantor will be delivered credited as fully paid, having, on the date hereof, a nominal value of U.S.\$0.10 each and will rank <i>pari passu</i> in all respects with all fully paid Ordinary Shares in issue on the relevant Conversion Date, save as provided in “ <i>Terms and Conditions of the Bonds</i> ”.	A14.1.1
<b>Preference Shares</b>	Preference Shares of the Issuer will be issued upon conversion of the Bonds with a Paid-up Value of U.S.\$1,000 in respect of each U.S.\$1,000 principal amount of Bonds converted.	
<b>GDRs</b>	<p>As at the date of this Offering Circular there are no GDRs issued or outstanding, and there is no existing market for the GDRs. On or about the Closing Date, 10 Ordinary Shares will be transferred by Volcan to the Depository and 10 GDRs will be issued. See “<i>Risk Factors — There are currently no GDRs outstanding and there is no market for the GDRs, and any market which may develop for GDRs may not be liquid</i>”.</p> <p>Each GDR will initially represent one Ordinary Share. The GDRs deliverable upon conversion of the Bonds will be represented by a single master GDR (the “Master GDR”). The GDRs represented by the Master GDR will be issued by the Depository pursuant to the Deposit Agreement.</p> <p>The Master GDR will be deposited on or about the Closing Date with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Except as described herein, beneficial interests in the Master GDR will be shown on, and transfers thereof will</p>	

	<p>be effected only through, book-entry records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, individual GDRs will not be issued in exchange for beneficial interests in the Master GDR. All payments to holders of GDRs by the Depositary in respect of the Ordinary Shares represented thereby will be made in U.S. dollars, and if received by or on behalf of the Depositary in a currency other than U.S. dollars, will be converted into U.S. dollars by or on behalf of the Depositary.</p>	A13.4.9 A13.4.2
<b>Voting Rights and Withdrawal of Ordinary Shares</b>	<p>Until such time as the Guarantor may notify holders, holders of the GDRs will not be entitled to exercise voting rights, in respect of the Ordinary Shares represented by the GDRs, and will not be entitled to withdraw such Ordinary Shares from the deposit facility.</p> <p>It is intended that, on or about the Closing Date, the Guarantor will execute a deed poll containing an undertaking to Volcan, its controlling shareholder, that the Guarantor will not exercise its right to so notify the holders of GDRs without Volcan's prior consent.</p> <p>See "<i>Description of the Global Depositary Receipts</i>".</p>	A14.1.5 A14.1.11
<b>Further Issues</b>	<p>The Issuer may from time to time, without the consent of the Bondholders, create and issue further debt securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the Bonds or upon such terms as the Issuer may determine at the time of their issue. See "<i>Terms and Conditions of the Bonds — Further Issues</i>".</p>	
<b>Lock Up</b>	<p>The Guarantor and Volcan (which owns approximately 53.8 per cent. of the issued Ordinary Shares) as at the date of this Offering Circular have, subject to certain exceptions, agreed not to issue or sell Ordinary Shares or certain related securities for a limited period after 20 January 2006. See "<i>Subscription and Sale</i>" below.</p>	
<b>Trustee</b>	The Bank of New York	
<b>Principal Paying, Transfer, Conversion and Exchange Agent</b>	The Bank of New York	A13.5.2
<b>Depositary</b>	The Bank of New York	A13.5.2
<b>Registrar</b>	The Bank of New York	
<b>Governing Law</b>	The Bonds, the Trust Deed, the GDRs and the Deposit Agreement will be governed by, and shall be construed in accordance with, English law.	A13.5.1 A14.1.2
<b>Listing and Trading</b>	Applications have been made for the Bonds to be admitted to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange. Application	A13.5.1 A14.1.7

has been made to have the GDRs listed on the Luxembourg Euro MTF. There can be no assurance that the application for listing of the Bonds on the Professional Securities Market of the London Stock Exchange or the application for listing of the GDRs on the Luxembourg Euro MTF, will be approved. The offering and settlement of the Bonds is not conditional upon obtaining such listings. The Guarantor has undertaken to apply to have the Ordinary Shares (including those that may be represented by GDRs) issueable upon conversion of the Bonds admitted to listing on the Official List of the UKLA and admitted to trading on the EEA Regulated Market of the London Stock Exchange. A13.4.9

#### Clearing

The Bonds and the GDRs have each been accepted for clearing by Euroclear and Clearstream, Luxembourg. The Bonds and the GDRs have the following Common Code and International Securities Identification Number:

	Bonds	GDRs	
Common Code:	024167593	024200558	A13.4.2
ISIN:	XS0241675932	US92241T1025	
CUSIP		92241T102	

#### Selling Restrictions

There are restrictions on the offer, sale and delivery of the Bonds, *inter alia*, in the United States, the United Kingdom, the European Economic Area and Jersey. See "*Subscription and Sale*".

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular 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, the GDRs or the Ordinary Shares or the rights of investors under the Bonds, the GDRs or the Ordinary Shares and, as a result, investors could lose some or all of their investment.*

A9.3.1

A13.2

*Prospective investors should note that the risks described below are not the only risks the Issuer and the Guarantor face. Each of the Issuer and the 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 Offering Circular, together with the documents incorporated by reference herein. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in this Offering Circular 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 Guarantor’s ability to fulfil their respective obligations under the Bonds:*

### **Risks Relating to the Group**

This section contains risk factors which may affect the Guarantor’s ability to fulfil its obligations under the Bonds to investors.

A9.3.1

#### ***Expansions***

The Group has a number of significant expansions planned for its existing operations and plans for new greenfield projects, which involve significant capital expenditure. See “*The Vedanta Resources Group — Description of the Businesses*”. The timing, implementation and cost of such expansions are subject to a number of risks, including the failure to obtain necessary leases, licences, permits, consents and approvals, or funding for the expansions. The Group does not yet have all of the leases, licences, permits, consents and approvals that will be required to implement certain of the expansions, including the bauxite mine in Orissa. See “*Risk Factors — Regulatory, environmental and health and safety risks — Orissa*”. Any delay in completing planned expansions, revocation of existing clearances, suspension of current projects or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on the results of operations or financial condition of the Group. Any delay in completing planned expansions could also adversely affect the Guarantor’s credit ratings.

#### ***Rapid growth***

A substantial portion of the Group’s growth in turnover and earnings has historically been generated from acquisitions and subsequent improvements in the performance of the businesses acquired.

The Group expects its growth will place significant demands on management and other resources and will require the Group to continue to develop and improve operational, financial and other internal controls, both in India and elsewhere. The Group has a limited history as a consolidated entity and has a devolved management structure. In addition, the Group’s rapid growth has resulted in an increase in, and changes to, the Group’s management and new management has a relatively short experience in managing the Group as a consolidated entity. While the Group has in place personnel to manage the strategic, operational and expansion aspects of its operations, there can be no assurance that the Group will be able to continue to provide the

necessary resources to support its growth. The Guarantor's inability to manage its growth effectively may have a material adverse effect on the results of operations or financial condition of the Group.

### ***Acquisitions***

The Guarantor intends to continue to pursue a strategy of identifying and acquiring businesses with a view to expanding its operating businesses. There can be no assurance that the Guarantor will continue to identify suitable acquisition, strategic investment or joint venture opportunities, obtain the financing necessary to complete and support such acquisitions or investments or that any business acquired as an investment will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired businesses or investments. Any failure to achieve successful integration of such acquisitions or investments could have a material adverse effect upon the results of operations or financial condition of the Group.

In addition, the Group may not be able to effect such acquisitions or investments on satisfactory terms. While the Group does not currently intend to exercise the options with respect to HZL and BALCO at a price in excess of the market value or fair value, the Group may only be able to acquire the Government of India's remaining interests in BALCO and HZL at prices in excess of the market value or fair value of those shares. The acquisition of assets and investments at prices in excess of their market value or fair value could have a material adverse effect upon the results of operations and financial condition of the Group.

### ***Funding***

Following the issuance of the Bonds, management believes that the Group will have the majority of the required funding for all of its planned expansions and developments and a strategy to obtain the remaining funding required. In particular, the Group plans to rely on the proceeds of the Bonds to fund the project to develop a 500,000 tpa aluminium smelter at Jharasaguda in Orissa ("the Jharasaguda Smelter"). However, the Group's planned or any proposed future expansions and projects may be materially adversely affected if the Group is unable to obtain funding for such capital expenditure or is unable to obtain funding for such capital expenditure on satisfactory terms, including as a result of certain of the Group's existing facilities becoming repayable before their due date. In addition, there can be no assurance that the Group's planned or any proposed future expansions and projects will be completed on time, which may adversely affect the Group's cash flow.

### ***Third party interests in Group companies and other stock exchange listings***

The Guarantor does not wholly own any of its operating subsidiaries. Although the Group has management control of Sterlite, BALCO, MALCO, HZL and KCM and intends to increase its stake in certain of its subsidiaries, each of these companies has other shareholders who, in some cases, hold substantial interests in them. A cabinet note has recently been circulated in which the Government of India announces plans to sell its residual stake in HZL (29.53%) through a public offer. As a result of these shareholdings and the Indian stock exchange listings of Sterlite, MALCO and HZL, these subsidiaries may be subject to additional legal or regulatory requirements, or the Group may be prevented from taking certain courses of action without the prior approval of a particular or a specified majority of shareholders and/or regulatory bodies (either under shareholders' agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, the Group's subsidiaries may limit the Group's ability to increase its equity interests in these subsidiaries, to combine similar operations, to utilise synergies that may exist between the operations of different subsidiaries or to reorganise the structure of the Group in a tax effective manner. Such restrictions on the Group's ability to deal freely with its subsidiaries may have a

material adverse effect on the Group's results of operations or financial condition, or its ability to make payments of interest and principal on the Bonds or to move funds freely around the Group.

The shareholders' agreements for BALCO and HZL provide that those companies may not make loans to companies under the same management as BALCO and HZL without the prior consent of the Government of India. Without such consent, the Group's ability to access cash held in BALCO and HZL would be limited to dividend payments from BALCO and HZL, which would be payable to all shareholders. This may have a material adverse effect on the Group's results of operations or financial condition, or its ability to make payments of interest and principal on the Bonds or to move funds freely around the Group.

#### ***Proposed legislation regarding minimum public float for listed companies***

In August 2005, the Securities and Exchange Board of India ("SEBI") issued a press release stating that it would shortly issue a circular outlining, in detail, proposed new rules requiring all listed companies to ensure that at least 25 per cent. of their issued shares are held by the public, in order to maintain their listing. This will mean that the promoters of an Indian listed company would not be allowed to continue to hold more than 75 per cent. of its shares. The release stated that listed companies, which were not presently complying with the minimum public shareholding requirement, would be given two years from the date of issue of the circular to achieve compliance.

Less than 25 per cent. of the share capital of each of Sterlite and MALCO are currently held by the public. The new rules could require the Group to sell its shares in Sterlite and MALCO to reduce its holding to 75 per cent. and may adversely affect its ability to consolidate its ownership of Sterlite, HZL and MALCO. Any of these outcomes could have a material adverse effect on the Group's results of operations and financial condition. As at the date of this Offering Circular, SEBI has not issued any circular or further update on the proposed rules.

#### ***Operational risks***

The success of each of the Group's businesses is affected by a number of factors which are, to a large extent, outside the Group's control. Such factors include the availability and cost of raw materials (including copper concentrates, metcoke, thermal coal and alumina), water, power and transport.

##### ***(a) Availability and sources of resources***

A proportion of the Group's copper concentrate requirements are currently sourced from its mines in Tasmania, Australia and Zambia. The Group's Australian mine at Thalanga has now been exhausted and the remaining life of the Tasmanian mine is limited. Transporting concentrate from the Group's mines in Zambia to its smelters and refineries in India is not currently economically feasible. There can be no assurance that the Group will be able to find other sources for its copper concentrate requirements.

The Group also depends on obtaining its supplies of metcoke and thermal coal on the open market for the running of its smelters and power stations. In the event of a shortage of supplies, there is no assurance that the Group will be able to find other sources of energy. See "*Risk Factors — Risks relating to investment in Zambia — Economic Risks.*"

The Group also had plans for BALCO to rely on the expansion at Orissa for sourcing alumina. Management confirms, however, despite press coverage indicating a severe paucity of raw material at BALCO, that any delay caused with respect to the Orissa development will not have any adverse effect on BALCO's business. See "*Risk Factors — Regulatory, environmental and health and safety risks — Orissa.*"

***(b) Operating risks and hazards***

The Group's businesses are subject to numerous operating risks which include: unexpected geological features or unexpected seismic activity; climatic conditions such as flooding or drought; interruptions to power supplies; industrial action or disputes; tribal action or protests; environmental hazards; and technical failures, fires, flooding, explosions and other accidents at a mine, smelter, refinery, cargo terminal or related facilities. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document (whether expressly or by implication).

***(c) Availability of water***

There is limited water available at the Group's operations in India and certain of the Group's operations depend on water being transported by truck to the sites. While the cost of providing water to the Group's operations is not significant at present, there can be no assurance that the cost of providing water for the Group's activities will not increase, or that the water required by the Group's operations will continue to be available in sufficient quantities to maintain or increase current levels of production.

***(d) Production stoppages***

Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shutdown in operations. Stoppages in some types of smelters, even if lasting only a few hours, can cause the contents of furnaces or cells to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could adversely affect the results of operations or financial condition of the Group.

***(e) Transport***

The Group depends upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver ore, bauxite and copper concentrates and other supplies to its operations and to deliver its commodities to market. These transport services in some cases may not be adequate to support the Group's existing operations or to support the Group's expanded operations. Disruptions of these transport services because of weather-related problems, key equipment failures, strikes, lock-outs or other events could temporarily impair the Group's ability to supply its commodities to its customers and could adversely affect the Group's results of operations or financial condition.

***(f) Insurance***

Although the Group maintains insurance against various risks, its insurance does not cover every potential risk associated with its operations including business interruptions and certain types of environmental hazards. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the results of operations or financial condition of the Group. See "*The Vedanta Resources Group — Operational hazards and insurance*".

***Litigation***

Members of the Group are defendants in a number of litigation proceedings. See "*General Information — Governmental Legal or Arbitration Proceedings*" and the Group's Accounts contained in this document for a discussion of contingencies. There can be no assurance that the members of the Group will be successful in defending these proceedings. The aggregate amount the Group may be required to pay in connection with these proceedings is substantial. Members of the Group have

established provisions in their accounts for litigation where it is considered probable that a claim will be resolved unfavourably and where the Group is able to make a reasonable estimate of the potential cost involved. It is possible that such provisions will be less than the total claims and thus may be insufficient to cover losses relating to litigation. Any claims settled or adverse judgments incurred in excess of these provisions could have a material adverse effect on the results of operations and financial condition of the Group.

Members of the Group have also been subject to a number of investigations and court proceedings by Indian government and regulatory authorities, including the SEBI, the Reserve Bank of India and the Indian tax authorities. Some of these investigations and proceedings are ongoing. While the Group is vigorously defending these investigations and proceedings, there can be no assurance that these investigations and proceedings will be resolved in the Group's favour and, if not, this may have a material adverse effect on the Group's results of operations and financial condition.

### ***Regulatory, environmental and health and safety risks***

The Group's operations are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the Group operates with respect to matters such as labour, employee health and safety, royalties, permitting and licensing requirements, planning and development, tax registrations, mining leases, supply of water, environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, air emissions, discharges and forest and soil conservation requirements), plant and wildlife protection, reclamation and restoration of properties after operations are complete, surface subsidence from underground mining and the effects that mining, smelting and refining operations have on groundwater quality and availability. Numerous governmental permits, approvals and leases are required for the Group's operations. The Group does not currently have all required permits and approvals for its current operations and expansion programmes, including the alumina refinery and bauxite mine in Orissa. The Group is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration, mining or production activities may have upon the environment. The costs, liabilities and requirements associated with complying with these laws and regulations or to comply with changes in these laws and regulations or the manner in which they are applied or the cost of rehabilitation of site operations which have been closed down may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. Failure to comply with these laws and regulations or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to mine or operate a smelter or refinery. There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect the results of operations or financial condition of the Group.

#### ***(a) Orissa***

On 21 September 2005, the Central Empowered Committee of the Supreme Court of India ("CEC") issued its report on the alumina refinery being constructed by Vedanta Alumina at Lanjigarh in Orissa.

In its report, the CEC expressed the view that the Ministry of Environment and Forests ("MoEF") should not have allowed the alumina refinery project to proceed before conclusion of an in-depth study about the ecological effects of the proposed bauxite mine in the Niyamgiri Hills. It recommended that use of forest land in ecologically sensitive areas such as Niyamgiri Hills should not be permitted and recommended that the Supreme Court consider revoking the environmental clearance granted by the MoEF in September 2004 for construction of the alumina refinery, direct Vedanta Alumina to stop further work and that the project be reconsidered only after an alternative



bauxite mine is identified. The CEC report also concluded that the relevant environmental clearance had been granted on the mistaken premise that no forest land would be encroached upon by the refinery project, and that work on the project was allowed to continue in violation of MoEF guidelines. The report also criticised the approach of the Orissa State Government and the MoEF with respect to the environmental clearance and suggested that the project would not have proceeded had a proper environmental study been conducted beforehand.

The recommendations of the CEC are not binding on the Supreme Court. The Supreme Court may require Vedanta Alumina to show cause as to why the CEC's recommendations should not be implemented. The Directors of the Guarantor intend to challenge vigorously the basis on which those recommendations have been made. The Guarantor and the Orissa State Government have filed the response to the Supreme Court in early February 2006. Based on an affidavit filed by the MoEF on 3 February 2006 the Supreme Court has granted 3 months' time to MoEF to submit its response. However, there can be no assurance that the Company will be successful in its opposition to this recommendation or that the consents for construction of the refinery and/or development of the bauxite mine will be confirmed or granted. If the MoEF refuses to grant consent for the development of the bauxite mine at Orissa, the Group would have to find alternative sources of bauxite for the refinery and import it from local resources (which Management confirms are ample). The Directors believe that the environmental issues raised by the CEC do not justify revocation of the consent already granted for construction of the refinery or an order to halt its construction, but there can be no assurance that the Supreme Court or MoEF would not act on this recommendation. Any of these outcomes would have a material adverse impact on the financial condition and prospects of the Group.

**(b) Tuticorin**

- (i) **Writ Petition** A writ petition has been filed before the High Court at Madras seeking cancellation of the environmental approval Sterlite holds in respect of its smelter at Tuticorin. If this petition is successful, Sterlite may be required to install additional equipment at a substantial cost or may be required to close down, scale back or relocate their operations at Tuticorin. See "*General Information — Governmental Legal or Arbitration Proceedings*".
- (ii) **Tamil Nadu Pollution Control Board show cause notices** Following an inspection of the Tuticorin unit of Sterlite on 12 September 2005, the Tamil Nadu Pollution Control Board ("TNPCB") issued three show cause notices alleging violations of air, water and hazardous waste pollution standards at the plant. These notices allege that consents granted under the relevant air, water and hazardous waste legislation had been granted to Sterlite on certain conditions, which it is alleged Sterlite has failed to meet. These include failure to implement purifying and monitoring systems, failure to establish a hospital to administer free treatment, failure to conduct a health survey on people in surrounding areas, failure to limit the size of certain disposal facilities and insufficient storage and waste disposal facilities.

The notices require Sterlite to show cause as to why penal action under the relevant legislation should not be imposed. The notices also require Sterlite to show cause as to why an order of closure of the Tuticorin plant should not be passed against Sterlite.

Sterlite responded to the notices on 24 September 2005, contesting these allegations and claiming that all the necessary conditions of the consent letters had been complied with.

If the TNPCB rejects Sterlite's responses, the TNPCB may:

- (A) initiate penal action, which could lead to the court imposing fines of up to INR5000 with respect to the air and hazardous waste legislation and unlimited fines with respect to the water legislation;

- (B) initiate criminal proceedings against those directly in charge of and responsible to the company for the conduct of business of the company;
- (C) order stoppage of water, electricity or other services to Tuticorin; or
- (D) order closure of the plant.

If the TNPCB orders are not complied with, the TNPCB is authorised to initiate eviction processes. Management believes that Sterlite is in full compliance with its consent requirements.

*(c) New legislation or regulations may be adopted in the future that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the Group's products. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group 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 Group.*

*In addition, a violation of health and safety laws relating to a mine, smelter, refinery or other plant 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 portion of the mine, smelter, refinery or other plant, a loss of the right to mine or operate the smelter, refinery or other plant or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine, smelter, refinery or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations or financial condition.*

See *"The Vedanta Resources Group — Regulatory, environmental and health and safety matters"*.

#### **Challenge to Government of India divestments**

On 16 September 2003, the Supreme Court of India ruled that the proposed divestment of shares in Hindustan Petroleum Corporation Limited ("HPC") and Bharat Petroleum Corporation Limited ("BPC") could not be effected by the Government of India exercising its executive power. The rationale for this decision was that the assets of HPC and BPC had originally been transferred to them pursuant to Acts of Parliament which only provided for ownership of those assets to be vested in government-owned companies. As the divestment of shares in HPC and BPC would change the nature of HPC and BPC to non-government owned companies, the assets would consequently be held by non-government owned companies without effecting a change to the original Act passed by Parliament. The Supreme Court ruled that shares could not be divested without repealing or amending the provisions in the Acts of Parliament which provided only for the ownership of their assets by government-owned companies. Since the HPC and BPC decisions, the Supreme Court of India has clarified in a case concerning the proposed disinvestments of Jessop & Company Limited (the "Jessop Divestment Case") that the Government of India can continue with the divestment of public sector undertakings that were not created by Acts of Parliament. The Jessop Divestment Case is still pending before the Supreme Court of India, which has ordered that all challenges relating to divestment of government-owned companies that are currently pending will be heard together (though no date has been set).

HZL was incorporated in 1966 and by Act of Parliament the assets of the Metal Corporation of India were vested in HZL. This Act of Parliament provided for the ownership of those assets only to be vested in government-owned companies. This Act was not amended at the time of disinvestment of HZL shares to SOVL to allow for the ownership of those assets by non-government owned companies. A public interest litigation was filed in 2003 before the High Court of Rajasthan in Jodhpur against the Government of India, HZL, SOVL and others challenging the disinvestment of

shares in HZL on the same grounds as the Supreme Court decision relating to HPC and BPC. As noted above, the Supreme Court of India has ordered that all challenges relating to divestment of government-owned companies that are currently pending will be heard together by a larger bench of the Supreme Court. The matter is currently pending before the Chief Justice of India and no date has been set for such a hearing. Given that the Government of India had already transferred a majority of the shares in HZL to SOVL prior to the HPC and BPC judgement, it may be difficult for the petitioner to successfully challenge the validity of the disinvestment of shares in HZL if the court concludes that this judgement should not apply with retrospective effect. However, there can be no assurance that this challenge to the Government of India's divestment of shares in HZL will be successfully defended or that a challenge will not be made to any future divestment of shares in HZL by the Government of India pursuant to the option described in "*The Vedanta Resources Group — Options over further interests in BALCO HZL and KCM*".

### ***Residence for Tax Purposes***

The tax treatment of the Group is dependent on, among other things, the place of residence for tax purposes of the companies in the Group. It is intended that each Group company is and will be managed in such a way that it is resident for tax purposes in the jurisdiction in which it is incorporated. If any Group companies are found to be resident for tax purposes elsewhere, however, depending on the circumstances this may have a material adverse effect on the taxation liabilities of the Group. The Company's controlling shareholder, Volcan, has agreed to indemnify the Group against, amongst other things, any tax liability arising in consequence of any member of the Group being resident for tax purposes at any time prior to December 2003 in any jurisdiction other than the jurisdiction in which it is incorporated.

### ***UK tax risks***

#### ***(a) Controlled Foreign Company***

The Group is subject to the controlled foreign company taxation rules applicable to UK resident companies. It is likely that many of the Group companies will qualify for exemptions from the rules. However, some may not and, in that case, their profits would be taxable in the UK even if not distributed to the UK (and in certain cases it may not be possible to distribute profits to the UK). Where profits are distributed, dividends from such companies would be segregated from other dividends for the purpose of giving credit for taxes borne on the profits out of which the dividends are paid. The impact of such treatment on the Group could have a material impact on the Group's effective tax rate on an ongoing basis.

#### ***(b) Close company and section 704***

The Company is not currently considered a close company, as defined for UK tax purposes in the Income and Corporation Taxes Act 1988 ("ICTA"). However, depending on changes in the Guarantor's shareholders, it may become a close company, to which the anti-avoidance provisions in section 704D and 704E ICTA would apply. This would have a material impact on the tax treatment of certain future transactions undertaken by the Group or impact on the flexibility of the Group to undertake such transactions.

### ***Tax holidays and exemptions***

The Group currently benefits from some significant tax holidays and exemptions (see the Group's Accounts contained in this document). These tax holidays and exemptions are of limited duration. There can be no guarantee that these tax holidays or exemptions will be renewed when they expire or that any applications the Group makes for new tax holidays or exemptions will be successful. The expiry or loss of existing tax holidays and exemptions or the failure to obtain new tax holidays or exemptions is likely to increase the income tax obligations of the Guarantor and any

increase could have a material adverse effect on the financial condition or results of operations of the Group.

### ***Currency fluctuations***

The Group produces and sells commodities that are typically priced by reference to prices in U.S. dollars, while a large portion of the Group's costs are incurred in local currencies, in particular the Indian Rupee and, to a lesser extent, the Australian Dollar and Zambian Kwacha. Accordingly, if the Indian Rupee, the Australian Dollar or the Zambian Kwacha were to strengthen against the US Dollar this could have a detrimental effect on the Group's results of operations or financial condition.

### ***Labour***

The majority of the Group's workforce is unionised. The Company believes that all of the Group's operations have, in general, good relations with their employees and unions, but the Group's operations in India, Australia and Zambia have from time to time experienced limited work stoppages and other forms of industrial action. See "*The Vedanta Resources Group — Labour and employee relations*". In Zambia, KCM's collective bargaining agreements governing the terms of employment for its unionised employees have typically had one-year terms. Negotiations on collective agreements with unionised workers at KCM have been characterised by demands from the unions for unreasonably high wage increases followed by settlement at a more reasonable (and predictable) wage increase level. In July 2005, there was a nine-day strike over wages accompanied by protests and destruction of KCM property. Although work has resumed, KCM is without a collective agreement as the extension signed to the existing collective agreement has expired. Execution of a new collective agreement is pending court and arbitral resolution of various issues. In particular, an arbitrator has been appointed to resolve the impasse over wages. See "*Vedanta Resources Group — Labour and employee relations*". There can be no assurance that the Group's operations will not be affected by such problems in the future. In addition, the Group has been subject to union demands and litigation for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in India, Australia or Zambia) will not adversely affect the results of operations or financial condition of the Group.

### ***Key employees***

The management of the Group's operations depends on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group. In addition, as the Group's business develops and expands, the Guarantor believes that the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

### ***Title to properties***

The Guarantor believes that the Group has valid title to all of the principal establishments from which the Group operates and it has not suffered any adverse claims in relation to its ownership of those properties, some of which have been occupied for a substantial period of time. However, the documents and official records establishing the Group's ownership, including in respect of its freehold title for part of the Karanjawane, Korba and Rampura Agucha operations, are not complete in all respects and there can be no guarantee that adverse claims in respect of its title to the affected properties will not arise in the future.

### ***BALCO lease***

In June 2005, the State Government of Chhattisgarh issued notices under the Chhattisgarh Land Code, alleging that BALCO had encroached on state-owned land on which the Guarantor has developed certain housing and administrative buildings and directing BALCO to produce documents of title. The land on which BALCO is alleged to have encroached has been occupied by it since its establishment, but the land has only recently been placed under the jurisdiction of the State Government. BALCO is in the course of petitioning the High Court of Chhattisgarh for the execution of a lease deed in respect of this land and has filed an amendment petition bringing the State Government's actions to the notice of the Court.

On 6 July 2005, the High Court ordered the State Government to maintain the status quo. The matter was heard again on 26 July 2005 and the High Court again ordered that the status quo be maintained and further that the Guarantor should not carry out any deforestation activity in respect of the disputed land.

On the same issue, a writ petition has been filed in the Supreme Court of India, challenging the occupation of government land by BALCO and unauthorised construction. The Supreme Court has admitted the matter and issued notice. Further, an interlocutory application has been filed in the Supreme Court alleging the use of land classified as forest land.

Management expects that the dispute will be resolved in its favour due to the long-standing occupation of the land by BALCO. However, there can be no assurances that an adverse claim to the land will not be upheld, or that the State Government would not seek to require BALCO to surrender the land, which could affect the ability of the Group to operate its Korba plant and could, therefore, have a material adverse effect on the financial condition and prospects of the Group.

### ***Industry risks***

#### ***(a) Changes in tariffs, royalties, customs duties and government assistance***

The price of copper, aluminium and zinc in the Indian domestic market is determined by reference to the international market prices of these metals and is subject to a domestic premium calculated by reference to the tariffs which would be payable on the import of such metals. With effect from 1 March 2002, the customs duties on imported copper and zinc metals were reduced from 35 per cent. to 25 per cent., and the customs duty on imported aluminium was reduced from 25 per cent. to 15 per cent., other than for certain aluminium products. In January 2004, customs duties on imported copper and zinc metal were further reduced from 25 per cent. to 20 per cent. and in July 2004, reduced again to 15 per cent. on certain copper and zinc products. In addition, in January 2004, the Special Additional Duty ("SAD") of 4 per cent. which was also levied on imports was abolished. On 28 February 2005, customs duties on imported aluminium, copper and zinc were further reduced from 15 per cent. to 10 per cent., on lead from 15 per cent. to 5 per cent. and on alumina from 20 per cent. to 10 per cent. See "*The Vedanta Resources Group — Description of the Businesses*". The Directors expect that the Government of India may reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As the Group sells the majority of the commodities it produces in the domestic market in India, any further reduction in Indian tariffs will decrease the premium the Group receives in respect of those sales. The Group's profitability is dependent to a significant extent on the continuation of import duties and any material reduction would have a material adverse effect on the results of operations and financial condition of the Group. Royalty charges are payable to the Indian State Governments of Rajasthan, Chhattisgarh and Tamil Nadu and also to the Central Government of Zambia and to the State Governments of Queensland and Tasmania in Australia for the Group's mining activities. Any upward revision in the royalty rates being charged currently may impact the profitability of the Group.

Indian exports of copper, alumina, aluminium and zinc receive assistance premia from the Government of India which have been reduced since 2002. The Directors expect that the Government of India may consider further reducing the assistance premia in the future. Any reduction in these premia will decrease the turnover the Group receives for those sales and may have a material adverse effect on the results of operations or financial condition of the Group.

**(b) Commodity price volatility and cost efficiency**

The Group's turnover and earnings are dependent upon prevailing prices for the commodities it produces. Historically, such prices have been volatile and are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainty, the overall performance of world or regional economies and the related cyclicity in industries directly served by the Group and a variety of other factors beyond the control of the Guarantor. Commodity prices for copper, aluminium and zinc have been increasing in recent years and are at historically high levels, but there can be no assurance that commodity prices will remain at such levels. Prices may also be affected by governmental actions and tariffs and import duties. See "*Changes in tariffs, royalties, customs duties and government assistance*" above. In addition, speculative trades in certain commodities on the world markets may cause short-term price fluctuations for such commodities. Demand for the Group's products might also be affected if substitutes or replacements for these products develop, if there is an increase in recycling of these products, if the Group's competitors increase their capacity or if there is an oversupply of the Group's products in the domestic market in India. These external factors and the volatile nature of the commodity markets make it difficult to estimate future prices. Any substantial or extended decline in commodity prices would adversely affect the results of operations and financial condition of the Group.

As the Group, like its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Group's operations generally include the cost of raw materials and consumables, concentrates, power, labour and transport. The Group's production costs are also significantly affected by production volumes and, therefore, the Group's ability to maintain or increase production levels and maximise capacity utilisation is a key factor in determining its overall cost competitiveness. Technology at certain of the Group's operations is outdated and may put the Group at a disadvantage compared to certain of its competitors. Based on current costs and long-term commodity prices, certain of the Group's reserves can only be extracted at a loss and it may become uneconomic to extract some of the Group's other reserves if operating costs were to increase or commodity prices were to fall. The Group's ability to maintain earnings and undertake capital expenditure would be adversely affected in the event of a sustained material fall in world commodity prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Group will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

***Risks relating to investments in India***

**(a) Political risks**

The Government of India, since 1991, has pursued policies of economic liberalisation, including significantly relaxing restrictions on private sector involvement in certain industries. Nevertheless, the role of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. Since 1996, the Government of India has changed four times.

In May 2004, the general election in India brought the United Progressive Alliance coalition led by the Congress Party into power, replacing the Bhartiya Janata Party-led coalition. Following initial market uncertainty as a consequence of the unexpected change in government, the market

rallied after the appointment of Dr. Manmohan Singh, former finance minister, as prime minister. Whilst the new government has stated that one of its main tasks is to continue economic reform, there can be no assurance that economic liberalisation policies adopted by the previous government will continue in the future. Government corruption scandals and protests against privatisations, which have occurred in the past, could slow the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting mining and metals companies, foreign investment, currency exchange rates and other matters affecting investment 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 and, as a majority of the Group's assets are located in India and the Group intends to pursue acquisition opportunities in India in the future, the Group's business in particular.

***(b) New Disinvestment Policy of the Government of India***

The United Progressive Alliance has set out its policies and objectives in the Common Minimum Programme. According to the Common Minimum Programme, profit-making public sector companies will generally not be privatised, and all privatisation will be considered on a transparent and consultative case-by-case basis. Given the change in government policy on disinvestments, there can be no assurance that any of the proposed privatisations in which the Group has registered expressions of interest will be implemented or completed in the near future or at all.

***(c) Regional conflicts in South Asia***

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. In April 1999, India and Pakistan conducted long-range missile tests and India has continued to test its nuclear missiles since then. Since May 1999, military confrontations between India and Pakistan have occurred in the Himalayan region of Kargil and other border areas. In October 1999, the leadership of Pakistan changed as a result of a coup led by the military. In December 2001, terrorists attacked India's Parliament and in August 2003, terrorists set off two bombs in Mumbai. Events of this nature in the future could adversely affect the market price of the Bonds and the market in South Asia for the commodities the Group produces.

***(d) Economic growth***

The Group currently sells a majority of the commodities it produces to customers in India. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts, economic slowdown elsewhere in the world, or otherwise, may have a material adverse effect on demand for the commodities the Group produces.

***(e) Restrictions on foreign investment***

India regulates ownership of Indian companies by foreigners, though restrictions on foreign investment have been significantly relaxed in recent years. These regulations and restrictions may apply to acquisitions by the Guarantor, or other members of the Group who are not resident in India, of shares in Indian companies or the provision of funding by Vedanta Resources or any other non-Indian resident entity to Indian companies within the Group. See "*Information on India — Foreign investment and exchange restrictions*" for further information. There can be no assurance that the Group will be able to obtain any required approvals for future acquisitions or investments in India, or that the Group will be able to obtain such approvals on satisfactory terms.

## ***Risks relating to investment in Zambia***

### ***(a) Political Risks***

As with any emerging market, Zambia is subject to certain political, economic and social developments that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than would be the case in certain developed economies. The next presidential elections in Zambia are scheduled to be held in 2006 and although risks of political disturbances or economic disruption are considered unlikely, any political instability could have an adverse impact on the economy as a whole. Political disruptions and civil unrest that may occur in any neighbouring countries could potentially have an adverse effect on Zambian exports and consequently, on the Group's business.

### ***(b) Economic Risks***

Zambia is currently undergoing a nation-wide fuel shortage. This shortage has required KCM to find alternative sources of fuel to operate its mines and smelters. KCM is currently running the Nkana smelter on diesel fuel and utilising other power sources at capacity. KCM has also obtained a temporary licence to import fuel and is negotiating new supply sources. Management confirms that there has been no material reduction in the operations at KCM despite the fuel shortages, and that the fuel shortage has now passed. A committee of the Government of the Republic of Zambia ("GRZ") has stated that the copper mines in Zambia will be given priority when new fuel imports are delivered and the GRZ has also abolished its 5 per cent. import duty on fuel in order to alleviate the shortage.

While KCM has taken steps to deal with the fuel shortages, there can be no assurance that it will be able to find alternative supplies and no certainty as to how long the current shortages will last.

## ***Risks Relating to the Issuer***

The Issuer is a special purpose financing entity with no business operations other than the issuance of the Bonds, the lending of the proceeds to the Guarantor, the issue of the Preference Shares upon conversion of the Bonds and the entry into certain ancillary arrangements. The Issuer's only material assets will be the Guarantor's obligation to repay such loan. Therefore, the Issuer is subject to all risks to which the Guarantor is subject, to the extent that such risks could limit the Guarantor's ability to satisfy in full and on a timely basis its obligations under such loan. See "*Risks Relating to the Group*" below for a further description of certain of these risks. A9.3.1

## **Risks Relating to the Bonds and the GDRs**

A13.2

### ***Bonds may not be a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of that 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 this Offering Circular 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.

***There is no active trading market for the Bonds***

The Bonds are new securities which may not be widely distributed and for which there is currently no active 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 Group's results of operations and the market price of the Shares. Although applications have been made for the Bonds to be admitted to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

***The Bonds may be redeemed prior to maturity***

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of interest due in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Jersey or the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with the Conditions, unless the Bondholders' tax option under Condition 9(d) is exercised.

In addition, the Conditions provide that the Bonds are redeemable at the Issuer's option in certain other 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 at an effective interest rate as high as that of the Bonds.

***Bondholders will bear the risk of fluctuation in the price of the GDRs to the extent that the market develops for GDRs and the Ordinary Shares***

The market price of the Bonds is expected to be affected by fluctuations in the market price of the GDRs, to the extent that the market develops for the GDRs, and the Ordinary Shares and it is impossible to predict whether the price of the GDRs and the Ordinary Shares will rise or fall. Trading prices of the GDRs and the Ordinary Shares will be influenced by, among other things, the financial position of the Guarantor, the results of operations and political, economic, financial and other factors. Any decline in the price of the GDRs and the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues or sales of the Ordinary Shares may significantly affect the trading price of the Bonds or the GDRs and the Ordinary Shares. The future issue of Ordinary Shares by the Guarantor or the disposal of Ordinary Shares by the controlling shareholder of the Guarantor or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds, the GDRs and the Ordinary Shares. The Guarantor and the controlling shareholder of the Guarantor have agreed to certain restrictions on its ability to issue or dispose of Ordinary Shares or related securities between 20 January 2006 and the date which is 90 days after the issue of the Bonds. Except for such restrictions and the undertakings of the Guarantor described in Condition 13 below (see "*Terms and Conditions of the Bonds — Undertakings*"), there is no restriction on the Guarantor's ability to issue Ordinary Shares, and there can be no assurance that the Guarantor will not issue Ordinary Shares or that such controlling shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

***Because the Global Bond is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor***

The Bonds will be represented by the Global Bond. The Global Bond will be deposited with a common depository for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Bond, 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 Bond. While the Bonds are represented by the Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

***The Bonds have a minimum denomination, and a Bondholder holding less than this minimum denomination will not receive Definitive Registered Bonds***

The Bonds will be issued in principal amounts of U.S.\$100,000 and higher integral multiples of U.S.\$1,000. Definitive Bonds in registered form (the “Definitive Registered Bonds”) will only be issued in certain limited circumstances. See “*Summary of the Provisions Relating to the Bonds in Global Form*”. If Definitive Registered Bonds are issued, such Bonds will be issued only in respect of principal amounts equal to or greater than U.S.\$100,000. However, Bondholders should be aware the Definitive Registered Bonds in a principal amount that is not U.S.\$100,000 may be illiquid and difficult to trade. Definitive Registered Bonds will in no circumstances be issued to any person holding Bonds in an amount lower than the minimum denomination and holders will have no rights against the Issuer or the Guarantor (including rights to receive principal or interest or to vote) in respect of such Bonds.

***There are currently no GDRs outstanding and there is no market for the GDRs, and any market which may develop for GDRs may not be liquid***

There are currently non GDRs outstanding. On the Closing Date a depository facility will be in place but only a limited number of GDRs, namely 10 GDRs representing 10 Ordinary Shares transferred by Volcan to the Depository shortly after the Closing Date, will be issued and outstanding until Bondholders exchanges Bonds for Ordinary Shares represented by GDRs. There can be no assurance as to if or when any Bonds will be converted into GDRs. Whilst Barclays Bank PLC has the right to deposit up to six million Ordinary Shares into the depository facility and any current and/or future holder of Ordinary Shares may deposit such Shares, subject to the Guarantor’s consent, even if Bonds are converted into GDRs, the market for GDRs may not be liquid if there is not a sufficiently large number of GDRs issued and outstanding, which may make it difficult for investors to sell their GDRs at an acceptable price, or at all.

In addition, although application has been made to list the GDRs on the Luxembourg Euro MTF, no assurance can be made that a listing will be obtained. Holders of GDRs will have no voting rights and will not be able to withdraw Ordinary Shares from the GDR facility

***Holders of GDRs may not be able to exercise their voting rights***

Holders of GDRs will not be able to exercise any voting rights with respect to the Ordinary Shares represented by such GDRs, in accordance with the terms of the Deposit Agreement, unless the Guarantor notifies holders of GDRs that such voting rights are able to be exercised. The

A14.1.11

Guarantor has given an undertaking to its current controlling shareholder, Volcan, that the Guarantor will not exercise its right to so notify the GDR holders without Volcan's prior consent. Whilst such voting restriction is in place, holders of GDRs will not be able to withdraw Ordinary Shares from the GDR facility. See "*Description of the Ordinary Shares — Voting Rights*", "*Description of the Ordinary Shares — Transfer of Ordinary Shares*" and "*Description of the GDRs*".

#### ***Structural subordination to subsidiary debt***

The Group's operations are principally conducted through its subsidiaries. Accordingly, the Guarantor is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Guarantee. The Guarantee will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Guarantor's subsidiaries, and to all secured creditors of the 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 Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor.

In this regard, it should be noted that the subsidiaries of the Company including Sterlite, BALCO, MALCO and HZL have raised debt in the past, which is currently outstanding and repayable over the term of the Guarantee and the Bonds. Moreover, some of this debt is secured by a first charge on assets and properties of the respective companies and/or a first charge on current assets including stocks and book debts, which may affect the Company's ability to pay the Bondholders.

#### ***Holding company structure; dependence on subsidiaries***

The Guarantor's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. The Issuer's or, failing whom, the Guarantor's ability to pay amounts due on the Bonds or the Guarantee, as the case may be, will depend upon the level of distributions, interest payments and loan repayments, if any, received from the Guarantor's operating subsidiaries and associated undertakings, any amounts received on asset disposals and the level of cash balances. Certain of the Group's operating subsidiaries and associated undertakings are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated undertakings. A9.6.2

In addition, all dividends paid by Indian companies are currently subject to dividend distribution tax at a rate of 13.75 per cent. (including a surcharge of 10 per cent. on 12.5 per cent.) which is payable by the company paying the dividend and which, together with the other taxes payable by the companies, may exceed the UK double tax relief available to reduce UK tax payable on receipt of such dividends within the Group. The Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total dividend distribution tax payable (including surcharge). This has increased the total dividend distribution tax to 14.025 per cent. (including surcharges). Each Indian company that pays a dividend is liable to pay the dividend distribution tax. There can be no assurance that the Government of India will not further increase the surcharges or dividend taxes it imposes or reintroduce withholding tax on dividends declared, distributed or paid.

There can be no assurance that such restrictions and taxes will not have a material adverse effect on the Group's results of operations or financial condition or on the Issuer's or Guarantor's ability to make payments of amounts due on the Bonds or the Guarantee, as the case may be.

#### ***Modification, waivers and substitution***

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined A13.4.11

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 Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another Subsidiary of the Guarantor or of Newco as principal debtor under any Bonds in place of the Issuer, in the circumstances described in Condition 16 of the Terms and Conditions of the Bonds.

## 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 which is incorporated by reference into the Global Bond and endorsed on the Bonds in definitive form (if issued).*

The issue of the U.S.\$725,000,000 4.60 per cent. Guaranteed Convertible Bonds due 2026 (the “Bonds” which term shall, unless otherwise indicated, include the U.S.\$[125],000,000 principal amount of additional Bonds issued pursuant to the option to increase the principal amount of the Bonds (described in the Trust Deed referred to below) (the “Optional Bonds”) and any further bonds issued pursuant to Condition 20 and consolidated and forming a single series therewith) was (save in respect of any such further bonds) authorised by a resolution of the Board of Directors of Vedanta Finance (Jersey) Limited (the “Issuer”) passed on 18 January 2006. The giving of the guarantee (the “Guarantee”) by Vedanta Resources plc (the “Guarantor”) in respect of the Bonds was authorised by a resolution of a committee of the Board of Directors of the Guarantor (the “Board”) passed on 18 January 2006. A13.4.7

The Bonds are constituted by a trust deed dated 21 February 2006 (the “Trust Deed”) between the Issuer, the Guarantor and The Bank of New York (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, Conversion and Exchange Agency Agreement dated 21 February 2006 (the “Agency Agreement”) relating to the Bonds between the Issuer, the Guarantor, the Trustee and The Bank of New York in its capacity as Principal Paying, Transfer, Conversion and Exchange Agent (the “Principal Paying, Transfer, Conversion and Exchange Agent”, which expression shall include any successor as principal paying, transfer, conversion and exchange agent under the Agency Agreement), the paying, transfer, conversion and exchange agents for the time being (such persons, together with the Principal Paying, Transfer, Conversion and Exchange Agent, being referred to below as the “Paying, Transfer, Conversion and Exchange Agents”, which expression shall include their successors as Paying, Transfer, Conversion and Exchange Agents under, in any case, the Agency Agreement) and any other paying, transfer, conversion and exchange agent appointed under these Conditions, and the registrar named therein (the “Registrar” which expression shall include any successor registrar under the Agency Agreement), the Articles of Association of the Issuer (the “Articles of the Issuer”) and the deed poll (“Deed Poll”) executed and delivered on 21 February 2006 by the Guarantor. Copies of each of the Trust Deed, the Agency Agreement, the Articles of the Issuer and the Deed Poll 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, Conversion and Exchange Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings ascribed to them in the Trust Deed or, as the case may be, the Articles of the Issuer, unless, in any case, the context otherwise requires or unless otherwise stated.

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

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

The Bonds are in registered form, serially numbered in principal amounts of U.S.\$100,000 and higher integral multiples of U.S.\$1,000 (each an “Authorised Denomination”) without coupons attached. A13.4.4  
A14.1.3

*The Bonds will initially be represented by a global bond in registered form (the “Global Bond”). The Global Bond will be exchangeable in limited circumstances into definitive registered Bonds in registered form only and in an Authorised Denomination. Bonds in definitive form will be issued only upon exchange of interests in the Global Bond in the limited circumstances described in the Global Bond.*

**(b) Title**

Title to the Bonds will pass by transfer and registration (as described in Conditions 5 and 6). The Issuer, the Guarantor, the Trustee, the Registrar and any Paying, Transfer, Conversion and Exchange Agents will (except as otherwise required by law) deem and treat the holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof or that of the related certificate as appropriate or anything written on it or on the certificate representing it (other than a duly executed transfer thereof)) for all purposes.

**2 Status and Guarantee**

**(a) Status**

The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3) 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 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. A13.4.6

**(b) Guarantee**

The payment of all amounts payable in respect of the Bonds and all other moneys payable under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under the Trust Deed constitute senior, unsubordinated, direct, unconditional, and (subject to Condition 3) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. A6.1

**3 Negative Pledge**

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

- (i) Neither the Issuer nor the 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 Indebtedness or any guarantee or indemnity in respect of any Indebtedness;
- (ii) the Guarantor will not permit any of its Material Subsidiaries 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 (other than any security subsisting in respect of the Sterlite Industries (India) Limited U.S.\$67,000,000 Floating Rate Notes due 2007 issued on 5 June 1997),

unless, at the same time or prior thereto, the obligations of the Issuer or, as the case may be, the 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.

Provided that sub-clause (i) above shall not apply to Security (x) arising by operation of law or (y) created in respect of Indebtedness (which for this purpose shall exclude Relevant Debt) in an aggregate principal amount not exceeding 10 per cent. of Total Assets.

#### 4 Definitions

In these Conditions:

“Additional DRs” has the meaning provided in the Articles of the Issuer.

“Additional Shares” has the meaning provided in the Articles of the Issuer.

“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 and that Condition 8(a)(ii) shall not be applicable.

MP = the closing price for the Ordinary Shares as published by or derived from the Relevant Stock Exchange 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 closing price 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 date of first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom)), 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 the Bond is registered in the Register.

“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.

“Calculation Period” means the period of 10 consecutive dealing days commencing on the relevant Conversion Date (or if that is not a dealing day, commencing on the next following dealing day).

“Cash Settlement Amount” means an amount calculated in accordance with the following formula and which shall be payable to a Bondholder upon an exercise of a Conversion Right in circumstances where Condition 8(a)(ii) shall apply:

$$CSA = \sum_{n=1}^N \frac{1}{N} \times S \times P_n$$

where:

- CSA = the Cash Settlement Amount;
- S = the Reference Ordinary Shares in respect of the principal amount of Bonds the subject of the relevant exercise of Conversion Rights by the relevant Bondholder;
- $P_n$  = the Volume Weighted Average Price of an Ordinary Share on the  $n$ th dealing day of the Calculation Period; and
- N = 10, being the number of dealing days in the Calculation Period.

“Closing Date” means 21 February 2006.

“Conversion Date” has the meaning provided in Condition 8(b).

“Conversion Notice” has the meaning provided in Condition 8(b).

“Conversion Period” has the meaning provided in Condition 8(a).

“Conversion Right” has the meaning provided in Condition 8(a).

“Current Market Price” has the meaning provided in the Articles of the Issuer.

“Depository” has the meaning provided in the Articles of the Issuer.

“Dividend” has the meaning provided in the Articles of the Issuer.

“DRs” has the meaning provided in the Articles of the Issuer.

“Election Date” has the meaning provided in Condition 8(a).

“Exchange Price” has the meaning provided in the Articles of the Issuer.

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

“Excluded Indebtedness” means any Indebtedness to finance the ownership, acquisition, development and/or operation of projects, assets or installations or companies or undertakings (i) whose sole assets consist of such projects, assets or installations, (ii) whose sole operations consist of such projects, assets or installations and (iii) established for the sole purpose of owning and/or operating such projects, assets or installations (including, in each case, without limitation, (1) the discovery, mining, extraction, transportation or development (in each case whether directly or indirectly) of metals or minerals, or (2) the development or operation of processing facilities (in each case whether directly or indirectly) related to natural resources including, without limitation, metals smelting, processing and refining) (the “Relevant Property”) in respect of which the person or persons (in this definition the “Lender”) to whom any 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 of all or any portion of such Indebtedness other than:

- (i) recourse to such borrower for amounts limited to the present and future cash flow or net cash flow from the Relevant Property; and/or
- (ii) recourse to the proceeds of enforcement of any Security given by such borrower over the Relevant Property or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (B) such Lender is not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding-up or dissolution of such borrower or to appoint or procure the



appointment of any receiver, trustee or similar person or officer in respect of such borrower generally or any of its projects, assets or installations (save for the Relevant Property the subject of such security); and/or

- (iii) recourse to such borrower generally, or directly or indirectly to a 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 person or an indemnity in respect thereof or an obligation to comply or to procure compliance by another person with any financial ratios or other tests of financial condition) by the person against whom such recourse is available.

“Final Maturity Date” means 21 February 2026.

“Fixed Exchange Rate” means U.S.\$1.7845 = £1.00.

“Group” means the 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” has the meaning provided in the Articles of the Issuer.

“Interest Payment Date” has the meaning provided in Condition 7(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.

“Newco Scheme” has the meaning provided in the Articles of the Issuer.

“Optional Redemption Notice” has the meaning provided in Condition 9(b).

“Optional Redemption Date” has the meaning provided in Condition 9(b).

“Ordinary Shares” means the ordinary shares of the Guarantor having a nominal value at the Closing Date of U.S.\$0.10 each (and all other (if any) shares or stock resulting from any subdivision, consolidation or re-classification of such Ordinary Shares).

“Preference Shares” means exchangeable redeemable preference shares of the Issuer of no par value and which will be issued on conversion of the Bonds at a paid-up value (the “Paid-up Value”) of U.S.\$1,000 each.

“Prevailing Rate” means in respect of any dealing day, the noon buying rate in New York City for cable transfers in pounds sterling, as reported by the Federal Reserve Bank of New York on such dealing date, or if on such dealing day such rate is not available, such rate prevailing on the immediately preceding day on which such rate is so 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 8(b).

“Reference Ordinary Shares” means in respect of the principal amount of Bonds the subject of an exercise of Conversion Rights, the number of Ordinary Shares (including any fraction of an Ordinary Share, but rounded if necessary to five decimal places, with 0.00005 being rounded up) determined by dividing such principal amount (translated into pounds sterling at the Fixed Exchange Rate) by the Exchange Price in effect on the relevant Conversion Date.

“Register” has the meaning provided in Condition 5.

“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, Conversion and Exchange 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 19.

“Relevant Debt” means any present or future indebtedness of the Guarantor or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which 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 having an original maturity of more than one year from its date of issue and denominated, payable or optionally payable in a currency other than Rupees or which are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside India by or with the authority of the Guarantor and other than Excluded Indebtedness.

“Relevant Event” has the meaning provided in the Articles of the Issuer.

“Relevant Event Period” has the meaning provided in the Articles of the Issuer.

“Retroactive Adjustment” has the meaning provided in the Articles of the Issuer.

“securities” has the meaning provided in the Articles of the Issuer.

“Share Exchange Rights” has the meaning provided in the Articles of the Issuer.

“Subsidiary” means any company or other business entity of which the Guarantor owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of the Guarantor or which, under English or other applicable law or regulations and under generally accepted accounting principles in the United Kingdom, or International Financial Reporting Standards, as the case may be, from time to time, should have its accounts consolidated with those of the Guarantor.

“Tax Redemption Date” has the meaning provided on Condition 9(c).

“Tax Redemption Notice” has the meaning provided in Condition 9(c).

“Total Assets” means the aggregate of consolidated total current assets and consolidated total noncurrent assets of (i) the Guarantor as shown in the balance sheet of the latest available audited consolidated financial statements of the Guarantor; and (ii) any Subsidiary of the Guarantor acquired by the Guarantor or any Subsidiary of the Guarantor since the date of the latest available audited consolidated financial statements of the Guarantor as shown in the balance sheet of the latest available audited consolidated financial statements of such Subsidiary.

“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” has the meaning provided in the Articles of the Issuer.

For the purposes of Condition 13, (a) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Guarantor or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the

Guarantor or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries shall not be considered as or treated as “in issue”.

In relation to the Bonds, 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 Professional Securities Market of the London Stock Exchange. In relation to the Ordinary Shares, 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 of the London Stock Exchange.

## **5 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 holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds. Holders of Bonds will be entitled to receive only one Bond in respect of their respective holdings.

## **6 Transfer of Bonds**

### **(a) Transfer**

Bonds may, subject to the terms of the Agency Agreement and to Conditions 6(b) and 6(c), 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, Conversion and Exchange 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.

### **(b) 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.

### **(c) 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 immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 9(b) or (c),

(ii) in respect of which a Conversion Notice (as defined in Condition 8(b)) has been delivered in accordance with Condition 8(b), (iii) in respect of which a holder has exercised its right to require the Issuer to redeem pursuant to Condition 9(f), or (iv) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

**(d) Business Day**

In this Condition 6, “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.

**7 Interest**

**(a) Interest Rate**

The Bonds bear interest from and including the Closing Date at the rate of 4.60 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 21 February and 21 August in each year (each an “Interest Payment Date”), commencing with the Interest Payment Date falling on 21 August 2006. A13.4.8

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 payment 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 8(e)) 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 7(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, Conversion and Exchange 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).

**8 Conversion and Exchange**

**(a) Conversion Period and Exchange Price**

(i) Subject as provided in Condition 8(a)(ii), each Bond shall confer on the holder the right (such right a “Conversion Right”) to convert each U.S.\$1,000 principal amount of Bonds delivered to the Paying, Transfer, Conversion and Exchange Agent in accordance with Condition 8(b) in the exercise of a Conversion Right into one fully paid Preference Share, allotted at a price equal to the Paid-up Value, and the holder of such Preference Share shall have the right, pursuant to the Articles of the Issuer, to require the Issuer forthwith to procure that such Preference Share is exchanged immediately, pursuant to A14.1.5

the Articles of the Issuer and the terms of the Deed Poll and as contemplated by these Conditions, for Ordinary Shares, credited as fully paid, which shall, other than in circumstances where Condition 8(a)(vi) shall apply in relation to the relevant exercise of Conversion Rights, be represented by DRs.

- (ii) Where the Conversion Date in respect of the exercise of a Conversion Right falls on or prior to the Election Date (as defined below), the relevant principal amount of Bonds in respect of which such Conversion Right shall have been exercised shall not be converted into Preference Shares and no Ordinary Shares or DRs shall be issued to the relevant Bondholder in respect of such exercise, and in such circumstances such principal amount of Bonds shall be redeemed at the Cash Settlement Amount (together with any other amounts which may be required to be paid by the Issuer in respect of, or following such exercise, including any interest payable pursuant to Condition 8(e)).

The Issuer shall make payment of the Cash Settlement Amount (together with any other such amount as aforesaid) to the relevant Bondholder by not later than the fifth London business day following the end of the Calculation Period by transfer to a pounds sterling account with a bank in London specified by the relevant Bondholder in the relevant Conversion Notice.

If there is a Retroactive Adjustment following the exercise of a Conversion Right by a Bondholder where this Condition 8(a)(ii) applies, the Issuer shall pay to such Bondholder an additional amount (the “Additional Cash Settlement Amount”) equal to the Market Price of the Additional Reference Ordinary Shares (each as defined below).

The Issuer will pay the Additional Cash Settlement Amount not later than five London business days following the date the relevant Retroactive Adjustment takes effect by transfer to a pounds sterling account with a bank in London specified by the relevant Bondholder in the relevant Conversion Notice.

“Additional Reference Ordinary Shares” means such number of additional Ordinary Shares (including any fraction of an Ordinary Share, but rounded if necessary to five decimal places, with 0.00005 being rounded up) as together with the Reference Ordinary Shares used for the purposes of determining the Cash Settlement Amount payable to the relevant Bondholder in respect of the relevant exercise of Conversion Rights is equal to the number of Ordinary Shares which would have constituted the Reference Ordinary Shares for such purpose if the relevant adjustment to the Exchange Price had in fact been made and became effective on the relevant Conversion Date.

“Market Price” means the Volume Weighted Average Price of an Ordinary Share on the date as of which the relevant Retroactive Adjustment takes effect (or, if that is not a dealing day, on the next following dealing day), provided that if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such Dividend or other entitlement shall be on or after the relevant Conversion Date and if on the date as of which the relevant Retroactive Adjustment takes effect (or, as the case may be, the relevant dealing day) the Volume Weighted Average Price of an Ordinary Share is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom).

- (iii) The Issuer may at any time by giving not more than 45 nor less than 15 days’ prior notice to the Trustee and to the Bondholders in accordance with Condition 19, on and with effect from the date (the “Election Date”) specified in such notice irrevocably elect

that the provisions of Condition 8(a)(i) shall apply in respect of all exercises of Conversion Rights where the relevant Conversion Date falls on or after the Election Date, and in such circumstances, Condition 8(a)(ii) shall cease to apply accordingly.

- (iv) A Bondholder may exercise the Conversion Right in respect of an Authorised Denomination of a Bond only by delivering such Bond to the specified office of any Paying, Transfer, Conversion and Exchange Agent in accordance with Condition 8(b) whereupon (if Condition 8(a)(i) shall apply) the Issuer shall issue to the Bondholder one Preference Share in respect of each U.S.\$1,000 principal amount of a Bond, and will, pursuant to the Articles of the Issuer, procure that such Preference Share is, immediately following issue and registration of such Preference Share, exchanged in accordance with the Articles of the Issuer for Ordinary Shares, credited as paid up in full, which shall (other than in circumstances where Condition 8(a)(vi) shall apply in relation to the relevant exercise of Conversion Rights) be represented by DRs, or (if Condition 8(a)(ii) shall apply) the Issuer shall redeem the relevant Bonds at the Cash Settlement Amount, together with any such other amounts as referred to in Condition 8(a)(ii).

Where a Conversion Right is exercised in respect of a part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties or other governmental charges payable in connection therewith and the Registrar will within seven Business Days (as defined in Condition 6) following the relevant Conversion Date deliver such new Bond to the Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary uninsured mail, at the expense of the Bondholder) mail the new Bond by ordinary uninsured mail to such address as the Bondholder may request.

- (v) Subject to, and upon compliance with, the provisions of 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 3 May 2006 to the close of business (in the place where the relevant Bond is delivered for conversion) on the date falling six days prior to the Final Maturity Date (both days inclusive) or, if the Bonds shall have been called for redemption pursuant to Condition 9(b) or (c) prior to the Final Maturity Date, then up to the close of business (in the place aforesaid) on the sixth day before the date fixed for redemption thereof, unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the period during which the Conversion Right may be exercised shall extend up to the close of business (in 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 19 or, if earlier, the Final Maturity Date; provided that, in each case, if the final such date for the exercise of Conversion Rights is not a business day in the place aforesaid, then the period during which the Conversion Right may be exercised shall end on the immediately preceding business day in the place aforesaid.

Conversion Rights may not be exercised (i) in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem such Bond pursuant to Condition 9(f), or (ii) following the giving of notice by the Trustee pursuant to Condition 12.

A Conversion Right 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 within which a Conversion Right may be exercised by a Bondholder is referred to as the "Conversion Period".

Where Ordinary Shares to be issued on exchange are to be represented by DRs, such Ordinary Shares will be issued to, or to a custodian on behalf of, the Depositary for a price per Ordinary Share equal to the Exchange Price, which price shall be satisfied by transfer of a Preference Share to such person. Ordinary Shares to be issued on exchange and DRs representing such Ordinary Shares will be deemed to be issued as of the relevant Conversion Date. Any Additional Shares and any Additional DRs representing Additional Shares will be deemed to be issued as of the relevant Reference Date.

By exercising a Conversion Right, a Bondholder will be deemed (save where Condition 8(a)(ii) shall apply), subject to and in accordance with the Articles of the Issuer, to have exercised the Share Exchange Rights applicable to the Preference Shares arising on the exercise of such Conversion Right, and the Issuer will procure that such Preference Shares are immediately, following issue of such Preference Shares to the Bondholder or to its nominee and registration of such Preference Shares in the name of the relevant person, exchanged for Ordinary Shares which shall (other than in circumstances where Condition 8(a)(vi) shall apply in relation to the relevant exercise of Conversion Rights) be represented by DRs, on the relevant Conversion Date (without any further action being required to be taken by any Bondholder or the Trustee). Each of the Issuer and the Guarantor shall (at its own expense) do all such things and make all such entries in the Issuer's and the Guarantor's respective registers of members and execute all such documents, whether at the request of the Trustee, on behalf of the relevant Bondholders or otherwise (including the execution of such instruments of transfer on behalf of the relevant Bondholders) as may be necessary to effect such exchange of Preference Shares.

Conversion Rights are not exercisable in respect of any specific Preference Shares, Ordinary Shares or DRs and no Preference Shares, Ordinary Shares or DRs have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Issuer and the Guarantor in respect of the delivery of Preference Shares, Ordinary Shares or DRs.

- (vi) The Issuer may elect (such election, a "Share Settlement Election") by giving prior notice (a "Share Settlement Election Notice") to the Trustee and the Bondholders in accordance with Condition 19, to satisfy Share Exchange Rights in relation to the exercise of Conversion Rights attaching to any Bonds in respect of which the Conversion Date falls on or after the Election Date and on or after the Share Settlement Date specified in such Share Settlement Election Notice by delivering or procuring that there are delivered on such exercise and in exchange for the relevant Preference Shares, Ordinary Shares, in lieu of DRs.

"Share Settlement Date" means the date specified as such in a Share Settlement Notice and which shall be not earlier than 10 nor later than 15 days after the date such notice is given.

With effect from the Share Settlement Date any restriction in the Deposit Agreement restricting the ability of the holders of the DRs to exercise voting rights in respect of the Ordinary Shares represented by such DRs and to withdraw such Ordinary Shares from the deposit facility will be removed, and the Guarantor will procure that the Deposit Agreement is amended accordingly and, if any DRs are at that time outstanding, that the Depositary shall give notice thereof to the holders of the DRs.

### ***Share Exchange Rights***

*The following is a summary of the Articles of the Issuer relating to the Share Exchange Rights. The Articles of the Issuer are separate from, and do not form part of these Conditions.* A13.4.7

(a) *Exercise of Share Exchange Rights*

*The number of Ordinary Shares to be issued on the exercise of a Share Exchange Right (the "Relevant Number of Ordinary Shares") shall be determined by dividing the Paid-up Value (being U.S.\$1,000 per Preference Share) of the relevant Preference Shares (translated into pounds sterling at the fixed exchange rate of U.S.\$1.7845 = £1.00) by the exchange price (the "Exchange Price") in effect on the relevant Conversion Date and, unless a Share Settlement Election is in effect on the relevant Conversion Date, where necessary rounding that number of Ordinary Shares down to the nearest multiple of the number of Ordinary Shares represented by a DR as at the relevant Conversion Date. The initial Exchange Price is £14.54 per Ordinary Share and the Exchange Price shall thereafter be subject to adjustment in the circumstances described in the Articles of the Issuer as summarised in paragraph (b) below. Where DRs are to be issued in respect of Ordinary Shares arising on exercise of a Share Exchange Right, the number of DRs to be issued shall be determined by dividing the Relevant Number of Ordinary Shares by the number of Ordinary Shares represented by a DR as at the relevant Conversion Date. As at the Closing Date, each DR represents one Ordinary Share.*

*The exercise of a Share Exchange Right shall be satisfied by the issue and delivery of DRs, subject to and as provided herein. However, if on the relevant Conversion Date a Share Settlement Election is in effect, the exercise of a Share Exercise Right shall be satisfied by the issue and delivery of Ordinary Shares in an amount equal to the Relevant Number of Ordinary Shares, subject to and as provided herein.*

*Fractions of DRs and/or Ordinary Shares will not be issued and, where DRs are to be issued on the exercise of a Share Exchange Right, Ordinary Shares which are not at the relevant time a multiple of the number of Ordinary Shares represented by a DR will not be issued (where at the relevant time a DR represents more than one Ordinary Share), but, except where any individual entitlement would be less than £5, a cash payment shall be made by the Issuer in respect of any such Ordinary Shares or fraction of an Ordinary Share determined by reference to the Current Market Price per Ordinary Share on the dealing day immediately preceding the relevant Conversion Date and the Issuer shall make payment of the relevant amount to the relevant holder not later than five business days in London following the relevant Conversion Date by transfer to a pounds sterling account with a bank in London specified by the relevant Bondholder in the relevant Conversion Notice. If a Share Exchange Right in respect of more than one Preference Share is deemed to be exercised at any one time such that DRs (and the Ordinary Shares to be represented thereby) or, as the case may be, where a Share Settlement Election is in effect, Ordinary Shares in respect of such exercise are to be issued to the same person, the number of DRs and/or Ordinary Shares to be issued in respect thereof shall be calculated on the basis of the aggregate Paid-up Value of such Preference Shares.*

(b) *Adjustment of Exchange Price*

*Upon the happening of any of the events described below, the Exchange 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 Exchange Price shall be adjusted by multiplying the Exchange 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 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 received or (y) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Exchange Price shall be adjusted by multiplying the Exchange 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) *If and whenever the Guarantor shall pay or make any Capital Distribution (as defined below) to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such Capital Distribution by the following fraction:*

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

*where:*

*A is the Current Market Price (as defined below) of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of the Guarantor or any Subsidiary of the Guarantor, on which such Ordinary Shares, receipts or certificates are purchased or, in the case of a Non-Cash Dividend, is the Current Market Price of an Ordinary Share on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex- the relevant Non-Cash Dividend; and*

*B is the portion of the Fair Market Value (as defined below of the Capital Distribution attributable to one Ordinary Share), with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of the Guarantor or any Subsidiary of the Guarantor, by the number of Ordinary Shares in issue immediately prior to such purchase).*

*Such adjustment shall become effective on the date on which the relevant Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any*

such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

“Capital Distribution” means:

- (a) any Dividend which is expressed by the Guarantor or declared by the Board of Directors of the Guarantor to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders of the Guarantor or any analogous or similar term, in which case the Capital Distribution shall be the Fair Market Value of such Dividend; or
- (b) any Non-Cash Dividend (in which case the Capital Distribution shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets); or
- (c) any Cash Dividend (the “Relevant Dividend”) charged or provided for in the accounts of the Guarantor in respect of any fiscal year (the “Relevant Fiscal Year”) or part thereof of the Guarantor if the sum of:
  - (i) the Fair Market Value of the Relevant Dividend per Ordinary Share; and
  - (ii) the Fair Market Value per Ordinary Share of the aggregate of any other Cash Dividend or Cash Dividends charged or provided for in the accounts of the Guarantor in respect of the Relevant Fiscal Year (disregarding for such purpose any amount previously determined to be a Capital Distribution in respect of the Relevant Fiscal Year or part thereof),

such sum being the “Current Year’s Dividends”, exceeds the Reference Amount, and in such case the amount of the relevant Capital Distribution shall be the amount by which the Current Year’s Dividends exceeds the Reference Amount, or if less, the Relevant Dividend.

“Reference Amount” means the greater of:

- (a) 120 per cent. of the Fair Market Value of all Cash Dividends per Ordinary Share for the fiscal year of the Guarantor immediately preceding the Relevant Financial Year (disregarding for such purpose any amount previously determined to be a Capital Distribution in respect of that fiscal year); and
- (b) 1.25 per cent. of the average of the Volume Weighted Average Price on each dealing day in the period of 365 days ending on the day immediately preceding the date of first public announcement of the Relevant Dividend, provided that if on any such dealing day the Volume Weighted Average Price shall have been based on a price 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 other entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom).

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 date of the first public announcement of the relevant Dividend.

In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary

*Shares by way of capitalisation of profits or reserves (or any like or similar event) or any change in the number of Ordinary Shares in issue in relation to the financial year in question, or (ii) any change in the fiscal year of the Guarantor.*

*“Cash Dividend” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than any Dividend falling within paragraph (b) of the definition of “Spin-Off” and (ii) any Dividend which is a Cash Dividend pursuant to paragraph (a) of the definition of “Dividend”, and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of “Dividend” shall be treated as being a Non-Cash Dividend.*

*“Dividend” means any dividend or distribution to Shareholders (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 credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:*

- (a) where 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) such cash amount and (ii) the Fair Market Value (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined), of such Ordinary Shares or other property or assets;*
- (b) any issue of Ordinary Shares falling within paragraph (b)(ii) above shall be disregarded;*
- (c) a purchase or redemption or buy back of share capital of the Guarantor by the Guarantor or any Subsidiary of the Guarantor shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of the 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 pounds 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 closing prices of the Ordinary Shares on the London Stock Exchange (as published by or derived from the London Stock Exchange) 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 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 to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the 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 closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and*

- (d) *if the 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.*

*“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).*

*“Non-Cash Dividend” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.*

*“Spin-Off” means:*

- (a) *a distribution of Spin-Off Securities by the 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 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 Guarantor or any of its Subsidiaries.*

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

- (iv) *If and whenever the 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 dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:*

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

where:

- A *is the number of Ordinary Shares in issue immediately before such announcement;*
- 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 (provided that, in the event that such aggregate consideration receivable is not determinable on such dealing day, 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 such dealing day); 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 first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the London Stock Exchange.*

- (v) *If and whenever the 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 Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:*

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

where:

- A *is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and*
- B *is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.*

*Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the London Stock Exchange.*

- (vi) *If and whenever the Guarantor shall issue (otherwise than as mentioned in subparagraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other*

than Ordinary Shares issued on the exercise of a Share Exchange 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 Optional Bonds and any further bonds issued pursuant to Condition 20 and consolidated and forming a single series with the Bonds and other than the Preference 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 dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant 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; and
- C is the maximum number of Ordinary Shares to be issued pursuant to such issue of such additional 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.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of, or pursuant to any arrangements with, the Guarantor or any Subsidiary of the 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 for this purpose include any Optional Bonds and exclude any further bonds issued pursuant to Condition 20 and consolidated and forming a single series with the Bonds and other than the Preference Shares) 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 dealing day last preceding the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue (or grant) 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 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; 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 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 Optional Bonds and any further bonds issued pursuant to Condition 20 and consolidated and forming a single series therewith and other than the Preference Shares) 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 dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such modification 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 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 date of modification of the rights of conversion, exchange or subscription attaching to such securities.*

- (ix) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary of the 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 Exchange Price falls to be adjusted under sub-paragraph (ii), (iii), (iv) or (vii) 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) or under sub-paragraph (v) above) the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:*

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

*where:*

- A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and*
- B is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.*

*Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the London Stock Exchange.*

- (x) If 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 430E(4) of the Companies Act 1985)), to acquire all or a majority of the issued ordinary share capital of the 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 Guarantor has or will become unconditionally vested in the offeror and/or such associate as aforesaid, or an event occurs which has a like or similar effect (a “Relevant Event”), the Exchange Price (the “Change of Control Exchange Price”) shall be determined as set out below (but in each case adjusted, if appropriate, proportionately on each adjustment to the Exchange Price under the foregoing sub-paragraphs and sub-paragraph (xi) below), provided that the Change of Control Exchange 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 the date the Relevant Event occurs and ending on the date 60 days following the occurrence of the Relevant Event or, if later, 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 Guarantor:*

$$\text{COCEP} = \text{OEP} / (1 + (\text{EP} \times c/t))$$

where:

COCEP = means the Change of Control Exchange Price

OEP = means the Exchange Price in effect immediately prior to the Change of Control

EP = means 48% (expressed as fraction)

c = means the number of days from and including the date the Change of Control 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

“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 London Stock Exchange plc’s EEA Regulated Market or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Guarantor or Newco may determine.

“Newco Scheme” means a scheme of arrangement which effects the interposition of a limited liability company (“Newco”) between the Shareholders of the Guarantor immediately prior to the scheme of arrangement (the “Existing Shareholders”) and the 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 and that all Subsidiaries of the Guarantor immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Guarantor) are Subsidiaries of the Guarantor (or of Newco) immediately after the scheme of arrangement.

- (xi) *If the Guarantor determines that an adjustment should be made to the Exchange 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 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 Exchange 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 Exchange 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 Exchange Price or where more than one event which gives rise to an adjustment to the Exchange Price occurs within such a short period of time that, in the opinion of the 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 and provided further that, for the avoidance of doubt, the issue of Ordinary Shares and/or DRs pursuant to the exercise of the Share Exchange Rights shall not result in an adjustment to the Exchange Price.*

*For the purpose of any calculation of the consideration receivable or price pursuant to sub paragraphs (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 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 date of the first public announcement of the terms of issue of such securities or, as the case may be, such options, warrants or rights, 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 date of the first public announcement of the terms of issue of such securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and*

- (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.*

*The following expressions have the following meanings:*

*“Additional DRs” has the meaning provided in paragraph (c) below.*

*“Additional Shares” has the meaning provided in paragraph (c) below.*

*“Bonds” means the 4.60 per cent. Guaranteed Convertible Bonds due 2026 of the Issuer, unconditionally and irrevocably guaranteed by the Guarantor.*

*“Capital Distribution” has the meaning provided in sub-paragraph (b)(iii) above.*

*“Conditions” means the terms and conditions of the Bonds.*

*“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 date of first public announcement of such Dividend (or entitlement) (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); 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 date of the first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),*

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

*“Depository” means The Bank of New York in its capacity as depository under the Deposit Agreement, or its successor as such.*

*“Deposit Agreement” means the deposit agreement dated as of 21 February 2006 between the Guarantor and the Depository.*

*“DRs” means a depository receipt representing an Ordinary Share or Ordinary Shares (with each DR representing one Ordinary Share as at 21 February 2006) issued pursuant to the Deposit Agreement.*

*“Dividend” has the meaning provided in sub-paragraph (b)(iii) above.*

*“Fair Market Value” has the meaning provided in sub-paragraph (b)(iii) above.*

*“Guarantor” means Vedanta Resources plc.*

*“Independent Financial Adviser” means an investment bank of international repute appointed by the Issuer or the 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 Guarantor fail to make such appointment and such failure continues for a reasonable period (as determined by the Trustee), appointed by the Trustee following consultation with the Issuer and the Guarantor and provided that the Issuer or the Guarantor, as the case may be, shall be responsible for all costs, fees and expenses of such adviser.*

*“Relevant Event” has the meaning provided in sub-paragraph (b)(x) above.*

*“Relevant Event Period” has the meaning provided in sub-paragraph (b)(x) above.*

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

*“Share Settlement Election” has the meaning provided in the Conditions.*

*“Shareholders” has the meaning provided in sub-paragraph (b)(ii) above.*

*“Subsidiary” means a subsidiary within the meaning of section 736 of the Companies Act 1985.*

*“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 order book 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 Reuters page Ved.L 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.*

*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 other than Shareholders 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.*

*For the purposes of paragraphs (b), (c) and (g), (i) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Guarantor or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (ii) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries (and which, in the case of sub-paragraphs (b)(iv) and (vi) above, do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue”.*

*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 determines in good faith to be appropriate to reflect any consolidation or subdivision of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.*

(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 any such issue as is mentioned in sub-paragraphs (b)(vi) and (vii) above which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under paragraph (b) above (each such adjustment, a “Retroactive Adjustment”) in circumstances where such Bond is to be converted into Preference Shares, the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the exchanging holder of Preference Shares, 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 DRs (if any) (the “Additional DRs”) as, together with the DRs issued or to be issued on exchange of the relevant Preference Share (together with any fraction of DR not so issued), is equal to the number of DRs or, if a Share Settlement Election shall have been in effect on the relevant Conversion Date, such number of additional Ordinary Shares (the “Additional Shares”) as, together with the Ordinary Shares issued or to be issued on such exchange (together with any fraction of an Ordinary Share not so issued) is equal to the number of Ordinary Shares, in each case which would have been required to be issued on exchange of such Preference Share if the relevant adjustment (more particularly referred to in the said provisions of paragraph (b) above) to the Exchange 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, or to a custodian on behalf of, the Depository or, if a Share Settlement Election shall have been in effect on the relevant Conversion Date, are issued to or as directed by the relevant Bondholder in the relevant Conversion Notice. Where Additional DRs are to be issued, the Issuer shall procure the Additional DRs are issued by the Depository to or as directed by the relevant Bondholder in the relevant Conversion Notice. Such Additional Shares and any Additional DRs 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 Exchange Price, and following consultation between the Guarantor and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Exchange Price shall be conclusive and binding on all concerned, save in the case of manifest error.*

(e) *Ordinary Shares may not be Issued at a Discount*

*The Exchange Price may not be reduced so that, on exchange of the Preference Shares, Ordinary Shares would fall to be issued at a discount to their nominal or par value.*

(f) *Employees' Share Schemes*

*No adjustment will be made to the Exchange 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 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 scheme (as defined in Section 743 of the Companies Act 1985).*

*The Exchange Price may not be adjusted so that exercise of the Share Exchange Rights would require Ordinary Shares to be issued in circumstances not permitted by applicable law.*

(g) *Rounding Down and Notice of Adjustment to the Exchange Price*

*On any adjustment, the resultant Exchange Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Exchange Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange 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.*

*Notice of any adjustments shall be given by the Issuer to Bondholders in accordance with Condition 19 as soon as practicable after the determination thereof.*

**(b) Procedure for Conversion and Exchange**

A Conversion Right may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer, Conversion and Exchange Agent at its own expense, 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, Conversion and Exchange Agent. A14.1.5

Where the Ordinary Shares arising on exchange are to be represented by DRs, a Bondholder exercising Conversion Rights shall, as a pre-condition to receiving DRs, also be required to comply with any relevant provisions of the Deposit Agreement relating to the deposit of the Ordinary Shares to be represented by DRs pursuant to the Deposit Agreement, including the provision of such confirmations, certificates, undertakings or other formalities as may be required pursuant to the Deposit Agreement or requested by the Depositary. The Deposit Agreement in effect on the Closing Date will require a converting Bondholder to certify,

amongst other things, that it or, if it is a broker-dealer acting on behalf of a customer, such customer:

- (i) is the beneficial owner of the Ordinary Shares and the DRs representing such Ordinary Shares;
- (ii) is not a U.S person (as defined in Regulation S under the United States Securities Act of 1933) and is located outside the United States (within the meaning of Regulation S).

If a converting Bondholder shall fail to provide such a certificate or shall fail to provide such confirmation, certification, undertaking or other formalities or shall fail to comply with any other relevant provision of the Deposit Agreement, the purported exercise of Conversion Rights shall be invalid.

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

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 such delivery and, if applicable, the making of any payment to be made by the Bondholder as provided below.

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, the United States, Belgium, Luxembourg or the United Kingdom in respect of the allotment and issue of any Preference Shares on such conversion or on transfer of the Preference Shares to the Guarantor on exchange of the Preference Shares or in respect of the allotment, issue and delivery of any Ordinary Shares and/or DRs issued on exchange of the Preference Shares, including any stamp duty or stamp duty reserve tax payable under Sections 67, 70, 93 or 96 of the Finance Act 1986) (including any Additional DRs and Additional Shares), which shall be paid by the Issuer or the Guarantor) and such Bondholder must pay all, if any, other taxes arising by reference to any disposal or deemed disposal of a Bond, any interest therein or any Preference Share in connection with such conversion and exchange.

Ordinary Shares to be issued on exchange of the Preference Shares (including any Additional Shares) will be issued in uncertificated form through the dematerialised securities trading system operated by CRESTCo 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 an account of, or of a custodian on behalf of, the Depository (or, where a Share Settlement Election is in effect, 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, or to a custodian on behalf of, the Depository (or, where a Share Settlement Election is in effect, to the relevant Bondholder or as it may direct in the relevant Conversion Notice) within 14 days following the relevant Conversion Date or, as the case may be, the Reference Date.

The Guarantor will further procure that the Depository credit to the account of the relevant Bondholder with the Euroclear System or Clearstream, Luxembourg specified in the relevant Conversion Notice the relevant DRs or, as the case may be, Additional DRs to be issued and delivered by not later than 21 London business days following the relevant Conversion Date or, as the case may be, the Reference Date.

Where a Share Settlement Election is in effect, the Ordinary Shares to be issued on exercise of Share Exchange 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.

**(c) Purchase or Redemption by the Guarantor of its Own Shares**

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

**(d) Ranking**

- (i) Ordinary Shares issued upon exchange 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. A13.4.6
- (ii) DRs issued upon exchange will in all respects rank *pari passu* with all other DRs then in issue on the relevant Conversion Date or, in the case of Additional DRs, on the relevant Reference Date (except in any such case for any right excluded by mandatory provisions of applicable law), except that DRs or, as the case may be, Additional DRs so issued will not rank for any rights, distributions or entitlement where the record date or other due date for the establishment of entitlement in respect of the Ordinary Shares represented by such DRs or, as the case may be, Additional DRs falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (iii) Save as provided in Condition 8(e), no payment or adjustment shall be made on conversion and exchange 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).

**(e) 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 pounds sterling denominated cheque drawn on, or by transfer to, a pounds sterling account maintained with a branch of a bank in London, in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

**(f) Preference Shares**

- (i) Preference Shares allotted pursuant to these Conditions will be fully paid and will rank *pari passu* with all (if any) fully paid Preference Shares then in issue except that the Preference Shares so allotted will not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to such Conversion Date.
- (ii) Preference Shares will be allotted as of the relevant Conversion Date and will be allotted in the name of the holder of the Bond completing the relevant Conversion Notice or of his nominee.

**(g) Relevant Event Notice**

Within 14 calendar days following the occurrence of a Relevant Event, the Issuer or the Guarantor shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 19 (a “**Relevant Event Notice**”). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and the Exchange Price applicable in consequence of the Relevant Event as set out in the Articles of the Issuer, as adjusted where appropriate. The Relevant Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Relevant Event;
- (ii) the Exchange Price immediately prior to the occurrence of the Relevant Event and the Exchange Price applicable pursuant to the Articles of the Issuer during the Relevant Event Period;
- (iii) the closing price of the Ordinary Shares as derived from the London Stock Exchange as at the latest practicable date prior to the publication of such notice;
- (iv) the last day of the Relevant Event Period; and
- (v) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be under any duty to monitor or to take any steps to ascertain whether a Relevant Event or any event or circumstance which could lead to a Relevant Event or give rise to an adjustment to the Exchange Price has occurred or may occur and the Trustee will not be responsible to any person for any loss arising from any failure by it to do so.

**9 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

A14.1.5

with Condition 9(b) or 9(c) (subject, in the case of redemption pursuant to Condition 9(c), to the provisions of Condition 9(d)), and may only be redeemed by the Bondholders prior to the Final Maturity Date in accordance with Condition 9(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 19, 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 14 March 2009, if the Aggregate Value on each dealing day in any period of not less than 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, exceeds U.S.\$130,000; 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 9(b) (ii), the principal amount of the Bonds originally issued shall be the aggregate of the principal amount of the Bonds, including any Optional Bonds and further bonds issued pursuant to Condition 20 and consolidated and forming a single series with the Bonds.

**(c) *Redemption for Taxation Reasons***

The Bonds may be redeemed (subject to the provisions of Condition 9(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 19 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 (1) the Issuer satisfies the Trustee immediately prior to the giving of such Tax Redemption Notice that it (or, if the Guarantee were called, the 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 11 as a result of any change in, or amendment to, the laws or regulations of Jersey 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 20 January 2006, and (2) such obligation cannot be avoided by the Issuer (or the 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 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 9(c), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (1) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (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 9(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 11 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 11 shall be payable in respect thereof pursuant to Condition 11, and all payments of interest to be made in respect of the Bonds shall be made subject to the deduction or withholding of Jersey or United Kingdom (as the case may be) taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 9(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, Conversion and Exchange 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, Conversion and Exchange Agent.

**(e) Redemption Notices**

Any Optional Redemption Notice or Tax Redemption Notice shall (subject, in the case of a Tax Redemption Notice, to Condition 9(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 Exchange Price, (iii) the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Daily Official List of the London 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**

The holder of each Bond will have the right to require the Issuer to redeem that Bond on any Put Date at its principal amount. To exercise such right, the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer, Conversion and Exchange Agent together with a duly completed and signed notice of exercise (a "Put Exercise Notice"), in the form for the time being current, obtainable from the specified office of any Paying, Transfer, Conversion and Exchange Agent not earlier than 90 nor less than 30 days prior to the relevant Put Date.

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 Put Exercise Notice.

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

"Put Date" means 21 February 2013, 21 February 2018 and 21 February 2022.

**(g) Purchase**

Subject to the requirements (if any) of the UK Listing Authority or the London Stock Exchange or any other stock exchange on which the Bonds may be listed at the relevant time, the Issuer or the Guarantor or any Subsidiary of the 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 Guarantor, surrendered to any Paying, Transfer, Conversion and Exchange Agent for cancellation.

**(h) Cancellation**

All Bonds in respect of which Conversion Rights are exercised or which are otherwise redeemed pursuant to this Condition 9 will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or the Guarantor or any Subsidiary of the 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 9, the first of such notices to be given shall prevail.

**10 Payments**

**(a) Method of Payment**

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, Conversion and Exchange Agent by a U.S. dollar cheque drawn on, or 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. A13.4.9

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

**(b) Payments subject to fiscal laws**

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 10(c) falling after the due date.

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

The initial Paying, Transfer, Conversion and Exchange Agents and their initial specified offices are listed below. The Issuer and the 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, Conversion and Exchange Agent or the Registrar and appoint additional or other Paying, Transfer, Conversion and Exchange Agents or another Registrar, provided that they will maintain (i) a Principal Paying, Transfer, Conversion and Exchange Agent, (ii) so long as the Bonds are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Professional Securities Market and the rules of the UK Listing Authority or the London Stock Exchange so require, a Paying, Transfer, Conversion and Exchange Agent having a specified office in London, (iii) a Registrar with a specified office outside the United Kingdom and (iv) a Paying, Transfer, Conversion and Exchange 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, Conversion and Exchange Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 19.

(e) *Fractions*

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

## 11 Taxation

All payments in respect of the Bonds by or on behalf of the Issuer or the 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 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 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, 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 841(1) of the Income and Corporation Taxes Act 1988) in Western Europe), 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:** to or to any person 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 Guarantor, the United Kingdom 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, Conversion and Exchange 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, Conversion and Exchange 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 11 shall not apply in respect of any Bonds which are the subject of an election by the relevant Bondholder in accordance with Condition 9(d).

## 12 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 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:

- (a) **Non-Payment:** (i) the Issuer or the 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 and such failure continues for a period of seven calendar days; or (ii) the Issuer or the Guarantor fails to pay any interest in respect of any of the Bonds as and when the same shall become due and payable, and such failure continues for a period of 14 calendar days; or
- (b) **Conversion Rights:** the Issuer or the Guarantor fails to pay all or any part of the Cash Settlement Amount or any Additional Cash Settlement Amount when the same shall become due and payable, or fails to deliver or procure the delivery of the Preference Shares, Ordinary Shares or DRs when the same shall become deliverable and in either case such failure continues for a period of 14 calendar days; or
- (c) **Breach of Other Obligations:** the Issuer or the 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 or the Deed Poll 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 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 Guarantor by the Trustee; or
- (d) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or of the Guarantor or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or of the Guarantor or such Material Subsidiary, as the case may be) by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for; or (iii) the Issuer or the Guarantor or any Material Subsidiary fails to pay when due (or within any applicable grace period originally provided for) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, 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 equals or exceeds the higher of U.S.\$30,000,000 and 3 per cent. of the Adjusted Share Capital and Reserves of the Guarantor or, in any such case, its equivalent in other currencies; 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 a substantial part (in the opinion of the Trustee) of the property, assets or revenues of the Issuer or of the Guarantor or all or a substantial part (in the opinion of the Trustee) of the property, assets or revenues of any Material Subsidiary and is not (i) either discharged or stayed within 60 calendar days or in circumstances where, in the opinion of the Trustee, the levy, enforcement or suing out, as the case may be, of such legal process is not, or does not become, materially prejudicial to the interests of the Bondholders, within 120 calendar days; or (ii) 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 in respect of, the whole or a substantial part (in the opinion of the Trustee) of the undertaking, property, assets or revenues of the Issuer or of the Guarantor 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 Guarantor or any Material Subsidiary (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a substantial part (in the opinion of the Trustee) of (or of a particular type of) its debts as they mature; or (ii) applies for or consents to or suffers the appointment of an administrator, administrative receiver, liquidator, manager or receiver or other similar person in respect of the Issuer or the Guarantor or any Material Subsidiary or over the whole or a substantial part (in the opinion of the Trustee) of the undertaking, property, assets or revenues of the Issuer or the Guarantor or any Material Subsidiary; or (iii) 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 a substantial part (in the opinion of the Trustee) of (or of a particular type of) the debts of the Issuer or the Guarantor or any Material Subsidiary, except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders; 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 Guarantor or any Material Subsidiary, or the Issuer or the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or a substantial part (in the opinion of the Trustee) of its business or operations, or the Issuer or the Guarantor or any Material Subsidiary sells or disposes of all or a substantial part (in the opinion of the Trustee) 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 including 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 (in the opinion of the Trustee) of the assets or shares of the Issuer or the Guarantor or any Material Subsidiary; or
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (k) **Analogous Events:** any event occurs which under the laws of England 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 paragraphs (c), (e), (f) 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 U.S. dollars shall be translated into U.S. dollars at the middle spot rate for the sale of U.S. 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.

“Adjusted Share Capital and Reserves” means the aggregate, as determined by the Board and reported on by the Auditors of:

- (a) the amount paid up or credited as paid up on the issued share capital of the Guarantor; and
- (b) the amount standing to the credit of the reserves of the Guarantor and the Subsidiaries including share premium account and capital redemption reserve and plus or minus (as the case may be) the credit or debit balance on the profit and loss account,

all as shown by the Latest Consolidated Balance Sheet but after:

- (c) adjusting for any variation in such paid up share capital, share premium account and capital redemption and other reserves (excluding profit and loss account) and any variation in interests in the Subsidiaries since the date of the latest consolidated balance sheet (for which purpose an issue or proposed issue of share capital for cash which has been underwritten shall be deemed paid up to the extent that the underwriters are liable for the issue and that such capital will be paid up within six months from the date on which such underwriting becomes unconditional);
- (d) deducting any amount distributed or proposed to be distributed out of the profits except to the extent that such distribution is attributable to the Guarantor or any of the Subsidiaries or has been provided for in such consolidation; and
- (e) excluding any amounts attributable to minority interests in Subsidiaries, amounts provided for deferred taxation and amounts attributable to goodwill and any other intangible assets, provided that there should be added back the amount of goodwill (but not other intangibles) that would have remained on such balance sheet if all goodwill had been carried on the balance sheet as an asset.

The determination of the Auditors as to the amount of the Adjusted Share Capital and Reserves at any time shall be conclusive and binding on all concerned.

“Auditors” means the independent auditors for the time being of the Guarantor, or, if there shall be joint auditors, any one or more such auditors or, in the event of them being unable or unwilling to carry out any action required of them pursuant to the Articles of the Issuer or the Trust Deed, such other independent accountants or independent firm of accountants as may be selected by the Guarantor and approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed) or, in default of such selection and approval, selected by the Trustee in good faith for the purpose, provided that the Issuer or the Guarantor, as the case may be, shall be responsible for the costs, fees and expenses of such accountants.

“Group” means the Guarantor and its Subsidiaries.



“Latest Consolidated Balance Sheet” means, at any date, the latest consolidated balance sheet forming part of the Group accounts of the Guarantor prepared for the purpose of the Companies Act 1985, as amended from time to time, which has been audited and has been forwarded on by the Auditors as the main accounts of the Group, whether prepared in accordance with the historical cost convention or current cost convention or otherwise.

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

- (a) whose (i) total assets or (ii) gross revenues (in each case (x) attributable to the Guarantor and (y) consolidated in respect of a Subsidiary which itself has Subsidiaries) are equal to or greater than 10 per cent. of the consolidated total assets or consolidated gross revenues, as the case may be, of the 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 Guarantor; or
- (b) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the 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 Guarantor certified by the Auditors that in their opinion a Subsidiary of the 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.

### 13 Undertakings

#### (a) *Deed Poll*

Whilst any Conversion Right or any Share Exchange Right remains exercisable, the Guarantor will, save with the approval of an Extraordinary Resolution or the prior written 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 or, in the case of an amendment to the Deed Poll, unless the amendment is agreed by the Trustee as provided in Condition 16(b), perform all of its obligations under, and not make any amendment to, the Deed Poll.

#### (b) *Undertakings of the Guarantor*

Whilst any Conversion Right or any Share Exchange Right remains exercisable, the 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 indirect beneficial owner of not less than 100 per cent. of the ordinary share capital of the Issuer;
- (ii) at all times on and after the Election Date 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 obligation of the Issuer to procure that Preference Shares be exchanged for Ordinary Shares pursuant to the exercise of a Share Exchange Right, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied 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

A6.2

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 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 out of distributable profits or reserves (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 Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares) on a capitalisation of profits or reserves, unless in any such case the same gives rise (or would, but for the provisions of Article 2.2.2.5(G) of the Articles of the Issuer, give rise) to an adjustment to the Exchange Price in accordance with the terms of the Articles of the Issuer;

- (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 subparagraph (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 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 743 of the Companies Act 1985 now in existence or which may in the future be approved by the 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 (including regulations made under Section 207 of the Companies Act 1989 of Great Britain or any other provision of that or any other 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 Guarantor to enable title to securities of the Guarantor (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Guarantor made in connection with the matters described in this subparagraph (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 or the Articles of the Issuer, otherwise result) in an adjustment of the Exchange Price, or (F) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Guarantor shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Exchange 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 Exchange 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 Guarantor or any of its Subsidiaries or procured by the 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 Article 2.2.2.5(G) of the Articles of the Issuer give rise) to an adjustment of the Exchange 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 and the exchange of the Preference Shares, Ordinary Shares would (but for the provisions of the Articles of the Issuer) 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 Guarantor, or (C) as permitted by Section 130(2) of the Companies Act 1985, 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 Article 2.2.2.5(G) of the Articles of the Issuer result in) an adjustment to the Exchange Price under the provisions of the Articles of the Issuer 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 Guarantor and in respect of which the 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 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 (I) pursuant to a Newco Scheme;
- (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 430E(4) of the Companies Act 1985), to acquire all or a majority of the issued ordinary share capital of the Guarantor, or if any person proposes a scheme (other than a Newco Scheme) with regard to such acquisition, give notice of such offer or scheme to the Trustee and the Bondholders in accordance with Condition 19, at the same time as any notice thereof is sent to the 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, Conversion and Exchange 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 exchange of any Preference Shares will be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market and that the DRs will be admitted to listing and trading on the Luxembourg Stock Exchange's Euro MTF Market, and that such Ordinary Shares and DRs will be listed,

quoted or dealt in on any other stock exchange or securities market on which the Ordinary Shares or, as the case may be, the DRs 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 and the Deed Poll as principal obligor in place of the Issuer and the Guarantor (with the Issuer and the 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 and the Deed Poll (jointly and severally with the Guarantor) and, in either case, that such other adjustments are made to these Conditions, the Trust Deed, the Deed Poll and Articles of the Issuer to ensure that the Bonds may be converted into or exchanged (whether by the exchange for preference shares or otherwise) for ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions, the Trust Deed and the Articles of the Issuer as the Trustee shall, in its opinion, think fit;
- (xi) in accordance with its obligations under the Deed Poll, undertake to procure the performance by the Issuer of all the Issuer's obligations with respect to the exercise of the Conversion Rights and the exercise of the Share Exchange Rights; and
- (xii) to maintain the DR facility in accordance with the Deposit Agreement such that DRs can be issued as and when required to satisfy Share Exchange Rights.

As used in these Conditions, "ordinary share capital" has the meaning ascribed to it in Section 832 of the Income and Corporation Taxes Act 1988 and "equity share capital" has the meaning ascribed to it in Section 744 of the Companies Act 1985.

**(c) *Undertakings of the Issuer and the Guarantor***

Whilst any Bond remains outstanding, the Issuer will, and the Guarantor will procure that the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written 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) comply with the obligations assumed by it under the Articles of the Issuer and not make any amendment to the Articles of the Issuer which would vary, abrogate or modify the rights appertaining to the Preference Shares;
- (ii) at all times on and after the Election Date, keep available for issue free from preemptive rights out of its authorised but unissued capital such number of Preference Shares as would enable all the unexercised Conversion Rights and any other rights of conversion into, subscription for and exchange into Preference Shares to be satisfied in full;
- (iii) not issue any other share capital with rights which are more favourable than the rights attaching to the Preference Shares in respect of dividends or payment of the Paid-up Value thereof or on a return of capital or otherwise;
- (iv) not cause the Paid-up Value of the Preference Shares to be altered (whether by consolidation or sub-division of the Preference Shares or otherwise); and
- (v) except with the prior written consent of the Trustee pursuant to the Trust Deed, not alter those provisions of the Trust Deed which are expressed to be binding only as between the Issuer and the Guarantor and not directly enforceable by Bondholders,

provided that the creation or issue of any class of share capital ranking junior to or *pari passu* with the Preference Shares as respects rights to dividends and to payment of the paid-up value thereof on a return of capital or otherwise shall be deemed not to be a variation, abrogation or modification of the rights appertaining to the Preference Shares.

**(d) Consolidation, Amalgamation or Merger**

The Guarantor will not consolidate with, merge or amalgamate into or transfer its properties and assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a “Merger”), unless:

- (i) the corporation formed by such Merger or the person that acquired such properties and assets shall expressly assume, by a supplemental trust deed and a deed supplemental to the Deed Poll in form and substance satisfactory to the Trustee, all obligations of the Guarantor under the Trust Deed, the Deed Poll and the Bonds and the performance of every covenant and agreement applicable to it contained therein and shall take such action as may be required by the Trustee to ensure that the holder of each Bond then outstanding will have the right (during the period when such Bond shall be convertible) to convert such Bond into the class and amount of shares, cash and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale or transfer;
- (ii) immediately after giving effect to any such Merger, no Event of Default or Potential Event of Default (as defined in the Trust Deed) shall have occurred or be continuing or would result therefrom as confirmed to the Trustee by (A) a certificate of two directors of the Guarantor and (B) a certificate of two directors of the corporation that would result from such Merger or, as the case may be, a certificate from any such person referred to above; and
- (iii) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, not to redeem the Bonds pursuant to Condition 9(c) as a result of it becoming obliged to pay any additional amounts as provided or referred to in Condition 11 arising solely as a result of such Merger.

Such supplemental trust deed shall provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in the Articles of the Issuer. The Trustee shall be entitled to require from the Guarantor such opinions, consents, documents and other matters at the expense of the Issuer in connection with the foregoing as it may consider appropriate and may rely on such opinions, consents and documents without liability to any person. The provisions of this Condition 13(d) shall apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

**14 Prescription**

Claims against the Issuer or the 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 10 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.

**15 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, Conversion and Exchange 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 and the Guarantor may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

## **16 Meetings of Bondholders, Modification and Waiver**

### **(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 or the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares). Such a meeting may be convened by the Issuer, the 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 Exchange Price other than in accordance with the Articles of the Issuer, modifying or varying the Conversion Rights in respect of the Bonds or the Share Exchange Rights or modifying certain of these Conditions or certain of the provisions of the Trust Deed, the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares), 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. A13.4.11

### **(b) Modification and Waiver**

The Trustee may agree, without the consent of the Bondholders, to any modification 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, the Bonds, the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares) 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 19.

**(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 Guarantor or of Newco (as provided in Condition 13(b)(x)) in place of the Issuer, 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 preference shares in the capital of the substituted company with like rights, *mutatis mutandis*, to the Preference Shares and to such preference shares being immediately exchangeable for Ordinary Shares *mutatis mutandis* as provided in the Articles of the Issuer and, other than in the case of a Newco Scheme, the obligations of the Guarantor under the Deed Poll applying *mutatis mutandis* to such preference shares. 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 and/or the Deed Poll, 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 19.

**(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 sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

**17 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or the 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 proceedings or any other action 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 to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

**18 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 to its satisfaction.

The Trustee is entitled *inter alia*:

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

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

- (ii) to rely without liability to Bondholders on a report, confirmation or certificate of the Auditors, 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 Guarantor procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the 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 Guarantor by two directors of the Issuer or the 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.

## 19 Notices

All notices regarding the Bonds will be valid if sent to the address of the relevant Bondholder as specified in the Register. 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.

## 20 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.



## **21 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.

## **22 Governing Law and Jurisdiction**

The Trust Deed, the Agency Agreement, the Deed Poll and the Bonds are governed by, and shall be construed in accordance with, English law. The Issuer has 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 has appointed the Guarantor as its agent for service of process in connection with any Proceedings in England.

The Global Bond contains 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.

## 1 Exchange

The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for Definitive Registered Bonds (1) if the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying, Transfer, Conversion and Exchange Agent, or (2) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 11 which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Principal Paying, Transfer, Conversion and Exchange Agent and the Bondholders, of its intention to exchange the Global Bond for Definitive Registered Bonds on or after the Exchange Date specified in the notice. A13.4.2

On or after the Exchange Date the holder of the Global Bond may surrender it to or to the order of the Registrar. In exchange for a Global Bond, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Registered Bonds.

“Exchange Date” means a day falling not less than 60 days after that on which the notice requiring exchange is given (as specified in such notice) and on which banks are open for business in the city in which the specified office of the Registrar is located and except in the case of exchange pursuant to (1) above in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System (each as defined under “Notices” below) are located.

Except as otherwise described herein, each Global Bond is subject to the Conditions and the Trust Deed and, until it is exchanged for Definitive Registered Bonds, its holder shall be entitled to the same benefits as if it were the holder of the Definitive Registered Bonds for which it may be exchanged and as if such Definitive Registered Bonds had been issued on the date of the Global Bond.

## 2 Payments

Payments of amounts falling due in respect of a Global Bond will be made against presentation for endorsement and, if no further payment falls to be made on it, surrender of the Global Bond to or to the order of the Principal Paying, Transfer, Conversion and Exchange Agent or such other Paying, Transfer, Conversion and Exchange Agent as shall have been notified to the Bondholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be prima facie evidence that such payment has been made. A13.4.9

## 3 Notices

So long as the Global Bond is held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear system (“Euroclear”) or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) or such other clearing system as shall have been approved by the Trustee (the “Alternative Clearing System”), notices required to be given to Bondholders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative

Clearing System, rather than by notification as required by the Conditions in which case such notices shall be deemed to have been given to Bondholders on the date of delivery to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System.

#### **4 Prescription**

Claims in respect of principal, interest and other amounts payable in respect of the Global Bond will become void unless it is presented for payment 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 (as defined in Condition 4). A13.4.8

#### **5 Meetings**

The holder of the Global Bond shall be treated as one person 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 U.S.\$1,000 principal amount of Bonds for which the Global Bond may be exchanged. A13.4.11

#### **6 Purchase and Cancellation**

Cancellation of any Bond represented by the Global Bond which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Bond on its presentation to or to the order of the Principal Paying, Transfer, Conversion and Exchange Agent.

#### **7 Conversion**

For so long as the Global Bond is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg or the Alternative Clearing System, Conversion Rights (as defined in the Conditions) may be exercised at any time during the Conversion Period by the presentation to or to the order of the Principal Paying, Transfer, Conversion and Exchange Agent of a Global Bond for appropriate notation, together with one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest.

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

The option of the Bondholders provided for in Condition 9(f) may be exercised by the holder of a Global Bond giving notice to the Principal Paying, Transfer, Conversion and Exchange Agent within the time limits relating to the deposit of Bonds as set out in Condition 9(f), substantially in the form of the Put Exercise Notice available from the Principal Paying, Transfer, Conversion and Exchange Agent and stating the principal amount of Bonds in respect of which the option is exercised and at the same time presenting the Global Bond to the Principal Paying, Transfer, Conversion and Exchange Agent for annotation accordingly.

#### **9 Bondholder's Tax Option**

The option of the Bondholders provided for in Condition 9(d) shall be exercised by the presentation to or to the order of the Principal Paying, Transfer, Conversion and Exchange Agent of a duly completed Bondholder's Tax Exercise Notice within the time limits set out in and continuing the information required by Condition 9(d).

## USE OF PROCEEDS

The net proceeds of the issue of the Bonds, after deduction of fees and commissions, are expected to be U.S.\$719,000,000 (assuming no exercise of the Option) or up to U.S.\$844,000,000 (assuming exercise of the Option in full)]. The Issuer intends to use the net proceeds from the issue of the Bonds primarily (i) for repayment of part of the Group's existing debt at subsidiary levels, (ii) for its capital expenditure programme, including the Jharasaguda Smelter and (iii) for other general corporate purposes.

## DESCRIPTION OF VEDANTA FINANCE (JERSEY) LIMITED

### Introduction

A9.4.1.1

The Issuer was incorporated in Jersey (registered number 92207) on 17 January 2006 as a public company limited by shares under the Companies (Jersey) Law 1991 (as amended) under the name Vedanta Finance (Jersey) Limited with its registered address at 47 Esplanade, St. Helier, Jersey JE1 0BD, telephone number +441534 822 433.

A9.4.1.2

A9.4.1.3

A9.4.1.4

### Business of the Issuer

A9.5.1.1

The Issuer is a wholly-owned subsidiary of the Guarantor and its sole purposes are the issue of the Bonds and the Preference Shares into which the Bonds are convertible and the loan of the proceeds of the issue of the Bonds to the 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.

A9.6.1

A9.6.2

A9.10.1

A9.12

### Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer is authorised to issue an unlimited number of limited liability shares with no par value. The Issuer can issue Founders' Shares or Preference Shares. Founders' Shares are issuable at an agreed issue price of U.S.\$1.00 each and Preference Shares are issuable at an agreed issue price of U.S.\$1,000 each.

As at the date of this Offering Circular, the Issuer had issued 2 Founders' Shares at an agreed price of U.S.\$1.00 each.

### Corporate Administration

Dominion Corporate Services Limited of 47 Esplanade, St. Helier, Jersey will act, or procure that a subsidiary acts, as the administrator of the Issuer (the "Issuer Administrator") pursuant to the terms of an issuer administration agreement to be entered into between the Issuer and the Issuer Administrator. In consideration of the foregoing, the Issuer Administrator will be entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

A9.9.1

### Management and Employees

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

A9.9.2

### Directors and Secretary

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

A9.9.1

Name	Other principal activities
Ajay Paliwal	Deputy Chief Financial Officer of the Guarantor
Hare Narain Maskara	Assistant Company Secretary of the Guarantor
Deepak Kumar	Company Secretary of the Guarantor

The company secretary of the Issuer is Dominion Corporate Services Limited of 47 Esplanade, St. Helier, Jersey JE1 0BD.

A9.9.1

The business address of each director is 16 Berkeley Street, Mayfair, London W1J 8DZ.

**Directors' Interests**

No director has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Issuer and its private interests and/or other duties. As a matter of Jersey law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold. A9.9.2 A13.3

**Financial Statements and Auditors' Report**

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 at the date hereof the Issuer has not yet prepared any financial statements. A9.11.2 A9.11.1

It is anticipated that the Issuer will have an accounting reference date of 31 March with the first fiscal year ending [31 March] 2007. The auditors appointed in respect of the Issuer are Deloitte & Touche LLP of Hill House, 1 Little New Street, London EC4A 3TR. Deloitte & Touche LLP is authorised as an auditor of a Jersey incorporated company pursuant to Article [113/113A/113B] of the Companies (Jersey) Law 1991 as amended. A9.11.3.1 A9.2.1

The audited annual financial statements will be available free of charge at the offices of the Issuer and Issuer Administrator. A9.11.3.3 A9.11.4.1

## CAPITALISATION AND INDEBTEDNESS

The following table sets out the called-up share capital of the Company and the unaudited borrowings and indebtedness of the Group as at 30 September 2005 and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with Vedanta Resources' IFRS Accounts, the related notes and other financial information incorporated by reference in this Offering Circular.

	As at 30 September 2005 (unaudited) (U.S.\$ millions)	
	Actual	As adjusted for issuance of the Bonds
Called up Share Capital <sup>1</sup> .....	28.7	28.7
Reserves. ....		
– Share premium account .....	18.6	18.6
– Share based payment reserves .....	3.1	3.1
– Other reserves .....	143.5	143.5
– Profit and loss account .....	958.5	958.5
Total Capital and Reserves .....	1152.4	1152.4
Term loans – secured (repayable in more than 1 year) .....	411.7	411.7
Term loans – unsecured (repayable in more than 1 year) .....	977.5	977.5
Other borrowings and indebtedness – secured (repayable in less than 1 year) .....	351.7	351.7
Other borrowings and indebtedness – unsecured (repayable in less than 1 year) .....	174.0	174.0
Bonds offered hereby .....	–	725.0
Total Indebtedness <sup>2,3,4</sup> .....	1,914.9	2,639.9
Total Capitalisation <sup>5</sup> .....	3,067.3	3,792.3

1. The Company's authorised share capital as at 30 September 2005 was U.S.\$40,000,000 and £50,000 of £1 each. The Company's issued share capital as at that date was 50,000 deferred shares one of which had been fully paid and 49,999 of which had been paid up as to one-quarter of their nominal value and 286,776,000 ordinary shares of U.S.\$0.10 each, credited as fully paid.
2. Part of the proceeds from the bond issue are to be utilised to repay part of the existing debt at subsidiary levels. Total indebtedness would decrease to the extent the company repays such subsidiary debt. The total subsidiary debt outstanding at 30 September 2005 was \$1,317.0 million.
3. U.S.\$84.1 million of corporate guarantees have been given by Sterlite on behalf of group/associate companies and no third party has guaranteed any indebtedness in respect of any Group company. As at 30 September 2005, there were no third party guarantees provided by the Company other than those made for operating purposes.
4. Contingent liabilities and committed capital expenditure totalled U.S.\$1,144.1 million as at 30 September 2005.
5. As at 30 September 2005, the Group had cash balances of U.S.\$1,166.3 million and current asset investments of U.S.\$292.9 million.

## DESCRIPTION OF THE VEDANTA RESOURCES GROUP

### Vedanta Resources plc

A9.6.1

A9.4.1.3

Vedanta Resources plc (“Vedanta Resources” or the “Company” or the “Guarantor”) was incorporated and registered in England and Wales, under the Companies Act 1985, as a private company limited by shares under the name Angelchange Limited on 22 April 2003 and with registered number 04740415. On 26 June 2003, the Guarantor changed its name to Vedanta Resources Limited. On 20 November 2003, the Guarantor re-registered as a public limited company and changed its name to Vedanta Resources plc. The principal legislation under which the Guarantor operates is the Companies Act 1985, as amended.

A6.3

A9.4.1.1

A9.4.1.2

A14.1.2

A13.4.3

The registered office of the Guarantor is Hill House, 1 Little New Street, London EC4A 3TR.

The head office of the Guarantor is 16 Berkeley Street, Mayfair, London W1J 8DZ, telephone number 020 7499 5900.

A9.4.1.4

The Company and its subsidiary undertakings and, where the context requires, its associated undertakings is referred to in this Offering Circular as the “Group”.

A9.6.2

### Overview

The Group comprises three major businesses:

A9.6.1

A9.51.1

- the Copper Business;
- the Aluminium Business; and
- the Zinc Business.

The Group’s other activities include an aluminium conductor business, consisting of two power transmission aluminium conductor plants, and an investment in an aluminium foil business, owned and operated by IFL.

### Key Strengths

The Directors believe that the key strengths of the Group’s businesses are:

- a strong competitive position enjoyed as a result of the Group’s market share in the growing Indian copper and aluminium and zinc markets;
- management’s track record in and ability to:
  - turn around and optimise underperforming businesses;
  - improve manpower productivity and deliver operational efficiencies; and
  - implement capital programmes on time and within budget;
- a well-balanced commodity portfolio; and
- a strong pipeline of expansion projects.

### Group Strategy

The Group’s strategy is to generate strong financial returns and create a world-class metals and mining company.

The Group is pursuing this strategy by:



- optimising the performance of the existing assets: the Guarantor's operational plans for each of its businesses are to debottleneck plants, further improve efficiency, expand output and drive down unit costs;
- completing the projects relating to the 250,000 tpa at the Korba complex, the 500,000 tpa GAMI-based aluminium smelter in Orissa, the proposed 1,000,000 tpa alumina refinery in Orissa, the new 170,000 tpa zinc smelter at Chanderiya and progressing the KDMP and a copper smelter at KCM;
- consolidating the group structure: the Guarantor will endeavour to continue to increase its direct ownership in the underlying businesses; and
- leveraging established skills: the Guarantor will seek further growth opportunities in India, including through the Government's privatisation programmes, and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.

### History and Development of the Group

In 1979, Mr Anil Agarwal acquired, through a family firm, Shamsheer Sterling Corporation, which manufactured polyvinyl chloride power and control cables, overhead power transmission conductors and enamelled copper wire. Sterlite Cables Limited, in which the Agarwal family had a substantial interest, subsequently acquired this business and in 1986 changed its name to Sterlite Industries (India) Limited.

In 1988, Sterlite made an initial public offering of its shares and convertible debentures to finance in part its first polythene insulated jelly filled copper telephone cables plant. As part of its strategy to concentrate on businesses with high growth potential, Sterlite discontinued production of polyvinyl chloride power and control cables and enamelled copper wire in 1990 and in 1991 established a continuous cast copper rod plant.

In 1993, Sterlite commissioned a plant for the manufacture of aluminium sheets and foils. In the same year, Sterlite Communications Limited, which was subsequently merged with Sterlite, established a plant for the manufacture of optical fibre at Aurangabad. The Group entered the aluminium production business in 1995 by acquiring an 80 per cent. interest in MALCO as part of MALCO's financial restructuring.

In 1997, in order to obtain captive sources of copper for its copper rod plant, Sterlite commissioned the first privately developed copper smelter in India at Tuticorin. In April 1999, to source copper concentrate for the Tuticorin copper smelter, Monte Cello BV (a subsidiary of Monte Cello Corporation NV, which was wholly owned by Twin Star Holdings at that time) acquired Copper Mines of Tasmania Pty Ltd, which owned the Mt Lyell copper mine in Australia. In October 1999, Monte Cello BV acquired Thalanga Copper Mines Pty Ltd. Monte Cello Corporation NV subsequently sold Monte Cello BV to Sterlite.

To increase its interests in aluminium, MALCO acquired a 38.8 per cent. interest in IFL in March 2000.

In July 2000, Sterlite's telecommunications cables and optical fibre business was demerged into a new company, Sterlite Optical Technologies Limited. The Agarwal family also has substantial interests in Sterlite Optical Technologies Inc, which owns an optical fibre cables business in the US, and Sterlite Gold Limited, which is listed on the Toronto Stock Exchange and has interests in gold mines and production facilities. SOTL, Sterlite Optical Technologies Inc and Sterlite Gold Limited do not form part of the Group.

Sterlite acquired a 51 per cent. interest in BALCO from the Government of India in March 2001. In 2002, Sterlite, through Sterlite Opportunities and Ventures Limited, acquired a 26 per cent.

interest in HZL from the Government of India and a further 20 per cent. interest through an open market offer. SOTL transferred its 20 per cent. interest in SOVL to Sterlite in February 2003 and SOVL is now a wholly owned subsidiary of Sterlite. On 12 November 2003, SOVL acquired a further 18.9 per cent. interest in HZL following exercise of a call option granted by the Government of India, taking its interest in HZL to 64.9 per cent.

On 10 December 2003, Vedanta Resources' Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. At the same time Vedanta Resources completed the global offer of 130,000,000 Ordinary Shares raising approximately £477 million (U.S.\$825 million) net of underwriting commissions and other fees and expenses.

Immediately prior to the global offering of Ordinary Shares of Vedanta Resources in December 2003, the Group divested a number of subsidiaries and associated undertakings, including SOTL (save for nominal interests held by MALCO and Sterlite in SOTL), Sterlite Optical Technologies Inc and Sterlite Gold Ltd, which carried on businesses considered to be non-core to the Group. These companies were transferred to Twin Star International Limited, a wholly owned subsidiary of Volcan Investments Ltd, a company incorporated in the Bahamas. At the same time, Vedanta Resources and Vedanta Resources Holdings Limited, which had been newly incorporated for the purpose of the global offering, acquired the entire issued share capital of Twin Star, and Vedanta Resources became the new holding company of the Group.

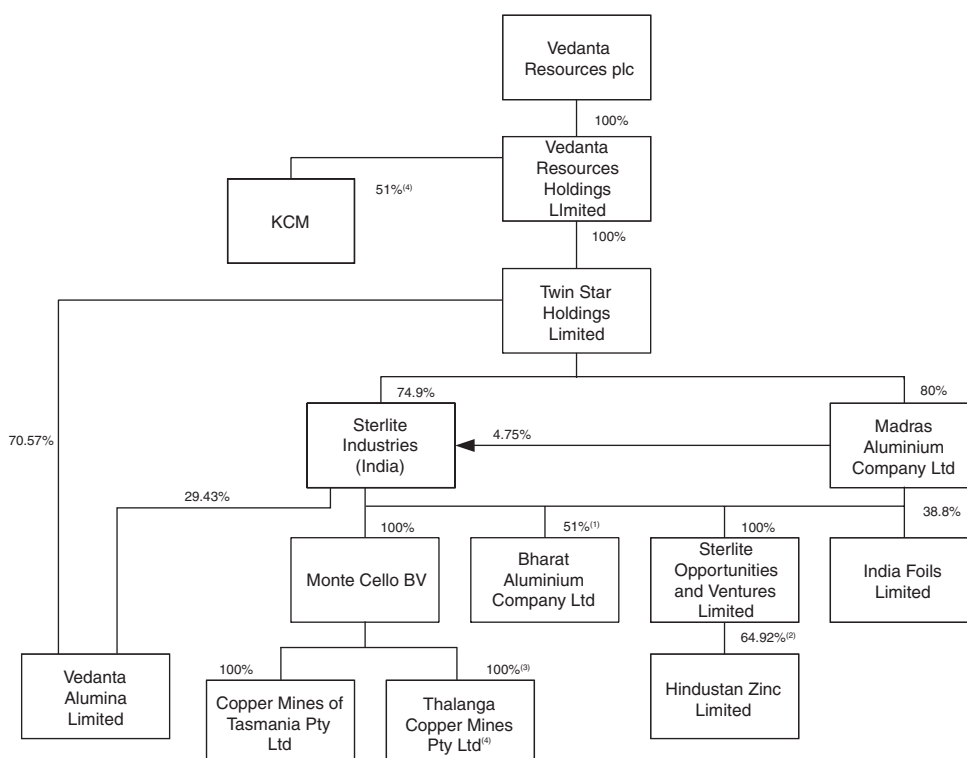
During the first half of 2004, the Group increased its stake in Sterlite by 7.5 per cent. by purchasing Sterlite shares held by the Sterlite Employee's Welfare Trust. In 2004, Sterlite undertook a rights issue, raising approximately U.S.\$434 million. Twin Star was allocated 35.7 million shares at a total price of approximately U.S.\$433 million, which increased the Group's Economic Interest in Sterlite's issued share capital to 81.2 per cent. Following the partial conversion of the convertible bond issued by Sterlite, the Economic Interest of the Group as at 31 December 2005 was 78.7 per cent.

The Government of India has expressed its intent to offer up to five per cent. of its shareholding in BALCO to the employees of BALCO. Following this transfer, Sterlite has the right to purchase the Government of India's remaining shareholding in BALCO at a price determined in accordance with the shareholders' agreement. Sterlite has given notice to exercise this right.

On 5 November 2004, Vedanta Resources acquired a 51 per cent. interest in KCM, via its wholly owned subsidiary, VRHL, for a total cash consideration of U.S.\$48.2 million. In August 2005, Vedanta Resources gave notice to exercise its option to increase its ownership of KCM by a further 28.4 per cent.

## Current Group Structure

Vedanta Resources holds its interests in the Indian Copper, Aluminium and Zinc Businesses through two subsidiaries – Sterlite and MALCO. It holds its interest in KCM through its wholly owned subsidiary, VRHL. The following diagram summarises the Group’s current corporate structure:



### Notes:

- (1) Sterlite has an option over the 49 per cent. owned by the Government of India. See “Options over further interests in BALCO HZL and KCM” for further information.
- (2) Sterlite has options over a further 29.5 per cent. or such lower amount as the Government of India may own at the time of exercise of the relevant options. See “Options over further interests in BALCO HZL and KCM” for further information.
- (3) Thalanga Copper Mines Pty Ltd has an interest in approximately 70 per cent. of the Highway Reward mine (now closed) and a 100 per cent. interest in the associated Thalanga processing facility (also now closed).
- (4) Vedanta Resources has given notice to exercise an option to acquire a further 28.5 per cent. of KCM.
- (5) The percentages above denote Economic Interest.

The following are the principal members of the Group at the date of this Offering Circular.

### Sterlite Industries (India) Ltd

Sterlite is incorporated in Aurangabad, State of Maharashtra, India and is headquartered in Mumbai in Maharashtra. Sterlite is currently listed on the National Stock Exchange (“NSE”) in India and the Mumbai and Calcutta Stock Exchanges, although an application has been made to de-list the shares from the Calcutta Stock Exchange. The Group, through Twin Star and MALCO, as at 31 December 2005, had an Effective Interest in 76.19 per cent. of Sterlite’s issued share capital and has management control. The remainder of Sterlite’s share capital is held by the Sterlite Employees Welfare Trust (3.3 per cent.), Life Insurance Corporation of India (three per cent.) and other institutional and public shareholders (15 per cent.)

The Group’s Copper Business in India is owned and operated by Sterlite and its interest in its copper mine in Australia is held through a subsidiary of Sterlite. The Group’s Zinc Business and part of its Aluminium Business are owned and operated by HZL and BALCO, respectively, both subsidiaries of Sterlite. At the date of this Offering Circular, Sterlite’s Copper Business has approximately 970 employees.

## **Bharat Aluminium Company Ltd**

BALCO is incorporated in New Delhi, State of Delhi, India and is headquartered at Korba in the State of Chhattisgarh. As at 31 December 2005, Sterlite owned 51 per cent. of BALCO's share capital and has management control. The Government of India owns the remaining 49 per cent. Part of the Group's Aluminium Business is owned and operated by BALCO. Sterlite is party to a shareholders' agreement with the Government of India in connection with its shareholding in BALCO, which includes an option for Sterlite to acquire the Government's remaining shares in BALCO. Pursuant to the shareholders' agreement between the Government of India and Sterlite, Sterlite has given notice to exercise its option to acquire the Government of India's 49 per cent. shareholding in BALCO. See "*Options over further interests in BALCO HZL and KCM*". Sterlite currently expects the acquisition of the Government's shareholding to be completed over the next few months. At the date of this Offering Circular, BALCO has approximately 4,900 employees.

## **Hindustan Zinc Limited**

HZL is incorporated in Jaipur, State of Rajasthan, India and is headquartered in Udaipur in Rajasthan. HZL is listed on the Mumbai Stock Exchange. HZL was delisted from the Jaipur Stock Exchange on 6 April 2005 and from the Delhi Stock Exchange on 30 March 2005. As at 31 December 2005, Sterlite (through SOVL) owned 64.9 per cent. of HZL's share capital. The remainder of HZL's share capital was owned by the Government of India (29.5 per cent.), HZL employees (1.5 per cent.) and public shareholders (4.1 per cent.). Sterlite, through SOVL, has management control of HZL with the right to nominate a majority of directors, including the Managing Director and the Chairman. The Group's Zinc Business is owned and operated by HZL. SOVL is party to a shareholders' agreement with the Government of India in connection with its shareholding in HZL, which includes a call option for SOVL to acquire the Government's remaining shares (see "*Options over further interests in BALCO HZL and KCM*" for further information). At the date of this Offering Circular, HZL has approximately 6,100 employees.

## **Vedanta Alumina Ltd.**

Vedanta Alumina is incorporated in Mumbai, State of Maharashtra, India. In May 2004, Vedanta Resources (via its wholly owned subsidiary Twin Star) invested U.S.\$100 million in Vedanta Alumina shares. As at 31 December 2005, Vedanta Alumina was owned as to 70.6 per cent. by Twin Star (a wholly owned subsidiary of Vedanta Resources) and as to the remaining 29.4 per cent. by Sterlite. At the date of this document, Vedanta Alumina has approximately 290 employees.

## **Madras Aluminium Company Ltd**

MALCO is incorporated in Mettur, State of Tamil Nadu, India where it is also headquartered. MALCO is listed on the Mumbai and Madras Stock Exchanges. As at 31 December 2005, the Group owned 80 per cent. of MALCO's share capital and has management control. The remaining 20 per cent. is held by public shareholders. An offer was made to the public shareholders of MALCO in March 2005. The offer was implemented by way of a reverse book building process at an offer price of INR240 per share in accordance with Indian regulations. Acceptance by public shareholders did not reach the required level of 90 per cent. and the offer has since lapsed. Part of the Group's aluminium interests are owned and operated by MALCO. MALCO owned 38.8 per cent. of IFL, which owns an aluminium foil business. At the date of this Offering Circular, MALCO has approximately 760 employees.

## **India Foils Limited**

IFL is incorporated in Kolkata, State of West Bengal, India where it is also headquartered. IFL is listed on the Calcutta and Bombay Stock Exchanges and the NSE. MALCO owned 38.8 per cent. of IFL's share capital. Other major shareholders were companies controlled by the Williamson Magor Group (3.3 per cent.). At the date of this Offering Circular, IFL has approximately 670 employees.

## Konkola Copper Mines

KCM is incorporated in Zambia. As at 31 December 2005, Vedanta Resources owned 51 per cent. of KCM's share capital, through VRHL. KCM's other shareholders are Zambia Copper Investments Limited ("ZCI") (owning, through its wholly owned subsidiary ZCI Holdings S.A. ("ZCIH"), 28.4 per cent. of KCM's issued share capital) and ZCCM Investment Holdings plc ("ZCCM") (owning 20.5 per cent. of KCM's issued share capital), in which the GRZ has a controlling stake. During August 2005, VRHL gave notice to exercise its option to acquire a further 28.4 per cent. of KCM's share capital from ZCIH. The option exercise price will be determined in accordance with the Vedanta Call Option Deed entered into between ZCIH, KCM and Vedanta Resources. The Guarantor has operating, management and board control of KCM and has the right to appoint the Chief Executive Officer and Chairman of KCM. See "*General Information — KCM Acquisition Agreements*" below for further details.

## Description of the Businesses

### Copper Business

#### *Introduction*

A9.5.1.1

The Group's Indian Copper Business is owned and operated by Sterlite. Sterlite's copper operations include a smelter, a refinery, a copper rod plant and acid and oxygen plants at Tuticorin in Southern India, a refinery and two copper rod plants at Silvassa in Western India and a copper mine in Australia. Sterlite is one of the two leading copper producers in India, based on production volume, and had a domestic market share of approximately 33 per cent. in the year ended 31 March 2005. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India. The Silvassa refinery was commissioned in the same year. The refinery has an installed capacity of 180,000 tpa. Following expansion at Tuticorin in 2005, the smelter has increased capacity from 180,000 tpa to 300,000 tpa. A new 127,000 tpa refinery has also been set up. The capacity of the phosphoric acid plant was also increased from 120,000 tpa to 180,000 tpa as part of the expansion. Sterlite produced 171,992 tonnes of copper cathode and 125,406 tonnes of copper rod in the financial year ended 31 March 2005.

In recent years, Sterlite has improved its operating performance by debottlenecking, improving productivity and efficiencies and reducing unit costs (including power costs, through the construction of a captive power plant). In the period ended 31 March 2005, unit operating cash costs of the Copper Business were 7.1 cents per pound of copper produced, compared with 7.8 cents per pound for the year ended 31 March 2004.

Sterlite intends to improve its operating performance further by further reducing unit operating costs through improvements in recovery rates, lower power and transport costs, economies of scale and efficiencies.

The Group's Zambian Copper Business is owned and operated by KCM, which operates the Konkola underground copper mine and Nchanga open pit mine, underground copper mine and the tailing leach plant, the Nampundwe pyrite mine and the Nkana copper smelter and refinery. At the date of this Offering Circular, KCM had 9,483 employees. The Konkola mine is an underground mine which is located in the Copperbelt Province in Zambia and has reserves of 21 mt at 3.4 per cent. copper. The Nchanga copper mines are also located in the Copperbelt Province and comprise an open pit and an underground mine which have reserves of 31 mt at 1.7 per cent. copper and 13 mt at 2.7 per cent. copper, respectively. The Nchanga tailings dam has a reserve of 79 mt at 0.7 per cent. copper. The tailing leach plant at Nchanga has a capacity of 100,000 tpa of copper cathode. The Nkana smelter and refinery, which was commissioned in 1932, is located in the Copperbelt Province and has the capacity to produce 180,000 tpa of copper cathode.

Vedanta Resources intends to improve operating performance at KCM by:

- reducing operating costs by more stable production and by increasing capacity utilisation of the facility and improving the efficiency of the existing sulphuric acid plant, construction of a new sulphur-based acid plant and by more efficient sulphur dioxide capture, hence reducing the purchase of sulphuric acid from external sources introducing superior process and internal control style;
- in the medium term, expanding capacity at the Konkola mine by increased investments in the underground infrastructure and reduction in operating costs through improvements in recovery rates and economics of scale;
- implementing the KDMP, described in more detail in “*Description of the Businesses — Copper Business — Projects and Developments*”; and
- reducing costs and making KCM self-sufficient with respect to sulphuric acid by commissioning a new 500 mtpd sulphuric acid plant at the Nchanga facility, with commercial production to commence in the first quarter of 2006.
- expanding the capacity of the Nkana smelter to 300,000 tpa by putting up a new primary smelting stream at a capital cost of \$125 million to cater to the requirement of additional smelting of sulphide ore. The smelter is expected to be completed by 2008.

### **Production**

The table below sets out Sterlite’s total production from Tuticorin in Southern India and Silvassa in Western India for the three years ended 31 March 2005 and KCM’s total production for the year ended 31 March 2005:

<b>Facility</b>	<b>Product</b>	<b>Year ended 31 March 2003</b>	<b>Year ended 31 March 2004</b>	<b>Year ended 31 March 2005</b>
			(t)	
Tuticorin .....	Copper anode	158,400	175,200	177,020
	Sulphuric acid	482,100	541,700	546,647
	Phosphoric acid	109,400	117,600	104,902
Silvassa .....	Copper cathode	155,700	178,700	171,992
	Copper rods	95,100	122,700	125,406
KCM <sup>(2)</sup> .....	Copper cathode	—	—	67,547

Notes:

(1) See “*Presentation of Information — Resources, reserves and production*” for an explanation of the basis of preparation of production amounts.

(2) KCM was acquired in November 2004 and production for periods earlier than in the year ended 31 March 2005 was not attributable to the Group. The figure of 67,547 is for production from November 2004 to March 2005.

As announced by the Guarantor on 11 October 2005 in its production figures for the six months ended 30 September 2005, the total production of copper cathode in India increased from 77,000 tonnes in the six months ended 30 September 2004 to 124,000 tonnes in the six months ended 30 September 2005 and KCM produced 54,000 tonnes of copper in the same period.

The table below sets out Sterlite's total mine production for the three years ended 31 March 2005 and KCM's total mine production for the year ended 31 March 2005:

Year ended 31 March 2003				
Mine <sup>(1)</sup>	Type of mine	Ore mined	Copper concentrate	Copper in concentrate
			(t)	
Mt Lyell .....	Underground	2,717,100	102,500	30,400
Highway Reward <sup>(2)(3)</sup> .....	Underground	195,000	30,600	8,400
<b>Total Copper Business .....</b>		<b>2,912,100</b>	<b>133,100</b>	<b>38,800</b>
Year ended 31 March 2004				
Mine <sup>(1)</sup>	Type of mine	Ore mined	Copper concentrate	Copper in concentrate
			(t)	
Mt Lyell .....	Underground	2,674,900	97,000	28,300
Highway Reward <sup>(2)(3)</sup> .....	Underground	792,600	103,300	27,200
<b>Total Copper Business .....</b>		<b>3,467,500</b>	<b>200,400</b>	<b>55,500</b>
Year ended 31 March 2005				
Mine <sup>(1)</sup>	Type of mine	Ore mined	Copper concentrate	Copper in concentrate
			(t)	
Mt Lyell .....	Underground	2,417,468	98,141	27,593
Highway Reward <sup>(2)(3)</sup> .....	Underground	305,437	47,843	12,272
KCM <sup>(4)</sup> .....		3,452,341	108,029	43,504
<b>Total Copper Business .....</b>		<b>6,175,246</b>	<b>254,013</b>	<b>83,369</b>

**Notes:**

- (1) See "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of production amounts.
- (2) TCM, an indirect wholly owned subsidiary of Sterlite, has an interest of approximately 70 per cent. of the Highway Reward mine (now closed). The figures shown represent total mine production at the Highway Reward mine, including that attributable to TCM's joint venture partner, BML Holdings.
- (3) The table includes production from the Thalanga open pit mine. Mining commenced at Highway Reward underground mine in August 2002. The Highway Reward mine did not reach full production until March 2003. Both the Highway Reward Mine and the associated processing facility were closed in July 2005.
- (4) KCM was acquired in November 2004 and production for periods earlier than the year ended 31 March 2005 was not attributable to the Group.

## Resource and reserve base

The table below sets out the Group's copper reserves as at 31 March 2005<sup>(1)</sup>:

	Total Proved and Probable Reserve <sup>(2)</sup>	
	(mt)	Copper (%)
Orebody .....	(mt)	(%)
Mt Lyell .....	14.9	1.2
KCM .....	143.6	1.4

Notes:

- (1) Copper resources are inclusive of reserves. See "Presentation of Information — Ore reserve and mineral resource reporting — basis of preparation" and "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.
- (2) The reserve estimate for the year ended 31 March 2005 has been derived by deducting the production for the year ended 31 March 2005 from the reserve estimate for 31 March 2004.

The table below sets out the Group's copper resources as at 31 March 2005(1):

Orebody	Measured and Indicated Resource <sup>(2)</sup>		Inferred Resource <sup>(2)</sup>	
	(mt)	Copper (%)	(mt)	Copper (%)
Mt Lyell .....	11.7	1.5	17.7	1.3
KCM .....	303.2	2.3	233.0	2.4

Notes:

- (1) Copper resources are inclusive of reserves. See "Presentation of Information — Ore reserve and mineral resource reporting — basis of preparation" and "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.
- (2) See "Presentation of Information — Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.
- (3) The resource estimate for the year ended 31 March 2005 has been derived by deducting the production for the year ended 31 March 2005, adjusted as necessary for the appropriate modifying factors, from the resource estimate for 31 March 2004.

## Copper

### Industry overview

#### Background

Copper's principal uses reflect its properties of high conductivity, ductility, corrosion resistance and strength. It is used principally in electrical and electronic applications and in piping. The main end-use industries are construction (40 per cent. of worldwide end-user demand), electrical and electronic goods and power generation. Copper is also used in a number of alloys, including brass (copper and zinc), bronze (copper and tin), nickel silver, phosphor bronze and aluminium bronze.

Copper producers can be divided into three broad categories:

- Copper mining businesses produce copper concentrate containing 25 to 40 per cent. copper, which is sold in the custom market to copper smelters.
- Copper smelting and refining businesses purchase concentrates which are first smelted to produce blister copper and then processed into copper anode before being refined to produce copper cathode. There is a small market in blister copper as a result of mismatching in smelting and refining capacity, but this only accounts for a very small proportion of total refined copper production.



- Integrated production businesses produce both concentrate and refined metal. Around two-thirds of mine production is integrated with smelting and refining facilities.

### *Copper supply*

The five leading copper mining countries in the world currently account for approximately 63.5 per cent. of world production. Chile now accounts for some 35.9 per cent. of total world production, the United States accounts for 7.9 per cent., Indonesia accounts for 7.1 per cent., Peru accounts for 6.6 per cent. and Australia accounts for 6.0 per cent. The four leading mines account for approximately 19.1 per cent. of output. These include three Chilean mines: Escondida, (the world's largest mine with production of approximately 1.1 mtpa of copper concentrate), Chuquibambilla and El Teniente.

The five leading refined copper producing countries are Chile, China, Japan, the United States and Russia, which together account for over 54 per cent. of world production of refined copper. The largest single producer is the state-run Chilean company Codelco, which has fully integrated operations. Refined copper production from scrap recovery accounts for approximately 12 per cent. of world production of refined copper.

Approximately one-third of mine production is sold on the custom market. The main exporters of copper concentrates are Chile, Indonesia, Australia, the United States and Peru. The main importers are Japan, China, and Western Europe.

In 2001 and 2002 the major producers, including Codelco, Phelps Dodge and BHP Billiton, initiated production cuts at both mines and smelters in order to prevent an oversupply of copper in an environment of low copper prices. The production cuts reduced world mine production by 2.3 per cent. However, the increases in copper prices led world mine production to increase by 0.5 per cent. in 2003, 4.5 per cent. in 2004, 5.5 per cent. in 2005. Production is expected to increase by approximately 7.2 per cent. in 2006.

### *Pricing*

Copper is a London Metal Exchange ("LME") traded metal. A large proportion of custom copper concentrates are sold under frame contracts. Copper concentrate prices are calculated by reference to LME prices for refined copper metal from which a TC/RC is deducted. The TC/RCs are negotiated annually. Terms will alter depending on the availability of copper concentrates.

Refined copper is sold direct to consumers or on a terminal market such as the LME. The price is determined on the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining metal from an alternative source.

### *Indian copper market*

The Indian copper industry currently consists of three producers. The leading producers are Sterlite and Birla Copper (owned by Hindalco), based on production volume. Neither Sterlite nor Birla Copper has any mines in India, although both entities own mining operations in Australia. The third primary domestic producer is state-owned Hindustan Copper Ltd ("HCL"). HCL is an integrated producer with domestic mining and smelting operations. A fourth entity, SWIL, started secondary production from low-grade scrap towards the end of 2004.

Primary copper production in India increased by 3 per cent. in the year ended 31 March 2005 with overall production of approximately 408,000 tonnes compared to 396,000 tonnes in the year ended 31 March 2004.

Consumption of refined copper in India reached 257,000 tonnes in the year ended 31 March 2005, an increase of 4.9 per cent. over the year ended 31 March 2004. Demand for copper in the Indian market in 2005 and 2006 is expected to grow by approximately 9.0 per cent. The principal

use of copper in the Indian market is in the electrical sector, which currently accounts for an estimated 60 per cent. of total consumption. A particular focus of usage is winding wire and the telecommunications sector. Other important end-use sectors include construction and industrial equipment. In terms of product, the major source of consumption is in the form of wire and cable. In India, investments in the power, housing, wire, refrigeration, air conditioning and automobile sectors are expected to drive future growth for copper. This contrasts with overall western world consumption trends, where construction and transport are of relatively greater importance. Copper imports are subject to a customs duty of 10 per cent. in India and an additional surcharge of 2 per cent. of the customs duty. The customs duty was reduced from 15 per cent. to 10 per cent. in 2005.

Domestic producers of copper are subject to an excise duty of 16 per cent. plus an additional surcharge of two per cent. charged on domestic prices.

Imports of copper concentrate are subject to a total import tariff of five per cent. plus an additional surcharge of two per cent. charged on the purchase price of the concentrate.

The Government of India may further reduce the customs duty in the future. See "*Risk Factors — Industry risks*".

Indian exports of copper currently receive an assistance premium from the Government at 5 per cent. on FOB value of exports for copper rod and 4.5 per cent. on FOB value of exports for copper cathode.

#### *Consumption, markets and outlook*

World refined copper consumption rose by 1.6 per cent. in 2005 to over 17.0 mt, compared to an increase of 8.9 per cent. in 2004. Consumption was weak overall in 2005 as consumers de-stocked, substituted copper for other materials, mainly in plumbing applications, as well as used more secondary material. Much of the growth was in Asia, notably in China, CIS, Eastern Europe, where demand rose by 6.0 per cent., 8.6 percent., 7.7 per cent. respectively in 2005. Western world demand decreased by 1.9 per cent. in 2005, with decreases in North America and Western Europe of 2.8 per cent. and 6.0 per cent. respectively.

The world copper market experienced a deficit of 335,000 tonnes in 2005, compared to 939,000 tonnes in 2004 and as a result the price remained strong, averaging U.S.\$3,682 per tonne (167 cents per pound) in 2005. In a strong global economy, low consumer stocks are expected to help boost demand in 2006, especially in Europe, Japan and the United States, where manufacturing activity continues progressing solidly. The growth in emerging markets will also drive up demand. China plans to spend Rmb800 billion (almost U.S. 100 billion) on upgrading its electricity network over the next five years. Moreover, while India still only represents less than 5 per cent. of total copper demand, it is becoming an increasingly important force in the structural bull trend for metal prices. As a result, world demand for copper is expected to grow by 3.7 per cent. in 2006 and average prices for the year are expected to be higher than that for 2005.

The positive demand forecast is against a trend of ongoing downward revisions to supply forecasts, driven by falling ore grades, technical problems, labour disputes etc. In addition, expansions are taking longer due to raising costs related to energy, steel, labour and water etc., while new mine deposits are of much smaller scale than in the past. Moreover, over the near term, smelting capacity remains constrained. However, in response to the recent period of strong prices, global production in 2006 is expected to increase by 7.2 per cent., resulting in an expected global surplus of 229,000 tonnes in 2006. Moreover substitution is expected to become an increasingly important issue over the next two to three years, although demand destruction is likely to be limited.

## Description of operations

### *Smelters and refineries*

#### *Tuticorin complex*

The Tuticorin complex was commissioned by Sterlite in 1997 and is located approximately 17 kilometres inland from the port of Tuticorin in Tamil Nadu in Southern India. Tuticorin is one of India's two leading copper smelters, based on production volume. The Tuticorin complex consists of a smelter, a refinery, a rod plant, a sulphuric acid plant, phosphoric acid plant and two captive power plants with a total capacity of 46.5 MW. In 2005, Sterlite completed an expansion of the smelter which increased installed capacity from approximately 180,000 tpa to approximately 300,000 tpa of copper anode. In April 2005, Sterlite commissioned an additional 127,000 tpa copper refinery and installed a copper rod plant, increasing total capacity to approximately 240,000 tpa. The capacity of the phosphoric acid plant has been increased from 120,000 tpa to 180,000 tpa. A captive power plant of 22.5 MW was also installed as part of the expansion and this, together with a further 10 MW generated from the smelter waste heat boiler and the supply from the existing power plant, meets most of the complex's power requirements.

The smelter utilises ISASMELT technology. Sulphuric acid is produced, some of which is converted into phosphoric acid, and both are then sold to fertiliser manufacturers and other industries. The recently completed refinery uses ISAPROCESS technology to produce copper cathode and the new copper rod plant uses Properzi technology to produce copper rods. Production at the new facilities is being ramped up and management expects them to be operating at full capacity by 31 March 2006.

Silvassa refinery. Silvassa comprises a refinery and two copper rod plants and is located approximately 140 kilometres from Mumbai in the union territory of Dadra Nagar Haveli in Western India. ISAPROCESS technology is used in the refinery to produce copper cathode and Properzi technology is used to produce copper rods. The refinery has an installed capacity of approximately 180,000 tpa of copper cathode and the copper rod facility has an installed capacity of approximately 140,000 tpa of copper rods.

#### *Nkana smelter*

The Nkana operations are located in Kitwe approximately 400 kilometres from Lusaka in the Copperbelt Province of Zambia. The Nkana smelter utilises the Reverberatory Furnace route to process copper concentrate and pyrite concentrate to produce copper anodes. The Nkana smelter underwent significant refurbishment in 2004 to rehabilitate the primary operating units and has implemented E1 Teniente technology. The Nkana smelter and refinery has an installed capacity of 180,000 tpa of copper cathode and plans have been announced to expand the capacity of the Nkana smelter to 300,000 tpa by putting up a new primary smelting stream at a capital cost of \$125 million to cater to the requirement of additional smelting of sulphide ore. The smelter is expected to be completed by 2008.

#### *Nkana refinery*

The Nkana refinery utilises conventional processes to produce copper cathode, including cathode starter sheets.

#### *Tailings leach plant*

The tailings leach plant at Nchanga produces copper cathode from current concentrator tailings and reclaimed tailings and has an installed capacity of 100,000 tpa of copper cathode.

### *Nkana acid plant*

The Nkana acid plant produces sulphuric acid and has an installed capacity of 120,000 tpa of sulphuric acid.

### *Nchanga acid plant*

The Nchanga acid plant is expected to commence its commercial production in the first quarter of 2006. The plant is expected to have a capacity of 500 mtpd.

### **Mines**

CMT and TCM were acquired in 1999 to supply part of Sterlite's copper concentrate requirements.

### *Mt Lyell*

Mt Lyell comprises an underground copper mine and a copper processing facility and is owned and operated by CMT (an indirect wholly owned subsidiary of Sterlite). It is located near Queenstown on the west coast of Tasmania, Australia. The mine has a current ore production capacity of approximately 2.75 mtpa. An independent contractor is largely used to mine the ore. Management estimates the life of mine at Mt Lyell to be approximately five years based on current reserves. Although the grade of copper at Mt Lyell is low, it produces a clean concentrate which assists the smelting process.

### *Highway Reward*

TCM's Highway Reward Mine at Thalanga and the associated processing facility were closed in July 2005. Management estimates that closure and rehabilitation costs will be approximately AU\$7.1 million. *This amount has been provided for in the Guarantor's Accounts as at 30 June 2005.*

### *Konkola*

Konkola comprises the Konkola mine and Konkola concentrator. It is located in the Copperbelt Province of Zambia, approximately 20 kilometres north of Chingola. The introduction of mechanised mining operations is currently underway and is expected to increase production from 1.8 mtpa to 2.4 mtpa by 2007.

### *Nchanga*

Nchanga comprises the Nchanga open pit and Nchanga underground mine and Nchanga concentrators. These are located in the Copperbelt Province of Zambia, near Chingola. Nchanga has capacity to produce 150,000 tpa of copper concentrate.

### *Nampundwe*

Nampundwe comprises the Nampundwe underground mine and Nampundwe concentrators. These are located in the Central Province of Zambia, approximately 50 kilometres west of Lusaka. Nampundwe has capacity to produce 60,000 tpa of pyrite concentrate, which is used to blend with copper concentrate for smelting.

### **Transport**

Copper concentrate from the Mt Lyell processing facility is transported by road and rail to the port of Burnie, Tasmania. The copper concentrate is shipped to the port of Tuticorin in India for transport by road to Sterlite's Tuticorin complex. Copper concentrate sourced from third parties is also transported from the Tuticorin port by road to the Tuticorin complex.

Once processed at the Tuticorin complex, the copper anodes are either refined at Tuticorin or transported by road to Silvassa. The sulphuric and phosphoric acids produced are currently transported to customers by road and by ship.

KCM produces copper cathode in Zambia, the large majority of which is exported to the Middle East, the Far East, Southeast Asia and Japan. The copper cathode is transported to its destinations by ships leaving from the ports located at Dar-es-Salaam, Tanzania and Durban, South Africa. Zambia has well-developed road and rail networks that link with the networks of neighbouring countries which enables KCM to access ports in these countries. KCM transports approximately 70 per cent. of its copper production by rail and approximately 30 per cent. by road.

### ***Sales and marketing***

Sterlite has field sales and marketing offices and personnel in Mumbai, New Delhi, Kolkata, Bangalore, Hyderabad, Indore, Jaipur, Vapi and Faridabad. Sterlite sells its copper products both in the domestic and export markets. In the financial year ended 31 March 2005, Sterlite exported approximately 45 per cent. of copper rod produced and 71 per cent. of saleable copper cathode produced to a range of countries including China, Japan, the Philippines, Singapore, South Korea, Taiwan, Thailand and various countries in the Middle East. Sterlite management expects the percentage of exports to increase from the recently expanded capacity at Tuticorin. Sterlite also sells the sulphuric acid, phosphoric acid and gypsum produced at Tuticorin and the anode slimes containing gold and silver produced at Silvassa. KCM exports substantially all of its production to markets in the Middle East and Southeast Asia.

### ***Projects and developments***

#### ***Konkola Mining Deep Project***

In 2004, a feasibility study was authorised by the board of KCM to consider the capacity and potential of the Konkola deep copper mines. On the basis of the study, the Guarantor has decided to proceed with the project. Through efficient use of existing facilities and infrastructure, the Guarantor believes the estimated cost of the project will be approximately U.S.\$400 million. Management believes this will increase output from the KCM mines, extend the existing mine life and realise the potential of one of the most important copper deposits, with 215 million tonnes of resources at 3.8 per cent. copper. The project includes the refurbishment of the existing Konkola mine and concentrator operations and the construction of additional mining, a 3 mtpa concentrator and related support services infrastructure to expand the copper ore mining and concentrating operations at Konkola, including sinking several new shafts, widening an existing downcast shaft, installing new headgear, establishing a new pumping station and adding a new semi-autogenous grinding mill, a ball mill and a number of large flotation cells to the concentrator. All government approvals for KDMP have been received. The project is due for completion in late 2009, with some production ramping up over the preceding years. The KDMP will be financed substantially from the internal cash generation of KCM, supplemented with debt or the contribution of equity to KCM provided or arranged by Vedanta Resources, as required. See “*General Information — KCM Acquisition Agreements*”.

#### ***Nkana smelter expansion***

Plans have been announced to expand the capacity of the Nkana smelter to 300,000 tpa by putting up a new primary smelting stream at a capital cost of \$125 million to cater to the requirement of additional smelting of sulphide ore. The smelter is expected to be completed by 2008.

## Aluminium Business

### Introduction

The Aluminium Business is owned and operated by BALCO and MALCO. BALCO and MALCO are fully integrated aluminium producers, which were established in 1965 and 1960, respectively. In the year ended 31 March 2005, the combined domestic market share of BALCO and MALCO was approximately 19 per cent. of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Chhattisgarh in Central India. BALCO's bauxite mine produced approximately 493,422 tonnes of bauxite in the financial year ended 31 March 2005 and supplies all of BALCO's bauxite requirements. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium. BALCO is in an advanced stage of completion of the expansion project at Korba consisting of a 250,000 tpa smelter and an associated captive power plant of 540 MW as described in "*Description of operations — BALCO — Refinery and smelter*" below.

Since Sterlite acquired its interest in BALCO, BALCO has improved its operating performance by debottlenecking, improving productivity and efficiencies and reducing unit costs. In the year ended 31 March 2005, BALCO's unit operating costs were U.S.\$1,347 per tonne, compared with U.S.\$1,577 per tonne for the year ended 31 March 2002.

BALCO intends to improve its operating performance further by reducing unit operating costs at the Korba complex by lowering power consumption and improving the operating efficiency of the captive power plant.

BALCO also intends to focus on the production of fabricated products with higher margins.

MALCO's aluminium operations comprise two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Tamil Nadu in Southern India. MALCO's two bauxite mines produced approximately 302,167 tonnes of bauxite in the financial year ended 31 March 2005 and are supplying all of MALCO's bauxite requirements. The Mettur Dam complex has a capacity of approximately 80,000 tpa of alumina and approximately 40,000 tpa of aluminium.

Since the Group acquired its interest in MALCO, MALCO has improved its operating performance by setting up a coal-fired captive power plant and providing reliable power at reduced cost, though in the financial year ended 31 March 2005, operating costs were affected by the increased costs of imported coal. In the year ended 31 March 2005, MALCO's unit operating cash costs were U.S.\$1,466 per tonne, compared with U.S.\$1,182 per tonne for the year ended 31 March 2004.

Sterlite has entered into a memorandum of understanding with the State Government of Orissa in relation to the establishment of an alumina refinery with an initial installed capacity of 1 mtpa which can be increased to 1.4 mtpa and an associated captive power plant in the State of Orissa in Eastern India. Provided that the necessary approvals are obtained, management expects that the refinery will be commissioned in March 2007. See "*Risk Factors — Regulatory, environmental and health and safety risks — Orissa.*" Alumina from the proposed Orissa refinery is expected initially to be transported to BALCO's aluminium smelter at Korba for processing, or sold on the domestic or export markets.

The Company plans to invest an estimated U.S.\$2.1 billion in the Jharsuguda project, of which the Board announced its approval on 16 December 2005. This project involves the development of a green-field 500,000 tpa aluminium smelter, together with an associated 1,215 MW captive thermal power plant in Jharsuguda, Orissa in India. Upon completion, this will increase the Guarantor's total aluminium smelting capacity to 900,000 tpa.

## Production

The table below sets out BALCO's and MALCO's total alumina and aluminium production for the three years ended 31 March 2005 respectively:

Company <sup>(1)</sup>	Year ended 31 March 2003		Year ended 31 March 2004		Year ended 31 March 2005	
	Alumina	Aluminium	Alumina	Aluminium	Alumina	Aluminium
	(t)					
BALCO .....	196,000	96,000	203,000	96,900	205,470	100,277
MALCO .....	61,000	31,000	66,700	32,200	76,351	35,649
<b>Total Aluminium Business</b>	<b>257,000</b>	<b>127,000</b>	<b>269,700</b>	<b>129,100</b>	<b>281,821</b>	<b>135,926</b>

Note:

(1) See "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

As announced by the Guarantor on 11 October 2005 in its unaudited production figures for the six months ended 30 September 2005, aluminium and alumina production in India increased from 66,000 tonnes and 130,000 tonnes respectively in the six months ended 30 September 2004 to 82,000 tonnes and 142,000 tonnes respectively in the six months ended 30 September 2005.

## Resource and reserve base

The table below sets out BALCO's and MALCO's bauxite reserves as at 31 March 2005:

Company <sup>(1)</sup>	Proved reserves		Probable reserves		Total proved and probable reserves	
	Quantity (mt)	Oxide (%)	Quantity (mt)	Oxide (%)	Quantity (mt)	Oxide (%)
	(t)					
BALCO						
Mainpat .....	5.3	48.3	1.0	48.3	6.3	48.3
Bodai-Daldali .....	7.1	48.0	0.0	0.0	7.1	48.0
MALCO						
Yercaud .....	0.6	42.4			0.6	42.4
Kolli .....	0.7	43.9			0.7	43.9
<b>Total .....</b>	<b>13.7</b>	<b>47.7</b>	<b>1.0</b>	<b>48.3</b>	<b>14.7</b>	<b>47.7</b>

Note:

(1) See "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

The table below sets out BALCO's and MALCO's bauxite resources as at 31 March 2005<sup>(1)</sup>:

Orebody	Measured Resource		Indicated Resource		Total Measured Resource and Indicated Resource		Inferred <sup>(2)</sup> Resource	
	Total Aluminium		Total Aluminium		Total Aluminium		Total Aluminium	
	Quantity	Oxide	Quantity	Oxide	Quantity	Oxide	Quantity	Oxide
	(mt)	(%)	(mt)	(%)	(mt)	(%)	(mt)	(%)
BALCO <sup>(3)</sup> Mainpat .....	—	—	—	—	0.0	—	5.0	48.1
Bodai-Daldali .....	—	—	—	—	0.0	—	2.0	48.0
Pandrapat .....	—	—	—	—	0.0	—	8	48
MALCO Kolli .....	—	—	0.8	43.9	0.8	43.9	1.3	43.9
Poondi <sup>(4)</sup> .....	—	—	—	—	0.0	—	1.6	44.1
<b>Total</b> .....	<b>0.0</b>	<b>—</b>	<b>0.8</b>	<b>43.9</b>	<b>0.8</b>	<b>43.9</b>	<b>17.9</b>	<b>47.4</b>

Notes:

- (1) Bauxite resources are additional to reserves. See "Presentation of Information — Ore reserve and mineral resource reporting — basis of preparation" and "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.
- (2) See "Presentation of Information — Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.
- (3) The exploration lease for the Jamirapat deposit was allowed to lapse following the decisions to develop the Lanjigarh alumina refinery and to not expand the capacity of the Korba alumina refinery. This has reduced BALCO's inferred resources by 15.7 mt as compared with 31 March 2004.
- (4) The mining lease for Poondi has been rescinded, as part of the access road crossed a nature reserve.

## Aluminium

### Industry overview

#### Background

The key properties of aluminium have defined its uses. Aluminium is lightweight in relation to its strength, durable and resistant to corrosion. It can also be extruded, rolled, formed and painted. Three end use sectors account for approximately 70 per cent. of total world consumption of aluminium: construction; transport; and packaging. The remaining 30 per cent. is accounted for by a wide variety of consumer and capital goods. Aerospace and defence applications, once the main market for aluminium, now account for less than five per cent. of total world consumption. In the automobile industry, aluminium is increasingly being substituted for steel to reduce weight and improve fuel economy.

The raw material from which aluminium is produced is bauxite, which is a very common mineral found mainly in tropical regions. It normally occurs close to the surface and can be mined by open pit methods. The bauxite is refined into alumina. Typically bauxite ranges from 35 to 60 per cent. of contained alumina. There are several different types of bauxite and, as a result, alumina refineries are usually designed to treat a specific type of bauxite. The majority of alumina refineries are therefore integrated with mines.

An electrolytic process is used to produce aluminium from alumina. Around 60 per cent. of worldwide alumina production is integrated with aluminium smelting facilities and the remainder is sold. Aluminium smelters tend towards downstream integration through the production of value added products.

#### Aluminium supply

The major bauxite producing countries are Australia, Brazil and Guinea. Bauxite supplies are highly concentrated as a result of the considerable infrastructure investment required to access large bauxite deposits.



Until the 1970's, aluminium was produced predominantly in the advanced industrialised countries. However, aluminium smelting is electricity intensive and production has and continues to shift to regions with cheaper electricity.

The five leading aluminium producing countries in the world currently account for approximately 58.8 per cent. of world production. China now accounts for some 24.5 per cent. of total world production, Russia accounts for 11.4 per cent., Canada accounts for 9.1 per cent., the United States accounts for 7.8 per cent. and Australia accounts for 6.0 per cent.

As a result of recent rationalisation of the industry, aluminium production has become more concentrated, with the leading five producers accounting for approximately 40 per cent. of world primary aluminium production in 2005. The largest producer, Alcoa, accounts for approximately 12 per cent. of world sales (on a volume basis) in 2005. The other major producers are Alcan, Russian Aluminium, Norsk Hydro and BHP Billiton.

Global aluminium production has risen steadily in recent years. Between 2002 and 2005, production increased by 22.4 per cent. to 31.9 mtpa.

### *Pricing*

Aluminium is an LME traded metal. It is either sold direct to consumers or on a terminal market. The price is determined by the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining the metal from an alternative source.

Alumina prices are negotiated on an individual basis between buyer and seller but are usually determined by reference to the LME price for aluminium. The negotiated agreements generally take the form of long-term contracts, but fixed prices can be negotiated for shorter periods and a relatively small spot market also exists.

### *Indian aluminium market*

The four primary aluminium producers in India, in order of market share of primary aluminium production, are Hindalco, NALCO, BALCO and MALCO. Primary aluminium production in India increased by 17.7 per cent. in the year ended 31 March 2005, with total production of approximately 883,000 tonnes compared to 750,000 tonnes in the year ended 31 March 2004. The majority of aluminium produced in India is consumed domestically, with limited exports to countries including Singapore, Taiwan and the United Arab Emirates.

The demand growth for aluminium in the Indian aluminium market for 2005 and 2006 is expected to be approximately 10 per cent. Consumption of primary aluminium in India for the year ended 31 March reached 946,000 tonnes, representing an increase of 10.3 per cent. from the year ended 31 March 2004 the demand growth for primary aluminium in the Indian aluminium market is expected to reach 5 per cent. in 2006. In 1970, the Government of India instituted the Aluminium Control Order to regulate the domestic aluminium industry, which compelled domestic producers to sell around 50 per cent. of their primary aluminium to the Indian electricity sector. Despite the removal of this order in 1989, electrical applications continue to be the largest end-use sector, consuming around 28 per cent. of aluminium production as a result of the continuing drive to provide electricity throughout the country. Transport is also a major consumer, contributing approximately 25 per cent. of demand, but average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles.

Aluminium imports are subject to a customs duty of 10 per cent. in India and an additional surcharge of two per cent. of customs duty.

Domestic producers of aluminium are subject to an excise duty of 16 per cent. and an additional surcharge of two per cent. of excise duty.

The Government of India may further reduce the customs duty in the future. See “*Risk Factors — Industry risks*”.

Indian exports of aluminium receive an assistance premium from the Government of 2 per cent. of the FOB value of exports for aluminium ingots and wire rods and 4 per cent. of the FOB value of exports for rolled products. Alumina exports also receive an assistance premium of 5 per cent. of the FOB value of exports.

#### *Consumption, markets and outlook*

World primary aluminium consumption was 27.5 mt in 2003, 30.4 mt in 2004 and 32.1 mt in 2005. The year-on-year trend of aluminium demand growth closely reflects macroeconomic business cycles.

The aluminium market was in surplus in 2001-2003. However, 2004 was a year of deficit following an estimated growth of 10.4 per cent. in consumption which outstripped production growth of 7.1 per cent. In 2005, the deficit reduced to 180,000 tonnes following a 6.7 per cent. in production compared to a 5.6 per cent. increase in consumption. The LME cash price averaged U.S.\$1,350/tonne in 2002 and rose to average U.S.\$1,716/tonne in 2004 and U.S.\$1,900/tonne in 2005.

World demand for aluminium increased by 5.6 per cent. in 2005, mainly by growth in demand in China, North America and Europe. Demand is expected to grow by a further 4.6 per cent. in 2006. Aluminium consumption in China continues to grow strongly, driven by the construction and transport sectors.

Despite the strong price environment and healthy demand conditions, output curtailments are occurring at aluminium smelters across different geographical regions. This is expected to push the global aluminium market deeper into deficit in 2006, increasing the global deficit from 180,000 tonnes in 2005 to 458,000 tonnes in 2006. Ongoing rises in production costs are making aluminium smelting unprofitable in many traditional producing regions, including the US and Europe. An estimated 800-900 ktpa of capacity is at risk for closure over 2006 and 2007, with the majority in Europe, as long-term power supply deals come up for renewal. In China, now the world's largest primary aluminium producer, the high alumina spot price resulted in a joint effort by Chinese smelters to reduce output by 10 per cent., or about 350 ktpa in the second half of 2005. A direct consequence of this, together with a rise in export tariffs and strong domestic demand, is that China's exports of primary aluminium have sharply reduced, helping to keep the western world market tight.

While new smelting production is starting up in regions with readily available and more affordable power supplies, future alumina availability is expected to be key to the outlook for aluminium. Alumina refineries have been hit by several negative factors such as technical problems, strikes and high natural gas prices. With maximum capacity utilisation rates at refineries and low alumina inventories at Chinese smelters, alumina prices are expected to remain well underpinned in 2006.

### **Description of operations**

#### **BALCO**

##### *Refinery and smelter*

##### *Korba aluminium complex*

BALCO's integrated aluminium complex is located at Korba in the State of Chhattisgarh in Central India. The refinery was commissioned in 1973 and the smelter was commissioned in 1975. The complex consists of a conventional high pressure Bayer alumina refinery, a vertical stud Soderberg cell aluminium smelter, a 270 MW power plant and a fabrication facility. The Korba

complex has an installed capacity of approximately 200,000 tpa of alumina refining and approximately 100,000 tpa of aluminium smelting. The power requirements of the complex are largely met by its captive coal-fired power plant. BALCO produces both primary metal, in the form of ingots, and finished products, such as rods and cold rolled sheets and coils. In 2004, BALCO commissioned a new 36,000 tpa cold rolling facility to increase its capacity to produce fabricated products, which are sold at higher margins.

BALCO is currently expanding capacity at its Korba aluminium smelter to approximately 350,000 tpa. Seventy-two of the 288 smelter pots were operational as at September 2005. The full expanded capacity is expected to be commissioned in the financial year ending 31 March 2006. BALCO is using technology provided by Guiyang Aluminium and Magnesium Institute ("GAMI") of the People's Republic of China in the expansion of the Korba smelter. A 540 MW coal-fired power plant is being constructed to supplement the existing 270 MW coal-fired power plant. Work to expand the aluminium smelter is underway. As at 30 September 2005, approximately U.S.\$700 million had been spent on this expansion. Management expects the final costs (on the basis of budget estimates carried out and executed contracts) to be below the budgeted figure of approximately U.S.\$900 million.

### ***Mine***

#### ***Mainpat***

The Mainpat mining complex is located in the Surguja district in the State of Chhattisgarh in Central India and was commissioned in 1993. The open pit mine produced approximately 493,422 tonnes of bauxite in the financial year ended 31 March 2005. The life of mine at Mainpat is estimated by management (on the basis of reserves and production data) to be approximately 10 years, with estimated reserves of 4.4 mt.

#### ***Bodai-Daldali***

BALCO has started a project to develop mining operations in the Bodai-Daldali deposit, which is located approximately 260 kilometres from Korba in the Kawardha district of the State of Chhattisgarh, India. Production is expected to commence by 31 March 2006.

#### ***Bauxite deposits***

BALCO also has interests in the Pandrapat deposit located in the Jashpur district of the State of Chhattisgarh, which are currently under exploration.

### ***Transport***

Bauxite is transported approximately 250 kilometres from the Mainpat mine by truck to the Korba aluminium complex. Public road conditions can vary and therefore a road building and improvement programme between Mainpat and Korba is underway and is expected to be completed in 2006.

### ***Sales and marketing***

BALCO has sales and marketing offices in Mumbai, New Delhi, Kolkata, Nagpur, Hyderabad and Bangalore and sells its primary aluminium and aluminium products primarily in the domestic market. BALCO's key customers include conductor manufacturers, state road transport corporations, railways, defence organisations and electrical equipment and machinery manufacturers.

BALCO sells approximately 90 per cent. of its products directly from its plants and the remaining 10 per cent. through its depots. Rods, which in the year ended 31 March 2005 accounted for approximately 48 per cent. of total sales, are largely sold directly to end users, and part of the

ingot and cold rolled product sales are also made directly to end users. The remainder of sales are through BALCO's own dealers. In the year ended 31 March 2005, rolled products accounted for 43 per cent. of BALCO's sales.

## **MALCO**

### ***Refinery and smelters***

#### *Mettur Dam aluminium complex*

MALCO's integrated aluminium complex is located at Mettur Dam in the Mettur region of the State of Tamil Nadu, India and was commissioned in 1965. The complex consists of a Bayer alumina refinery, a vertical stud Soderberg aluminium smelter, a 75 MW captive power plant and a fabrication facility. The Mettur Dam complex has an installed capacity of approximately 80,000 tpa of alumina and approximately 40,000 tpa of aluminium. MALCO produces both primary metal, in the form of ingots, and finished products, in the form of rods for domestic sale.

### ***Mines***

#### *Yercaud*

The Yercaud mining complex is located approximately 85 kilometres east of the Mettur Dam complex in the State of Tamil Nadu, India. The open pit mine is worked by private mining contractors and produced approximately 163,000 tonnes of bauxite in the financial year ended 31 March 2005. The life of mine at Yercaud is estimated by management (on the basis of reserves and production data) to be approximately four years.

#### *Kolli*

The Kolli mining complex is located approximately 150 kilometres southeast of the Mettur Dam complex in the State of Tamil Nadu, India. The open pit mine is worked by private mining contractors and produced approximately 136,000 tonnes of bauxite in the financial year ended 31 March 2005. The life of mine at Kolli is estimated by management (on the basis of reserves and production data) to be approximately seven years.

### ***Transport***

Bauxite from the Yercaud and Kolli mines is transported by truck to Mettur Dam. The Mettur Dam complex has road and rail connections for the transport of supplies and products.

### ***Sales and marketing***

MALCO's alumina and aluminium products are marketed through BALCO's sales and marketing offices. MALCO has the advantage of being the only operating aluminium smelter in Southern India and is therefore closer to its customers than its competitors are. All of MALCO's alumina and aluminium products are sold in the domestic market.

MALCO focuses on serving the power sector and in the financial year ended 31 March 2005 approximately 85 per cent. of its production consisted of electrical conductor grade wire rods.

## **Vedanta Alumina Limited**

### ***Projects and developments***

#### *Orissa alumina refinery and bauxite deposit*

The Group is setting up an alumina refinery with an initial installed capacity of one mtpa and an associated 90 MW captive power plant in the Lanjigarh district of State of Orissa, which is located

approximately 450 kilometres from the Korba complex. Management estimates the initial cost of the project to be approximately U.S.\$800 million and the Group is developing this project through its subsidiaries, Vedanta Alumina and Sterlite. Sterlite has entered into a memorandum of understanding with the State Government of Orissa, pursuant to which the State Government has undertaken to assist Sterlite in procuring land and obtaining certain consents for the purposes of the alumina refinery and captive power plant and to establish bauxite mining facilities at Lanjigarh. Sterlite has also entered into a leasehold agreement with the Orissa Infrastructure Development Corporation pursuant to which it leases the land on which the alumina refinery is intended to be constructed. The Orissa Mining Corporation (“OMC”) has agreed to permit Vedanta Alumina, through a joint venture company, to undertake prospecting and mining operations in Lanjigarh, which has an Inferred Resource of approximately 72 mt. Vedanta Alumina and the State Government of Orissa have also had discussions regarding the possibility of making other deposits available so as to provide total reserves of 150 mt of bauxite to the alumina refinery. Subject to obtaining the necessary leases, permits and approvals, management expects that the Orissa refinery and power plant will be commissioned by March 2007. Development of the mine at Orissa is awaiting clearance by the Supreme Court of India, See “*Risk factors — Regulatory, environmental and health and safety risks — Orissa*” for further information. Alumina from the proposed Orissa refinery is expected initially to be transported to BALCO’s aluminium smelter at Korba for processing or sold on the domestic or export markets. Management expects that part or all of the funding for Orissa to be contributed by the Group will come directly from Vedanta Resources. Vedanta Alumina had committed capital expenditure of approximately U.S.\$525.3 million as at 30 September 2005 and has already incurred capital costs of U.S.\$326.1 million.

#### *Jharsuguda aluminium smelter*

The Company plans to invest an estimated U.S.\$2.1 billion in the Jharsuguda project, of which the Board announced its approval on 16 December 2005. This project involves the development of a green-field 500,000 tpa aluminium smelter, together with an associated 1,215 MW captive thermal power plant in Jharsuguda, Orissa in India. Upon completion, this will increase the Guarantor’s total aluminium smelting capacity to 900,000 tpa.

The Jharsuguda project will be implemented in two phases of 250,000 tpa each and is expected to commence construction in June 2006. Construction of the first phase is expected to complete in the second half of 2009 and the second phase is expected to complete by the end of 2010. The associated thermal power plant will totally comprise nine units of 135 MW each, of which five units of 135 MW each will be commissioned as a part of the first phase. The commissioning of the power plant units is being scheduled to meet the power requirement of the new Jharsuguda smelter.

This investment includes the cost of building the smelter, the associated power facilities and all necessary infrastructure including railway networks, water pipelines and a township for employees.

## **Zinc Business**

### ***Introduction***

The Zinc Business is owned and operated by HZL, India’s only integrated zinc producer, and had a domestic market share of 70 per cent. of zinc sales for the financial year ended 31 March 2005 (according to internal sources of the Company). HZL’s zinc operations include three lead-zinc mining complexes, one lead-zinc smelter and two zinc smelters in the State of Rajasthan in Northwest India and one zinc smelter in the State of Andhra Pradesh in Southeast India. HZL’s three lead-zinc mining complexes have a total capacity of 5.95 mtpa. The three smelters have the combined capacity to produce approximately 400,000 tpa of zinc metal and 35,000 tpa of lead metal. HZL’s mines supply all of its concentrate requirements. HZL also exports surplus zinc and lead concentrates.

A9.5.1.2

Since Sterlite first acquired an interest in HZL, HZL has improved its operating performance by expansion, debottlenecking, improving productivity and efficiencies and reducing unit costs (including power costs at the Debari smelter through the construction of a captive power plant). In the year ended 31 March 2004, cash costs of the Zinc Business were U.S.\$571 per tonne, reduced from U.S.\$663 for the year ended 31 March 2003, a reduction of 13.9 per cent. This reduction was possible through more efficient energy use, improved purchasing systems and higher productivity rates, despite the increase in metallurgical coal rates. However, cash costs of production rose 21.7 per cent. for the financial year ended 31 March 2005 to U.S.\$695 per tonne, from U.S.\$571 for the financial year ended 31 March 2004. This was due to rising energy prices, inconsistent quality of metcoke and the costs of metcoke.

New facilities at Chanderiya were commissioned in May 2005. The capacity of the zinc smelters has increased from approximately 220,000 tpa to 400,000 tpa of zinc through the expansion of its current installed capacity and the construction of a 170,000 tpa hydrometallurgic zinc smelter and a 154 MW coal-fired captive power plant at Chanderiya. Expansion has also taken place at the Rampura Agucha lead-zinc mine from 3.3 mtpa of ore to 3.75 mtpa to meet the requirements of the new smelting facility at Chanderiya. A new lead smelter has been commissioned in early February 2006 and is expected to achieve rated capacity by mid 2006. This would increase capacity from 35,000 tpa to 85,000 tpa of lead metal at the Chanderiya lead-zinc smelter.

HZL intends to improve its operating performance further by:

- benefiting from low-cost production available from its newly commissioned 170,000 tpa hydrometallurgic smelter at Chanderiya;
- increasing its share of concentrate from Rampura Agucha mine;
- continuing debottlenecking initiatives underway at its existing operations;
- reducing power costs;
- further rationalising the workforce through the voluntary retirement scheme; and
- increasing productivity and upgrading existing technology.

HZL also intends to develop markets in India for its zinc, including in the construction industry.

HZL benefits from being the only producer in India with integrated zinc mining operations. One factor specific to HZL's mining cost profile is a royalty charge payable to the State of Rajasthan. This charge is currently 6.6 per cent. of the LME zinc metal price chargeable on the contained zinc metal in ore mined. Similarly, a 5 per cent. charge is payable in respect of lead.

### ***Production***

The table below sets out HZL's total zinc metal and lead metal production for the three years ended 31 March 2005<sup>(1)</sup>:

	Year ended 31 March 2003	Year ended 31 March 2004	Year ended 31 March 2005
		(t)	
Zinc metal .....	207,100	220,700	212,445
Lead metal.....	33,800	25,100	15,727

Note:

- (1) See "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

The tables below set out HZL's total ore, zinc concentrate and lead concentrate production for the three years ended 31 March 2005:

Year ended 31 March 2003				
Mine <sup>(1)</sup>	Type of mine	Ore production	Zinc concentrate production	Lead concentrate production
			(t)	
Rampura Agucha .....	Opencut	1,744,000	379,200	28,900
Rajpura Dariba .....	Underground	508,000	55,500	9,400
Zawar .....	Underground	748,000	51,200	17,500
<b>Total</b> .....		<b>3,030,000</b>	<b>485,900</b>	<b>55,800</b>

Year ended 31 March 2004				
Mine <sup>(1)</sup>	Type of mine	Ore production	Zinc concentrate production	Lead concentrate production
			(t)	
Rampura Agucha .....	Opencut	2,200,000	509,800	40,600
Rajpura Dariba .....	Underground	593,000	54,000	10,100
Zawar .....	Underground	851,100	51,100	23,600
<b>Total</b> .....		<b>3,644,100</b>	<b>614,900</b>	<b>74,300</b>

Year ended 31 March 2005				
Mine	Type of mine	Ore production	Zinc concentrate production	Lead concentrate production
			(t)	
Rampura Agucha .....	Opencut	2,451,725	549,785	47,266
Rajpura Dariba .....	Underground	538,715	55,556	10,546
Zawar .....	Underground	938,100	61,083	26,439
<b>Total</b> .....		<b>3,928,540</b>	<b>666,424</b>	<b>84,251</b>

Note:

- (1) See "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

## Resource and reserve base

The table below sets out HZL's zinc and lead reserves base as at 31 March 2005<sup>(1)</sup>:

	Proved Reserve			Probable Reserve			Total Proved Reserve and Probable Reserve <sup>(2)</sup>		
	Quantity	Grade	Grade	Quantity	Grade	Grade	Quantity	Grade	Grade
	(mt)	(%)	(%)	(mt)	(%)	(%)	(mt)	(%)	(%)
Mine .....									
Rampura Agucha .....	22.4	13.2	2.0	27.8	12.4	1.9	50.1	12.8	1.9
Rajpura Dariba .....	5.4	6.1	1.4	5.2	5.8	2.1	10.6	5.9	1.7
Zawar .....	4.3	4.4	1.9	1.5	4.5	1.5	5.8	4.4	1.8
<b>Total</b> .....	<b>32.0</b>	<b>10.8</b>	<b>1.9</b>	<b>34.5</b>	<b>11.1</b>	<b>1.9</b>	<b>66.5</b>	<b>11.0</b>	<b>1.9</b>

Notes:

- (1) The information for the year ended 31 March 2005 was estimated by HZL staff.
- (2) Resources are additional to reserves. See "Presentation of Information — Ore reserve and mineral resource reporting — basis of preparation" and "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

The table below sets out HZL's zinc and lead resources<sup>(2)</sup> as at 31 March 2005<sup>(1)</sup>.

	Measured Reserve			Indicated Resource			Measured and Indicated Resource			Inferred Resource <sup>(3)</sup>		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(mt)	(%)	(%)	(mt)	(%)	(%)	(mt)	(%)	(%)	(mt)	(%)	(%)
Mine												
Rampura Agucha .....	0	0	0	11.1	12.7	1.7	11.1	12.7	1.7	13.8	12.2	1.7
Rajpura Dariba .....	5.2	8.3	2.4	6.9	6.9	2.6	12.2	7.5	2.5	19.6	5.7	2.1
Zawar .....	1.3	5.5	1.8	21.2	4.7	1.9	22.5	4.8	1.9	13.8	3.7	3.1
Kayar .....	0	0	0	0.8	13.3	2.2	0.8	13.3	2.2	4.5	11	1.5
<b>Total</b> .....	<b>6.5</b>	<b>7.7</b>	<b>2.3</b>	<b>40.1</b>	<b>7.5</b>	<b>2.0</b>	<b>46.6</b>	<b>7.5</b>	<b>2</b>	<b>51.7</b>	<b>7.4</b>	<b>2.2</b>

Notes:

- (1) The information for the year ended 31 March 2005 was estimated by HZL staff.
- (2) Resources are additional to reserves. See "Presentation of Information — Ore reserve and mineral resource reporting-basis of preparation" and "Presentation of Information — Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.
- (3) See "Presentation of Information — Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.

## Zinc

### Industry overview

#### Background

The principal use for zinc worldwide is galvanising, which involves coating steel with zinc to guard against corrosion. Galvanising, including sheet, tube, wire and general galvanising, accounts for around 54 per cent. of total world consumption of zinc. The main end-use industries for galvanised steel products are the manufacture of automobiles and domestic appliances and the construction industry, and it is these industries on which zinc consumption is ultimately dependent. Other major uses for zinc include alloying (16 per cent. of world consumption), brass and semi-manufactures (18 per cent. of world consumption), oxides and chemicals (10 per cent. of world consumption) and other uses (3 per cent. of world consumption). Alloys are principally used in toys, vehicles and hardware.

Zinc producers can be divided into three broad categories:



- Zinc mining businesses produce zinc concentrate containing 50 to 55 per cent. zinc for sale to smelters, and usually receive payment for 85 per cent. of the zinc contained in the concentrates less a treatment charge (“TC”). Their revenue therefore depends on the LME price and the level of the TC.
- Zinc smelting businesses purchase concentrates and sell refined metal. A few have a proportion of integrated production further downstream. A smelting operation’s net revenue depends on the LME price, the market premium, the level of the TC and also the amount of “free zinc” which they can recover. “Free zinc” is the difference between the amount of zinc recovered from zinc concentrates, typically over 95 per cent. for an electrolytic plant, and the amount which is paid for, usually 85 per cent.
- Integrated production businesses are involved in both the mining and smelting of zinc. Most integrated producers are only partially integrated and therefore need to either buy or sell some custom concentrates.

### *Zinc supply*

There are zinc mining operations in approximately 40 countries, of which China, Australia, Peru, Canada and the United States are the largest producers. Together, these five countries accounted for approximately 57.2 per cent. of total world mine production in 2005. Australia and Peru are the largest net exporters, and Peru is the world’s largest supplier of custom zinc concentrates. Much of this is supplied through traders rather than sold directly to smelters. The largest importing region is Western Europe, followed by South Korea and Japan. The main custom smelters are located in these regions. China also has a large net concentrate import requirement.

The zinc mining industry is highly fragmented, with the top five companies, namely Teck Cominco, Zinifex, Glencore, Hindustan Zinc and Anglo American, accounting for only 26 per cent. of world mine production in 2005. A9.5.1.2

Zinc smelting is geographically less concentrated. With a production of 2.6 mtpa of zinc in 2005, China is the largest single country producer in 2005. Zinc production from China increased by 3.6 per cent. whilst zinc production in Western Europe has declined by 6.7 per cent. to reach 2.0 mtpa. Canada is the second largest country producer followed by South Korea, Japan and Spain. Together, the top five zinc producing countries accounted for 51 per cent. of the total world refined zinc production, estimated at 10.3 mt in 2005.

The zinc smelting industry is also fragmented, with the top five producers accounting for approximately 32 per cent. of world production.

World production of refined zinc has risen continuously between 1998 and 2005 as new capacity has been brought on stream but has not kept pace with world consumption which has led to a deficit in 2004 and 2005.

*(Source: Vedanta Resources)*

### *Pricing*

Most zinc concentrates are purchased under long-term frame contracts under which the TC is negotiated annually. The TC should reflect the relative supply of and demand for concentrates. Price participation agreements allow the TC to increase and decrease with the price, thus sharing the price risk between mining and smelting operations. Most mining operations sell directly to smelting operations.

Zinc is a LME traded metal. It is generally sold directly to consumers or, in times of surplus, on a terminal market. The price is determined on the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining the metal from an alternative source.

## *Indian zinc market*

The Indian zinc industry comprises two producers. The leading producer is HZL, which had a domestic market share of approximately 70 per cent. for the year ended 31 March 2005. The other primary producer is Binani Zinc, which has a custom smelter and a refined zinc capacity of 30,000 tpa. A9.5.1.2

The aggregate demand growth for zinc in the Indian market 2005 and 2006 is expected to be approximately 10 per cent. Consumption of refined zinc in India reached 383,000 tonnes in the year ended 31 March 2005, an increase of 5.5 per cent. on the previous year. (*Source: Vedanta Resources*). The principal use of zinc in the Indian market is in the galvanising sector, which currently accounts for an estimated 70 per cent. of total consumption. Galvanisation is primarily used for tube, sheet and structural products. The other significant end-user of zinc in India is the alloys sector. This contrasts with western world consumption trends, where galvanising, although still the most common use of zinc, is relatively less important and increased demand has been seen in the construction and die casting sector, and reflects the emphasis of India's current five year economic programme on infrastructure.

*(Source: Vedanta Resources)*

Zinc imports are subject to a customs duty of 10 per cent. in India and an additional surcharge of two per cent. The customs duty has been reduced from 15 per cent. to 10 per cent. in 2005. Domestic producers of zinc are subject to an excise duty of 16 per cent. plus an additional surcharge of two per cent. charged on domestic prices.

Indian exporters of zinc ingots, zinc concentrate and lead concentrate receive an assistance premium from the Government of India of 6 per cent. for zinc ingots and two per cent. for zinc and lead concentrate of the FOB value of imports. The Government of India may further reduce the customs duty in the future. See "*Risk Factors — Industry risks*".

## *Consumption, markets and outlook*

Compared to the previous years, global zinc consumption was flat in 2001, recovered in 2002 and further increased by 4.0 per cent., 6.8 per cent. and 3.0 per cent. in 2003, 2004 and 2005 respectively. Western European consumption fell in 2001-2004, but the increase in consumption in China, the US, Japan and South Korea drove the world zinc market to an overall deficit of approximately 70,000 tonnes in 2004 and 305,000 tonnes in 2005. A major contributor to the global deficit is China. Due to a strong growth in consumption outpacing domestic production growth, China became a net importer of refined zinc in 2005. Going forward, China is expected to continue to be a major factor in the world zinc markets for both concentrates and metal.

In 2005, the LME cash price averaged U.S.\$1,383/tonne compared to U.S.\$1,049/tonne U.S.\$828/tonne in 2004 and 2003 respectively. Continuous drawdowns in LME inventories reflect the strong supply and demand situation, and in the beginning of 2006, total reported inventories were approaching critical lows fast

Production failures, closures and temporary shutdowns are a key factor behind rising zinc prices. These supply disruptions are accelerating inventory drawdowns on the LME. The lack of new mine projects is expected to be even more critical for the longer term outlook. Although exploration spending in the zinc industry has picked up fast in response to higher prices, there are few major new projects coming on stream in the second part of 2007, when the 200 ktpa San Cristobal mine is due to start production. In the past, Chinese mine supply has been fast to react to rising prices. However, China's zinc mines are generally small and reserves are depleting and China is now becoming an increasingly important net importer of zinc. However, whilst the lack of spare output capacity is a major factor supporting the current bull-run in commodity prices, the zinc industry actually has some capacity in idled mine, which could be re-started once LME stocks remain low.

In the largest end-use sector for zinc consumption – galvanised sheet – demand has remained strong, with negative effects from rising prices partly offset by easier steel prices. In addition, substitution opportunities are limited, as zinc is the only metal that provides the required corrosion resistance in sheet products for the automotive, construction and white good sectors.

## **Description of operations**

### ***Smelters and refineries***

#### *Chanderiya*

The Chanderiya smelter is located approximately 120 kilometres east of Udaipur in the State of Rajasthan in Northwest India and was commissioned in 1991. The smelter utilises ISF technology and has a current installed capacity of approximately 97,000 tpa of zinc and 34,000 tpa of lead. It also produces sulphuric acid, silver and cadmium and copper sulphate. The Company has recently completed a brownfield expansion of zinc capacity by building a 170,000 tpa smelter and a 154 MW coal fired captive power plant.

#### *Debari*

The Debari zinc smelter is located approximately 10 kilometres east of Udaipur in the State of Rajasthan and was commissioned in 1968. An RLE process is used to produce zinc ingots and sulphuric acid. The smelter's current installed capacity is approximately 68,000 tpa of zinc metal. A 29 MW low sulphur fuel oil-fired captive power plant was commissioned in March 2003.

#### *Vizag*

The Vizag zinc smelter is located approximately 17 kilometres from Visakhapatnam inner harbour on the Bay of Bengal in the State of Andhra Pradesh and was commissioned in 1977. The Vizag smelter uses the same process as the Debari smelter. The smelter has installed capacity to produce 45,000 tpa of zinc. HZL obtains part of its power requirements at Vizag at relatively low cost due to its investment as a shareholder in a gas utility company in Andhra Pradesh.

### ***Mines***

#### *Rampura Agucha*

The Rampura Agucha lead-zinc mine is located approximately 225 kilometres north of Udaipur in the State of Rajasthan, and was commissioned in 1991. The mine has an installed capacity of 3.75 mtpa of ore. Management estimates the life of mine at Rampura Agucha (on the basis of reserves and production data), post expansion, to be approximately 14 years at current production levels. Management believes the potential exists to increase the life of the mine by converting existing resources to reserves. Drilling work has also been undertaken around the mine, which has taken reserves to 50.1 million tonnes at 31 March 2005.

#### *Rajpura Dariba*

The Rajpura Dariba lead-zinc mining complex is located approximately 75 kilometres northeast of Udaipur in the State of Rajasthan and was commissioned in 1983 with commercial production commencing in 1984. The complex has an installed capacity of 1 mtpa of ore. Management estimates the life of mine at Rajpura Dariba to be approximately 10 years. Management believes (on the basis of reserves and production data) the potential exists to increase the life of the mine by converting existing resources to reserves.

## *Zawar*

The Zawar mining complex is located approximately 42 kilometres east of Udaipur in the State of Rajasthan and was initially commissioned in 1971. The complex comprises four underground mines. Three of the mines are operated by HZL. The fourth has been recently reopened and is operated by a third party. The mining complex has a total installed capacity of 1.2 mtpa of ore. Management estimates (on the basis of reserves and production data) the life of the mines at Zawar to be approximately five years.

## *Transport*

Zinc and lead concentrates from HZL's lead-zinc mines are transported to the Chanderiya and Debari smelters by road. Zinc concentrates from HZL's mines are also transported by rail to the Vizag smelter, which is located approximately 1,200 kilometres south-east of the mines.

## *Sales and marketing*

HZL has sales and marketing offices in Bangalore, Hyderabad, Kolkata, Mumbai, New Delhi and Udaipur.

HZL sells substantially all the zinc and lead metal it produces in the domestic market. The ten largest customers accounted for approximately 49 per cent. of sales in the year ended 31 March 2005. HZL management expects HZL will export some of the zinc metal it produces from the expanded capacity of Chanderiya. HZL also sells any zinc concentrates which are surplus to its requirements.

HZL caters to consumers in a number of sectors including galvanising and manufacture of dry cell batteries. Approximately 60 per cent. of zinc metal produced is sold under annual contracts, which provide for the supply of fixed amounts of zinc metal of varying grades at an agreed premium to the LME spot price. The remainder of sales are spot sales. Following the brownfield expansion at Chanderiya, HZL intends to increase sales of premium special high grade products.

## **Projects and developments**

### *Chanderiya expansion*

HZL completed a brownfield expansion of a 170,000 tpa hydrometallurgical zinc smelter, together with a 154 MW coal based captive power plants at Chanderiya in May 2005.

A new lead smelter has been commissioned in early February 2006 and is expected to achieve rate capacity by mid 2006. This would increase capacity from 35,000 tpa to 85,000 tpa of lead metal at Chanderiya lead zinc smelter.

HZL has announced a second 170,000 tpa smelter to be built at Chanderiya, identical to the smelter recently commissioned at Chanderiya. Construction will commence in early 2006 and the smelter and power plant are expected to be commissioned by early 2008. Management estimates that the expansion will cost U.S.\$300 million, including investment in a 77 MW captive power plant at the existing site. The expansion is expected to improve HZL's operating costs further and increase total zinc smelting capacity to approximately 57,000 tpa.

### *Rampura Agucha*

In March 2005, HZL increased capacity of the Rampura Agucha lead-zinc mine and processing plant from 2 mtpa to 3.75 mtpa of ore, to supply the brownfield zinc smelter expansion at Chanderiya.

Management estimates the total capital expenditure associated with the Chanderiya smelter and the Rampura Agucha mine to be 15 per cent. lower than the budgeted cost of expansion by HZL of U.S.\$425 million.

### **Other activities**

The Group's other activities include:

- an aluminium conductor business which is a division of Sterlite, consisting of two power transmission aluminium conductor plants; and
- an investment in an aluminium foil business, carried on by IFL.

### **Aluminium conductor business**

Sterlite's aluminium conductor business has two fully developed plants at Karanjawane, Pune in the State of Maharashtra and at Rakholi in Silvassa, both in Western India.

An in-house Properzi aluminium rod rolling mill feeds the manufacture of transmission conductors. The mill manufactures both electrical grade aluminium and alloy rods and has a current production capacity of approximately 50,000 tpa. The installed capacity for transmission conductors is 73,000 tpa.

The major customer in the domestic market is Power Grid Corporation of India Limited which in the financial year ended 31 March 2005 accounted for approximately 65 per cent. of the business's sales. Other customers include the State Electricity Boards and, in the export market, turnkey contractors.

The information under "Description of Businesses" herein, have been extracted from publicly available information (CRU-Industry analysis and market reports; Brook Hunt, Mining and Metal Industry Consultants; International Lead and Zinc Study Group and International Copper Study Group). A9.13.2 A13.7.4

### **India Foils Limited**

IFL has two manufacturing facilities, only one of which is currently operating. The active facility is in Eastern India at Kamarhati and includes continuous casters, a cold rolling mill, foil mills and conversion facilities.

On 17 October 2001, IFL gave notice to the relevant statutory authority that pursuant to the Sick Industrial Companies (Special Provisions) Act 1985 ("SICA Act") it was a "potentially sick company". A "potentially sick company" is a company that has accumulated losses at the end of a financial year which result in the erosion of 50 per cent. or more of paid up share capital and free reserves compared to the highest total during the four immediately preceding financial years. IFL's accounts for the year ended 30 September 2003 confirmed that, due to such erosion, IFL would be a "sick company" for the purpose of the SICA Act. However, the SICA Act is in the course of being repealed and the legislation replacing it has not become effective.

IFL has been accounted for as an associate in the Group's financial statements. Sterlite has provided certain continuing corporate guarantees in respect of loans totalling INR1,820 million granted to IFL by various banks.

The Group is evaluating various strategic alternatives for IFL which may include a possible sale of the business. A management consultant has been appointed to assist the Group in this process.

### ***Options over further interests in BALCO, HZL and KCM***

Under the terms of the shareholders' agreements between the Government of India and Sterlite in respect of Sterlite's shareholdings in BALCO and HZL, Sterlite has call options pursuant to

which it may acquire the Government of India's remaining interests in BALCO and HZL. Under the terms of the KCM Acquisition Agreements (*see General Information – KCM Acquisition Agreements*), Vedanta Resources has a call option over the shares in KCM held by ZCI and its affiliates.

### ***BALCO call option***

On 2 March 2001, Sterlite acquired a 51 per cent. stake in BALCO for a cash consideration of INR5,533 million (approximately U.S.\$121.1 million as at the date of the acquisition) from the Government of India. The Government of India, Sterlite and BALCO entered into a shareholders' agreement which on the same day, deals with various matters, including the management of BALCO and dealings in BALCO shares. Under the terms of this shareholders' agreement, as long as Sterlite holds at least 51 per cent. of the share capital of BALCO, Sterlite is entitled to nominate one more director to the board of BALCO than the Government of India to the board of BALCO, including the managing director. There are various matters reserved for approval by both the Government of India and Sterlite, including, inter alia, amendments to BALCO's articles of association, commencement of a new line of business, non-pre-emptive issues of shares or convertible debentures, making loans or providing guarantees or security to other companies under the same management as BALCO.

If Sterlite or the Government of India wish to sell any of their shares in BALCO to a third party, they must first offer them to the other at the same price at which they are proposing to sell them to a third party. The other party shall have the right to purchase all, but not less than all, of the shares so offered. If a shareholder does not exercise their first right of refusal they shall have certain tag along rights, except if the sale is by the Government of India by way of public offer.

Under the terms of the shareholders' agreement, Sterlite has a call option to acquire the shares in BALCO held by the Government of India at the time of exercise of the option. The call option is exercisable at any time after 2 March 2004. The Government of India currently owns 49 per cent. of BALCO's issued share capital.

On 19 March 2004, Sterlite notified the Government of India of its intention to exercise the call option. In accordance with the shareholders' agreement, the exercise price for the call option will be the higher of:

- the fair value of the shares on the date they are called as determined by an independent valuer; and
- the original sale price (INR49.01 per share) together with interest at a rate of 14 per cent. per annum compounded half yearly from 2 March 2001, less all dividends received by the Government of India since 2 March 2001.

The Government of India has expressed its intention to offer up to 5 per cent. of its shareholding in BALCO to the employees of BALCO, which would reduce the number of shares over which Sterlite has a call option. Sterlite and the Government of India have agreed that following this transfer of BALCO shares to the employees of BALCO, the Government of India's remaining shareholding in BALCO shall be purchased by Sterlite at a price that will be determined in accordance with the shareholders' agreement. Sterlite has agreed to extend the time for the Government of India to complete this transfer of BALCO shares to the employees of BALCO, provided that any interest payable by Sterlite, as part of the exercise price of the shares purchased pursuant to the call option, will be limited to a period of 60 days from 19 March 2004. SBI Capital Markets has been appointed to provide the valuation of the Government of India's shares in BALCO. This process is underway and Sterlite currently expects the acquisition of the Government's shareholding to be completed within the financial year ended 31 March 2006.

### ***HZL call options***

On 11 April 2002, Sterlite, through its wholly owned subsidiary, SOVL, acquired a 26 per cent. stake in HZL from the Government of India and it subsequently acquired a further 20 per cent. from public shareholders through an open offer. The total cash consideration paid was INR7,776 million (U.S.\$160.4 million). The Government of India and SOVL entered into a shareholders' agreement which sets out various terms, including regarding the management of HZL and dealings in HZL shares held by the Government and SOVL. Under the terms of this shareholders' agreement, as long as SOVL holds at least 26 per cent. of the share capital of HZL, SOVL is entitled to nominate one more director than the Government of India to the board of Sterlite, including the managing director. As long as the agreement remains in force, the Government of India has certain rights in respect of the appointment of directors. There are various matters reserved for approval by both the Government of India and SOVL, including inter alia amendments to HZL's articles of association, commencement of a new line of business, issuing shares prior to 11 April 2004, non-pre-emptive issues of shares or convertible debentures, a discounted rights issue, making loans or providing guaranties or security to other companies under the same management as HZL.

Under the terms of this shareholders' agreement, two call options allowed SOVL to acquire shares in HZL held by the Government of India at the time of exercise of the relevant option. SOVL exercised the first call option on 29 August 2003 and acquired a further 18.9 per cent. of HZL's issued share capital at a cost of INR3.2 billion (U.S.\$70.5 million) on 12 November 2003. This acquisition was partly funded by the issue of U.S.\$50 million of foreign currency convertible bonds by Sterlite. The Government of India currently owns 29.5 per cent. of HZL's issued share capital.

Under the terms of the shareholders' agreement, prior to selling its shares to a third party, either party must first issue a sale notice to the other offering those shares to the other party at the price it intends to sell them to the third party, except as provided below. If the offeree accepts this it must purchase all of the shares so offered. This does not apply where the Government of India transfers shares to employees of HZL, provided that the number of shares to be transferred to employees does not exceed 5 per cent. of the issued share capital of HZL. The Government of India is not obliged to offer its shares to SOVL or to issue a sale notice in relation to a sale of its shares by way of a public offer.

The Government of India has transferred 1.5 per cent. of HZL's share capital to HZL employees and may transfer up to an additional 3.5 per cent. of HZL's share capital to HZL employees. Any such transfer or other transfer of shares to a third party in accordance with the terms of the shareholders' agreement would decrease the number of shares over which SOVL has an option.

### ***SOVL call option***

SOVL has an indefinite call option to acquire all of the remaining shares in HZL held by the Government of India exercisable after 11 April 2007, subject to obtaining any necessary approvals. Based on the Government of India's current shareholding of 29.5 per cent. of HZL's issued share capital and assuming exercise of SOVL's call option, this represents 109.86 million shares or 26 per cent. of HZL's current issued share capital. The exercise price shall be the higher of the market value of the shares or the unit sale price at which SOVL purchased the shares pursuant to the share purchase agreement.

As SOVL made an open offer for 20 per cent. of HZL's voting share capital when it acquired a 26 per cent. interest from the Government of India in 2002, exercise of the call option will not trigger any requirement under the Indian Takeover Code to make a public offer.

See "*Risk factors — Risks relating to the Group*" for a discussion of the Supreme Court of India's ruling in relation to the proposed divestment of interests in HPC and BPC and the public interest litigation brought in the High Court of Rajasthan challenging the divestment of shares in HZL.

### ***KCM call option***

In August 2005, VRHL gave notice to acquire 28.4 per cent. of KCM's share capital from ZCIH in accordance with the requirements of the Vedanta Call Option Deed, and the parties are in the process of appointing an independent investment bank to determine the purchase price for the KCM shares subject to the option (the "Exercise Price"). In accordance with the provisions of the Vedanta Call Option Deed, if Vedanta Resources is not satisfied with the Exercise Price so determined, it may withdraw its exercise notice and will not be required to proceed with the purchase of ZCIH's shares in KCM. In this case, Vedanta Resources will be required to pay the full costs of the independent investment bank, which otherwise will be shared equally by Vedanta Resources and ZCIH (i.e. if Vedanta Resources elects to proceed with the purchase).

### **Other opportunities**

In line with its strategy, the Group actively considers on an ongoing basis a range of potential opportunities in India and internationally to acquire underperforming assets where management believes it can generate superior returns. The Group is considering the following acquisitions. There can be no certainty as to whether the Group will acquire any of the assets in which it has expressed an interest.

The Group has been an active participant in the Government of India's divestment programme through the acquisition of its interests in BALCO and HZL. The Group continues to consider Government of India divestments and regularly registers expressions of interest to allow the Group to review in further detail the merits of opportunities as they arise. Among the opportunities for which the Group has registered expressions of interest that relate to its core business are the proposed privatisations of Hindustan Copper Limited, Madras Fertilizers Ltd, NALCO, Punjab Alkalies and Chemicals Limited. Due to the change in the policy of the Government of India since the Group registered these expressions of interest in relation to divestments of public sector undertakings (in particular, the Government's new policy not to divest Government of India interests in any profit-making public sector organisations), the privatisation of these companies may be cancelled or delayed. In addition, proposed privatisations may be affected following the Supreme Court of India's decision in relation to the proposed divestment of interests in HPC and BPC in 2003 and further divestment cases are pending before the Supreme Court. See "*Risk factors — Risks relating to the Group*" and "*Risk factors — Risks relating to investments in India*".

The Group will also consider opportunities to diversify its portfolio of base metals, where management believes this will be beneficial to the Group.

On 15 October 2004, a memorandum of understanding was entered into between a member of the Volcan group and the State Government of Orissa with a view to the potential development of an iron ore mine in the State of Orissa, combined with steel production. Discussions have not progressed beyond the preliminary stage but, if the development proceeds, it is envisaged that arrangements would be made between Vedanta Resources and the Volcan group pursuant to which Vedanta Resources would develop iron ore production and Volcan would control any steel production.

The Group has also announced proposals to set up a greenfield aluminium smelter of 500,000 tonnes at Jharsuguda along with associated power facilities.

### **Regulatory, environmental and health and safety matters**

In common with other diversified natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. There are many national, state and local environmental laws and regulations which apply to the Group's operations, the scope of which varies according to the jurisdiction concerned. Examples include those relating to waste and waste water treatment, disposal of waste, air emissions, discharges and soil and forest conservation. In India, centrally made



environmental legislation is administered at a national and state level and compliance is monitored at a state level. If any of the Group's operations fail to comply with the relevant laws and regulations in any jurisdiction in which it operates, the relevant authorities could require additional equipment to be installed at substantial cost or the whole or part of the operation could be closed down or scaled back. In addition, if the Group is found to have committed a breach of the relevant law or regulation, it may be liable to pay a fine imposed by the relevant authority or, in some cases, compensation to individuals affected by the breach and the Group and its officers may be subject to criminal proceedings.

### ***Mt Lyell***

Historic mining and smelting activities in the vicinity of the Mt Lyell copper mine in Queenstown, Tasmania have caused considerable environmental damage as a result of acid drainage and contamination of the soil by dust from the smelter. Some acid mine drainage continues and the area around the mine remains affected by the pollution from the mine and smelter. As part of the acquisition of Copper Mines of Tasmania Pty Ltd ("CMT") by Sterlite, CMT entered into a mining operations agreement with the State of Tasmania under which CMT is indemnified by the State of Tasmania against all damage arising from contamination of the environment by the Mt Lyell copper mine prior to the date of the agreement. The agreement is given effect by the Copper Mines of Tasmania Pty Ltd (Agreement) Act 1999.

### ***Tuticorin***

The copper smelter in Tuticorin emits sulphur dioxide as a by-product of the copper smelting process. Three writ petitions have been filed by local individuals seeking that the Tuticorin smelter be closed and seeking cancellation of the relevant environmental approvals Sterlite holds in respect of Tuticorin on the basis that sulphur dioxide emissions are damaging the marine ecosystem and the health of local inhabitants. An independent body has been appointed by the court to inspect and report on the alleged pollution. The State Pollution Control Board was directed by the High Court of Madras to consider Sterlite's request for approval for operation of the smelter at full capacity and the State Pollution Control Board has granted such approval.

Although neither Sterlite nor HZL expect the petitions (or any appeal) in relation to the Tuticorin copper smelter or the Vizag zinc smelter to be successful, if the court does find that the emissions, by-products or effluents are causing damage, the court and/or relevant authorities could require that additional equipment be installed at a substantial cost or that all or part of the operations be closed down, scaled back or relocated and may order that Sterlite or HZL pay compensation to the petitioners or others affected by the pollution. See "*General Information — Governmental, Legal or Arbitration Proceedings*" for further information.

In addition, in September 2004, Sterlite's facilities at Tuticorin were visited by a committee of the Supreme Court of India, established to review compliance by various industries with environmental regulation and monitor the enforcement of that regulation by the pollution control authority in each region. Following the visit of the committee, the Guarantor commissioned a detailed environmental audit by an international environmental consultancy, which concluded that hazardous waste practices at the site were compliant in all material respects with regulations and were either in accordance with or being developed to meet standards of best international practice. As a result, the Guarantor believes the statements in the report are without foundation, but cannot exclude the possibility that they might cause further delays to operations at the new smelter at Tuticorin.

Following an inspection of the Tuticorin unit of Sterlite Industries Limited on 12 September 2005, the TNPCB issued three show cause notices alleging violations of air, water and hazardous waste pollution standards at the plant. These notices allege that consents granted under the relevant air, water and hazardous waste legislation had been granted to Sterlite on certain conditions, which it is alleged, Sterlite has failed to meet. These include failure to implement

purifying and monitoring systems, failure to establish a hospital to administer free treatment, failure to conduct a health survey on people in surrounding areas, failure to limit the size of certain disposal facilities and insufficient storage and waste disposal facilities. The notices require Sterlite to show cause as to why penal action and/or fines under the relevant legislation should not be imposed. The notices also require Sterlite to show cause as to why an order of closure of the Tuticorin plant should not be passed against Sterlite. Sterlite responded to the notices on 24 September 2005, contesting these allegations and claiming that all the necessary conditions of the consent letters had been complied with. See *“Risk Factors — Regulatory, environmental and health and safety risks — Tuticorin”* for further information.

On 9 September 2005, the TNPCB issued a notice to the Tuticorin Port Trust (“TPT”) alleging the TPT had not complied with various recommendations made by the Supreme Court Monitoring Committee (“SCMC”) when it visited the port on 17 July 2005. In particular the TNPCB alleged that the TPT had not developed mechanised handling systems since the SCMC visit in July 2005. On 30 September 2005, the TPT issued a trade notice to the Guarantor stating that in light of the directions issued by the TNPCB, the TPT would not handle copper concentrate at the port from 1 October 2005. The Guarantor asked the TNPCB to reverse its notice to TPT on the grounds that the copper concentrate handled at the port is a non-hazardous material. The Guarantor has indicated that while it is willing to assist the port in the development of new handling systems, it does not believe that the lack of mechanised handling systems warrants the action by the TPT of refusing to handle any concentrate shipments. See *“Risk Factors — Regulatory, environmental and health and safety risks — Tuticorin”* for further information.

On 6 October 2005 the TNPCB wrote to the TPT stating that it had not ordered the TPT to suspend its handling of copper concentrate. Management confirms that the TNPCB has given approval for the concentrate to be handled at TPT until 31 March 2006. Shipments of concentrate have since arrived and been handled at the port as usual.

### **Orissa**

In addition, in late December 2004, a committee of the Supreme Court of India, established to review compliance with forestry regulations by various industries, visited the site at Lanjigarh in Orissa where Vedanta Alumina is developing its alumina refinery. The committee has filed a report of its findings with the Supreme Court. Its findings include allegations of violation of environmental regulations and recommendations that action be taken in respect of such violations. The Guarantor and the Orissa State Government have filed the response to the allegations with the Supreme Court in early February 2006. The Guarantor believes the allegations to be incorrect. If the allegations were upheld, the remedies available to the Supreme Court would range from financial penalties to remedies that may result in a halt or a delay to the construction process, including the revocation of consent already granted for construction of the refinery. For further information see also *“Risk Factors — Regulatory, environmental and health and safety risks — Orissa”* for further information.

### **Environmental and health and safety laws**

Each of the Group’s businesses is subject to various laws and regulations relating to its ability to carry out operations, as well as environmental and health and safety laws. The application of these laws varies from operation to operation and is also dependent on the jurisdiction in which they operate. Compliance with relevant environmental laws is the responsibility of the respective managers at the operating companies, who are directly responsible to the Group’s senior management.

In most jurisdictions, businesses are required to rehabilitate site operations which have been closed down. Accordingly, the Group, to the extent it has not already done so, will have to make provision for the costs involved in closure and other rehabilitation of any of its site operations in the future. This may involve substantial costs. In the event that pollution of surrounding land and water occurs, or has already occurred, the Group is likely to be required to remedy pollution and incur

substantial costs. In particular, the Group could be required either to lodge security bonds or make ongoing cash contributions for the purpose of rehabilitation at the end of a mine's life. In respect of its Indian operations, the Group is required to submit an independent environmental audit report for each financial year to the relevant State Pollution Control Board. The relevant companies must state in these reports, at a minimum, that they have complied with all relevant laws and regulations.

The Group's operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. The Group does not currently have all required permits and approvals. In the case of the existing Indian operations which require periodic renewal of permits to operate, if an application to renew a permit is submitted before an existing permit has expired, operations continue in practice until otherwise advised by the relevant authority.

In India, mining rights are granted under mining leases with the Central or State Governments. The terms of mining leases are prescribed by statute and include provisions that the lessee shall not enter into any reserved forest areas, and that the lease shall not be transferred, sublet or made subject to the control of a person other than the lessee, without prior approval. See "*Risk factors — Industry risks*".

The Group's health and safety standards are reviewed by the Group on an ongoing basis. In addition, the Group's operations are subject to government authority inspections throughout the year, as well as health and safety audits at most operations. These inspections and audits have not resulted in any significant capital expenditures by the Group. However, certain of the Group's activities are inherently dangerous and the authorities responsible for administering health and safety standards have considerable inspection, injunction and penalty powers and powers to require the payment of compensation that, if exercised against the Group, could have an adverse impact on the Group's financial condition or results of operations.

New legislation or regulations may be adopted in the future that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the Group's products. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group or its customers to change operations significantly or incur increased costs. It is possible that environmental laws and regulations in certain countries in which the Group operates will, in the future, become more stringent with the result that the amount and timing of future expenditure required to enable the Group to remain in compliance with such laws and regulations could increase substantially from their current levels.

The Group recognises that the health and safety of its employees and the maintenance of high environmental performance standards are significant responsibilities in the context of its operations.

### ***Zambia***

There is a serious problem with HIV/AIDS in Zambia generally. KCM is addressing HIV/AIDS in the workforce at its operations by providing voluntary counselling and testing for employees and participating in awareness programmes. A voluntary test of approximately 7,000 employees out of a total of approximately 10,000 employees indicated an HIV prevalence rate of approximately 20 per cent.

With regard to the Group's Zambian operations, KCM has agreed to a programme for environmental clean-up and protection, social management and local business development (the "Environmental and Social Management Plan"), as part of the Amended and Restated Development Agreement KCM has entered into with Government of Zambia. See "*General Information — KCM Acquisition Agreements*". Under the Amended and Restated Development Agreement, KCM has agreed to comply with the Environmental and Social Management Plan in accordance with the timetable specified therein to ensure minimisation of any harmful effects of KCM's operations on the environment.

The GRZ has acknowledged that the Environmental and Social Management Plan complies with the Zambian Mines and Minerals Act and that it conforms to specifications and practices established by national standards for management of the environment as it is affected by mining and metal treatment operations. Subject to compliance by KCM with the Environmental and Social Management Plan in all material respects, the GRZ has confirmed that it will not, for an agreed “stability period” ending on 31 December 2009 (as may be extended in accordance with the Amended and Restated Development Agreement depending on increased life of mine associated with a mine extension project such as the KDMP), among other things, take any action under or in enforcing local environmental laws with the intent of:

- securing an earlier or higher standard of compliance with environmental laws than that specified in the Environmental and Social Management Plan and associated enabling legislation that would have a material adverse economic effect on KCM;
- imposing or charging fines or penalties under environmental laws (or enacting new fines or penalties in respect of matters covered by the Environmental and Social Management Plan) in respect of KCM’s non-compliance with environmental laws where the Environmental and Social Management Plan provides for the remedy of the same within a timetable that has not expired; or
- repealing or amending enabling legislation for the Environmental and Social Management Plan, or otherwise effect any changes thereto, that would have a material adverse economic effect on KCM.

The GRZ will cease to be bound by these provisions of the Amended and Restated Development Agreement in the event of KCM’s failure to comply in all material respects with the Environmental and Social Management Plan.

#### **Health, safety and environment committee**

The Company has established a Health, Safety and Environment (“HSE”) committee. The HSE committee is chaired by Shailendra Kumar Tamotia and the Chief Operating Officer, Kuldip Kaura is also a member. The Company has engaged the operational heads of the Zinc, Copper and Aluminium Businesses as members of this committee. The HSE committee met three times in the last twelve months and has responsibility for formulating and recommending to the Board the Group’s policy for HSE issues as they affect the Group’s operations. The committee has focused particularly on compliance with national and international legal requirements to ensure that an effective system of HSE standards, procedures and practices is in place at each of the Group’s operations. The committee also has responsibility for investigating any incidents or accidents that occur in order to assess whether policy improvements are required. The ultimate responsibility for establishing HSE policy remains with the Board.

#### **Operational hazards and insurance**

The Group’s operations are subject to numerous operating risks which include geological conditions (such as unexpected geological features), unexpected seismic activity, climatic conditions (such as flooding or drought), interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal, smelter, refinery or related facility. These risks and hazards could also result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

The Group maintains property insurance which protects against losses relating to the Group’s assets, and freight insurance which protects against losses relating to the transport of the Group’s equipment, product inventory and concentrates. However, in line with usually accepted market practice in the jurisdictions in which it operates, the Group’s insurance does not cover other potential risks associated with its operations. In particular, the Group does not hold insurance for

business interruptions or certain types of environmental hazards, such as pollution or other hazards as a result of the disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Group's financial condition or results of operations. Moreover, no assurance can be given that the Group will be able to maintain existing levels of insurance in the future at rates it considers reasonable. The Group's operating entities in India can only seek insurance from domestic insurance companies. See "*Risk factors — Risks relating to the Group*".

## Labour and employee relations

At the date of this Offering Circular, the Group has approximately 23,800 employees worldwide. Of these employees, BALCO's, MALCO's and HZL's employees, Sterlite's Australian mine employees and KCM's Zambian employees are unionised. The Group has in place wage settlement agreements with the Group's unionised workforce which set out agreed rates of pay and benefits. In India, the Group is required to have in place certified standing orders which are registered with the relevant authority and set out minimum terms and conditions of employment for the Group's employees. At certain remote locations in India, the Group provides housing and other services and benefits to employees.

At the date of this Offering Circular, employees are divided between each of the businesses and operations approximately as follows:

Copper	
Sterlite .....	970
KCM .....	9,483
Australia .....	98
Aluminium .....	5,667
Vedanta Alumina.....	296
IFL .....	669
Zinc .....	6,109
Head Office and Others .....	174

In June 2002, the management of the captive power plant at Korba was transferred to BALCO. The workforce has opposed the transfer and certain employees and unions have lodged a petition requesting that the court overturn the transfer. The court refused this petition and the transfer of the employees to BALCO has been effected, but this order is being appealed. The dispute has not affected the operation of the power plant. In February 2004, operations ceased at HZL's lead smelter located at Tundoo in the State of Jharkand in Eastern India. The unionised workforce at Tundoo are rejecting the closure plans for the smelter. Whilst negotiations are ongoing HZL is obliged to continue paying the workforce.

Certain other operations within the Group have also experienced work stoppages and other forms of industrial action in recent years. On 12 July 2005, industrial action at KCM initially by unionised workers at the Nkana copper smelting plant in Kitwe and subsequently by miners at the Nchanga, Konkola and Nampundwe mines caused disruptions in KCM's operations. During the strike, there was a protest in Chingola which resulted in the destruction of KCM property. The strike ended nine days later on 21 July 2005. Subsequently in November 2005, a collective bargaining agreement was entered into by KCM and the unions in which pay increases were agreed.

There was also a strike in early 2005 by contract workers in BALCO. Notwithstanding such stoppages and industrial action, management believes that the Group's operations have, in general, good relations with their employees and unions. See "*Risk Factors — Risks relating to the Group*".

Since Sterlite acquired control of BALCO and HZL from the Government of India, in an effort to rationalise their workforces and as required by the shareholders' agreements with the Government, BALCO and HZL have continued voluntary retirement schemes for employees. Under

the voluntary retirement schemes, employees volunteering to retire receive an ex gratia payment based on the number of years of completed service.

The Group is a party to various defined benefit retirement plans covering the majority of employees worldwide.

### **Social responsibility**

A number of the Group's subsidiaries have social responsibility projects aimed at providing assistance to the communities in which they operate.

#### ***Sterlite***

At certain plant locations, Sterlite supports tuition centres, district hospitals and health schemes for villagers without medical facilities. Sterlite also supports community infrastructure projects such as the establishment of drinking water facilities and re-laying of village roads. Sterlite also provides self-help schemes for village women. The Sterlite Foundation helps underprivileged young people by providing them with computer training.

#### ***BALCO***

BALCO operates a 75 bed hospital in Korba which caters for the health needs of 25,000 people. BALCO has adopted five villages where water, education, health, sports and games, electricity and other facilities have been provided. In an effort to conserve the environment, around 100,000 saplings have been planted, half of them near mine locations.

#### ***MALCO***

MALCO has established a higher secondary school with over 2,900 students enrolled. MALCO also regularly participates in several community initiatives to upgrade the living standards of the people living near its plant. These initiatives include supplying drinking water to the local villages around the plant, renovating childcare centres at the lake at Yercaud, and offering free health check-ups and medical assistance camps.

#### ***HZL***

HZL provides facilities to the economically and socially disadvantaged and tribal population in the areas of its mining and smelting units in the States of Rajasthan and Andhra Pradesh. HZL's education facilities include schooling, teaching aids, scholarships and female and adult education. HZL's health facilities include a cardiology centre at Udaipur, dispensaries and hospitals, women's health education, family welfare camps and immunisation camps. HZL also provides water supply and infrastructure support and drought relief assistance, promotes sports and makes donations to social and community welfare institutions. HZL contributed INR5 million for drought relief in Rajasthan and provided 30 per cent. of the funds for the Mansi Wakal Project, the construction of a dam to supply water for that region, which was completed earlier this year.

### **Directors and senior management**

No conflicts of interest currently exist between the private interests and/or other duties of any director, or member of the administrative, management or supervisory bodies and their duties to the Guarantor but, by virtue of the fact that members of the Agarawal family are shareholders in Volcan, the controlling shareholder of the Guarantor potential conflicts of interest may exist (see "*Principal shareholders and Relationships with Volcan*") on page [137] of this Offering Circular.

A9.9.2

A13.3

## Directors

Vedanta Resources' Board of Directors is chaired by Anil Agarwal. The other members of the Board are Navin Agarwal, Kuldip Kaura, Naresh Chandra, Euan Macdonald, Aman Mehta and Shailendra Kumar Tamotia. A9.9.1

The business address of the directors of the Guarantor is 16 Berkeley Street, Mayfair, London W1J 8DZ.

### *Executive Directors*

Anil Agarwal, aged 53. Executive Chairman. Mr Agarwal, who founded the Group in 1976, is also Chairman of Sterlite and is a director of BALCO, HZL, Vedanta Alumina Ltd and Sterlite Copper Ltd. Since then the Group has grown under his leadership. Mr Agarwal has over 30 years of experience as an industrialist. A9.9.1

Navin Agarwal, aged 44. Deputy Executive Chairman. Mr Agarwal is also Executive Vice Chairman and director of Sterlite, Chairman of KCM and MALCO and a director of each of BALCO, MALCO and HZL. Mr Agarwal is the brother of Anil Agarwal and joined Sterlite at its inception. He joined the Board in November 2004. Mr Agarwal has over 20 years experience in general management and commercial matters. Mr Agarwal has completed the Owner/President Management Programme at Harvard University and has a Bachelor's degree in Commerce from Sydenham College, Mumbai.

Kuldip Kaura, aged 58. Chief Executive Officer. Mr Kaura is also Managing Director of Sterlite and Deputy Chairman of KCM. Mr Kaura, who joined Sterlite in 2002, was managing director of HZL and became the Chief Operating Officer of the Guarantor at its inception. Mr Kaura is also a Director of HZL, Vedanta Alumina and KCM. Mr Kaura has held various positions in operations and business management at ABB India, and was a member of the board of directors of ABB India from 1996 and was appointed Managing Director and Country Manager of ABB in 1998. Mr Kaura has a Bachelor's degree in Mechanical Engineering (Honours) from the Birla Institute of Technology & Science's in Pilani.

### *Non-executive Directors*

Naresh Chandra, aged 71. Senior independent director. Mr Chandra joined the board in May 2004. Mr Chandra was Home Secretary in India in 1990, Cabinet Secretary from 1990 to 1992, Senior Adviser to the Prime Minister of India from 1992 to 1995 and the Indian Ambassador to United States of America from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance from 2002 to 2003 and is currently Chairman of the Committee on Civil Aviation Policy. Mr Chandra has a Master's degree in Mathematics from Allahabad University.

Aman Mehta, aged 59. Non-executive director. Mr Mehta, a senior banker, joined the board in November 2004. Throughout his career at HSBC, spanning more than 30 years, he held numerous positions, including as Chairman and Chief Executive Officer of HSBC USA Inc. (the New York based arm of HSBC Holdings plc), and as Deputy Chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC Group's operations in the Middle East. In 1999, Mr Mehta was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement in 2003. Mr Mehta has a Bachelor's degree in Economics from Delhi University.

Shailendra Kumar Tamotia, aged 66. Non-executive director. Dr Tamotia, an aluminium specialist, joined the board in November 2004. He started his career in 1962 with an initial appointment at Bhilai Steel Plant in Chhattisgarh. Dr Tamotia held numerous positions at NALCO from 1984 until 1996, including as Chairman and Managing Director in 1993. He was also President and Chief Executive Officer of Indian Aluminium Company Limited from 2000 until 2003. Dr Tamotia has a Bachelor of Engineering (Honours) degree in Civil Engineering, a Master's degree in

Engineering in Soil Mechanics and Foundation Engineering and a Doctorate in Mechanical Engineering.

Euan Macdonald, aged 65. Non-executive director. Mr Macdonald spent over 20 years with S.G. Warburg, specialising in emerging market finance. From 1995 to 1998, Mr Macdonald was Chairman of SBC Warburg India, responsible for all the bank's activities in India, and then from 1999 to 2001, he was Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr. Macdonald has a Bachelor's degree in economics from the Cambridge University and a Masters degree in finance and international business from Columbia Business School.

### ***Executive Committee***

The Group's Executive Committee is chaired by Anil Agarwal. Its other members are Navin Agarwal, Kuldip Kaura, Tarun Jain, TL Palani Kumar, DD Jalan, T Venkatesan, MS Mehta and CV Krishnan. A9.9.1

The business address for all the members of the Executive Committee is at Vedanta House, 75 Nehru Road, Mumbai, India with the exception of Mr Krishnan whose business address is Private Bag KCM (C) 2000, Fern Avenue, Chingola, Zambia.

Tarun Jain, aged 45. Director of Finance, Sterlite. Mr Jain is also a director of BALCO, MALCO, HZL and Sterlite. Mr Jain is responsible for strategic financial matters at the Group level. Mr Jain has been with Sterlite since 1984. Mr Jain is a graduate of the Institute of Cost and Works Accountants of India and a member of the Institute of Chartered Accountants of India, and the Institute of Company Secretaries of India.

TL Palani Kumar, aged 55. Managing Director, BALCO. Mr Palani Kumar is a director of Vedanta Alumina. Mr Palani Kumar is responsible for the Aluminium Business and joined the Group in July 2003. Prior to joining the Group, Mr Palani Kumar was the Managing Director and CEO of New Holland Tractors (India) Private Limited which is part of the Fiat group. Mr. Palani Kumar also held the position of, Executive Director and CEO of Escorts Tractors Limited, Senior Vice President (Engineering Division) with Tube Investments of India Limited and All India Sales Manager (Latex Division) with Asian Paints (India) Limited. Mr Palani Kumar has a degree in Chemical Engineering from the Indian Institute of Technology, Madras and a Master's degree in Business Administration from the Indian Institute of Management, Ahmedabad.

DD Jalan, aged 49. Chief Financial Officer, Vedanta Resources. Mr Jalan joined Sterlite in 2001 as President — Australian Operations, responsible for TCM and CMT. Mr Jalan has over 27 years of experience with various companies in the engineering, mining and non-ferrous metal sectors. Mr Jalan has been associated with the Aditya – Birla Group in various capacities and, from 1996 to 2000, was in charge of commercial and financial activities at Indo-Gulf Fertiliser Limited. Mr Jalan is a member of the Institute of Chartered Accountants of India.

T Venkatesan, aged 52. President of Sterlite, Copper Division. Mr Venkatesan is responsible for overall management of the Copper Business. Mr Venkatesan joined Sterlite in 1999. Prior to joining Sterlite, Mr Venkatesan was Senior Vice President with the AV Birla Group in their telecommunication business. Mr Venkatesan has over 20 years work experience and has held senior executive positions in Triveni Engineering and with the Eicher Group. Mr Venkatesan has a Bachelor's degree in Economics from Madras University and is a member of the Institute of Chartered Accountants of India.

MS Mehta, aged 48. Chief Executive Officer, HZL. Mr Mehta is responsible for the Zinc Business and joined the Group in 2000. He was previously responsible for the marketing of base metals (copper, aluminium, lead and zinc), copper concentrate procurement, zinc concentrate export and tolling and coal procurement. Prior to joining Sterlite, Mr Mehta was with Lloyds Steel Limited in charge of marketing steel products, working capital finance and the cold rolled coils and galvanised steel projects. Mr Mehta has also held various other marketing, finance and commercial



positions in the steel industry. Mr Mehta has a Bachelor of Engineering degree in Mechanical Engineering from the MBM Engineering College, University of Jodhpur and a Master's degree in Business Management from the Indian Institute of Management, Ahmedabad.

CV Krishnan, aged 55. Chief Executive Officer & Managing Director, KCM. Mr Krishnan is responsible for the copper business in Zambia. Mr Krishnan rejoined the Group in March 2005 after spending 18 months with a non-governmental organisation. Prior to that, he was the Chief Executive Officer, Metals and had responsibility for the entire metals business of the Group. Mr Krishnan has over 30 years of work experience and has held senior positions in Larsen & Toubro, A.F. Ferguson & Co., Shriram Fertilizers & Chemicals and E.I.D Parry. Prior to joining the Group in May 1999, he was the Chief Executive Officer and Managing Director of Essar Power. Mr Krishnan has a Bachelor's degree in Technology from the Indian Institute of Technology, Madras and a Master's degree in Business Administration from the Indian Institute of Management, Ahmedabad. He has attended the Global Leadership Program at Michigan Business School, United States. He has also completed a course in Advanced Training in Industrial Management in the Netherlands.

## **Other senior management**

### ***Corporate management***

Dhanpal Jhaveri, aged 36. Director of Corporate Strategy, Sterlite Group. Mr Jhaveri is a director of KCM. Mr Jhaveri is based in Mumbai and is responsible for the Group's strategic development. Mr Jhaveri joined the Sterlite Group in 2004. Prior to joining the Group, Mr Jhaveri worked with ICICI Securities where he headed the Investment Banking, M&A Advisory division. Mr Jhaveri has also held positions at Merwanjee Securities, Sigma Capital Corporation and KPMG India where he was Partner in Corporate Finance. Mr Jhaveri has a Bachelor's degree in Commerce (Honours) from JaiHind College, Mumbai and has a Master's degree in Business Administration from Babson Graduate School of Business, United States. A9.9.1

S Venkatesh, aged 41. Head of Human Resources, Sterlite Group. Mr Venkatesh is responsible for strategic and operational aspects of the Group's human resources. Mr Venkatesh joined Sterlite in 2002. Mr Venkatesh has held various human resources positions with several Indian and multinational companies such as IBM Inc., BPL Innovision Business Group, PowerGen and ITC Limited. Mr Venkatesh has a Bachelor's degree in Science from Madras University and a Master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences, Mumbai.

B Anand, aged 41. Senior Vice President, Corporate Finance, Sterlite Group. Mr Anand is responsible for corporate finance, treasury and related functions of the Group. Mr Anand joined the Group in 2003. Mr Anand started his career with Citibank NA and has over 15 years of experience with multinational companies and banks including HSBC, Credit Lyonnais and Motorola, particularly in corporate finance, project finance, investment, treasury and related areas. Mr Anand is a member of the Institute of Chartered Accountants of India.

Ajay Paliwal, aged 36. Deputy Chief Financial Officer, Vedanta Resources. Mr Paliwal has over 15 years experience in the services sector dealing extensively with metals and mining companies, most recently with Ernst & Young LLP in London as a Director and Sector Leader, Mining and Metals. Prior to joining Ernst & Young, he spent 11 years at PriceWaterhouse Coopers (Coopers & Lybrand) in London. He is a chartered accountant and also has a Bachelor's degree in Chemical Engineering from the University of London.

Dilip Golani, aged 39. Head of Management Assurance, Sterlite Group. Mr Golani joined the Group in 2000 in the assurance function, after which he went on to take up the responsibility of Head of Marketing for Hindustan Zinc Limited. Mr Golani started his career at Union Carbide India Limited and has held positions with Ranbaxy Laboratories Limited and Hindustan Lever (Unilever India) where he spent 7 years. At Unilever, Mr Golani was part of the Unilever corporate audit team, which was responsible for auditing Unilever group companies in Central Asia, the Middle East and

Africa. Mr Golani has a Bachelor's degree in Mechanical Engineering from the Regional Engineering College, Allahabad and a Post-Graduate Diploma in Industrial Engineering from the Indian National Institute of Technology and Industrial Engineering.

Deepak Kumar aged 31 Company Secretary Vedanta Resources. Mr Kumar joined Vedanta Resources in January 2006. Mr Kumar has a Bachelors Degree in Business Administration from University of Westminster in London and is a member of Institute of Chartered Accountant in England and Wales. Prior to joining Vedanta Resources, Deepak worked at [Barclays Bank PLC] and Ernst and Young in Internal Audit.

Scott Caithness, aged 46. Head of Exploration, Sterlite Group. Mr Caithness is responsible for the development of exploration strategies, implementation of exploration techniques and the discovery of new resources through near-mine and greenfield exploration. Mr Caithness has a Bachelor's of Science degree in Applied Geology from the Royal Melbourne Institute of Technology. Prior to joining the Group, Mr Caithness worked with CRA Exploration and was a Senior Trade Commissioner with the Australia Trade Commission (Austrade). Mr Caithness has also held the position of General Manager, Southern District, Australasia Region with Rio Tinto Exploration.

Sumanth Cidambi, aged 35. Associate Director, Investor Relations, Sterlite Group. Mr Cidambi holds a CA and an ICWA qualification. In a career spanning 14 years, Mr Cidambi has worked with KPMG and Infosys Technologies including its subsidiary Progeon. In his last assignment, Mr Cidambi was the Vice President – Finance in Sutherland Global Services Inc, based in the US. Mr Cidambi has diverse experience in corporate finance, including Investor relations at Infosys and Sutherland Global Services.

### ***Operational management***

#### ***Copper Business- India***

T Venkatesan, aged 52. President, Sterlite Copper Division. Mr Venkatesan is responsible for overall management of the Copper Business, see “*Executive Committee*” above.

Sushil Gupta, aged 38. Chief Financial Officer, Sterlite Copper Division. Mr Gupta joined the Group in 1995, and has taken up assignments at Sterlite Copper, Hindustan Zinc and KCM where he has held various roles in commercial, operations and finance before returning to Sterlite Copper. Mr Gupta has also held positions with A.F. Ferguson & Co. and Grasim Industries. Mr Gupta has a Bachelor's degree in Commerce and is a member of the Institute of Chartered Accountants of India.

Kishore Kumar, aged 43. Vice President Marketing, Sterlite Copper Division. Mr Kumar is responsible for Copper Marketing and Concentrate Procurement. Mr Kumar joined the Group in 2003. Mr Kumar started his career at Shaw Wallace and Company limited. Mr Kumar was also with Hindustan Lever (Unilever India) where he spent 12 years and his last assignment was as the Regional Commercial Manager. Mr Kumar has a Bachelor's degree in Commerce from the Kolkata University and is a member of the Indian Institute of Chartered Accountants of India.

Ramesh Nair, aged 36. Head of Operations, Sterlite Copper Division at Tuticorin. Mr Nair is responsible for Smelter Operations and the Acid Business and joined the Group in 2000. Mr Nair has approximately 14 years of experience and prior to joining the Group has held positions with the Essar Group and CMC Technologies. Mr Nair holds a Bachelor's degree in Electronics Engineering from the Regional Engineering College, Kurukshetra.

#### ***Copper Business- Zambia***

CV Krishnan, aged 55. Chief Executive Officer & Managing Director, KCM. Mr Krishnan is responsible for the copper business in Zambia, see “*Executive Committee*” above.

Vinod Bhandawat, aged 38. Financial Controller, KCM, Zambia. In a career spanning approximately 13 years, Mr Bhandawat has worked in companies including Alfred Herbert (India),

Asea Brown Boveri and Rajashree Polyfil limited. Mr Bhandawat joined the Sterlite Group in October 1998 and left in September 2003. At the time of leaving Sterlite he held the position of CFO in IFL. Subsequently he took up an assignment as Chief Financial Officer & Company Secretary of Landis + Gyr Limited.

Pramod Unde, aged 41. Chief Commercial Officer, KCM. In a career spanning approximately 22 years, Mr Unde has worked in companies including Ceat Limited where he was the Vice President of Materials, Thermax India and Alfa Lavel. Mr. Unde had also been associated with Sterlite Optical Technologies Limited for two years from 2001 to 2003 where his last assignment was as Chief Operating Officer. Mr. Unde has a Bachelor's degree in Mechanical Engineering from the University of Pune.

### **Aluminium Business**

TL Palani Kumar, aged 55. Managing Director, BALCO. Mr Palani Kumar is responsible for the Aluminium Business. See "*Executive Committee*", above.

CP Baid, aged 52. President and Locations Head and whole time director, BALCO. Mr Baid is responsible for operations at BALCO. Mr Baid joined BALCO as President in September 2003 and prior to this had been President of MALCO since January 2001. Prior to joining MALCO, Mr Baid had been an Executive Director at Southern Iron & Steel Company Limited, Vice President of Atul Products Limited, Senior Manager at Hindustan Lever Limited and Senior Manager at Engineers India Limited. Mr Baid has a Bachelor's degree in Mechanical Engineering (Honours) from the Birla Institute of Technology and Sciences, Pilani and also holds a post graduate Diploma in Project Management from the Project Management Association, New Delhi.

Dr. SB Nayak, aged 60. President Aluminium Technology. Mr Nayak is responsible for all technology initiatives for the aluminium and alumina projects including sourcing and implementation of appropriate technology. Dr Nayak joined the Group in 2002 as Group Technical Adviser. Prior to joining the Group, Dr Nayak was with NALCO, in Orissa, as additional chief engineer where he was responsible for the conceptualisation and implementation of NALCO's alumina and aluminium smelter projects and was a member of the Board. Dr Nayak has a Bachelor's degree in Science Engineering (Honours) from the University College of Engineering, Sambalpur University.

Dr Nat Annamalai, aged 61. Head of Aluminium Projects, Sterlite Group. Dr Annamalai is responsible for the proposed expansions of the Group's Aluminium Business. Dr Annamalai joined the Group in February 2003. Dr Annamalai has experience in engineering design, procurement and construction in the areas of infrastructure, nuclear as well as fossil power, oil and gas, mining and metals and prior to joining Sterlite had worked for the Halliburton/Brown & Root group of companies for over 30 years. He was director of the Tuticorin copper smelter project from 1994 until its commissioning. Dr Annamalai has a Bachelor's degree in Engineering from Madras University, a Masters of Science degree and a Doctorate of Philosophy in Civil Engineering from Purdue University, Indiana and a Master's degree in Liberal Arts from Houston Baptist University.

Suresh Kumar Rathi, aged 44. Chief Executive Officer (designate), MALCO. Mr. Rathi Joined the Group in 2001 and has taken up assignments at Sterlite Optical, BALCO, Hindustan Zinc, Konkola Copper Mines in the commercial function. Prior to joining the Group Mr. Rathi was with various companies of the Aditya Birla Group for approximately 13 years. Mr. Rathi has a Bachelor's degree in Mechanical Engineering from the Regional Engineering College, Calicut and has also completed his Masters in Business Administration from Jodhpur University.

M Siddiqi, aged 52. Projects Director, Sterlite Group. Mr Siddiqi is in charge of expansion projects. He joined Sterlite in 1991. Prior to joining Sterlite, Mr Siddiqi worked at Hindustan Copper. Mr Siddiqi has had 28 years of experience in various areas of operations and project management. Mr Siddiqi has a Bachelor's degree in Technology from the Indian Institute of Technology, Delhi and a diploma in management from the All India Management Association, Delhi.

Virendra Agrawal, aged 52. Chief Financial Officer, Aluminium Project. Mr. Agrawal has had 28 years experience spanning various organisations like the Essar Group, Rajshree Polyfils and the KP Sanghvi Group. Mr. Agrawal joined the Sterlite Group in 2001 and has taken up assignments at Sterlite Copper and MALCO where he has held various roles in commercial, operations and finance. Mr Agrawal has a Bachelor's degree in Commerce and is a member of the Institute of Chartered Accountants of India.

Arthur Bursle, aged 54. Technology Project Manager, Alumina Project. Mr Bursle joined the Group in 2004. He is responsible for the development, implementation, commissioning and initial production of the alumina refinery and associated power plant in Lanjigarh in the State of Orissa. Mr Bursle has had 26 years of experience in the metals and mining industry. Prior to joining Sterlite, his last assignment was with COMALCO Minerals and Alumina where he was responsible for technology and engineering for COMALCO's new refinery in Gladstone, Australia. Mr Bursle has a Bachelor's degree in Applied Science in Physical Metallurgy and a Doctorate in Philosophy from the University of South Wales.

Shirish Rangole, aged 48. Senior Vice President, captive power plant, BALCO. In a career spanning approximately 26 years, Mr Rangole has worked in various companies including NTPC and ISPAT. He joined the Group in 1997 and spent five years with MALCO and BALCO overseeing the power plant operations. Thereafter he moved to PT Indorama, Indonesia, where he held the position of Project Manager and later re-joined the Group in 2005. Mr Rangole has a Bachelor's degree in Engineering (Mechanical) from BITS, Pilani.

Rajiv Dhameja, aged 58. Technical Director, Smelter Operations, BALCO. In a career spanning approximately 35 years, Mr Dhameja has worked with INDAL, DUBAL, Kaiser Aluminium, Anglesey Aluminium in the UK and Volta Aluminium in Ghana. Before joining the Group, Mr Dhameja was working with COMALCO, Australia where he held the position of Technical Manager – Boyne Island Smelter. Mr Dhameja is responsible for commissioning and stabilising the new Smelter and achieving agreed performance parameters. Mr Dhameja has a Bachelor's degree in Technology – Metallurgical Engineering from the Indian Institute Technology, Khargpur.

Sanjeev Zutshi, aged 57. Vice President Site in Charge, Vedanta Alumina Projects. Mr Zutshi is responsible for the implementation of Vedanta Alumina's projects at Orissa. Mr Zutshi joined the Group in 1995 and has held assignments at Sterlite Copper Division and CMT. Mr Zutshi started his career with Hindustan Copper. He also held positions with Zambia Consolidated Copper Mines for 15 years. Mr Zutshi holds a Bachelor's degree in Engineering from the Indian Institute of Technology, Khargpur.

N Thirugnanam, aged 49. Head of Operations, Existing Operations at BALCO. Mr Thirugnanam joined the Group in 2000. Mr Thirugnanam started his career with Kaveri Engineering. Mr Thirugnanam also worked at the Steel Authority of India Limited where he spent 20 years and his last assignment was as the Head of Captive Power Plants for the Durgapur Steel Plant. Mr Thirugnanam has a Bachelor's degree in Mechanical Engineering from the Government College of Engineering, Salem.

Pramod Suri, aged 47. Head of Operations, New Plant Operations at BALCO. Mr Suri joined the Group in 2004. In a career spanning 26 years, Mr Suri has held positions with Indal, Ceat Tyres and Goodyear International. His last assignment was with JK Industries where he held the position of Vice President - Works. Mr Suri has a Master's degree in Chemistry from the India Institute of Technology, Delhi. He is also a qualified Lead Assessor for ISO, QS and EFQM.

## **Zinc Business**

Agnivesh Agarwal, aged 29. Chairman, HZL. Mr. Agarwal was appointed as Non-Executive Chairman on 15.11.2005. He is the son of Mr. Anil Agarwal. Mr. Agarwal is also a director in MALCO. He completed his graduation from the Sydenham College of Commerce in 1998.

MS Mehta, aged 48. Chief Executive Officer, HZL. Mr Mehta is responsible for the Zinc Business, see “*Executive Committee*” above.

Jeyakumar Janakaraj, aged 35. Vice President. Mr Janakaraj is responsible for the current brownfield expansion of the zinc and lead smelters and establishment of the 154 MW captive power plant at Chanderiya. Mr Janakaraj joined the Group in 1995 in the copper smelter project team where he held the positions of Manager (Maintenance) and Senior Manager (Operations). Mr Janakaraj has 11 years experience and prior to joining the Group worked for Essar Steel Limited. Mr Janakaraj holds a Bachelor’s degree in Mechanical Engineering from the PSG College of Technology, Bharathiar University in Coimbatore.

S L Bajaj, aged 52, Chief Financial Officer, HZL. Responsible for finance, taxation and strategic planning functions at HZL. Mr. Bajaj joined the Sterlite Group in 1995. Prior to taking up the assignment of CFO for HZL he held the position of Chief Financial Officer for the cables division. Mr. Bajaj has also been associated with organisations like Madhya Pradesh Iron and Steel Company, SAE (India) an ABB Group Company. Mr Bajaj has a Bachelor’s degree in Commerce and is a member of the Institute of Chartered Accountants of India.

The business address of (i) Ajay Paliwal and Deepak Kumar is 16 Berkeley Street, Mayfair, London W1J 8DZ and (ii) CV Krishnan is Private Bag KCM (C) 2000, Fern Avenue, Chingola Zambia.

The business address for the other members of the administrative, management or supervisory bodies of the Company (other than the Directors and the members of the Executive Committee) is Vedanta House, 75 Nehru Road, Mumbai, India

### **Employee share schemes**

The Company operates the Vedanta Resources Long-Term Incentive Plan (the “LTIP”). Awards are made to certain senior employees and Executive Directors on an annual basis.

The Company’s remuneration committee (the “Committee”) has introduced the LTIP to provide an opportunity for significant wealth creation by participants if the Group achieves outstanding performance for shareholders. The LTIP is consistent with the Group’s reward philosophy, which aims to provide superior rewards for outstanding performance, and to provide a high proportion of “at risk” remuneration for Executive Directors and senior employees. The maximum value of shares which may be conditionally awarded in any financial year to a participant in the LTIP who is an Executive Director is restricted to 100 per cent. of that Executive Director’s annual basic salary.

The performance target which currently applies to vesting of awards is that the Guarantor’s performance will be measured in terms of comparative total shareholder return against a peer group of companies comprising the FTSE Worldwide Mining Index (excluding precious metals).

The Committee has also adopted the Vedanta Resources Share Option Plan. The Committee has no intention to grant options under the Vedanta Resources Share Option Plan for the foreseeable future and has adopted that plan for maximum flexibility in the design of incentive arrangements in the long term.

### **Corporate governance**

Vedanta Resources’ shares have been listed on the London Stock Exchange since December 2003. Most of the Group’s assets and management are located in India. Three of the Group’s subsidiary companies are currently listed on stock exchanges in India and maintain their own corporate governance arrangements in line with Indian regulations. In addition, BALCO and HZL, along with the Group’s recently privatised Zambian business, KCM, have government appointees on their company boards who represent wider stakeholder interests.

The Group's Executive Chairman, Mr Anil Agarwal, is the Group's original promoter and founder, having built the Group from its inception in 1976. Volcan Investments Limited, a company controlled by Mr Agarwal and his family, remains the Group's controlling shareholder with a 54 per cent. interest. The relationship between Volcan, Mr Agarwal and the Group is governed by a Relationship Agreement which was entered into by the Guarantor and Volcan at the time of the listing in December 2003; it is designed to ensure the Guarantor can operate independently of the controlling shareholder (described below in further detail).

Since the listing in December 2003, the Board has moved towards compliance with the requirements of "The Combined Code on Corporate Governance" issued by the Financial Reporting Council (the "Combined Code") in July 2003. The Board believes that in the interest of all shareholders, the application of corporate governance must reflect the nature and location of the Group's businesses, the ownership of the Guarantor and its subsidiaries, the Group's development needs and ensuring that talents within the Group are utilised to their fullest potential.

### **Statement of compliance**

Throughout the year ended 31 March 2005, Vedanta Resources complied with Section 1 of the Combined Code, save as set out below.

Pursuant to the Relationship Agreement and as disclosed at the time of Listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan over making appointments to the Board, and to this extent, does not follow the process set out in the Combined Code (Provision A .4.1).

Mr Agarwal did not meet the independence criteria set out in the Combined Code at the time of his appointment as Executive Chairman on 23 March 2005. He had previously been Chief Executive of the Guarantor and is the controlling shareholder of the Guarantor. The Board believes that India is changing rapidly and presents the Group with significant opportunities. The appointment of Mr Agarwal has allowed him to step back from operational arrangement and to focus on turning these opportunities into value creating projects. Together with the appointment of Mr Kuldip Kaura as Chief Executive, the Board considers that this allows the best use of the talents within the management team.

Due to changes in Board membership during the year, no evaluation of the Board, its committees or individual Directors was performed during the year ended 31 March 2005 and membership of the Board committees was not maintained fully in compliance with the requirements of the Combined Code. However at the end of the 31 March 2005 and thereafter, membership of all Board committees has complied with the Combined Code.

The Company fully complies in all other respects with the Combined Code, with the Listing Rules of the UK Listing Authority and with the Companies Act 1985, as amended and the Board remains fully committed to conducting the Group's affairs in a transparent manner.

The Board considers that all of the Non-executive Directors are independent of the Guarantor as defined by the Combined Code.

### ***Executive Chairman, Chief Executive and Senior Independent Director***

On 23 March 2005, the Board appointed Mr Anil Agarwal as Executive Chairman and Mr Kaura, previously Chief Operating Officer, was appointed to the Board as Chief Executive. The Executive Chairman, as agreed by the Board, is primarily responsible for providing strategic leadership to the Board and further enhancing Vedanta Resources' exceptional growth pipeline. Meanwhile the Chief Executive, as agreed by the Board, is primarily responsible for leadership of the executive team, implementation of the Group's strategy, the management of resources, the maintenance of a sound control environment, setting budgets and managing performance within those budgets.

Mr Navin Agarwal was appointed Deputy Executive Chairman on 1 June 2005 to provide support to the Executive Chairman.

Mr Chandra is the Guarantor's Senior Independent Director, having been appointed to that role on 24 November 2004. The principal duties of the Senior Independent Director are to be available to shareholders to discuss any concerns they may have about the running of the Guarantor, especially where the normal channels of communication would not seem appropriate, and to lead discussions at meetings of the independent Non-executive Directors.

The Board has an agreed schedule of matters reserved to it, which has been updated since the listing in December 2003, and newly adopted terms of reference for Board committees. Most operational decisions are delegated to the Executive Committee and the boards of directors of subsidiary companies.

The Executive Committee provides a conduit for keeping the Board informed of Group performance and developments. It consists of the Executive Directors and senior management who head up the Group's principal operations and functions. The Executive Committee meets monthly to consider corporate matters and has regular reviews with the executive teams for each of the principal subsidiaries.

In view of the presence of a significant number of Board members at the monthly meetings of the Executive Committee and the existing subsidiary board infrastructure, routine meetings of the Board are now scheduled quarterly to coincide with the approval of the quarterly results, with additional meetings being set as and when required to deal with matters that fall outside this timetable. The Board has established procedures for the timely circulation of papers prior to Board meetings.

The Company Secretary is appointed and removed by the Board and provides administrative services to the Board.

### ***Nominations Committee***

In conjunction with the consultation of Volcan pursuant to the Relationship Agreement, the Nominations Committee has a role in reviewing the size and composition of the Board, particularly the balance between Executive and Non-executive Directors, and advising the Board on proposed appointments of new Non-executive Directors. It drew up a list of criteria to be used in assessing potential new appointments to the Board and this was used as part of the selection process for new Non-executive Directors appointed during the year. In view of the desire to recruit Non-executive Directors with appropriate skill sets and experience gained in India and/or in the international mining sector, the Nominations Committee felt that the Directors' contacts would be better placed to identify suitable candidates for appointment than by employing an external search consultancy or open advertising. In the process of appointment, a number of candidates were recommended by Directors, considered for appointment and selected based on the pre agreed set of criteria.

The Chairman is also chairman of the Nominations Committee and consequently Mr Anil Agarwal was appointed Chairman of the Nominations Committee on 1 June 2005. During the financial year ended 31 March 2005, Messrs Gilbertson and Fowle served as Chairmen of the Nominations Committee. Sir David Gore Booth chaired the Board when it considered the appointment of Mr Fowle as Chairman and Mr Chandra chaired the Nominations Committee and the Board when it considered the appointment of Mr Agarwal as Chairman. The other members of the Nominations Committee are Mr Chandra, Mr Macdonald and Dr Tamotia.

### ***Remuneration Committee***

Mr Naresh Chandra is Chairman of the Remuneration Committee. The other members are Mr Macdonald and Mr Mehta.

### *Audit Committee*

The primary role of the Audit Committee is to oversee:

- the integrity of the financial reporting system of the Group;
- the Group's approach to risk and internal controls;
- the effectiveness of the Group's internal audit activity;
- the Group's relationship with its external auditors; and
- compliance with relevant statutory and required financial reporting standards, including corporate governance disclosures.

In addition to the requirements of the Combined Code, the Group subsidiary companies, by virtue of their listings on Indian stock exchanges, have their own audit committees, which are established in accordance with Indian corporate governance requirements. This provides a second level of financial oversight below the Audit Committee, which also monitors the discussions and findings of the Group's subsidiary audit committees.

Mr Mehta is the chairman of the Audit Committee. The other members of the Committee are Mr Chandra and Mr Macdonald.



## PRINCIPAL SHAREHOLDERS AND RELATIONSHIP WITH VOLCAN

### Principal Shareholders

As at 16 February 2006 (the latest practicable date prior to the publication of this Offering Circular), the Guarantor was aware of the following persons, other than Directors of the Guarantor and other than the Guarantor itself by virtue of it holding treasury shares, who, directly or indirectly, were interested in 3 per cent. or more of the Guarantor's share capital (calculated exclusive of treasury shares):

	Number of ordinary share	Approximate percentage of issued share capital
Volcan Investments Limited.....	154,157,911	53.8%
Agnivesh Agarwal <sup>(1)</sup> .....	154,157,911	53.8%
DP Agarwal <sup>(2)</sup> .....	154,157,911	53.8%

#### Notes:

- (1) Agnivesh Agarwal is indirectly interested in the Guarantor's share capital by virtue of his beneficial interest in shares of Volcan Investments Limited.
- (2) DP Agarwal is indirectly interested in the Guarantor's share capital by virtue of his beneficial interest in shares of Volcan Investments Limited.
- (3) Following conversion in full of the principal amount of the Bonds, the share capital of the Guarantor will increase by 10 per cent. thereby decreasing the economic interest of Volcan Investments Limited in the Guarantor. A14.1.11

See "Director's Interests in Ordinary Shares" in the Vedanta Resources 2005 Annual Report incorporated by reference in this Offering Circular.

### Relationship with Volcan

Volcan owns approximately 54 per cent. of the issued ordinary share capital of the Guarantor. A9.10.1  
Volcan is owned and controlled by members of the Agarwal family, including Anil Agarwal, the Executive Chairman of Vedanta Resources, his father, DP Agarwal, and his son, Agnivesh Agarwal. A9.6.2  
The Agarwal family also has controlling interests in SOTL and Sterlite Gold Ltd, which are publicly listed companies in India and Canada, respectively, and which were demerged (save for nominal interests held in SOTL by MALCO and Sterlite) from the Group in December 2003.

### Relationship Agreement

Volcan, DP Agarwal and Agnivesh Agarwal (the "Volcan Shareholders"), Anil Agarwal and the Guarantor entered into an agreement dated 5 December 2003 (the "Relationship Agreement") which regulates the ongoing relationship between them and ensures that the control of the Guarantor by the Volcan Shareholders is not abused. The principal purpose of the Relationship Agreement is to ensure that the Group is capable of carrying on its business independently of Volcan and of the Agarwal family and of any of their associates and that transactions and relationships with Volcan and with members of the Agarwal family and their associates are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange. The Relationship Agreement shall terminate in respect of Volcan at such time as each of the Volcan Shareholders, Volcan and its subsidiary undertakings, parent undertakings and fellow subsidiary undertakings from time to time cease to be a controlling shareholder in the Guarantor for the purposes of the UK Listing Rules. In addition, the Relationship Agreement shall terminate in respect of Anil Agarwal, DP Agarwal or Agnivesh Agarwal if any of them individually or jointly ceases to be a controlling shareholder in the Guarantor or Volcan. Currently, a controlling shareholder for the purposes of the A9.10.1

UK Listing Rules is any person (or persons acting jointly by agreement whether formal or otherwise) who is: (a) entitled to exercise, or to control the exercise of 30 per cent. or more of the rights to vote at general meetings of the Guarantor or (b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Guarantor.

Under the Relationship Agreement:

- the parties agree to ensure that Vedanta Resources is capable, at all times, of carrying on its business independently of Volcan and the Agarwal family and their associates as required by the UK Listing Rules;
- the Board and the Nominations Committee and any other committee of the Board (other than the Audit Committee or the Remuneration Committee or any committee which may be established by the Board in connection with a specific transaction, the constitution of which is approved by the Board) to which significant powers, authorities or discretions are delegated shall at all times comprise a majority of Directors who are independent of Volcan and the Agarwal family and their associates;
- the Remuneration Committee and the Audit Committee shall at all times consist only of Non-executive Directors;
- Volcan is entitled to nominate for appointment as a Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates and who are free from any business or other relationship with any member of the Agarwal family, Volcan or any of their associates which could materially interfere with the exercise of the Director's judgment concerning the Guarantor;
- Neither Anil Agarwal nor any non-independent Directors shall be permitted, unless the independent Directors agree otherwise, to vote on any resolutions of the Board to approve any arrangement or transaction with Volcan or any member of the Agarwal family or any of their associates;
- Volcan may not exercise voting rights attaching to its shares in Vedanta Resources in respect of any transactions or arrangements between the Guarantor and Volcan or the Agarwal family or any of their associates;
- Volcan, the Volcan Shareholders and Anil Agarwal represent and warrant to the Guarantor that they do not currently own any interests in the smelting, refining, mining or sale of any Base Metals or Mineral otherwise than through the Group except for the interest of Sterlite Gold Ltd in certain exploration blocks which contain both gold and copper together as is common. Sterlite Gold Ltd has not announced any intention to develop these exploration blocks. These copper deposits are not considered by the Directors to be sufficiently large to give rise to a conflict of interest with the Group's Copper Business;
- Volcan, the Volcan Shareholders and Anil Agarwal undertake to, and undertake to procure that each member of the Agarwal family and their respective associates shall only, directly or indirectly, acquire or otherwise invest in any company, business, business operation or other enterprise which engages in the smelting, refining or mining of Base Metals or Minerals through the Group. These undertakings shall not prevent, restrict or limit:
  - (a) the acquisition or ownership by Volcan, Anil Agarwal, the Volcan Shareholders or their respective associates of:
    - (i) any securities of Sterlite Gold Ltd; or

- (ii) not more than five per cent. in aggregate of any class of shares, debentures or other securities in issue from time to time of any company which engages in the smelting, refining or mining of Base Metals or Minerals which is for the time being listed on any stock exchange; or
- (b) the acquisition or ownership, directly or indirectly, by Volcan, Anil Agarwal, the Volcan Shareholders or their respective associates (each an “Interested Party”) of, or of any interest in, a Base Metal or Mineral property or asset (together with any associated property, plant and equipment), which is not adjacent or geographically proximate to an existing property or operation of the Group so as to give them operational synergies, where the acquisition cost (including assumed indebtedness), including any related capital expenditures committed at the date of acquisition for the following 12 months, is equal to U.S.\$50 million or less, for which purpose any acquisitions of two or more related or adjacent Base Metal or Mineral properties or assets shall be aggregated when calculating the acquisition cost, provided that the relevant Interested Party (i) is not an officer or director of a Group company; and (ii) has procured that the opportunity to acquire such property or asset is first made available to the Group, with a reasonable period for the independent Directors to consider the opportunity, on terms no less favourable than those on which they are proposed to be acquired by the Interested Party and a majority of the independent Directors has determined that the Group should not make that acquisition;
- transactions and relationships between Vedanta Resources and Volcan and members of the Agarwal family and their associates shall be conducted at arm’s length and on a normal commercial basis, including those to be provided under the Shared Services Agreement (as defined below).

Sterlite’s copper refinery produces anode slimes, which contain gold, as a by-product of the refining process. These anode slimes are sold to precious metal producers who extract and refine the gold. Sterlite Gold Ltd produces gold doré bars. The quantities of gold within the anode slimes produced by Sterlite are small and, therefore, are not considered by the Directors to give rise to a conflict of interest with Sterlite Gold Ltd’s business.

### **Shared Services Agreement**

SOTL, Sterlite Gold Ltd, Sterlite and the Guarantor entered into an agreement dated 5 December 2003 (the “Shared Services Agreement”). The Company and Sterlite have agreed to provide SOTL and Sterlite Gold Ltd with certain commercial services on an ongoing basis consisting primarily of access to certain of the directors, officers and employees of the Group.

Under the Shared Services Agreement:

- a party may terminate the agreement or a particular service which is provided pursuant to the agreement if, inter alia, another party commits a material breach of the agreement, upon another party being affected by insolvency related events or following a change of control in another party or by 31 December 2006. A party may also terminate a particular service on three months’ notice.
- the services under this agreement will be provided by the Guarantor and/or Sterlite, as appropriate, to SOTL and Sterlite Gold and the transactions between the parties will be on an arm’s length basis.
- the cost of access to certain of the directors, officers and employees of the Group shall be paid by SOTL and/or Sterlite Gold, as appropriate, to the Guarantor and/or Sterlite, as appropriate.

- the cost of the services provided pursuant to the agreement is calculated by apportioning the total salary cost to the Group of the employment of the relevant director, officer or employee to SOTL and/or Sterlite Gold.

In August 2005, the Board of the Guarantor authorised the signing of a side letter with Sterlite Gold and SOTL proposing the amendment of the Shared Services Agreement to:

- amend the list of employees who form the basis of the recharge of the Guarantor to reflect those individuals who actually performed the services;
- amend the recharge based on estimated cost plus a 20 per cent. margin; and
- allow only 25 per cent. of Mr Anil Agawal's salary costs to be taken into account when determining the recharge to SOTL, to reflect the limited services that have been provided to SOTL since the Listing.

## INFORMATION ON INDIA

*The following statistics and information relating to India have been extracted from publicly available information (Central Statistics Organisation, Ministry of Planning and Programme Implementation, Government of India and “Handbook on Statistics on Indian Economy 2006”, Reserve Bank of India Publication) and are provided for background purposes only. The Issuer and Guarantor hereby confirm that the following information has been accurately reproduced and that, as far as the Issuer and the 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.*

A9.13.2

A13.7.4

### Territory, population and resources

India is located in southern Asia and covers a land area of approximately 3.29 million square kilometres. India's neighbours are Bangladesh, Bhutan, Nepal, Pakistan, People's Republic of China and Sri Lanka.

India has a population of approximately 1.07 billion and is the world's second most populous country after China. India's population grew at an average rate of approximately 2 per cent. per annum between 1981 and 2004. English is the accepted business language in India. India is the world's largest democracy.

India has the world's fifth largest known bauxite reserves, with an estimated 770 mt as at 2005 representing approximately four per cent. of the world's total known bauxite reserves. India also has the world's seventh largest known iron ore reserves, with an estimated 4,200 mt as at 2005, representing approximately 6 per cent. of the world's total known iron ore reserves.

### Government and Political System

India achieved independence on 15 August 1947 and is a sovereign democratic republic consisting of 29 states and six union territories. The Constitution of India provides for the separation of executive, legislative and judicial powers. The legislative power of the Government of India is vested in a bicameral legislature consisting of the Lok Sabha (Lower House) and the Rajya Sabha (Upper House).

The Lok Sabha consists of 545 members, two of whom are nominated by the President. The other members of the Lok Sabha are directly elected for a term of five years on the basis of a general election. The Constitution of India provides that the Rajya Sabha can consist of not more than 250 members, 12 of whom are nominated by the President and the rest are elected indirectly by the elected members of the legislatures of the States. The Rajya Sabha is not subject to dissolution, but one third of its members are required to retire every two years.

The President of India is the constitutional head of the executive branch of the Government of India, exercising power under the Constitution generally upon the advice of the cabinet of ministers, headed by the Prime Minister. Executive power essentially resides with the Prime Minister and the cabinet of ministers who are responsible for the Lok Sabha. The Prime Minister is elected by the members of the Lok Sabha and appointed by the President who also appoints other ministers on the advice of the Prime Minister.

The system of government in the states generally resembles that of the Central Government with the states having a legislature, a governor, a chief minister and a council of ministers. The union territories are administered by the President. There is an extensive system of local government in India, which is principally controlled through local corporations or municipalities. The system of local self-government extends to the village level.

Since 1996, the Government of India has changed five times. Parliamentary elections were conducted in May 2004, resulting in the United Progressive Alliance coalition led by the Congress

Party coming into power, replacing the Bharatiya Janata Party led coalition. A significant change in the Government of India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India in general. See "*Risk Factors — Risks relating to investments in India*".

## **The Indian Economy**

India had a real gross national income, based on purchasing power parity, of approximately U.S.\$3.36 trillion for 2004 making it the fourth largest economy in the world, after the United States of America, China and Japan according to the World Development Indicators 2005 published by the World Bank. Agriculture remains India's largest economic sub sector and employs a significant proportion of the workforce. The Government of India has played a dominant role in the economy. Economic policy has been formulated in a series of successive five year plans.

Economic performance in the period from 1951 to 1985 was mixed. Growth in real gross domestic product or GDP averaged about three point six per cent. during this period. Though the per capita GDP in this period grew at a lower rate of one point two per cent., a substantial middle class emerged over the years.

In the 1980s, fiscal imbalances began to arise and the Government of India's gross fiscal deficit reached six point six per cent. of GDP in 1991/92. There was also a deterioration in India's balance of payments position. Import payments increased consistently in the 1980s and more so after the Persian Gulf conflict in fiscal year 1991. India's external debt service obligations also rose significantly.

The fiscal and external payments problems reached a crisis point in 1991. After the assassination of former Prime Minister Rajiv Gandhi in 1991, the Congress Party with PV Narasimha Rao as Prime Minister, initiated a major structural transformation in the economy.

## **Economic Reforms**

Confronted with a major economic crisis, the government of Prime Minister Rao undertook a comprehensive economic reform programme that has been continued by all the successive governments. These reforms have primarily included:

- the elimination of industrial licensing requirements for the majority of industries;
- the lowering of tariff barriers and simplification of the trade regime;
- reductions in subsidies;
- substantial liberalisation of the restrictions on foreign investment, including limitations on foreign equity participation;
- reductions in the role of the public sector;
- increased deregulation of interest rates and introduction of more stringent regulation for the financial sector;
- full convertibility of the rupee on current account;
- reduction in marginal tax rates and simplification of tax procedures;
- the introduction of a programme to make prices in the petroleum sector market determined; and
- several initiatives for the development of infrastructure.

## Trends in the economy

	Annual percentage change, except for foreign exchange assets			
	2001	2002	2003	2004
Real GDP growth <sup>(2)</sup> .....	4.4	5.8	4.0	8.5
Real per capita GDP growth <sup>(1)</sup> .....	2.5	3.9	2.2	6.7
Agricultural production <sup>(1)</sup> .....	(0.4)	6.5	(8.0)	10.3
Industrial production <sup>(2)</sup> .....	5.0	2.7	5.7	7.0
Inflation Rate based on Wholesale Price Index (average) <sup>(2)</sup> .....	7.2	3.6	3.5	5.4
Imports (per cent. of Real GDP) <sup>(2)</sup> .....	19.3	19.3	22.5	25.1
Exports (per cent. of Real GDP) <sup>(2)</sup> .....	17.0	16.5	19.4	20.5
Foreign Exchange Assets (in US\$ billions) <sup>(2)</sup> .....	39.6	51.0	71.9	107.4

The following table sets out, for the periods indicated, the inflows into India of foreign direct investment and portfolio investment.

	2001	2002	2003	2004
Foreign direct investment (US\$ millions) .....	4,029	6,130	5,035	4,673
Portfolio investment (US\$ millions) .....	2,760	2,021	979	11,377

Notes:

(1) Central Statistics Organisation, Ministry of Planning and Programme Implementation, Government of India.

A9.13.2

(2) Handbook on Statistics on Indian Economy 2006, Reserve Bank of India Publication.

A13.7.4

Real Indian GDP has grown at an average rate of six per cent. per annum over the last ten years. The per capita metal consumption in India is low when compared to other countries. Indian metal consumption per capita for copper, aluminium, and zinc was 0.32kg, 0.81kg and 0.32kg respectively per head in 2004. This compares with US copper, aluminium and zinc consumption of 8.32kg, 20.70kg and 4.26kg per head respectively and Chinese consumption of 2.74kg, 4.76kg and 1.95kg per head, respectively in 2004.

### Government's Budget for Fiscal Year 2005-06

The Government of India's budget for the fiscal year 2005-06 ("Budget"), while focusing on investment, job creation, minority welfare and rural and urban development, also stresses the development and expansion infrastructure, employment, provision of health and education and fiscal consolidation.

Furthermore various steps have been announced to strengthen the area of capital markets. These include, the establishment of a committee on corporate bonds and securitisation to look into the legal, regulatory, tax and market design issues related to the development of the corporate bond market and an expert committee in consultation with the Reserve Bank of India ("RBI") to provide advice on making Mumbai a regional financial centre.

The Budget also proposes to permit foreign institutional investors registered with the SEBI to submit appropriate collateral in cash or otherwise while trading in derivatives on the domestic market.

In the area of indirect tax, the Budget proposes to advance the Indian Government's policy of making the customs duty structure closer to that of other member countries of the Association of Southeast Asian Nations. The Budget also proposes a reduction in the customs duties on selected capital goods and parts thereof to 10 per cent. in some cases and to 5 per cent. in some others.

On the excise front the Budget proposes to bring as many goods as possible to the central value added tax (“CENVAT”) rate of 16 per cent. Further, the Budget announces that that all Indian States have agreed to introduce value added tax (“VAT”) with effect from 1 April 2005 and the Government of India shall compensate the States, according to an agreed formula, in the event of any revenue loss.

### **Foreign Investment and Exchange Restrictions**

India regulates ownership of securities issued by Indian companies by persons resident outside India, although restrictions on foreign investment have been significantly relaxed in recent years. The Foreign Exchange Regulation Act, 1973 was replaced by the Foreign Exchange Management Act, 1999 (“FEMA”) with effect from 1 June 2000. There are certain requirements of FEMA which may affect the Group’s ability to acquire additional shares or subscribe for new shares in Indian companies and which may affect the Group’s Indian subsidiaries ability to pay royalties in respect of non-Indian technology and to borrow money from non-Indian Group companies or non-Indian third parties. These requirements are described below.

See “*Risk Factors — Risks relating to investments in India*” for further information regarding the risks associated with India’s foreign investment and exchange restrictions.

### **Restrictions relating to the inflow of Foreign Funds into India**

#### **Equity**

Foreign investment in Indian securities is regulated by FEMA and the Government of India’s Industrial Policy Resolutions (the “Industrial Policy”), as modified from time to time. This policy sets out caps on foreign investment in certain industrial sectors. The Industrial Policy is administered by the Government of India through the FIPB of the Secretariat for Industrial Assistance and the RBI. Currently, the Industrial Policy permits foreign direct investment in up to 100 per cent. of new shares in an Indian company engaged in the exploration and mining of gold, silver and minerals other than diamonds and precious stones, and their metallurgy and processing under an exemption called the “automatic route”. The “automatic route” is administered by the RBI and enables Indian companies in specified industries to issue shares to persons resident outside India and to obtain external commercial borrowings (“ECBs”) from persons resident outside India without prior permission from the RBI, subject to certain conditions specified in the relevant regulations. However, in the absence of certain conditions the “automatic route” is not open for those non-resident investors who have or had a previous financial, technical or trademark collaboration with or in an existing domestic company engaged in the same activity.

#### **Debt**

Prior approval of the Government of India or the RBI may be required in the event an Indian company wishes to obtain ECBs from persons resident outside India. ECBs include commercial bank loans, buyers credit, suppliers credit, floating rate notes, fixed rate bonds, credit from official export credit agencies and commercial borrowings from the private sector window of multilateral financial institutions. Intragroup loans from non-Indian companies in the Group will also constitute ECBs. ECBs are regulated by the consolidated guidelines issued by the Government of India in July 2004 as updated from time to time. The Government of India has recently decided to permit ECBs, from certain recognised categories of lenders, of up to U.S.\$500 million under the “automatic route”, thereby permitting an Indian company to obtain ECBs of up to U.S.\$500 million without any approval from the Government of India and the RBI, subject to certain conditions specified by the Government of India. ECBs for amounts in excess of U.S.\$500 million shall require only RBI approval. This limit is applied on a per company basis by aggregating all ECBs of that company in any one financial year.



Presently, ECBs can be raised only for (i) investment (such as import of capital goods, new projects, modernisation/expansion of existing production units) in industrial sectors including small and medium enterprises and the infrastructure sector in India (as specifically defined by the Government of India), (ii) overseas direct investment in joint ventures/wholly owned subsidiaries subject to the guidelines on Indian direct investment in joint ventures/wholly owned subsidiaries abroad and (iii) in the initial acquisition of shares and mandatory public offer in the Government of India's disinvestment process.

Further, utilisation of ECB proceeds is not permitted for (i) on-lending or investment in the capital market by corporates, (ii) real estate and (iii) working capital, general corporate purposes and repayment of existing Rupee loans.

## **Foreign Exchange Remittance from India**

### **Dividends**

The Government of India's dividend policy previously contained a requirement that the payment of dividends be commensurate with export earnings over a period of time. Currently, dividends received by foreign investors on shares of an Indian company are freely repatriable in foreign exchange. Dividend payments by Indian companies are subject to a dividend distribution tax which is payable by the company. This is currently fixed at 12.8125 per cent. (including a surcharge of 2.5 per cent. of 12.5 per cent.). The Finance Act (2 of 2004) has levied an additional surcharge (known as "education cess") at the rate of two per cent. of the total dividend distribution tax payable (including surcharge).

### **Capital gains**

Repatriation of capital gains on the sale of shares in unlisted Indian companies continues to be regulated by the RBI. Unless the gain is exempt or treaty protected, withholding tax on the gain is deducted at rates varying between ten to 40 per cent. before a shareholder resident outside India can remit from India amounts representing consideration for the disposal of shares in an Indian company or capital gains on such shares. The Finance Act 2004 exempts long term capital gains from the sale of securities on recognised exchanges from capital gains tax subject to certain conditions. It also reduces the short term capital gains tax rate to 10 per cent. Repatriation of capital gains on the sale of shares of listed companies through a stock exchange in India does not need RBI approval.

### **Royalties**

Under the Industrial Policy, foreign technology collaboration agreements and agreements for the use of trademarks and brand names receive automatic approval from the RBI upon satisfaction of certain requirements. Payments under foreign technology collaboration agreements, subject to the prescribed limits, do not require approval. Payments above the prescribed limits require the prior approval of the FIPB.

### **Interest on ECBs**

The Government of India guidelines regulating ECBs prescribe "all-in-cost ceilings" of 200 basis points over six months LIBOR for a minimum average maturity period of three years and up to five years and 350 basis points over six months LIBOR for a minimum average maturity period of more than five years, depending on the currency in which the loan is being raised or applicable benchmark(s), as the case may be. Interest payments on ECBs are subject to a withholding tax, at rates largely dependent on double tax treaties between India and the country where the loan is made, but on average ranges from ten point four five per cent. to 20.91 per cent. (including surcharge). The Finance Act (2 of 2004) has levied an additional surcharge (known as "education cess") at the rate of two per cent. of the total tax payable (including surcharge).

## **Prepayment of ECBs**

Prepayment of ECBs of up to U.S.\$200 million is permitted without prior approval of RBI, subject to compliance with the stipulated minimum average maturity period as applicable for the loan.

## **Competition Act, 2002**

The Competition Act, 2002, which will replace the Monopolies and Restrictive Trade Practices Act, 1969, has been passed by the Indian Parliament and has received the assent of the President of India. The Central Government has ratified the enforcement dates for certain provisions of the Competition Act, 2002. These provisions relate to the establishment of the Competition Commission of India. The substantive provisions of the Competition Act, 2002 are yet to be ratified by the Central Government.

The Competition Act, 2002 seeks to ensure fair competition in India by prohibiting trade practices which cause an appreciable adverse effect on markets in India. The Competition Act, 2002 seeks to prohibit anti-competitive agreements and abuses of dominant positions and regulates combinations through the establishment of a quasi-judicial body called the Competition Commission of India.

## DESCRIPTION OF THE ISSUER'S SHARE CAPITAL AND THE PREFERENCE SHARES

Words and/or provisions defined in the Conditions have the same meanings in this description of the Issuer's share capital unless the context otherwise requires.

### Issuer's Share Capital

The Issuer is authorised to issue an unlimited number of limited liability shares with no par value. The Issuer can issue Founders' Shares or Preference Shares. Founders' Shares are issuable at an agreed issue price of U.S.\$1.00 each and Preference Shares are issuable at an agreed issue price of U.S.\$1,000 each.

As at the date of this Offering Circular, the Issuer had issued 2 Founders' Shares at an agreed price of U.S.\$1.00 each.

### Founders' Shares

Founders' Shares shall only be issued to, or for the benefit of, the Guarantor or to, or for the benefit of, a person previously approved in writing by the Guarantor.

### Preference Shares

Preference Shares shall only be issued on conversion of Bonds pursuant to the Conditions and the terms of the Trust Deed and shall be issued at a price, credited as fully paid, of U.S.\$1,000 per Preference Share (the "**Paid-up Value**"). The terms of the Preference Shares are set out in the Articles of the Issuer. Holders of the Preference Shares will also have the benefit of the Deed Poll and will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Articles of the Issuer and the Deed Poll. The Articles of the Issuer contain provisions to the following effect:

#### 1. Dividends

- (a) Each Preference Share will on allotment, and subject to the availability of distributable profits, confer on the holder thereof a right to receive a fixed cumulative dividend at the rate of 4.60 per cent. per annum of the Paid-up Value of each such Preference Share payable annually in arrear on 21 February and 21 August in each year (each a "**Dividend Payment Date**") commencing with the Dividend Payment Date falling on 21 August 2006. The dividend payable in respect of each Preference Share for any period that is not a dividend period shall be calculated on a strict proportional basis by reference to the same rate where "**Dividend Period**" means each period beginning on (and including) a Dividend Payment Date and ending on (but excluding) the next succeeding Dividend Payment Date. Such dividends shall accrue from day to day. Each Preference Share will cease to accrue dividends from and including its due date for redemption. No account will be taken of accrued dividends on an exchange pursuant to any Share Exchange Right. A14.1.5
- (b) The cumulative dividends payable in respect of the Preference Shares shall be paid in priority to any dividend in respect of any other class of shares in the capital of the Issuer, other than any such class that ranks *pari passu* with the Preference Shares as respects rights to dividends.
- (c) The Preference Shares shall not confer any further right of participation in the profits of the Issuer.
- (d) The Founders' Shares shall confer on the holders thereof the right to receive any profits of the Issuer available for distribution after the payment to the holders of the

Preference Shares of their fixed cumulative dividend and after payment of any other preferential dividend on any other class of shares.

- (e) The obligations of the Issuer to pay dividends are subject to applicable law in Jersey.

## 2. Capital

On a winding-up of the Issuer or other return of capital (other than a purchase or redemption of any Preference Share or any share of any other class of redeemable shares), the assets of the Issuer available for distribution shall be applied in the following priority:

- (a) firstly, the Preference Shares shall carry the right (the “**First Right**”), *pari passu* with the shares of any class having the like right, to payment of the Paid-up Value thereof, together with a sum equal to any accrued but unpaid preferential dividend due in respect of such Preference Shares to be calculated to the date when payment of the return of capital is made and to be payable irrespective of whether or not such dividend has been declared or earned and the right to such additional amount, if any, as when aggregated with the other amounts payable pursuant to the First Right is (in the opinion of a bank or investment bank of international repute in London) such as to be reasonably comparable with rights to repayment which are general for fixed-dividend shares listed on the official list of the UK Listing Authority. (In the event that the assets of the Company available for distribution are insufficient to repay in full the Paid-up Value of each Preference Share or shares carrying the like right together with such accruals, the available assets shall be apportioned *pro rata* amongst the Preference Shares and shares carrying the like right then in issue according to the Paid-Up Value and the amount at which any such other share is credited as paid-up and accruals outstanding); A14.1.5
- (b) secondly, the Founders’ Shares shall carry the right to payment of the amount of capital paid up (including credited as paid up) thereon;
- (c) any surplus assets then remaining shall be distributed *pari passu* among the holders of the Founders’ Shares, in proportion to the amounts paid up (including credited as paid up) thereon, up to (in the case of a winding-up only) a maximum amount of U.S.\$1,000,000 per Founders’ Share; and
- (d) in the case of a winding-up of the Issuer only, any surplus assets then remaining shall be distributed rateably among the holders of the Founders’ Shares and the Preference Shares according to aggregate amount paid up (including credited as paid up) on their respective holdings of such shares in the Issuer, provided that for these purposes the amount paid up on each Preference Share shall be treated as equal to one-thousandth of the amount paid up on each Founders’ Share.

## 3. Redemption

- (a) The Issuer shall redeem all the Preference Shares for cash at their Paid-up Value forthwith upon their issue, save that any Preference Shares in respect of which the Share Exchange Right has been exercised or is deemed to have been exercised shall not be redeemed forthwith pursuant to the foregoing but may be redeemed for cash at their Paid-up Value at any time after the first transfer of the same into the name of the Guarantor or its nominee on any date specified by the holder for the time being in any notice (which may be a standing notice) given by the holder to the Issuer requiring such redemption either forthwith or on any subsequent date. A14.1.5
- (b) On redemption of a Preference Share, the Issuer will cancel the Preference Share and any certificate relating thereto and such Preference Share may not be reissued or sold as a Preference Share.

- (c) The obligations of the Issuer to redeem shares are subject to applicable law in Jersey.

#### 4. Share Exchange Right

If Conversion Rights are exercised or deemed to have been exercised in respect of the Bonds, the Issuer will procure that the Preference Shares issued in respect thereof will be exchanged immediately for Ordinary Shares on the relevant Conversion Date which shall (other than in circumstances where Condition 8(a)(v) shall apply in relation to the relevant exercise of Conversion Rights) be represented by depositary receipts. A summary of the provisions of the Articles of the Issuer in this respect is set out in “Terms and Conditions of the Bonds — Conversion and Exchange”. A14.1.5

#### 5. Voting and General Meetings

- (a) Founders’ Shares shall entitle the holders thereof to receive notice of and to attend and vote at general meetings of the Issuer. Preference Shares shall entitle the holders thereof to receive notice of general meetings of the Issuer but not to attend and vote thereat.
- (b) On a poll every holder of Founders’ Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by representative or by proxy shall have [one million] votes in respect of each Founders’ Share registered in the name of such holder.

#### 6. Transfers

- (a) Any Preference Share in respect of which the Share Exchange Right has been or is deemed to have been exercised shall forthwith upon allotment and issue of the same be transferred to the Guarantor or its nominee in exchange for the issue to the holder thereof of that number of fully paid Ordinary Shares which shall, other than in circumstances where Condition 8(a)(v) shall apply, be represented by depositary receipts to which the holder is entitled upon exercise (or deemed exercise) of the Share Exchange Right. Any such transfer shall be effected by the Issuer (or a person appointed for this purpose by the Issuer) as agent for the holder thereof and the Issuer (or a person appointed for this purpose by the Issuer) is authorised by such holder to execute all such documents and do all such things as may be necessary properly to effect the same, without any cost or liability to, or any further action required by, the holder (save as provided in Article 2.2.2.5(H)(ee) of the Articles of the Issuer). A14.1.8
- (b) Transfers of Preference Shares shall be effected by any instrument of transfer in common or usual form or such other form as may be approved by the board of directors of the Issuer. The transferor shall be deemed to remain the holder of a Preference Share until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Issuer.

#### 7. Payments

- (a) Payments in respect of a Preference Share may be made by cheque or warrant and mailed to the holder (or to the first-named of joint holders) of such Preference Shares at his registered address (or to such address as such holder may direct) and at his risk.
- (b) All payments in respect of the Preference Shares shall be made subject to the deduction of or withholding of, or on account of, any taxation in Jersey or the United Kingdom required or permitted by applicable law to be withheld or deducted at source. No additional payment will be required to be made in respect of such withholding or deduction.

- (c) In determining amounts to be paid to Preference Shareholders, fractions of one cent will be rounded to the nearest cent with one half of one cent being rounded upwards.
- (d) Any unclaimed dividend may be invested or otherwise made use of by the directors of the Issuer for the benefit of the Issuer until claimed and any dividend which has remained unclaimed for a period of 10 years from the date when it became due for payment shall, if the directors of the Issuer so resolve, be forfeited and cease to remain owing by the Issuer and shall thenceforth belong to the Issuer absolutely.

## 8. Variation of Rights

- (a) Subject to the provisions of the Companies (Jersey) Law 1991, as amended, all or any of the rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Issuer is being wound-up) be varied or abrogated with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the sanction of a special resolution (that is, one passed by a majority of not less than two-thirds of members who (being entitled to do so) vote in person or by proxy) passed at a separate general meeting of the holders of those shares. All the provisions of the Articles of the Issuer as to general meetings of the Issuer shall *mutatis mutandis* apply to any such separate general meeting, except that the necessary quorum shall be two persons holding or representing by proxy at least one-third in number of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present in person or by proxy shall be a quorum. A14.1.5
- (b) The rights attached to the Preference Shares shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed not to be varied by the creation or issue of further shares ranking after or *pari passu* therewith.

## DESCRIPTION OF THE DEED POLL

*Words and expressions defined in “Terms and Conditions of the Bonds” and “Description of the Issuer’s Share Capital and the Preference Shares” have the same meaning in this Description of the Deed Poll, unless the context otherwise requires. References to particular Conditions of the Bonds shall be to the relevant Condition set out in “Terms and Conditions of the Bonds”.*

The Deed Poll contains provisions to the following effect:

### 1 Guarantee

The Guarantor unconditionally and irrevocably undertakes to the Issuer and to each of the Preference Shareholders to make due and punctual payment of all redemption monies, dividends and other amounts expressed to be payable in respect of the Preference Shares or, if Preference Shares shall not have been issued as so required by the Terms and Conditions of the Bonds, which would have been payable on such Preference Shares had the same been so issued when so required, on the due date for payment, or if Preference Shares shall not have been so issued as aforesaid, on what would have been the due date for payment had such Preference Shares been so issued, to the extent that the same shall not be paid by the Issuer, regardless of (i) whether the profits of the Issuer justify the relevant payment of any dividend, (ii) whether the relevant amounts shall be available for distribution or payment by the Issuer, (iii) whether payment thereof shall have been declared or approved by or on behalf of the Issuer or by the Issuer in general meeting, (iv) whether the payment thereof by the Issuer shall be prohibited by law or (v) where Preference Shares shall not have been so issued the fact that for whatever reason such Preference Shares shall not have been issued. Such obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor.

### 2 Payments

All payments made by the Guarantor pursuant to the Deed Poll will 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 the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Guarantor shall pay such additional amounts as will result in receipt by the holders of Preference Shares of such amounts as would have been received by them had no such withholding or deduction been required provided that no such additional amounts shall be payable in circumstances equivalent to those in Condition 11(a) and (b), but relating to the Deed Poll and the Preference Shares.

When making any payments to Preference Shareholders, fractions of one cent will be rounded to the nearest cent with one half of one cent being rounded upwards.

### 3 Undertaking to deliver Ordinary Shares

The Guarantor has undertaken that, on each occasion on which Conversion Rights related to a Bond are exercised, it will purchase the relevant Preference Shares arising on such conversion and, in consideration for such purchase, deliver such number of Ordinary Shares (where a Share Settlement Election is not in effect, represented by GDRs) as results from dividing the Paid-up Value of the relevant Preference Share by the Exchange Price in effect on the relevant Conversion Date in accordance with the Terms and Conditions of the Bonds.

The Deed Poll also sets out the circumstances in which the Exchange Price will be adjusted, a summary of which is set out in the Terms and Conditions of the Bonds.

#### **4 Other Undertakings**

The Guarantor undertakes that whilst any Conversion Right or Share Exchange Right remains exercisable, save with the approval of the Bondholders by 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, it will comply with the covenants given by it in the Deed Poll (see "*Terms and Conditions of the Bonds — Undertakings*"). The Guarantor will, in the event of failure of the Issuer so to perform when due, procure the performance by the Issuer of all the obligations to be performed by the Issuer in respect of the exercise of Conversion Rights. A6.2

#### **5 Amendments**

The Deed Poll may be amended only by deed poll, executed by the Guarantor and expressed to be supplemental to the Deed Poll, and, whilst any Conversion Right or Share Exchange Right remains exercisable, only with the approval of an Extraordinary Resolution and, for so long as any Preference Share is in issue and not held by or on behalf of the Guarantor, or any of its subsidiaries, the approval of an Extraordinary Resolution of Preference Shareholders or, with the prior written approval of the Trustee and without the consent of the Bondholders where, in the Trustee's opinion, such amendment is not materially prejudicial to the interests of the Bondholders, or is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error. Any such amendment shall, unless the Trustee agrees otherwise, be notified to the Bondholders by the Guarantor in accordance with Condition 19. In forming such opinion, the Trustee shall not be bound to have regard to the consequences (including, without limitation, tax consequences) of such exercise for individual Bondholders or any other person resulting from their being for any purpose domiciled or resident in or otherwise connected with or subject to the jurisdiction of any particular territory.

The Trust Deed contains provisions for convening meetings of Bondholders to consider the modifications by Extraordinary Resolution of the provisions of the Deed Poll. A13.4.11

#### **6 Governing Law**

The Deed Poll will be governed by, and construed in accordance with, English law.



## DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions of the Articles of Association of Vedanta Resources plc (the “Articles”). This summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the Articles.

### Share capital

The Company’s authorised share capital as at 31 December 2005 is U.S.\$40,000,000 and £50,000, comprising 400,000,000 ordinary shares of U.S.\$0.10 each in the Company and 50,000 deferred shares of £1 each in the Company, respectively. The Company’s issued share capital as at the date of this document was 50,000 deferred shares, one of which has been fully paid and 49,999 of which have been paid up as to one-quarter of their nominal value and U.S. 28,677,600 comprising 286,677,000 ordinary shares of U.S.\$0.10 each in the Company each credited as fully paid.

A14.1.1

A14.1.4

A6.3

The Company’s shares are in registered form and shares have been issued in both certificated and uncertificated form. The Company’s registrar is Computershare Investor Service of PO Box 82, the Pavilions, Bridgwater Road, Bristol BS99 7NH.

A13.4.4

A14.1.3

### Share rights

- (i) Subject to the provisions of the Companies Act (as defined in the Articles) 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 the Company may by ordinary resolution determine or, subject to and in default of such determination, as the board of directors of the Company (the “Board”) shall determine. A14.1.5
- (ii) Subject to the Articles and to the provisions of the Companies Act, the Company may issue any shares which are to be redeemed, or which at the option of the Company or the holder are liable to be redeemed.
- (iii) Subject to the Articles and to the provisions of the Companies Act, the unissued shares of the Company (whether forming part of the original or any increased capital) are at the disposal of the Board.
- (iv) Subject to the Articles the Board has the power to allot equity securities for cash as if Section 89(1) of the Companies Act 1985 did not apply, provided that this power is limited to: A14.1.5
  - (a) the allotment of equity securities in connection with a pre-emptive issue; and
  - (b) the allotment (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal amount equal to the section 89 amount.

### Voting Rights

- (i) Subject to any rights or restrictions attached to any class of shares by or in accordance with the Articles: A14.1.5
  - (A) on a show of hands, each member present in person or by proxy has one vote (save that any holder of deferred share(s) shall not be entitled to vote) and a proxy appointed by a member on behalf of such member’s shareholding shall also have one vote; and
  - (B) on a poll:
    - (1) every member present in person or by proxy (except holders of deferred shares) shall have:

- (a) one vote for each fully paid share of which he is the holder;
  - (b) for each partly-paid share, such proportion of the votes attached to a fully paid share as would mean that such proportion is the same as the proportion that the amount paid up or agreed to be considered as paid up on the total issue price of that share at the time the poll is taken bears to the total issue price of the share;
- (2) the holders of the deferred shares shall not be entitled to vote.
- (ii) Unless the Board determines otherwise, a member who has been served with a direction notice (under section 212 of the Companies Act) after failure (whether by such member or any other person appearing to be interested in such member's shares) to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, shall (from 14 days after the date of service of the notice and for so long as the information is not supplied and for up to seven days after the earlier of receipt by the Company of notice of an approved transfer of shares (as defined in the Articles) or due compliance, to the satisfaction of the Board, with the notice under section 212) not be entitled to attend or vote either personally or by proxy in respect of the shares in relation to which the information has not been supplied.
- (iii) No members' resolution in writing shall be effective.

#### **Dividends and other distributions**

- (i) Subject to the provisions of the Companies Act, the Company 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. The dividend shall be paid according to the amounts paid on shares in respect of 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. The deferred shares shall not carry the right to receive a dividend. Dividends may be declared and paid in any currency or currencies that the Board shall determine. A14.1.5
- (ii) 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 the Company available for distribution.
- (iii) 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.
- (iv) No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.
- (v) The Board may withhold payment from a person of all or any part of any dividend (including shares issued in lieu of dividend) or other moneys payable in respect of shares in the Company if those shares represent at least a 0.25 per cent. interest in the nominal value of the Company's shares or any class thereof (excluding any shares of that class held as treasury shares) and if, in respect of those shares, such person has been served with a notice (under section 212 of the Companies Act) after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. Such payment may be withheld from 14 days after the date of service of the notice for so long as the information is not supplied and for up to seven days after the earlier of

receipt by the Company of notice of an approved transfer of shares (as defined in the Articles) or due compliance, to the satisfaction of the Board, with the notice under section 212.

- (vi) 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 on which the dividend is paid.
- (vii) The Board may, if authorised by an ordinary resolution of the Company, 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.
- (viii) 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 the Company. A14.1.5
- (ix) Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary 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 the Company 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**

Subject to the provisions of the Companies Act, if at any time the capital of the Company is divided into different classes of shares, rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

### **Rights of holders of deferred shares**

The holders of deferred shares shall not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of the ordinary shares of the nominal amount paid up on the ordinary shares and the payment of £100,000 per ordinary share. The Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of any deferred shares an instrument of transfer of and/or an agreement to transfer the deferred shares to such persons as the Company may determine as custodian of the deferred shares or to purchase or cancel the deferred shares in accordance with the provisions of the Companies Act in any such case for not more than £1 for each share being transferred, purchased or cancelled to be paid to the registered relevant holder of the deferred shares without obtaining the sanction of the holder or holders of the deferred shares, and pending such transfer, purchase or cancellation, to retain the certificate for such deferred shares. The Company may, at its option, redeem all of the deferred shares in issue at any time (but subject to the minimum capital requirements of the Companies Act) at a price not exceeding £1 for each share redeemed at any one time to be paid to the relevant registered holders of the deferred shares upon giving the holders of the deferred shares not less than 28 days' previous notice in writing of its intention to do so, fixing a time and place for the redemption.

## Lien and forfeiture

- (i) The Company will have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the Company (whether presently payable or not) in respect of that share. The Company may sell, in such manner as the Board determines, any share on which the Company 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. A14.1.5
- (ii) The Board may from time to time make calls upon the members in respect of any amounts unpaid on their shares. Each member shall, subject to receiving at least 14 clear days' notice, pay to the Company the amount called on his shares. In the event of non-payment, the Board may give to 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 the Company 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

- (i) 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. A14.1.8
- (ii) The Board may, in its absolute discretion and without giving any reason, 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 Company's registered office or at another place appointed by the Board and is accompanied by the relevant share certificate 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 transferees.
- (iii) The Board may refuse to register a transfer of shares in the Company by a person if those shares represent at least a 0.25 per cent. interest in the nominal value of the Company's shares or any class thereof (excluding any shares held as treasury shares) and if, in respect of those shares, such person has been served with a notice (under section 212 of the Companies Act) after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares as required to be provided under the Companies Act, unless (i) the transfer is an approved transfer (as defined in the Articles), (ii) the relevant member is not himself in default as regards supplying the information required and certifies that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or (iii) the transfer of the shares is required to be registered by the CREST Regulations. In accordance with the Articles, this restriction shall commence 14 days after the date of service of the notice and ceases to apply seven days after the earlier date on which the relevant member complies with the notice to the Board's satisfaction or the date on which the Company receives written notice that there has been an

approved transfer of the shares. An approved transfer includes a transfer of shares pursuant to an acceptance of a takeover offer (within the meaning of section 428(1) of the Companies Act), or if the Board is satisfied that the transfer is a genuine sale of the whole of the beneficial ownership of the shares to a party unconnected with the member and with any other person appearing to be interested in the shares, or where the transfer results from a sale made through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded.

- (iv) Notice of refusal to register a transfer must be sent to the transferee within two months after the date on which the instrument of transfer was lodged with the Company, in the case of a certificated share, or the instruction to transfer shares was received by the Company from the Operator of a relevant system (in each case, as defined in the CREST Regulations), in the case of an uncertificated share, as the case may be.
- (v) No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.
- (vi) Shares may be transferred by means of a relevant system, including the relevant system of which CRESTCo Limited is the Operator (in each case, as defined in the CREST Regulations).

### **Alteration of share capital**

The Company may from time to time by ordinary resolution increase, consolidate or, subject to the Companies Act, subdivide its share capital. The Company may by ordinary resolution also cancel any shares which have not, at the date of the resolution, been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the provisions of the Companies Act, the Company may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

### **Purchase of own shares**

Subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par) and may hold such shares as treasury shares.

### **Dividend Policy**

The Company as well as the entire Group has a dividend policy which takes into account the underlying growth in earnings of the Group, as well as the capital requirements and cash flows of the Group, whilst maintaining an appropriate level of dividend cover. A14.1.5

A dividend of 5.5 cents per Ordinary Share in respect of the financial year ending 31 March 2004 was paid to the shareholders of the Guarantor in August 2004. An interim dividend of 5.5 cents per Ordinary Share was paid to the shareholders of the Guarantor on 14 January 2005. A final dividend of 11.55 cents per Ordinary Share was approved by shareholders in general meeting on 3 August 2005.

Dividends will be declared and paid by the Guarantor in U.S. dollars unless the shareholder elects to receive dividends in pounds sterling.

## OVERVIEW OF THE GDRs

*The following overview refers to certain provisions of the Terms and Conditions of the GDRs and the Deposit Agreement and is qualified by the more detailed information contained elsewhere in this Offering Circular. Terms which are defined in “Terms and Conditions of the GDRs” have the same meaning when used in this overview. This is a summary description of the material terms of the GDRs and of the material rights of a holder of GDRs. Please note that summaries by their nature lack the precision of the information summarised and that the rights and obligations of a holder of GDRs will be determined by reference to the terms of the Deposit Agreement and not by this summary. Potential investors are encouraged to review the Deposit Agreement in its entirety.*

<b>Company</b>	Vedanta Resources plc
<b>The Group</b>	The Company together with its subsidiaries
<b>Depository</b>	The Bank of New York has agreed to act as the Depository for the GDRs. The Depository’s offices are located at 101 Barclay Street, 22nd Floor, New York, New York 10286. The GDRs represent ownership interests in securities that are on deposit with the Depository. The Depository has appointed the Custodian to safekeep the securities on deposit.
<b>Custodian</b>	The Custodian is The Bank of New York and its offices are located on the 48th Floor at One Canada Square, London E14 5AL.
<b>Appointment of Depository</b>	The Company will appoint the Depository pursuant to the Deposit Agreement, to be dated on or about the Closing Date, by and between the Company and the Depository. A copy of the Deposit Agreement may be obtained from the Depository.
<b>Rights attaching to GDRs</b>	Each GDR represents the right to receive one Ordinary Share on deposit with the Custodian at the discretion of the Guarantor. See “ <i>Material Contracts</i> ” – contracts relating to the “ <i>Bonds – Vedanta Resources/Volcan Undertakings</i> ”. Each GDR will also represent the right to receive any other property received by the Depository or the Custodian on behalf of the owner of such GDR but that has not been distributed to the holders of GDRs because of legal restrictions or practical considerations. Holders of GDRs are not party to the Deposit Agreement and, accordingly, have no contractual rights against, or obligations to, the Company or the Depository. However, the deed poll executed by the Company in favour of the holders of GDRs provides that, in the event that the Company fails to perform the obligations imposed upon it by certain specified provisions of the Deposit Agreement, any holder of GDRs may enforce the relevant provisions of the Deposit Agreement as if it were a party to such Deposit Agreement and was the “Depository” in respect of that number of Ordinary Shares to which the GDRs of which it is holder relate. The Depository is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any

holder of a GDR or any other person. Holders of the GDRs are deemed to have notice of and be bound by all applicable provisions of the Deposit Agreement.

#### Governing Law

The Deposit Agreement is governed by English law, except that the certifications and agreements made by persons making certain deposits or withdrawals of Ordinary Shares and any provisions relating thereto shall be governed by New York law and the Federal laws of the United States.

#### Ordinary Shares

The Ordinary Shares are fully-paid equity shares of the Company, each with a nominal value of U.S.\$0.10. See “*Description of the Ordinary Shares*”.

#### Ordinary Shares issued prior to and outstanding as at the Closing Date

286,776,000 Ordinary Shares, each of which is fully paid-up.

#### GDRs

There are currently no GDRs outstanding and there is no existing market for the GDRs. On the Closing Date a depositary facility will be in place but only a limited number of GDRs, namely 10 GDRs representing 10 Ordinary Shares transferred by Volcan to the Depositary, will be issued. Barclays Bank PLC has the right to deposit up to six million Ordinary Shares and any current and/or future holders of Ordinary Shares may, subject to the Guarantor's consent, deposit Ordinary Shares into the depositary facility.

A14.1.1

See “*Risk Factors — There are currently no GDRs outstanding and there is no market for the GDRs and any market which may develop for GDRs may not be liquid*”.

Each GDR will initially represent one Ordinary Share. The GDRs deliverable upon conversion of the Bonds will be issued pursuant to a deposit agreement (the “Deposit Agreement”) dated on or about 21 February 2006 between the Company and The Bank of New York, in its capacity as depositary (the “Depositary”). GDRs deliverable on conversion of the Bonds will initially be represented by a single master GDR (the “Master GDR”). The GDRs represented by the Master GDR will be issued by the Depositary pursuant to the Deposit Agreement.

The Master GDR will be deposited on or about the Closing Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Except as described herein, beneficial interests in the Master GDR will be shown on, and transfers thereof will be effected only through, book-entry records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, individual GDRs will not be issued in exchange for beneficial interests in the Master GDR. Until such time as the Company may notify holders, holders of the GDRs will not be entitled to exercise voting rights, in respect of the Ordinary Shares represented by the GDRs, and

will not be entitled to withdraw Ordinary Shares from the deposit facility.

All payments to holders of GDRs by the Depositary in respect of the Ordinary Shares represented thereby will be made in U.S. dollars, and if received by or on behalf of the Depositary in a currency other than U.S. dollars, will be converted into U.S. dollars by or on behalf of the Depositary.

See “*Terms and Conditions of the GDRs*”.

#### Voting Rights of Holders of GDRs

Holders of GDRs will not be able to exercise voting rights in respect of the Ordinary Shares represented by such GDRs unless the Company shall notify the GDR holders otherwise and whilst such restriction is in place, will not be entitled to withdraw Ordinary Shares from the GDR facility.

#### Dividends

Holders of GDRs will be entitled to receive, through the Depositary, amounts (if any) declared and paid by the Company as dividends (net of withholding tax, if any) on the Ordinary Shares underlying the GDRs after deduction of certain fees and expenses as provided in the Deposit Agreement, commencing with dividends, if any, declared with respect to the Company’s financial year in which the Ordinary Shares underlying the GDRs are allotted. Such dividends (if any) will be paid to the Depositary within [30] days of the date of declaration thereof for the respective holders of the GDRs in accordance with the Deposit Agreement. Holders of GDRs must rely upon the procedures of the Depositary and the clearing and settlement systems of Euroclear and Clearstream, Luxembourg, as the case may be, for the distribution of such dividends (if any). See “*Terms and Conditions of the GDRs*”.

A14.1.5

#### Listing

Application has been made to have the GDRs listed on the Official List of the Luxembourg Stock Exchange and, when any GDRs are issued, admitted to trading on the Luxembourg Euro MTF. There can be no assurance that the application for listing of the GDRs on the Official List of the Luxembourg Stock Exchange and, when any GDRs are issued, admission to trading on the Luxembourg Euro MTF will be approved. The Luxembourg Euro MTF is a “designated offshore securities market” (within the meaning of Regulation S) and, accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbour provided by Rule 904 of Regulation S subject to compliance with the conditions of Rule 904.

#### Global Clearance and Settlement Procedures

The GDRs will be in global form evidenced by the Master GDR. Interests in the GDR will be in uncertificated book-entry form. Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg or purchasers of book-entry



interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts. The GDRs have been accepted for clearing by Euroclear and Clearstream, Luxembourg. The GDRs have the following Common Code and International Securities Identification Number:

Common Code: 024200558

ISIN: US92241T1025

#### **Other Provisions Regarding Transfer of the GDRs**

Interests in GDRs represented by the Master GDR will be freely transferable within Euroclear and Clearstream, Luxembourg, subject to the regulations thereof.

Except in the limited circumstances described in “*Terms and Conditions of the GDRs*” owners of interests in the GDRs represented by the Master GDR will not be entitled to receive physical delivery of definitive Certificates. The GDRs are not issuable in bearer form.

#### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally- traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests, in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

#### **General**

Although the foregoing sets out the procedures of Euroclear or Clearstream, Luxembourg in order to facilitate the transfers of interests in the GDRs among participants of Euroclear or Clearstream, Luxembourg,

none of Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary nor any of their agents will have any responsibility for the performance of Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

## Legends

The certificate(s) issued to represent the GDRs shall contain, and all holders of GDRs shall be bound by the terms of, the following legend:

**NEITHER THE GDRs NOR THE ORDINARY SHARES OF VEDANTA RESOURCES PLC REPRESENTED THEREBY HAVE BEEN REGISTERED FOR SALE UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO US PERSONS UNLESS THERE IS AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THAT ACT.**

**THE ORDINARY SHARES OF VEDANTA RESOURCES PLC REPRESENTED BY THE GDRs MAY NOT BE VOTED OR WITHDRAWN FROM THE GLOBAL DEPOSITARY FACILITY OTHER THAN IN CERTAIN LIMITED CIRCUMSTANCES SET OUT IN THE DEPOSIT AGREEMENT AND THE CONDITIONS**

## TERMS AND CONDITIONS OF THE GDRs

The following terms and conditions will apply to the GDRs, and will be endorsed on each GDR certificate: A13.4.7

This certificate evidences Global Depositary Receipts (“GDRs”) which are each issued in respect of one ordinary share of par value U.S.\$0.10 each (the “Ordinary Shares”) in Vedanta Resources plc (the “Company”) pursuant to and subject to an agreement dated [21 February] 2006 and made between the Company and The Bank of New York in its capacity as depositary (the “Depositary”) (such agreement, as amended from time to time, being hereinafter referred to as the “Deposit Agreement”). As used in this description, the term “Deed Poll” means the deed poll referred to in Exhibit A to the Deposit Agreement. Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed The Bank of New York as custodian (the “Custodian”) to receive and hold for the account and to the order of the Depositary share certificate(s) in respect of certain Ordinary Shares deposited with and held by the Custodian or its agents to the order of the Depositary pursuant to the terms of the Deposit Agreement and such other Ordinary Shares and securities received by the Depositary or the Custodian in respect thereof and held pursuant to the terms of the Deposit Agreement (the “Deposited Shares”) and all rights, securities, property and cash deposited with the Custodian or the Depositary or their respective agents and which are attributable to the Deposited Shares together with any right of the Depositary or the Custodian to receive Deposited Shares or any such rights, interests, securities, property and cash as aforesaid (together with the Deposited Shares, the “Deposited Property”). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the “Conditions”), references to the “Depositary” are to The Bank of New York or any other depositary which may from time to time be appointed under the Deposit Agreement, and references to the “Custodian” are to The Bank of New York or any other custodian from time to time appointed pursuant to the Deposit Agreement and references to the “Main Office” mean, in relation to the Custodian, its head office in the city of London, or such other location of the head office of the Custodian in England as may be designated by the Custodian with the approval of the Depositary (if outside the city of London) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

References in these Conditions to the “Holder” of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the “Register”) as holder for the time being. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. Holders of GDRs are deemed to have notice of and be bound by all of the provisions of the Deposit Agreement applicable to them.

### 1. Deposit and Withdrawal of Deposited Property

- 1.1 Holders may not withdraw Deposited Property attributable to a GDR prior to the date (if any) on which the Depositary receives notice in writing from the Company that the Holders are, with effect from that date, to have voting rights and withdrawal rights with respect to the Deposited Shares (the “Voting Date”). From the Voting Date any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relevant GDR as the Depositary may reasonably require at the specified office of the Depositary or any Agent accompanied by:
  - (a) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of

the Custodian, or (at the request, risk and expense of the Holder) at the specified office from time to time of the Depositary or any Agent (located in London or such other place as permitted under applicable law from time to time) to, or to the order in writing of, the person or persons designated in such order;

- (b) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;
- (c) the surrender (if appropriate) of GDR certificates in definitive registered form (properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary) to which the Deposited Property being withdrawn is attributable; and
- (d) the delivery to the Depositary of a duly executed and completed certificate substantially in the form of Schedule 3, Part B of the Deposit Agreement, by or on behalf of a person who will be the beneficial owner of the Deposited Property to be delivered in respect of such GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph 1.1 of this Condition, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:-

- (a) a certificate (if any) for, or other appropriate instrument of title (if any) to, or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
- (b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

provided that the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):-

- (i) will direct the Custodian to deliver the certificates (if any) for, or other instruments of title (if any) to, or book-entry transfer in respect of the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(a) and 1.2(b) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or
- (ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof),

in each case to the specified office from time to time of the Depositary (if permitted by applicable law from time to time) or any Agent (located in London or such other place as is permitted under the applicable law from time to time) as designated by the surrendering Holder in such accompanying order as aforesaid.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

- 1.4 As soon as reasonably practicable after the Depositary has received notice from the Company in writing that an offer has been made for all of the Ordinary Shares not owned by the offeror, its associates and persons acting in concert with the offeror and that the Board of Directors of the Company has recommended that holders of Ordinary Shares accept that offer, the Depositary will despatch to Holders notice that it has been informed that such recommended offer has been made. The form of such notice will be at the sole discretion of the Depositary but will contain such details of the offer as have been communicated to the Depositary by the Company and, subject (i) to the provision to the Depositary (as the Company's expense) of legal opinions from England and US legal advisers reasonably satisfactory to the Depositary in such form as the Depositary may reasonably require to the effect, inter alia, that the offer extends to the Deposited Shares and that there will not be any legal or regulatory liability on the Depositary for soliciting and acting on instructions from Holders as hereinafter provided, and to (ii) the Company and the Depositary agreeing the terms (including as to remuneration) on which the Depositary will provide such services (which are expected to be substantially consistent with the Depositary's standard form terms of business for acting as transfer and exchange agent) the Depositary will send a statement to Holders confirming that the Holders will be entitled, subject to any applicable provision of law and to the memorandum and articles of association of the Company and to the terms and conditions of the offer, to instruct the Depositary to accept the offer on their behalf in respect of the Deposited Shares represented by their respective GDRs and the terms on which those instructions will be followed by the Depositary. The Depositary shall distribute or shall cause to be distributed the consideration received by the Depositary pursuant to the offer to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the number of GDRs held by them respectively.
- 1.5 The Depositary may, subject as provided in Condition 1.6 and otherwise in accordance with the terms of the Deposit Agreement and these Conditions upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of Schedule 3, Part A of the Deposit Agreement by or on behalf of any investor who is to become the beneficial owner of the GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Ordinary Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement and these Conditions, the Depositary may accept for deposit any further Ordinary Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.
- 1.6 Prior to the Voting Date, without the prior written approval of the Company, the Depositary may only accept for deposit Ordinary Shares which are issued pursuant to the conversion of U.S.\$725,000,000 4.60 per cent. Guaranteed Convertible Bonds due 2026 issued by Vedanta Finance (Jersey) Limited and guaranteed by the Company:
- (a) Shares issued as a bonus issue in respect of Deposited Shares pursuant to Condition 5;
  - (b) Shares subscribed or acquired on behalf of Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;
  - (c) Shares owned by Volcan Investments Limited (or its nominee); and
  - (d) Securities issued by the Company to the Holders in respect of Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10 (references in these Conditions to "Deposited Shares" or "Shares" shall include any securities, where the context permits).

## **2 Suspension of Withdrawal of Deposited Property and Issue and Transfer of GDRs**

The Depositary may suspend the withdrawal of all or any category of Deposited Property during any period when the Register or the register of shareholders is closed or, generally or in one or more localities, if the Depositary in good faith deems such action to be necessary or desirable or appropriate from time to time in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement.

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Ordinary Shares) generally or in respect of particular Ordinary Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Ordinary Shares are listed on a US Securities Exchange or quoted on a US automated inter dealer quotation system.

Prior to the Voting Date, Holders may not withdraw Deposited Property attributable to a GDR.

## **3 Transfer and Ownership**

The GDRs are in registered form, each corresponding to one Ordinary Share (save as provided in Condition 10). Title to the GDRs passes by registration in the Register maintained by the Depositary and accordingly transfer of title of a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in the violation of any applicable laws. The Holder will (except as otherwise required by law) be treated by the Depositary and the Company as its legal and beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

## **4 Cash Distributions**

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or with respect to the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall so far as reasonably practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the estimated date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable, distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11 provided that:

- (a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and
- (b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(d).

## **5 Distributions of Ordinary Shares**

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Ordinary Shares, the Depositary shall

cause to be issued to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Ordinary Shares received pursuant to such dividend or free distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell such Ordinary Shares so received, or any part thereof (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

## **6 Distributions other than in Cash or Ordinary Shares**

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Ordinary Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary may deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine in good faith to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to English laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

## **7 Rights Issues**

If and whenever the Company announces its intention to make any offer or invitation to the holders of Ordinary Shares to subscribe for or to acquire Ordinary Shares, securities or other assets by way of rights and provided that the Company has not given the Depositary notice in writing that it has determined that it is necessary or expedient not to extend such offer or invitation to the Depositary for the benefit of the Holders on account of the laws or regulatory requirements of another territory, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23 hereof, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, give details of how the Depositary proposes to distribute the rights or the proceeds of sale. The Depositary will deal with such rights in the manner described below:

- (a) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable, or to the extent that it is so satisfied, the Depositary shall make arrangements whereby the Holders may, upon payment of the issue price in sterling or other currency (where appropriate) together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Ordinary Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDR or by an issue of certificates in definitive form in respect of GDRs; or

- (b) after the Voting Date, if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable or to the extent that it is so satisfied, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or
- (c) if and in so far as the Company has given the Depositary notice in writing that it has determined that it is necessary or expedient not to extend such offer or invitation to the Depositary for the benefit of the Holders on account of the laws or regulatory requirements of another territory, or the Depositary is not satisfied that any such arrangement and distribution as is referred to in paragraph (a) and (b) above to all or any Holders is lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or is so satisfied that it is unlawful, the Depositary (i) will, provided that Holders have not taken up rights through the Depositary as provided in (a) above, use its best endeavours to sell such rights (either by public or private sale and otherwise at its discretion subject to English laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Ordinary Shares or securities, sold, and in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.
- (d) (i) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(a) (the “Primary GDR Rights Offering”), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(a), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder’s GDRs (“Additional GDR Rights”) if at the date and time specified by the Depositary for the conclusion of the Primary GDR Offering (the “Instruction Date”) instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder’s instructions to subscribe for such Additional GDR Rights (“Additional GDR Rights Requests”) shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the “Maximum Additional Subscription”) and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto (“Unsubscribed Rights”), subject to Condition 7(d)(iii) and receipt of the relevant subscription price in sterling or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(d)(ii).
- (ii) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated pro rata on the basis of the extent of the Maximum Additional Subscription specified in each Holder’s Additional GDR Rights Request.
- (iii) In order to proceed in the manner contemplated in this Condition 7(d), the Depositary shall be entitled to receive such opinions from English counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement,



the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(d) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(d)(i).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and, if requested, use all reasonable endeavours (subject to the next paragraph) to facilitate any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10.

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary and the Company and at the cost of the Company that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (a), (b), (c) and (d) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

## **8 Conversion of Foreign Currency**

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem appropriate. If at any time the Depositary shall determine that in its judgment any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law or regulation, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance

of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

## **9 Distribution of any Payments**

- 9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (which shall be the same date as the corresponding record date set by the Company, or if different from the record date set by the Company, shall be set after consultation with the Company to the extent practicable and shall be as near as practicable to any record date set by the Company) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions of cash will be made in United States dollars by cheque drawn upon a bank in New York City, or in the case of the Master GDR, according to usual practice between the Depositary and Clearstream or Euroclear, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relevant Deposited Property.
- 9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holder, subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

## **10 Capital Reorganisation**

Upon any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital (including a purchase of shares by the Company but excluding any purchase of shares into treasury), or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders in accordance with Condition 23 and at its discretion may treat such event as a distribution and comply with the relevant provisions of these Conditions (including Conditions 4, 5, 6, 7 and 9) with respect thereto and may execute and deliver additional GDRs in respect of Ordinary Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change or stamping in the appropriate manner so as to indicate the new number of Ordinary Shares and/or the new securities evidenced by such outstanding GDRs or may adopt more than one of these courses of action.

## **11 Withholding Taxes and Applicable Laws**

- 11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of United Kingdom and other withholding taxes, income taxes and other taxes (if any) at the applicable rates.
- 11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law

in England in order for the Depositary to receive from the Company Ordinary Shares or other securities to be deposited under these Conditions, or in order for Ordinary Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10, or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company will apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to issue GDRs representing such Ordinary Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities represented by any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit, or to file any such report.

## 12 Voting Rights

- 12.1 Holders will have no voting rights with respect to the Deposited Shares before the Voting Date. From (and including) the Voting Date the Company will notify the Depositary of any resolution to be proposed at a General Meeting of the Company and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12. A14.1.11  
A14.1.5
- 12.2 From and including the Voting Date, upon receipt of notice of any meeting of holders of Ordinary Shares or other Deposited Property, the Depositary shall, as soon as practicable thereafter, mail to the Holders a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting, and (b) a statement that the Holders as of the close of business on a specified record date will be entitled, subject to any applicable provision of law and of the memorandum and articles of association of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Ordinary Shares or other Deposited Property represented by their respective GDRs and (c) a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given (or deemed given in accordance with the last sentence of this paragraph if no instruction is received) to the Depositary to give a discretionary proxy to a person designated by the Company. Upon the written request of a Holder on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavour, in so far as is practicable, to vote or cause to be voted the amount of Ordinary Shares or other Deposited Property represented by such GDRs in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Ordinary Shares or other Deposited Property, other than in accordance with such instructions, except where the Depositary determines that it is not permitted by applicable law to vote the Deposited Share(s) evidenced by the GDR(s) of the respective Holder at the relevant meeting in the manner provided for in this Condition 12, in which case the Depositary shall not vote in respect of such Deposited Share(s) at the relevant meeting. If no instructions are received by the Depositary from any Holder with respect to any of the Deposited Shares or other Deposited Property represented by the GDRs on or before the date established by the Depositary for such purpose the Depositary will not exercise the voting relating to such Deposited Shares or other Deposited Property.
- 12.3 In the event that the Company announces its intention to convene a meeting of holders of Ordinary Shares to consider a resolution or resolutions implementing a scheme of arrangement in connection with a proposed takeover or merger of the Company having the recommendation of the Board of Directors of the Company and notifies the Depositary that the Deposited Shares are to have voting rights in respect thereof, the Holders will have voting rights with respect to the Deposited Shares in relation to that resolution or those resolutions A14.1.11

(but no other resolutions). Condition 12.2 will apply upon receipt by the Depositary of notice of any such meeting of holders of the Ordinary Shares.

### **13 Documents to be Furnished, Recovery of Taxes, Duties and Other Charges**

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may for the account of the Holder discharge the same out of the proceeds of sale on any Stock Exchange on which the Ordinary Shares may from time to time be listed (subject to all applicable law and regulations (if any)) of any appropriate number of Deposited Shares (being an integral multiple of the number of Ordinary Shares in respect of which a single GDR is issued) or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

### **14 Liability**

- 14.1 In acting, hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and the Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any other relationship of trust for or with the Holder or owners of GDRs or any other person.
- 14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers or directors or employees shall incur any liability to any other of them or to any Holder of a GDR or any other person if, by reason of any provision of any present or future law or regulation of the United Kingdom or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control or, in the case of the Depositary, the Custodian, any Agent or any of their agents, officers or directors or employees by reason of any provision, present or future, of the memorandum and articles of association of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or the Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).
- 14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers or employees) to the Company or any Holder or owner of GDRs or any other person by reason of having accepted as valid or not having rejected any certificate for Ordinary Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.
- 14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any

time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to the Holders or any other person for any profit arising therefrom.

- 14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 and 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures (and, in particular, in the event that it instructs the Custodian to effect any such sale or conversion, the Depositary will instruct the Custodian to obtain the best terms reasonably available to it) but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.
- 14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or the Conditions.
- 14.7 The Depositary shall have no responsibility whatsoever to the Company, any Holders or owners of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.
- 14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or owners of GDRs or any other person.
- 14.9 Notwithstanding anything to the contrary contained in the Deposit Agreement or in the Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance of or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees.
- 14.10 The Depositary may, in relation to the Deposit Agreement and the Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert or any person signing the certificates substantially in the form set out in Schedule 3 to the Deposit Agreement whether obtained by the Company, the Depositary or otherwise and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Ordinary Shares for deposit or GDRs for surrender or requesting transfers thereof. Any such advice, opinion, certificate or information may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be thus conveyed although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.
- 14.11 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a Director of the Company or by a person duly authorised by a Director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to

call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

- 14.12 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may, in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. The Depositary shall ensure that any person or persons who or which are delegated any powers, authorities or discretions pursuant to this Condition 14.12 are made aware of and that they agree (to the extent of that delegation) to perform or exercise the corresponding powers, authorities or discretions that are contained in this Agreement. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not (in any circumstances) and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action the Depositary may have against such delegate or sub delegate, arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub delegate shall provide that the delegate shall, within a specified time of any sub delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.
- 14.13 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.
- 14.14 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own wilful default, negligence or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.
- 14.15 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
- 14.16 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.

14.17 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

14.18 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of the GDRs or Ordinary Shares under any applicable law as the same may be amended from time to time.

## 15 Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

## 16 Depositary's Fees, Costs and Expenses

16.1 The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

- (a) for the issue of GDRs (other than for the issue of GDR's on the deposit of Shares resulting from the conversion of the Convertible Bonds) or the cancellation of GDRs upon the withdrawal of Deposited Property: U.S.\$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;
- (b) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;
- (c) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of U.S.\$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including, but not limited to, printing costs) and expenses involved;
- (d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.\$0.02 or less per GDR for each such dividend or distribution; and
- (e) in respect of any issue of rights or distribution of Ordinary Shares (whether or not represented by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: U.S.\$5.00 or less per outstanding 100 GDRs (or portion thereof) for each such issue of rights, dividend or distribution,
- (f) a fee of U.S.\$0.02 or less per GDR for depositary services, which shall accrue on the last day of each calendar year and which shall be payable as provided in paragraph (g) below; and
- (g) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or by deducting such charge from one or more cash dividends or other cash distributions),

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

- 16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses specified in a separate agreement with the Depositary.

## 17 Agents

- 17.1 The Depositary shall be entitled, with the approval of the Company, to appoint one or more agents (the "Agents") for the purpose, inter alia, of making distributions to the Holders.
- 17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

## 18 Listing

- 18.1 The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Euro MTF market of the Luxembourg Stock Exchange (the "Luxembourg Euro MTF Market"). A13.5.1  
A14.1.7
- 18.2 For that purpose the Company will pay all fees and sign and deliver all undertakings required by the Luxembourg Euro MTF market in connection with such listing. In the event that the listing on the Luxembourg Euro MTF market is not maintained, the Company has undertaken in the Deposit Agreement to use all reasonable endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other recognised stock exchange in Europe.

## 19 The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian provided that the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary provided that, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving 90 days' prior notice, except that if a replacement custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of and on receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment become the Custodian under the Deposit Agreement. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may terminate the appointment of the Custodian and, in the event of the termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved by the Company), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; provided that, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary



shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

## **20 Resignation and Termination of Appointment of the Depositary**

20.1 The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 120 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of such notice, notice thereof shall be duly given by the Depositary to the Holders and to the Luxembourg Euro MTF Market.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; provided that no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Luxembourg Euro MTF Market.

20.2 Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Depositary shall, upon request by the Company and against payment of all fees and expenses due to the Depositary from the Company or otherwise under the Deposit Agreement, execute such deeds and documents as may be necessary to allow the Company to effect such transfers as may be appropriate on its register of members following the termination of the appointment or registration of the Depositary. Upon the date when such termination of appointment or resignation takes effect, the Deposit Agreement provides that the Custodian shall be deemed to be the Custodian thereunder for such successor depositary and shall hold the Deposited Property for such successor depositary and the Depositary shall thereafter have no obligation under the Deposit Agreement or these Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

## **21 Termination of Deposit Agreement**

21.1 Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice to or by the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment of the charge specified in Condition 16.1(a) for such delivery and surrender, payment by the Holder of any

sums payable by the Depositary to the Custodian and/or any expenses incurred by the Depositary in connection with such delivery and otherwise in accordance with the provisions of the Deposit Agreement.

- 21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will, as soon as reasonably practicable thereafter, deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

## **22 Amendment of Deposit Agreement and Conditions**

- 22.1 All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose (or increase the extent of) any obligation on (or limit or remove the rights of) the Holders until the expiration of three months after such notice shall have been given. During any such period of three months which falls after the Voting Date, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.
- 22.2 For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Ordinary Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares provided that temporary GDRs will represent such Ordinary Shares until they are so consolidated.

## **23 Notices**

- 23.1 Any and all notices, requests, orders, certificates and other communications to the Depositary shall be in the English language and any and all notices to be given to any Holder shall be duly given if in the English language and personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the Register of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.
- 23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after being sent, and

any notice sent by telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the relevant telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.

- 23.3 So long as GDRs are listed and traded on the Luxembourg Euro MTF Market, all notices to be given to Holders generally will be published on the website of the Luxembourg Euro MTF Market ([www.bourse.lu](http://www.bourse.lu)).

## **24 Reports and Information on the Company**

- 24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

- (a) in respect of the financial year ending on 31 March 2006 and in respect of each financial year thereafter the consolidated balance sheets as at the end of such financial year and the consolidated statements of income for such financial year in respect of the Company, prepared in conformity with applicable laws and the listing rules (as defined in section 73(A)2 of the Financial Services and Markets Act 2000) and reported on by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year; and
- (b) semi-annual interim consolidated financial statements for holders of Ordinary Shares, as soon as practicable after the same are published.

- 24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

## **25 Copies of Company Notices**

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary in English on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Ordinary Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company in connection therewith as the Depositary may reasonably request. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

## **26 Moneys held by the Depositary**

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

## 27 Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect under the law of any jurisdiction that shall not affect or impair (i) the validity, legality and enforceability in that jurisdiction of the remaining provisions contained therein or herein, or (ii) the validity, legality or enforceability under the law of any other jurisdiction of that or any other provision of the Deposit Agreement or these Conditions shall in no way be affected, prejudiced or otherwise disturbed thereby.

## 28 Governing Law

- 28.1 The Deposit Agreement and the GDRs are governed by and shall be construed in accordance with English law, except that the certifications and agreements set forth in Schedule 3 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York and the Federal laws of the United States. The rights and obligations attaching to the Deposited Shares will be governed by English law. A13.4.3  
A14.1.2
- 28.2 The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement (“Proceedings”) may be brought in such courts. Without prejudice to the foregoing, each party further agrees that in any case where any litigation, arbitration or proceeding as is referred to in Condition 28.4 is brought in New York State, any Proceedings may be brought in any New York State or United States Federal Court sitting in New York City. Each of the parties hereto irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- 28.3 Each of the parties hereto irrevocably waives (and irrevocably agrees not to raise) any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any English court and any claim of forum non conveniens.
- 28.4 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company shall fully cooperate with the Depositary in connection with such litigation, arbitration or proceeding.
- 28.5 The Depositary irrevocably appoints The Bank of New York, London Branch, (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## 29 Disclosure of Beneficial Ownership

- 29.1 Notwithstanding any other provision of the Deposit Agreement, each Holder agrees to provide such information as the Company may request in a disclosure notice (a “Disclosure Notice”) given pursuant to the Companies Act 1985 of England (as amended from time to time and including any statutory modification or re-enactment thereof, the “Companies Act”) or the Company’s memorandum and articles of association. Each Holder acknowledges that it understands that failure to comply with a Disclosure Notice may result in the imposition of sanctions against the holder of Ordinary Shares in respect of which the non complying Holder is or was, or appears to be or have been, interested as provided in the Companies Act and the Company’s memorandum and articles of association (which as of the date of the Deposit

Agreement include the withdrawal of voting rights and withholding of any payments, including dividends, in respect of Ordinary Shares represented by such Holder's GDRs).

- 29.2 In addition, each Holder agrees to comply with the provisions of the Companies Act with regard to the notification to the Company of interests in Ordinary Shares, which as of the date of the Deposit Agreement provide, inter alia, that any Holder of GDRs which represent three per cent. or more of the outstanding Ordinary Shares which carry rights to vote in all circumstances at general meetings of the Company must within two United Kingdom business days after becoming so interested (and thereafter in certain circumstances upon any change in the circumstances affecting facts relevant to the interests to be disclosed of at least one per cent. (1%) of the outstanding Ordinary Shares) notify the Company as required by the Companies Act. Each Holder acknowledges that it understands that failure to comply with the Companies Act in this regard may similarly result in the imposition of the sanctions described in the first paragraph of this Condition 29.
- 29.3 In the event that the Company determines that any Holder has failed to comply with a Disclosure Notice issued pursuant to the Companies Act or any other relevant Companies Act obligations as specified in Condition 29 with respect to any Deposited Property, and that sanctions are to be imposed against such Deposited Property pursuant to the Companies Act by a court of competent jurisdiction or the Company's memorandum and articles of association by the Company, the Company will so notify the Depositary. Such notice from the Company shall give full details of the compliance failure, identify each Holder of GDRs which has failed to comply and, where any of such GDRs are represented by interests in a Master GDR, identify each owner of GDRs which is affected by the failure to comply, specify the sanctions which the Company will apply to the relevant Deposited Property, and identify the number of GDRs registered in the name of such Holder (and, where any of such GDRs are represented by interests in a Master GDR, the number of such interests held by each owner of such GDRs and the relevant settlement system account in which such interests are held) to which such sanctions will apply. Except as prohibited by applicable law and regulation, or determined by the Depositary in good faith not to be reasonably practicable, the Depositary has agreed to use reasonable efforts (at the expense of the Company) (i) to comply with any instructions from the Company requesting that the Depositary take the reasonable and feasible actions specified therein to give effect to the sanctions imposed by the Company, and (ii) to procure compliance by its agents or nominees with such instructions, provided always that the Depositary shall not be obliged to take any action under this Condition 29 to the extent that the Depositary believes, acting in good faith, that such action would or might adversely affect persons who have not failed to comply with obligations under the Companies Act or the Company's memorandum and articles of association.
- 29.4 The Depositary is entitled to perform such acts or omissions as it may consider appropriate in order to comply with any instruction given by the Company pursuant to Condition 29.3, and the Depositary shall have no liability to the Company or any Holder or owner of GDRs for any such act or omission. The Depositary shall have no responsibility to check whether any sanctions instructed by the Company are authorised by the Company's constitutional documents or a court of competent jurisdiction, is entitled to rely on instructions from the Company as conclusive of the Company's authority, and shall have no liability to the Company or any Holder or owner of GDRs for (a) any act or omission in connection with such instructions even if it is subsequently shown that such instructions were not so authorised, or (b) any failure to take action in accordance with Condition 29.3 where such action was prohibited by applicable law or regulation, to the extent that the Depositary believes, acting in good faith, that such action would not be reasonably practicable or that it would or might adversely affect persons who have not failed to comply with obligations under the Companies Act or the Company's memorandum and articles of association.

## INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York. It is a wholly-owned subsidiary of The Bank of New York Company, Inc., a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286. Its principal administrative offices are located at 101 Barclay Street, 22 floor West, New York, New York 10286. A copy of the Depositary's Bye-laws, as amended, together with copies of The Bank of New York Company, Inc.'s most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depositary located at 101 Barclay Street, New York, NY 10286 and at The Bank of New York, One Canada Square, London E14 5AL.

## TAXATION

*The following is a general description of certain Jersey and United Kingdom tax considerations relating to the Bonds, the Ordinary Shares and the GDRs. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, the Ordinary Shares and the GDRs whether in Jersey, the United Kingdom or elsewhere and relates only to persons who are the absolute beneficial owners of their Bonds, the Ordinary Shares and the GDRs and does not deal with special situations, such as those of dealers in securities or where the interest payable on the Bonds is, for tax purposes, deemed to be income of any person other than the beneficial owners. Prospective purchasers 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, the United Kingdom of acquiring, holding and disposing of Bonds and receiving payments of interest, principal and/or other amounts under the Bonds.*

### **Jersey Taxation**

The Issuer has “exempt company” status within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ending 31 December 2006. The Issuer will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have “exempt company” status. The retention of “exempt company” status is conditional upon the Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Comptroller of Income Tax.

As an “exempt company”, the Issuer will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts). For so long as the Issuer is an “exempt company”, payments in respect of the Bonds will not be subject to any taxation in Jersey (unless the Bondholder is resident in Jersey) and no withholding in respect of taxation will be required on such payments to any Bondholder.

### ***European Union Code of Conduct on Business Taxation***

On 3 June 2003, the European Union (“EU”) Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the EU, however, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey’s policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax.

It is intended that the new corporate tax will preserve tax neutrality (and so retain the existing benefits of the exempt company regime through a revised fiscal structure). Unlike the exempt company regime, it is anticipated that the new regime will not require an annual application/election or the payment of any sum by the relevant company.

### ***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 introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU 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 EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU 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 EU 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 EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Bonds issued by the Policy & Resources Committee 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.

## **United Kingdom Taxation**

*This summary is based upon the law and UK HM Revenue & Customs practice as in effect on the date of this Offering Circular 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.*

### ***Withholding Tax and Interest on Bonds***

The Bonds will constitute “quoted Eurobonds” so long as they are and continue to be listed on a recognised stock exchange, within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The London Stock Exchange is a recognised stock exchange for these purposes. Under a published practice of HM Revenue & Customs, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the UKLA and are admitted to trading on the London Stock Exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of UK tax.

In all other cases, interest will generally be paid under deduction of income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any other exemption that may be available to particular Bondholders.

If interest were paid under deduction of UK income tax (e.g. if the Bonds ceased to be listed on a recognised stock exchange), Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

The interest may have a UK source and accordingly may be chargeable to UK tax by direct assessment. In this event, where the interest is paid without withholding or deduction, the interest will not be assessed to UK tax in the hands of holders of the Bonds who are not resident for tax purposes in the UK, except where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency, or in the case of a corporate holder, a permanent establishment in connection with which the interest is received or to which the Bonds are attributable, in which case tax may be levied on the UK branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agents. Exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

## **Provision of Information**

Bondholders should note that where any interest on Bonds is paid to them (or to any person acting on their behalf) by any person in the UK acting on behalf of the Issuer (a “paying agent”), or is received by any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Bondholder (including the Bondholder’s name and address). These provisions will apply whether or not the interest has been



paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK taxation purposes. Where the Bondholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Bonds. However, HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2006.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual or certain other residual entities resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent., unless during such period they elect otherwise.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to an individual or certain other residual entities resident in one of those territories.

### **Other Rules**

Where interest has been paid under deduction of UK income tax, Holders who are not resident in the UK maybe able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

References to “interest” above mean “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” or principal” which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

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

No SDRT should be payable on either the issue, transfer or conversion of a Bond. No UK stamp duty will be payable on the issue or conversion of the Bonds, or on the transfer of the Bonds provided that any transfer documents are executed and retained outside the UK.

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

No SDRT should be required to be paid in respect of the transfer of the Preference Shares. UK stamp duty will not be required to be paid on the transfer of the Preference Shares provided that any transfer documents are executed and retained outside the UK.

No UK stamp duty or SDRT is payable on any issue of Ordinary Shares by the Guarantor in exchange for Preference Shares other than an issue to issuers of depositary receipts or providers of clearance services (or their nominees or agents (see further below)).

The written conveyance or transfer on sale of an Ordinary Share will be liable to ad valorem 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.

Issues or transfers of Ordinary Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, will generally be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the shares transferred (rounded up to the nearest £5 in the case of stamp duty) unless, in the case of a transfer to a clearance service, the clearance service in question has made an election under section 97A of the Finance Act 1986 which applies to the Ordinary Shares. Under section 97A of the Finance Act 1986, clearance services may, provided they meet certain conditions, elect for the 0.5 per cent. rate of stamp duty or SDRT to apply to transfers of securities within such services instead of the 1.5 per cent. rate applying to an issue or transfer of such securities into the clearance service. [The Luxembourg Stock Exchange and Luxembourg Euro MTF have not made such an election.]

Issues of Ordinary Shares arising on conversion of the Bonds into the Depositary Facility for the purpose of the issue of GDRs will be subject to stamp duty or SDRT at 1.5 per cent. as provided in the preceding paragraph. Pursuant to the terms and conditions of the Bonds, the Guarantor has undertaken to pay such stamp duty or SDRT.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

IF YOU ARE NOT RESIDENT IN THE UK OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.

IN PARTICULAR THIS SUMMARY DOES NOT DETAIL THE INCOME TAX, CORPORATION TAX OR CAPITAL GAINS TAX CONSEQUENCES OF A DISPOSAL OR ORDINARY SHARES OR GDRS OR THE TAX CONSEQUENCES OF A CONVERSION OR SALE OF THE CONVERTIBLE BOND

## SUBSCRIPTION AND SALE

Barclays Bank PLC (the “Lead Manager”) has entered into a subscription agreement dated 20 January 2006 with the Issuer and the Guarantor (the “Subscription Agreement”). Upon the terms and subject to the conditions contained therein, the Lead Manager has agreed to subscribe for the aggregate principal amount of the Bonds at the issue price of 100 per cent. of their principal amount (the “Issue Price”). A13.4.14

The Subscription Agreement may be terminated in certain circumstances prior to the issue of the Bonds.

The Issuer, failing whom the Guarantor, has agreed to pay to the Lead Manager a combined management underwriting and selling commission of 0.70 per cent. of the aggregate principal amount of the Bonds and Optional Bonds, if any.

The Issuer and the Guarantor has also agreed to reimburse the Lead Manager for certain of its expenses incurred in connection with the management of the issue of the Bonds. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

The Issuer and the Guarantor have undertaken that during the period commencing on the date of the Subscription Agreement and ending 90 days after the Closing Date (both dates inclusive), that they will not, and the Guarantor has undertaken to procure that none of its subsidiaries will, without the prior written consent of the Lead Manager, (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or Relevant Securities or any securities convertible into or exercisable or exchangeable for Ordinary Shares or Relevant Securities or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares or Relevant Securities, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares or Relevant Securities or such other securities, in cash or otherwise. The foregoing sentence shall not apply (a) to the issue of the Bonds or any Optional Bonds or (b) any Ordinary Shares or GDRs issued pursuant to conversion of the Bonds or (c) the issue of Ordinary Shares pursuant to any options, warrants or other rights existing of the date of the Subscription Agreement and described in this Offering Circular or (d) the issue of Ordinary Shares pursuant to any existing employee share schemes (x) existing of the date of the Subscription Agreement described in this Offering Circular or (y) not yet existing of the date of the Subscription Agreement, up to an aggregate of 5 per cent. of the issued share capital of the Guarantor as of the date of the Subscription Agreement. For the purposes of the above, “Relevant Securities” shall include the GDRs, any participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

Volcan Investments Limited has also given an undertaking in substantially similar terms.

The Lead Manager and its affiliates have, in the past, performed investment banking and advisory services for the Guarantor and the Group for which they have received customary fees and expenses. The Lead Manager and its respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer, the Guarantor and the Group in the ordinary course of their respective businesses.

The Issuer has granted to the Lead Manager an option, exercisable on two occasions up to and including 23 March 2006 to purchase up to an additional U.S.\$125,000,000 in aggregate principal amount of Bonds (the “Optional Bonds”) at their Issue Price.

## United States of America

The Bonds, the Guarantee, the guarantee by way of deed poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares, the GDRs and the Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager has represented that it has not offered or sold, and agreed that it will not offer or sell, any Bonds, the Guarantee, the guarantee by way of deed poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares, the GDRs and the Ordinary Shares within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S.

## United Kingdom

The Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

## European Economic Area

- (a) In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), the Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of the Bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Bonds to the public in that Relevant Member State (i) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities, (ii) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year, (b) a total balance sheet of more than Euro 43,000,000, and (c) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts, or (iii) at any time in any other circumstances which do not require the publication by the Issuer or the Guarantor of a prospectus pursuant to Article 3 of the Prospectus Directive.
- (b) For the purposes of the preceding paragraph, the expression “an offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase

or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

## **Jersey**

The Lead Manager has represented to, and agreed with, the Issuer that:

- (a) Bonds may not be offered to, sold to or purchased or held by or for the account of persons (other than financial institutions in the normal course of business) resident for income tax purposes in Jersey; and
- (b) it will not make any offer or invitation on behalf of the Issuer in respect of the Bonds until such time as the necessary consents and approvals set out in the Subscription Agreement have been obtained and are effective.

## **General**

No action has been or will be taken in any jurisdiction by the Lead Manager or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required, other than obtaining the consent of the registrar of companies in Jersey to the circulation of this Offering Circular pursuant to Article 5 of the Companies (General Provisions (Jersey)) Order 2002 and delivering a copy of this Offering Circular to the registrar of companies in Jersey. The Lead Manager has agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular or any other such material, in all cases at its own expense. It has agreed that it will also ensure that no obligations are imposed on the Issuer or the Guarantor in any such jurisdictions as a result of any of the foregoing actions. Neither the Issuer nor the Guarantor will have any responsibility for, and the Lead Manager has agreed that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery.

## GENERAL INFORMATION

### 1 Listing

Application has been made to the UKLA for the Bonds to be admitted to the Official List. Application has 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 of the UKLA and admission to trading of the Bonds on the Professional Securities Market of the London Stock Exchange will be granted on or around 21 February 2006, subject to the issue of the Bonds. It is expected that dealings in the Bonds will commence on 22 February 2006. A13.5.1  
A14.1.7

Application has been made to have the GDRs listed on the Luxembourg Euro MTF. The Guarantor has undertaken to apply to have the Ordinary Shares (including those that may be represented by GDRs) issuable upon conversion of the Bonds admitted to the Official List of UKLA and admitted to trading on the EEA Regulated Market of the London Stock Exchange. A13.5.1

The listing of the Bonds on the London Stock Exchange will be expressed in U.S. dollars as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in U.S. dollars for delivery on the third business day in London after the date of the transaction. A14.1.4

### 2 Authorisation

The Issuer and the 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 a resolution of the Board of Directors of the Issuer dated 18 January 2006. The giving of the Guarantee of the Bonds has been authorised by the resolution of the Board of Directors of the Guarantor dated 18 January 2006. A13.4.12  
A14.1.6

### 3 Expenses

The Company estimates that the amount of expenses related to the issue of the Bonds will be approximately U.S.\$6,000,000. A13.6.1

### 4 Clearing

The Bonds and the GDRs have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 024167593 and for the GDRs is 024200558. The International Securities Identification Number for the Bonds is XS0241675932 and for the GDRs is US92241T1025. 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.

### 5 Governmental, Legal or Arbitration Proceedings

Except as described below there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware) during the 12 months before the date of this Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's and/or Guarantor's and its subsidiaries' taken as a whole financial position or profitability. A9.11.5

An indication of the value of each of the proceedings set out below has been provided where such value is quantifiable. In certain cases it is not possible to quantify the value of proceedings as the proceedings are not based on disputed amounts or quantifiable claims.

- (i) Sterlite is the defendant in three writ petitions which were filed in the High Court of Madras by the National Trust for Clean Environment, V Gopalsamy and K Kanagaraj on

16 October 1996, 19 April 1997 and 19 October 1998 respectively in relation to the Tuticorin smelting plant located at Tuticorin in the State of Tamil Nadu, India and are currently pending. The three petitions are being heard together and allege that sulphur dioxide emissions from the copper smelting are causing pollution and damage to the marine ecosystem and the lives of people living in and around Tuticorin. The petitioners are seeking an order from the court stopping the current operations at Tuticorin and cancelling the environmental permits currently granted to Sterlite by the TNPCB and the Ministry of Environment and Forests in relation to the Tuticorin plant. An independent report was commissioned by the court and submitted to the TNPCB. In April 2005, the TNPCB renewed Sterlite's permission subject to the decision of the Madras High Court. The potential liability associated with this litigation is unquantifiable, however, having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.

- (ii) Sterlite is a respondent in appeal proceedings brought by SEBI in the Bombay High Court in Mumbai, India. The appeal is against a decision of the Securities Appellate Tribunal ("SAT") in October 2001, overturning an order made by SEBI in April 2001, which prohibited Sterlite from accessing the capital market for two years and ordered the initiation of prosecutions for alleged violations of regulations prohibiting fraudulent and unfair trading practices. SEBI's order was based on its finding that, in connection with an open offer made by Sterlite for the Indian Aluminium Company in 1998, Sterlite had participated in a manipulation of the price of its own shares. SEBI alleged that a loan of INR50 million made by MALCO to Dil Vikas Finance Limited was used to acquire 300,000 Sterlite shares for the account of one of its associated companies and a client. SEBI also alleged that MALCO provided funds of INR117.5 million to El Dorado Guarantee Limited for the purchase of Sterlite shares by its associate Dil Vikas Finance Limited, as part of a connected price manipulation exercise. MALCO's loan of INR50 million to Dil Vikas Finance Limited was made by way of an "Inter Corporate Deposit" for a term of six months at a commercial rate of interest, in order to meet Dil Vikas Finance Limited's requirement for funds as a satellite dealer for Government securities, not in relation to the purchase of Sterlite shares. MALCO made the further loan of INR117.5 million to El Dorado Guarantee Limited for the purchase of Sterlite shares at the request of the Bombay Stock Exchange as a result of concern about a liquidity crisis on the Bombay Stock Exchange due to potential default in payments by a group of brokers on a significant number of trades on the exchange. On appeal, the SAT found that there was no reasonably acceptable evidence of a nexus between Sterlite and the group of brokers allegedly involved in price manipulative share purchases, and that in the absence of such nexus it was not possible to view any alleged price manipulation as involving Sterlite. It also found that El Dorado Guarantee Limited purchased 300,000 Sterlite shares for others and not for Sterlite, or at its behest, and did not agree with SEBI's view that MALCO provided funds to meet the purchase price of these shares. It was an admitted fact in the appeal that the further funds of INR117.5 million were made available by MALCO to El Dorado Guarantee Limited for the purchase of Sterlite shares but also that those funds were provided on a request by members of the Governing Board of the Bombay Stock Exchange "to avoid a payment crisis and save the market". SEBI filed an appeal against the SAT order on 9 November 2001. The date of hearing has not yet been set. Criminal proceedings were initiated by SEBI against Sterlite, Mr Anil Agarwal, Mr Tarun Jain and the chief financial officer of MALCO at the time of the alleged price manipulation, pursuant to the original SEBI order. SEBI has not presented to Sterlite any new evidence in support of its case against Sterlite and the three individuals and, consequently, Sterlite expects that the criminal proceedings will not be successful. Sterlite has applied for an order for dismissal of the criminal proceedings and in September 2003 SEBI filed their reply to this application. Should Sterlite be unsuccessful in its defence of SEBI's appeal or the criminal proceedings, it and Mr

Agarwal and Mr Jain could be subject to further sanction by SEBI. The criminal proceeding had been listed for hearing on 1 December 2005 when the hearing was postponed to a date which has not been established yet.

- (iii) MALCO is the defendant in appeal proceedings brought by the Tamil Nadu Electricity Board (“TNEB”) in the Division Bench of the Madras High Court. TNEB alleges that MALCO has failed to pay the applicable tariffs for electricity supplied to its operations in the period from 21 February 1995 to 20 February 1999. The dispute relates to interpretation of the TNEB/State Electricity Board, which raised bills retrospectively and an order made by the Government of India on 11 December 1997 in which the concessional tariff previously made available to MALCO under the Board of Industrial and Financial Reconstruction scheme was restricted to four years from the date of a government order dated 28 April 1992. In December 1999, MALCO claimed that the four-year period specified in the order should commence from 21 February 1995, this being the date on which its operations recommenced and MALCO continued to pay the concessional tariff during that period. The value of the claim made by TNEB is INR3.1267 billion. MALCO’s petition to the High Court of Madras dated December 1997 was favourably disposed in December 1999 quashing the majority of contentions of the State Electricity Board. The case is still pending before the Division Bench of the High Court of Madras, but no date has been set for a hearing. Having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.
- (iv) MALCO has moved a writ petition before the Madras High Court against the claim by TNEB that MALCO has failed to pay the applicable electricity consumption tax on self-generated power from MALCO’s captive power plant at Mettur Dam during the period May 1999 to June 2003. MALCO has made representations to the State Government of Tamil Nadu applying for an exemption from the levy of electricity consumption tax. The State Government of Tamil Nadu has powers under the Electricity Generation and Consumption Act 1961 to exempt companies from the levy of electricity consumption tax. One criteria for this exemption is the percentage of a company’s power costs to its production costs. MALCO produces power intensive products with a power to production cost percentage of 40 to 45 per cent., which exceeds the criteria necessary for the exemption. Nevertheless, MALCO has made representations arguing that it is entitled to an exemption. In the second proceedings TNEB alleges that MALCO has failed to pay applicable electricity duty, tax and additional duty on the surplus power MALCO wheeled to one of its associated undertakings. MALCO has made representations to TNEB asserting that it has no liabilities to TNEB in this regard as the wheeling is done through TNEB only. These representations are under active consideration and on 24 August 2001 the Madras High Court granted a stay order pending its final decision. The claims are valued at INR1,022.7 million in aggregate as at 23 July 2004. Having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.
- (v) HZL is the claimant in a writ petition brought before the High Court of Rajasthan in Jodhpur in relation to a challenge it is making against the Government of Rajasthan regarding royalty payments. HZL has sought a refund of INR251,132,433 of royalties paid under protest. The Government of Rajasthan claims that royalties from the Rampura Agucha, Rajpura Dariba and Zawar mines should be paid on the amount of ore mined rather than the amount of concentrate obtained from processed ore and has therefore demanded increased royalty payments from HZL. HZL has paid the increased royalties demanded but has challenged the validity of the basis on which the increased royalties are calculated by filing three revision petitions with the Secretary of Mines of



Rajasthan. In order to expedite the decision of the Secretary of Mines, HZL had also filed a writ before the High Court of Rajasthan in Jodhpur. The High Court of Rajasthan in Jodhpur had remanded the case back to the Central Government Revisional Authority for decision. On 2 July 2003, this revisional authority passed an order confirming the position taken by the Government of Rajasthan. On 11 August 2003, HZL filed a writ petition with the High Court of Rajasthan in Jodhpur appealing against the decision of the revisional authority. The case was heard in September 2005. The order of revisional authority was set aside and the writ petition allowed.

- (vi) HZL, SOVL, the Government of India and others are defendants in a public interest litigation filed on 5 November 2003 by Rajendra Kumar Razdan before the High Court of Rajasthan in Jodhpur challenging the divestment of shares in HZL by the Government of India. The petition was filed following the decision of the Supreme Court of India dated 16 September 2003, ruling that the proposed divestment of shares in HPC and BPC could not be effected by the Government exercising its executive power, as described more fully in “Risk Factors – Challenge to the Government of India divestments”. The Government of India filed a transfer petition requesting the transfer of the case to the Supreme Court of India. The Supreme Court of India passed an order dated 9 February 2004 which stayed further proceedings in the High Court of Rajasthan at Jodhpur. The Supreme Court also ordered that all challenges relating to divestments of government-owned companies will be heard together by a larger bench of the Supreme Court. The matter is currently pending before the Chief Justice of India, and no date has been set for such a hearing.
- (vii) In December 2001 and January 2002, the Indian Income Tax Department (the “**Tax Department**”) issued block assessment orders for unpaid income tax (including interest) of approximately INR2,292 million against three former Indian subsidiaries of Twin Star in liquidation, which previously held Twin Star’s interests in Sterlite and MALCO and which are in the process of being wound up. The primary liability for the block assessment orders lies with the three former Indian subsidiaries of Twin Star in liquidation. As these companies are in liquidation and under the control of the liquidator, they are not controlled by the Group and are not consolidated in the Group’s accounts. The Tax Department issued distraint orders to the depository of the Sterlite and MALCO shares in relation to shares transferred to Twin Star by the three former Indian subsidiaries. The distrained shares represented approximately 38 per cent. of Sterlite’s issued share capital and approximately 70 per cent. of MALCO’s issued share capital. The orders prohibited the depository of the Sterlite and MALCO shares from delivering the distrained shares held by them to any person and, on issue of a further notice, would have enabled the Tax Department to satisfy their claim (should the tax assessment be continued) through the sale of sufficient shares to satisfy the income tax claim. The Company has received legal advice that the liquidator of the three companies cannot take back these shares from Twin Star. The Tax Department lifted the distraint orders on 23 October 2003 in return for Twin Star furnishing bank and corporate guarantees for the amount of the tax claims and interest thereon. The three former Indian subsidiaries appealed the block assessment orders referred to above. On 31 October 2003 and 4 November 2003, the Office of the Commissioner of Income Tax (Appeals) made orders in respect of each of these appeals. The orders disallowed the Tax Department’s assessment of undisclosed income totalling approximately INR2,983 million (in respect of which income tax (including interest) of approximately INR2,299 million had been assessed) and allowed the Tax Department’s assessment of undisclosed income totalling approximately INR178 million (in respect of which income tax (excluding interest) of approximately INR114.3 million had been assessed). The Tax Department is expected to appeal to the tax tribunal, details of which have not yet been made available to the Group. On 15 January 2004, one of the three former subsidiaries filed an appeal against the orders for partial allowance of the Tax Department’s

assessment of undisclosed income in respect of which income tax (excluding interest) of approximately INR114.3 million was assessed. The Tax Department is entitled to claim the income tax payable on the part confirmed by the Office of the Commissioner of Income Tax (Appeals) against the bank and corporate guarantees that have been provided. If a claim is made against the bank guarantee, ICICI Bank will be entitled to claim that amount from MALCO who will in turn be entitled to claim that amount from Volcan under the arrangements described below. The Group has requested that, subject to expiry of their right to appeal, the Tax Department return the bank and corporate guarantees provided to secure release of the distraint orders. ICICI Bank has provided guarantees (the “**bank guarantee**”) in favour of the Tax Department under which it undertakes to pay the Government of India INR1,150 million if the three subsidiaries fail to pay any tax and interest determined by the Indian courts to be payable pursuant to the block assessment order. The liability of ICICI Bank is joint and several with each of the three subsidiaries. SOTL (an associate of Volcan outside the Group) has provided guarantees (the “**corporate guarantee**”) in favour of the Tax Department under which it has agreed to pay the Government of India up to INR1,680 million plus interest, on substantially the same terms as the guarantee furnished by ICICI Bank. The bank and corporate guarantees are irrevocable without consent of the Tax Department. If ICICI Bank or SOTL fail to meet their obligations under their respective guarantees, the primary liability for any tax, interest or penalties claimed by the Tax Department pursuant to the block assessment orders will rest with the three former subsidiaries and not within the Group. In return for ICICI Bank issuing the bank guarantee, MALCO agreed to create and maintain a fixed deposit requiring it to deposit INR1,150 million with ICICI Bank by 30 September 2008, in quarterly instalments. MALCO also agreed to grant ICICI Bank a first charge over all its fixed assets. In addition, MALCO has provided ICICI Bank with an omnibus counter-indemnity in respect of all loss or damage ICICI Bank suffers, including legal costs, if the bank guarantee is called upon. There is no limit specified in the omnibus indemnity to the time period in which a claim under the indemnity can be made. Twin Star has agreed not to deal with or dispose of its shareholding in MALCO without the consent of ICICI Bank. Mr Anil Agarwal has agreed to provide a personal guarantee to ICICI Bank for the obligations of MALCO to ICICI Bank in respect of the bank guarantee. In addition, Volcan has agreed to provide MALCO with a counter guarantee for INR1,150 million and MALCO has agreed to assign its rights under this guarantee to ICICI Bank. Under this counter-guarantee Volcan agreed to pay MALCO all amounts payable by MALCO to ICICI Bank in the event of a claim being made by the Government of India under the bank guarantee. Volcan agreed to indemnify MALCO against all liabilities incurred by reason of or in connection with any proceedings taken against MALCO for recovery of the moneys claimed by ICICI Bank from MALCO pursuant to the guarantee facility agreement or omnibus counter-indemnity. Volcan has also agreed to indemnify the Group for tax liabilities arising as a result of the tax claims referred to above and the related security and counter-indemnity arrangements between MALCO and ICICI Bank. In return for SOTL providing the corporate guarantee, Volcan has agreed to provide SOTL a counter guarantee. Based on legal advice obtained by the Company, the Directors believe that the Tax Department is not entitled to reinstate the distraint orders lifted on 23 October 2003 and believe that there is no material risk to the Company, its assets, or the ownership of its assets, arising from reapplication of those distraint orders.

- (viii) In March 2002, a block assessment order was issued by the Assistant Commissioner of Income Tax which determined that Sterlite had undisclosed income totalling INR445.6 million for the block period from 1 April 1989 to 8 December 1999 and that it was liable to pay tax of INR294.1 million on that sum. The Assistant Commissioner has also indicated that he may seek to charge penalties and interest but he has not done so to date. The order alleges that the costs of the Tuticorin project and other plants were inflated by invoices for “fictitious” purchases of steel and that improper depreciation

was claimed on the cost of this steel. The order disallowed this depreciation and assessed Sterlite for undisclosed income. The order also alleged some other instances of undisclosed income resulting from payments made to an employee of an associated trust, unrecorded cash payments to a senior member of Sterlite management, who is also a member of the Executive Committee, and unrecorded credits in favour of members of certain Sterlite directors' families, which were not recorded in the company's financial records, and from payments that are not deductible for income tax purposes. Sterlite denies that it paid any invoices for "fictitious" materials or that it made any unrecorded payments or gave any unrecorded credits. Sterlite's liability to pay the additional tax demanded by the Assistant Commissioner has been satisfied by a combination of additional direct payments and by the off set of tax refunds which would otherwise have been repaid to the company. However, Sterlite believes it was not liable to pay a sum of INR112.61 million which was set off against tax refunds due to it and it accordingly lodged an appeal against the order on 26 April 2002. This appeal was decided partly in Sterlite's favour by the office of the Commissioner of Income Tax (Appeals) on 15 April 2004. A demand for tax in respect of INR293 million of undisclosed income was upheld, (as against the original demand based on undisclosed income of INR445.6 million). The Assistant Commissioner of Income Tax appealed this decision in September 2005. The Company has filed cross objections. No date has been set for the appeal hearing.

- (ix) In July 2004, an order was issued by the Special Director of Enforcement of the Enforcement Directorate of the Government of India which determined that between 1993 and 1999 Sterlite had acquired and transferred foreign exchange equivalent to INR2,080 million without obtaining the permission of the Reserve Bank of India. The determination relates to the transfer of Sterlite and MALCO from three former Indian subsidiaries of Twin Star in liquidation, which previously held Twin Star's interests in Sterlite and MALCO, to Twin Star. The order imposed a penalty of INR200 million against Sterlite and penalties of INR50 million against each of Mr Anil Agarwal, Mr Navin Agarwal and Mr DP Agarwal, as directors of Sterlite during the period to which the allegations relate (the "Relevant Directors"). Sterlite and the Relevant Directors deny the allegations. On 22 September 2004 Sterlite and the Relevant Directors lodged an appeal against the order before the Appellate Tribunal for Foreign Exchange, Ministry of Law, Justice & Company Affairs, Government of India. This appeal has not yet been heard.
- (x) Sterlite and Vedanta Alumina are defendants in a writ petition brought against them and, amongst others, the State of Orissa, the Union of India, the Orissa Mining Corporation ("OMC") and the Industrial Development Corporation of Orissa by a private individual. The petition challenges the grant by the OMC to Sterlite and Vedanta Alumina of a lease to mine bauxite in the State of Orissa. The petition alleges that (i) the grant of the lease violates the Constitution of India, (ii) required consents have not been obtained for the grant of the lease and for the construction activities currently being undertaken and (iii) the contemplated mining and construction activities will have an adverse environmental impact. The petitioner is seeking orders (i) preventing the allotment of lands to Vedanta Alumina and Sterlite, (ii) declaring that a memorandum of understanding entered into by the OMC and Sterlite or Vedanta Alumina is void, (iii) directing that legislation be made prohibiting the transfer of land and/or mines in certain areas to non-tribals, (iv) for the prosecution of officials and employees of Sterlite, Vedanta Alumina and the State Government under the Forest Conservation Act, (v) for an unspecified amount of compensation by Sterlite and Vedanta Alumina for damage caused and (vi) for the immediate cessation of construction activities at the site. The court has not yet admitted the matter. Based on professional advice, the Directors do not expect that the Group will suffer a material

liability in connection with this matter and accordingly, no provision will be made in the accounts.

- (xi) KCM is the claimant in an action against its principal insurer, Coromin Limited (“Coromin”), for approximately U.S.\$50 million or, alternatively, for approximately U.S.\$48 million from its local market insurers on its specific coverage in respect of damages, including damage to property and business losses, which it incurred as a result of an accident in the Nchanga Open Pit in 2001. The action was commenced on 27 May 2004 by KCM and ARH Ltd (“ARH”) against Coromin in the High Court of Justice, Queen’s Bench Division Commercial Court in London. ARH is a subsidiary of Anglo American plc and is named as a claimant alongside KCM because of the assignment of certain insurance contract rights by KCM to ARH as security for KCM’s loan obligations to ARH under a deed entered into with Anglo American on its exit from KCM in 2002. GRZ also has a subsidiary charge over the proceeds of the insurance for its U.S.\$8.5 million loan provided under a matched loan facility entered into as part of the same exit arrangements. KCM and ARH allege that the refusal by the insurers to pay out on the claim constitutes a breach of the insurance contract. Coromin has argued that it acted as reinsurer and cannot therefore be liable for all the risk coverage. No final date for trial has yet been specified.
- (xii) BALCO has historically obtained the water and coal required to power BALCO’s captive power plant from the National Thermal Power Corporation Limited (“NTPC”). In March 2004, NTPC notified BALCO that it was increasing its water charges from INR1.51 per cubic metre to INR35 per cubic metre. In response to this notice, BALCO filed for arbitration on the grounds that NTPC had prevented BALCO from setting up its own coal handling and water pipeline facilities. BALCO was successful in the initial arbitration proceedings with NTPC. NTPC then appealed to the High Court in Delhi and was granted an interim order allowing NTPC to raise its water charges by nearly seven times but dismissing NTPC’s appeal against the interim order of the arbitrator. NTPC then filed a special leave petition in the Supreme Court of India. On 11 March 2005, the Supreme Court directed the parties to settle the issue amicably to ensure uninterrupted water supply to BALCO. The matter was listed for hearing on 16 September 2005, but was adjourned for six weeks and no order has been passed.

Negotiations with NTPC for alternative pipeline supplies are underway, but as of date no settlement has been reached between the parties. If this matter is decided against BALCO and the revised NTPC charges are upheld, the increased cost to BALCO is estimated to be U.S.\$10.3 million per annum.

## 6 Financial and Trading Position

There has been no material adverse change in the prospects of the Issuer or of the Guarantor and its subsidiaries taken as a whole since the date of the Issuer’s incorporation or 31 March 2005, respectively, nor has there been any significant change in the financial or trading position of the Issuer since the date of the Issuer’s incorporation or of the Guarantor and its subsidiaries taken as a whole, since 30 September 2005. A9.7.1

## 7 Financial Information

The consolidated financial statements of the Guarantor have been audited without qualification for the three financial years ended 31 March 2005 by Deloitte & Touche LLP registered by the Institute of Chartered Accountants in England and Wales to carry out audit work. A9.11.3.1 A13.7.3 A9.2.1

## 8 Global Depositary Receipts

For so long as any of the GDRs are outstanding and listed on the Luxembourg Stock Exchange, The Bank of New York will serve as the intermediary between the Luxembourg Stock Exchange and persons connected with the issue and listing of the GDRs and copies of the Guarantor's most recent annual audited non-consolidated and consolidated accounts, semi-annual unaudited non-consolidated accounts, the Guarantor's Memorandum and Articles of Association and the Deposit Agreement will be available at the offices of The Bank of New York, and the Guarantor will publish all notices to holders of the GDRs in *d'Wort* or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). No notices and/or information so published are included in this Offering Circular nor are they incorporated by reference in this Offering Circular. The Guarantor is required by statute to prepare its financial statements pursuant to IFRS.

## 9 Material Contracts

### (a) *Contracts relating to the Bonds*

(i) The following contracts directly concerning the issue of the Bonds have been entered into by a member of the Group immediately preceding the publication of this Offering Circular or will, shortly after the date of this Offering Circular, be entered into by a member of the Group and are, or may be, material: A9.12

(A) the Trust Deed dated 21 February 2006 between the Issuer, the Guarantor and The Bank of New York as Trustee, *inter alia*, constituting the Bonds and appointing the Trustee to act in that capacity and under which such commission in respect of the services of the Trustee as shall be agreed between the Issuer, the Guarantor and the Issuer and the Trustee are to be paid;

(B) the Paying, Transfer, Conversion and Exchange Agency Agreement dated 21 February 2006 between the Issuer, the Guarantor, The Bank of New York, the Trustee and others setting out, *inter alia*, the terms of appointment and duties of The Bank of New York in its capacity as Principal Paying, Transfer, Conversion and Exchange 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 Guarantor are to be paid;

(C) the Subscription Agreement;

(D) the Deed Poll; and

(E) the Deposit Agreement.

(ii) Vedanta Resources/Volcan Undertakings

In a deed poll to be dated 21 February 2006 Vedanta Resources will give an undertaking to Volcan that Vedanta Resources will not, without prior consent of Volcan, exercise its option under the Bonds to deliver to the converting Bondholder Ordinary Shares in lieu of the GDRs, that it will not amend, revise or terminate the Deposit Agreement and that it will not exercise its option under the Deposit Agreement to give notice to the GDR holders that they are entitled to vote in respect of the Ordinary Shares represented.

### (b) *KCM Acquisition Agreements*

#### (i) **Subscription Agreement**

Under a subscription agreement dated 19 August 2004 between GRZ, ZCIH, ZCCM, KCM and Vedanta Resources, Vedanta Resources agreed to subscribe for and KCM agreed to issue to Vedanta Resources 560,325,511 new ordinary shares in KCM at a subscription

price of U.S.\$25 million, representing 51 per cent. of the enlarged issued share capital of KCM. Vedanta Resources also agreed to pay ZCIH U.S.\$23.2 million consisting of an initial payment of U.S.\$2.3 million on completion of the acquisition, with the remaining U.S.\$20.9 million payable in equal instalments over four years beginning on 31 December 2005. The subscription was approved by the shareholders of ZCI on 26 October 2004, and the acquisition was completed on 5 November 2004.

(ii) **Shareholders' Agreement**

A shareholders' agreement between GRZ, ZCI, ZCIH, ZCCM, KCM, VRHL and Vedanta Resources was entered into on 5 November 2004 and sets out, inter alia, primary objects of KCM, the structure of KCM's board of directors, restrictions on KCM's activities, rules relating to the transfer of shares in KCM, financing of KCM and alteration of the share capital of KCM. Pursuant to this agreement, KCM's board is to comprise ten directors and Vedanta Resources has the right to appoint, remove or replace five of the ten directors, including the Chairman. ZCCM, ZCI and ZCIH jointly and GRZ, subject to certain conditions, have the right to appoint, remove or replace two, two and one of the remaining directors on the KCM board, respectively, although the director appointed by GRZ does not have the right to vote at board meetings except in limited circumstances related to any non-arm's length contracts.

In the event that cash flow shortfalls arise at KCM after expenses (excluding depreciation and amortization), interest, principal and fees payable in respect of any loans, sustaining and project capital expenditure, and tax, Vedanta Resources has agreed to fund any such cash flow shortfalls up to an aggregate limit of U.S.\$220 million. Vedanta Resources is entitled to discharge any such cash flow shortfalls by the provision of debt finance or the contribution of equity to KCM. Any payments made by Vedanta Resources on a debt finance basis will bear interest on arm's length terms (but not exceeding LIBOR plus 2.5 per cent.), and will be repaid to Vedanta Resources in priority to dividends or any other distributions to the KCM shareholders. Any equity contributions made to KCM by Vedanta Resources to discharge cash flow shortfalls will be made on a nondilutionary basis to the other shareholders of KCM. The obligation of Vedanta Resources to fund cash flow shortfalls in KCM will terminate on the earlier of (a) 5 November 2013, (b) any transfer of VRHL's shares in KCM to ZCI and/or ZCCM pursuant to the ZCI/ZCCM Call Option Deed (see below), or (c) any exit of Vedanta Resources from KCM in accordance with the shareholders' agreement. Vedanta Resources is also required to provide or arrange any and all financing required in order to implement an Extension Project (as defined under paragraph (c) below) at Konkola such as the KDMP. It is entitled to meet this requirement by the provision of debt finance or the contribution of equity to KCM. Any finance provided by Vedanta Resources as debt will bear interest on arm's length terms (but not exceeding LIBOR plus 2.5 per cent.), and otherwise be provided on standard market terms for similar projects including the amount of fees payable by KCM, rank and repayment terms. Any equity contributions made to KCM by Vedanta Resources to meet its financing obligations in connection with an Extension Project such as the KDMP will be made on a dilutionary basis to the other shareholders of KCM.

Pursuant to the shareholders' agreement, Vedanta Resources has the right to exit KCM at any time after 31 December 2007, subject to providing twelve months' notice. Vedanta Resources will be required to make a payment equivalent to the budgeted capital expenditure of KCM for the notice period and to meet its obligation to cover any cash flow shortfalls in KCM during the notice period.

(iii) **Vedanta Call Option Deed**

A call option deed between ZCIH, KCM and Vedanta Resources was entered into on 5 November 2004, pursuant to which ZCIH has granted to Vedanta Resources a call option that will require ZCIH to transfer to Vedanta Resources by way of a sale, all the shares in the issued share capital of KCM held by ZCI and its affiliates on a specified date at a price to be agreed by ZCIH and Vedanta Resources or, in the absence of agreement, to be determined by an independent investment bank. The exercise period commences on the earlier of (1) the date of approval by GRZ of an application by KCM to proceed with an extension project at the Konkola ore body (“**Extension Project**”) or (2) the date immediately succeeding four consecutive calendar quarters of ore extraction from the existing mines during which in each such calendar quarter ore is extracted at a rate of 3 mt per annum or more.

As GRZ has now approved a KCM application for an Extension Project and the KCM board has determined to proceed with an Extension Project (i.e. KDMP), the exercise period has commenced. Vedanta Resources has submitted an option exercise notice to ZCIH in accordance with the requirements of the Vedanta Call Option Deed, and the parties are in the process of appointing an independent investment bank to determine the purchase price for the KCM shares subject to the option (the “**Exercise Price**”). In accordance with the provisions of the Vedanta Call Option Deed, if Vedanta Resources is not satisfied with the Exercise Price so determined, it may withdraw its exercise notice and will not be required to proceed with the purchase of ZCIH’s shares in KCM. In this case, Vedanta Resources will be required to pay the full costs of the independent investment bank, which otherwise will be shared equally by Vedanta Resources and ZCIH (i.e. if Vedanta Resources elects to proceed with the purchase). See “Vedanta Resources Group” for further information.

(iv) **ZCI/ZCCM Call Option Deed**

A call option deed between ZCIH, ZCCM, KCM, VRHL and Vedanta Resources was entered into on 5 November 2004 pursuant to which VRHL has granted to ZCIH and to ZCCM an option that will require VRHL to sell to ZCIH and to ZCCM (in proportion to their respective shareholdings in KCM) the shares of KCM held by Vedanta Resources and its affiliates on a specified date at a price to be agreed by ZCIH, ZCCM and Vedanta Resources or, in the absence of agreement, to be determined by an independent investment bank. The exercise period for the call options will commence on either 31 December 2009 or 31 December 2014 (depending on whether Vedanta Resources can demonstrate a minimum level of forecasted production capacity over a five year period ended 31 December 2017) and subject to the conditions, that (a) the board of directors of KCM has not resolved to proceed with an Extension Project (i.e. the KDMP) that the KCM board has determined to proceed with, and (b) Vedanta Resources has not exercised its option under the Vedanta Call Option Deed. As noted above, GRZ has approved an application by KCM for an Extension Project and Vedanta Resources has submitted an exercise notice to ZCIH under the Vedanta Call Option Deed. As such, the exercise period under the ZCI/ZCCM Call Option Deed will not commence unless the board of directors of KCM subsequently resolves to terminate or suspend (in either case without later reinstatement) or materially amend or vary the KDMP other than in accordance with the shareholders’ agreement, and except to the extent that Vedanta Resources has not exercised its option under the Vedanta Call Option Deed.

(v) **Amended and Restated Development Agreement**

An Amended and Restated Development Agreement between GRZ and KCM was entered into on 5 November 2004 which regulates the legal and fiscal framework under which KCM operates in Zambia. This agreement contains provisions regulating, among

other things, KCM's rights to import and export, supply and procurement, employment and training, suspension and curtailment of production, social assets and municipal infrastructure services and environmental matters. The agreement also incorporates the Approved Programme of Mining and Metal Treatment Operations and the mining licences granted to KCM for a period of 25 years from 31 March 2000. In addition to providing legislative and taxation certainty to KCM for the agreed stability period ending 31 December 2009, subject to extension depending on increased life of mine associated with an Extension Project such as the KDMP, this agreement also provides certain incentives and concessions which benefit KCM. This agreement also sets out the terms and conditions on which GRZ will grant its approval to any Extension Project proposed by KCM.

(vi) **Management Agreement**

A management agreement between Vedanta Resources and KCM was entered into on 5 November 2004. Under this agreement, Vedanta Resources has agreed to provide a variety of specified "know-how" related services for an annual fee of U.S.\$1,000,000 for a term of three years commencing the date of the Management Agreement. Additional services may be requested by KCM and will be provided by Vedanta Resources on a per diem basis.

## 10 Investments

The following discussion sets out the principal acquisitions of the Twin Star Group, as well as other major investments by the Group, during the three financial years ended 31 March 2003 and during the six months ended 30 September 2003. These investments have had a substantial impact on the financial results of the Twin Star Group, as the acquisitions have contributed significantly to the Twin Star Group's turnover growth. The timing of these acquisitions may make it difficult to compare year-on-year results of the Twin Star Group.

In November 2000, Monte Cello Corporation NV, a subsidiary of Twin Star, sold all of the shares in Monte Cello BV to Sterlite for US\$43.5 million. This followed Monte Cello BV's acquisition of CMT in April 1999 for A\$2 plus assumed external debt of A\$10 million and acquisition of TCM in October 1999 for A\$2 and an obligation requiring Monte Cello BV to pay or procure that TCM pay to one of the vendors the amount of approximately A\$26.4 million, representing amounts owing by TCM and certain other adjustments.

In March 2001, Sterlite acquired a 51 per cent. interest in BALCO from the Government of India for a cash consideration of INR5,533 million (US\$121.1 million). The Government of India has granted Sterlite an option in respect of its remaining stake in BALCO, subject to certain terms and conditions (see also "Description of the Vedanta Resources Group - Options over further interests in BALCO, HZL and KCM and "General Information-Material Contracts").

In July 2001, MALCO acquired 2,461,000 Sterlite shares at a cost of IR251.6 million (US\$5.3 million), increasing MALCO's interest in Sterlite from 0.2 per cent. to 4.6 per cent. at that time. Since then, MALCO has not acquired any Sterlite shares but as a result of the share buy-back detailed below, MALCO now owns 7.1 per cent. of Sterlite's issued share capital.

In April 2002, Sterlite, through SOVL, acquired a 26 per cent. interest in HZL from the Government of India. Sterlite, through SOVL, subsequently purchased a further 20 per cent. interest in HZL in July 2002 through an open market offer, bringing its total ownership of HZL to 46 per cent. The total cash consideration paid was INR7.776 billion (US\$160.4 million). On 29 August 2003, SOVL exercised the first call option granted by the Government to acquire a further 18.9 per cent. interest in HZL for INR3.2 billion (US\$70.5 million). This acquisition was completed on 12 November 2003. The Government of India has granted SOVL an option in respect of its remaining stake in HZL, subject to certain terms and conditions. The Government of India also has an option to sell 3.5 per



cent. of HZL's share capital to SOVL, subject to certain terms and conditions (see "Information on the Vedanta Resources Group-Options over further interests in BALCO HZL and KCM" and "Additional Information-Material Contracts").

In September 2002, Sterlite completed a share buy-back of its own shares for total consideration of INR3.01 billion (US\$61.8 million), which resulted in 20,068,004 shares (representing 36 per cent. of Sterlite's issued share capital at that time) being bought back for a consideration of INR150 per share comprised of INR100 per share in cash and INR50 per share in the form of a 1 debenture with a final maturity in August 2008. As a result of the share buy-back, Twin Star's interest in Sterlite increased to 55.1 per cent.

On 2 January 2004, the Group purchased 4.98% of Sterlite's issued share capital from the SEWT for a cash consideration of \$58.0 million, being the open market price at that date. Following this acquisition, the Group's Economic Interest in Sterlite increased to 70.8%. On 2 April 2004, the Group purchased 2.4% of Sterlite's issued share capital from the SEWT for a cash consideration of \$21.4 million, being the open market price at that date. Following this acquisition, the Group's Economic Interest in Sterlite increased from 70.8% to 71.6%.

In September 2004, Sterlite completed its rights issue in which Twin Star subscribed for its own entitlement and those rights not taken up by the minority shareholders. As a result of Twin Star subscribing \$433 million to the total rights issue of \$434 million, the Group increased its Economic Interest in Sterlite from 71.6% to 81.3%.

#### Konkola Copper Mines PLC

On 5 November 2004, the Group completed the acquisition of a 51% controlling interest in KCM, a company incorporated in the Republic of Zambia, for a total cash consideration of \$49.2 million (including acquisition expenses of \$1.0 million). KCM's principal activities comprise copper mining and smelting, and its operations are located in the Republic of Zambia.

The Group subscribed for \$25.0 million of new ordinary shares in KCM, representing 51% of the enlarged issued share capital of KCM. Additionally, the Group agreed to pay \$23.2 million to ZCI, a minority shareholder in KCM, comprising an initial payment of \$2.3 million at the date of acquisition, with the remaining \$20.9 million payable in equal instalments over four years from 31 December 2005.

#### Vedanta Alumina Limited

Vedanta Alumina Limited was a wholly owned subsidiary of Sterlite at 31 March 2004. During the year ended 31 March 2005, an independent valuation of the business was carried out by KPMG jointly on behalf of Sterlite and Vedanta Resources. Based on this valuation, the value of VAL was determined at \$138 million. Based on Vedanta Resources equity subscription of \$100 million, undertaken in May 2004, Vedanta Resources has a 70.5% interest in VAL thereby diluting Sterlite's holding to 29.5%.

### 11 Documents on Display

Copies of the following documents may be inspected during normal business hours at the offices of the Principal Paying Agent during the 12 months starting on the date on which this Offering Circular is made available to the public as required by the prospectus rules made by the Financial Services Authority: A9.14  
A6.4.1

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

- (iii) the annual reports and audited consolidated annual accounts of the Guarantor for the three years ended 31 March 2003, 2004 and 2005 and the unaudited interim results for the periods ended 30 September 2004 and 2005;
- (iv) the Subscription Agreement, the Paying, Transfer, Conversion and Exchange Agency Agreement, the Trust Deed and the Deed Poll; and
- (v) Vedanta Resources' Offering Circular relating to Global Depositary Receipts of the Guarantor which has been submitted with and omits approval from Luxembourg Euro MFT.

In addition, this Offering Circular is also available at the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/gbpricenews/marketnews](http://www.londonstockexchange.com/gbpricenews/marketnews).

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

### Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“Accounts”	the financial information incorporated by reference in this Offering Circular.
“Agarwal Family”	Anil Agarwal, D P Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children who are at the relevant time employees of the Group, and the families (as defined in sub-paragraph 11.1d(i) of the UK Listing Rules) of any such person
“Aluminium Business”	the business of the Group comprising the aluminium operations as further described in “ <i>The Vedanta Resources Group — Aluminium Business</i> ”
“associated undertakings”	has the meaning ascribed to it in paragraph 20(1) of Schedule 4A to the Companies Act
“BALCO”	Bharat Aluminium Company Limited, a company incorporated in India
“BML Holdings”	BML Holdings Pty Limited, a company incorporated in Australia
“Board”	the board of directors of the Guarantor
“CMT”	Copper Mines of Tasmania Pty Ltd, a company incorporated in Australia
“Combined Code”	the principles of good governance and code of best practice appended to the UK Listing Rules
“Companies Act”	The United Kingdom Companies Act 1985, as amended
“Copper Business”	the business of the Group comprising the copper operations as further described in “ <i>The Vedanta Resources Group — Copper Business</i> ”
“CRU International”	RSI Consulting Limited trading under the name CRU International
“Directors”	The Executive Directors and Non-executive Directors
“EU”	European Union as established by the Treaty on European Union
“Executive Committee”	a committee consisting of such Executive Directors and senior management of the Group as the Chief Executive Officer recommends and the Board approves as further described in “ <i>The Vedanta Resources Group — Corporate governance</i> ”
“Executive Directors”	The executive directors of the Guarantor

“FIPB”	Foreign Investment Promotion Board of the Secretariat of Industrial Assistance, Government of India
“FSMA”	The United Kingdom Financial Services and Markets Act 2000
“GDRs”	means a depositary receipt representing an Ordinary Share or Ordinary Shares (with each GDR representing one Ordinary Share as at 21 February 2006) issued pursuant to the Deposit Agreement
“GRZ”	The Government of the Republic of Zambia
“Guarantor”, “Company” or “Vedanta Resources”	Vedanta Resources plc, a public company incorporated in England and Wales with limited liability
“Highway Reward”	an underground copper mine in which TCM has a 70 per cent. interest
“HZL”	Hindustan Zinc Limited, a company incorporated in India
“IAS”	International Accounting Standards/International Financial Reporting Standards
“IFL”	India Foils Limited
“India”	Republic of India
“Indian GAAP”	generally accepted accounting principles as used in India
“Indian Takeover Code”	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
“KCM”	Konkola Copper Mines plc
“Listing Rules”	the listing rules of the UK Listing Authority, made under Section 73A of the FSMA
“London Stock Exchange”	London Stock Exchange plc
“MALCO”	Madras Aluminium Company Ltd, a company incorporated in India
“NALCO”	National Aluminium Company Limited
“Non-executive Directors”	the non-executive directors of the Guarantor
“Official List of the UKLA”	The official list maintained by the UK Listing Authority for the purposes of Part VI of the FSMA
“Official List of the Luxembourg Stock Exchange”	The official list maintained by the Luxembourg Stock Exchange
“Ordinary Shares”	ordinary shares of U.S.\$0.10 each in the Guarantor
“Regulation S”	Regulation S under the Securities Act
“SEBI”	Securities and Exchange Board of India
“Securities Act”	The U.S. Securities Act of 1933

“SOTL”	Sterlite Optical Technologies Ltd.
“SOVL”	Sterlite Opportunities and Ventures Limited
“Sterlite”	Sterlite Industries (India) Limited, a company incorporated in India
“TCM”	Thalanga Copper Mines Pty Ltd., a company incorporated in Australia
“Thalanga”	a copper processing facility in which TCM has a 100 per cent. interest and the Highway Reward mine in which TCM has approximately a 70 per cent. interest
“Twin Star”	Twin Star Holdings Limited, a company incorporated in Mauritius
“UK GAAP”	Generally accepted accounting principles as used in the UK
“UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes 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 “U.S.”	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US GAAP”	generally accepted accounting principles as used in the U.S.
“Vedanta Alumina”	Vedanta Alumina Limited, a company incorporated in India
“Vedanta Resources IPO Listing Particulars”	means the listing particulars published by Vedanta Resources dated 5 December 2003
“Vedanta Resources Share Option Plan” or “Option Plan”	means the long term incentive plan described in “The Vedanta Resources Group—Employer share schemes”
“Volcan”	Volcan Investments Ltd., a company incorporated in the Bahamas
“Zambia”	the Republic of Zambia
“ZCCM”	Zambia Consolidated Copper Mines
“Zinc Business”	the business of the Group comprising the zinc operations as further described in “ <i>The Vedanta Resources Group—Zinc Business</i> ”
“ZCI”	Zambia Copper Investments Ltd.
“ZCIH”	ZCI Holdings S.A.

## Glossary of Technical Terms

The following definitions shall apply to the technical terms used herein:

“alumina”	the calcined product from an alumina refinery containing at least 98 per cent. aluminium oxide (Al <sub>2</sub> O <sub>3</sub> )
“anode”	the electrode by which current enters the cell. For copper refining, the impure copper is used as an anode. For zinc refining, lead anodes are used. For aluminium refining, a carbon anode is used
“assay”	valuable metals test
“asset capacity”	the maximum throughput of fixed facilities such as a processing plant or material handling system, which can vary over the life of the facility from the initial nameplate capacity
“bank guarantee”	in favour of the Tax Department under which it undertakes to pay the Government
“blister copper”	an impure form of copper produced by blowing air through molten copper matte to oxidise sulphur, iron and other impurities. It is the product of a converting furnace. The copper content is normally about 98 per cent. by weight
“calcine”	the produce of heating ore in a roaster or furnace
“cathode”	the cathode is the conductor through which electricity leaves the cell. For copper refining, the cathode is where the refined copper is deposited. For aluminium smelting, the cathode is known as the pot lining
“cells”	cells are the containers in which the electrolytic process for formation of metal takes place. For aluminium smelting, these are known as pots
“concentrate”	material which has been processed to increase the percentage of the valuable mineral to facilitate transportation and downstream processing
“copper concentrate”	a product of the flotation process with a copper content typically ranging between 24 per cent. and 40 per cent.
“corporate guarantee”	in favour of the Tax Department under which it has agreed to pay the Government
“debottlenecking”	the removal of a constraint on production by increasing the productivity of one part of an operation
“dilution”	waste or sub-economic mineralised material that is mined with the ore as an undesired consequence of mining
“EC” or “electrical conductor”	aluminium rod used in the electricity conducting industry

“FOB”	Free on Board, means that the seller fulfils his obligation to deliver when the goods have passed over the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that point
“GAMI”	Guiyang Aluminium and Magnesium Institute
“grade”	proportion (by weight) of the valuable element within the mineralised rock
“Inferred Resources”	mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
“ISAPROCESS”	an electrolytic refining process developed by MIM Process Technologies
“ISASMELT”	a lance-based intensive bath smelting technology developed by MIM Process Technologies
“JORC Code”	Report of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, dated September 1999
“lb”	imperial pound (mass) equivalent to 0.4536 kilogrammes
“leaching”	extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent
“lead concentrate”	product of the flotation process with a lead content typically ranging between 50 per cent. and 70 per cent.
“LME”	London Metal Exchange
“life of mine” or “LoM”	the remaining life of a mine in years’ calculated by deducting the scheduled production rates (i.e. the rate at which material will be removed from the mine, from the current defined reserves)
“mineral”	a natural, inorganic, homogeneous material that can be expressed by a chemical formula
“mineralisation”	A tonnage or volume of rock or mineralisation of intrinsic economic interest
“Mt”	metric tonnes
“Mtpa”	million tonnes per annum
“MW”	Megawatt
“NTPC”	National Thermal Power Corporation Limited

“ore”	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction economic
“plant”	fixed or moveable equipment required in the process of winning or processing the ore
“Probable Reserves”	those measured and/or indicated mineral resources which are not yet “proved”, but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specified economic conditions
“Properzi”	technology for fabricating wire, sheets and ingots sold by Continuous Properzi, Italy
“refining”	the final process of upgrading of the metal quality, although for aluminium, it is the intermediate stage of converting bauxite to alumina
“Relevant Directors”	of Sterlite during the period to which the allegations relate
“reserves”	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
“resources”	relative elevation above datum (usually mean sea-level)
“SAMREC Code”	South African Code for Reporting of Mineral Resources and Mineral Reserves
“smelting”	A thermal process whereby molten metal is liberated from a concentrate, with impurities separating into a lighter slag
“Soderberg Cell”	A cell in which the anode material is added as a block which is baked by the heat from the cell rising through it during the process of consumption
“spot price”	the current price of a metal for immediate delivery
“sustaining capital expenditure”	capital expenditure to maintain the Group’s operating capacity
“t” or “tonne”	metric tonne equivalent to 2,204.62 pounds
“tailings”	the waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
“TC”	treatment charge
“TC/RC”	treatment charge/refining charge are the terms used to set the smelting and refining costs



“toll smelter”	a smelter that is independent of the concentrate supplier and charges a fee for smelting the concentrate
“tpa”	tonnes per annum
“Tax Department”	issued block assessment orders for unpaid income tax (including interest)
“VRS”	voluntary retirement scheme
“zinc concentrate”	product of flotation process with a zinc content typically ranging between 45 per cent. and 60 per cent.

**REGISTERED OFFICE OF THE ISSUER**

A9.1.1

**Vedanta Finance (Jersey) Limited**

47 Esplanade  
St. Helier  
Jersey JE1 0BD

A13.1.1

A9.4.1.1

**REGISTERED OFFICE OF THE GUARANTOR**

A13.5.1

**Vedanta Resources plc**

*Registered office:*

Hill House  
1 Little New Street  
London EC4A 3TR

**Vedanta Resources plc**

*Head Office:*

16 Berkeley Street  
Mayfair  
London W1J 8DZ

**TRUSTEE AND PRINCIPAL PAYING, TRANSFER, CONVERSION AND EXCHANGE AGENT**

**The Bank of New York**

One Canada Square  
48th Floor  
London E14 5AL

**REGISTRAR**

**The Bank of New York**

101 Barclay Street  
21st Floor West  
New York, NY 10286

**DEPOSITARY**

**The Bank of New York**

101 Barclay Street  
New York  
NY 10286  
United States

**LEGAL ADVISERS**

*To the Issuer and the Guarantor  
as to English law:*

**Ashurst**

Broadwalk House  
5 Appold Street  
London EC2A 2HA

*To the Issuer and the Guarantor  
as to Jersey law:*

**Carey Olsen**

47 Esplanade  
St. Helier  
Jersey JE1 0BD

A13.7.1

*To the Lead Manager  
as to English law:*

**Linklaters**

One Silk Street  
London EC2Y 8HQ

*To the Depositary and the Trustee  
as to English law:*

**Clifford Chance Limited Liability Partnership**

10 Upper Bank Street  
London  
E14 5JJ

AUDITORS TO THE ISSUER AND THE GUARANTOR

**Deloitte & Touche LLP**

Hill House

1 Little New Street

London EC4A 3TR

A9.2.1