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**WORLD CLASS RESOURCES  
+ ACCELERATED GROWTH  
= DELIVERING VALUE**

Vedanta is a FTSE 100 metals and mining company. Our principal operations are in India, Zambia and Australia. The major metals produced are aluminium, copper, zinc and lead.

## DELIVERING VALUE THROUGH **EXCELLENCE**

**Our mission is to create a world-class metals and mining group and generate strong financial returns.**

### CONTENTS

#### COMPANY OVERVIEW

- 01 HIGHLIGHTS
- 02 VEDANTA AT A GLANCE
- 03 ROAD MAP TO 1 MILLION TPA CAPACITY
- 04 YEAR IN REVIEW
- 06 CHAIRMAN'S STATEMENT

#### BUSINESS REVIEW

- 08 INTRODUCTION TO BUSINESS REVIEW
- 10 MARKET OVERVIEW
- 12 KPIs
- 14 PERFORMANCE
  - ALUMINIUM
  - COPPER
  - ZINC
  - OTHER BUSINESSES
- 22 RISKS AND RELATIONSHIPS

#### FINANCIAL REVIEW

- 26 FINANCIAL REVIEW

#### SUSTAINABLE DEVELOPMENT REPORT

- 32 SUSTAINABLE DEVELOPMENT REPORT
- 49 AUDITORS' REPORT
- 50 CORE INDICATORS

#### CORPORATE GOVERNANCE

- 52 BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE
- 54 CORPORATE GOVERNANCE REPORT
- 59 REMUNERATION REPORT
- 65 DIRECTORS' REPORT
- 68 STATEMENT OF DIRECTORS' RESPONSIBILITIES

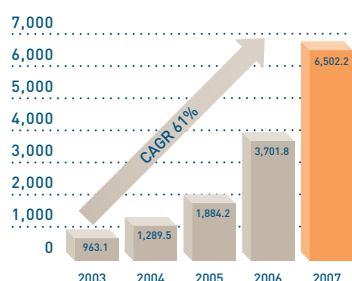
#### FINANCIAL STATEMENTS

- 69 INDEPENDENT AUDITORS' REPORT
- 70 CONSOLIDATED INCOME STATEMENT
- 71 CONSOLIDATED BALANCE SHEET
- 72 CONSOLIDATED CASH FLOW STATEMENT
- 73 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 75 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 115 FINANCIAL STATEMENTS OF THE PARENT COMPANY
- 120 INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS

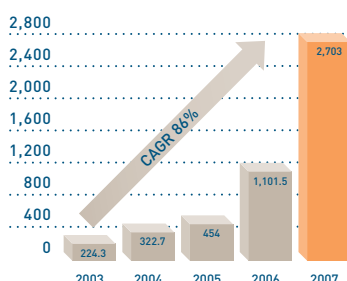
#### OTHER INFORMATION

- 121 FIVE YEAR SUMMARY
- 125 PRODUCTION AND RESERVES SUMMARY
- 128 GLOSSARY AND DEFINITIONS
- 133 SHAREHOLDER INFORMATION

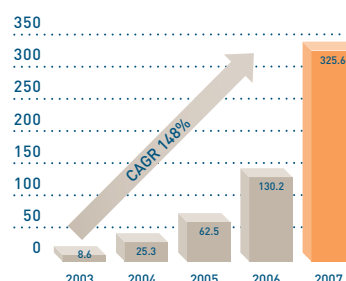
## REVENUES (\$ MILLION)



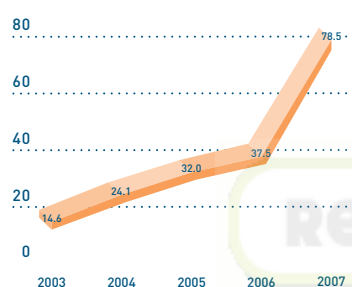
## EBITDA (\$ MILLION)



## BASIC EPS (US CENTS)

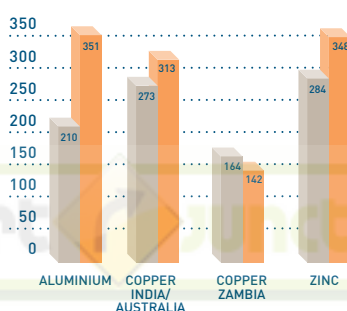


## ROCE\* (%)

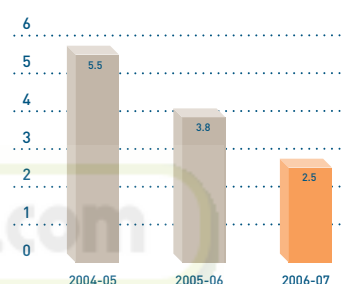


\* ROCE excludes capital work in progress

## PRODUCTION (KT)



## LTIFR (HEALTH AND SAFETY)



## ANOTHER YEAR OF RECORD FINANCIAL PERFORMANCE

- Group revenue up **75.6%** to **\$6,502.2 million** and Group EBITDA up **145.4%** to **\$2,703.0 million**, driven by better prices and strong volume growth
- Underlying EPS up **151.2%** at **327 US cents**
- Free cash flow increased by **137.0%** to **\$1,504.2 million**
- ROCE (excluding project capital work in progress) significantly higher at **78.5%**, up from **37.9%**
- Final dividend proposed at 20 US cents per share bringing full year dividend to 35 US cents per share

## SECTOR LEADING ORGANIC GROWTH

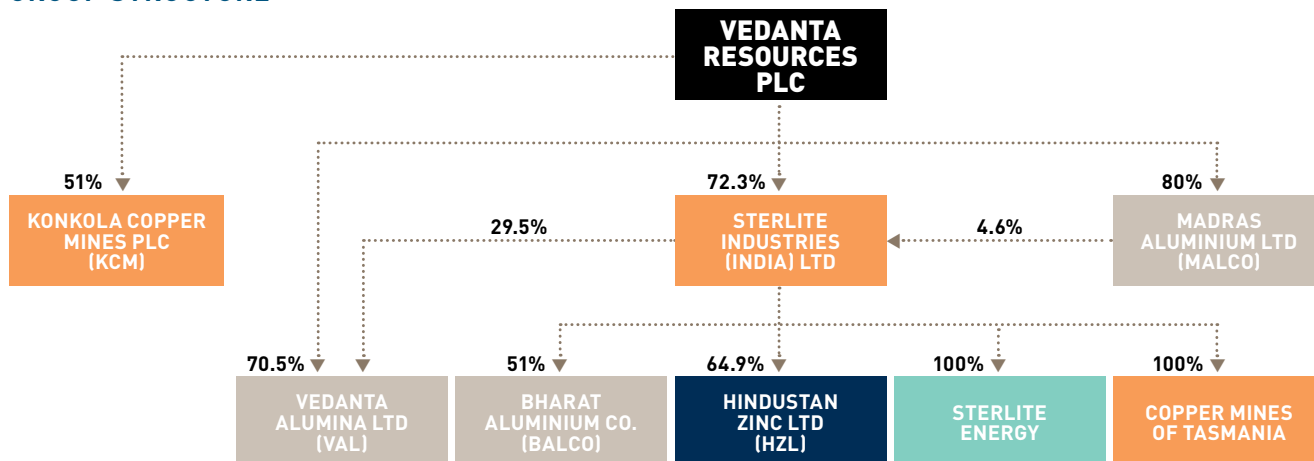
- \$7.5 billion investment programme
- First phase of \$2.2 billion completed on time and within budget
- The next phase of \$5.3 billion under implementation and on schedule
  - Lanjigarh alumina refinery completed and ramping up in progress
  - Work progressing well on \$2.1 billion Jharsuguda aluminium project
  - Expansion projects in HZL ahead of schedule and KCM on track
  - Work on 2,400 MW independent power project commenced

## LEVERAGING ESTABLISHED SKILLS

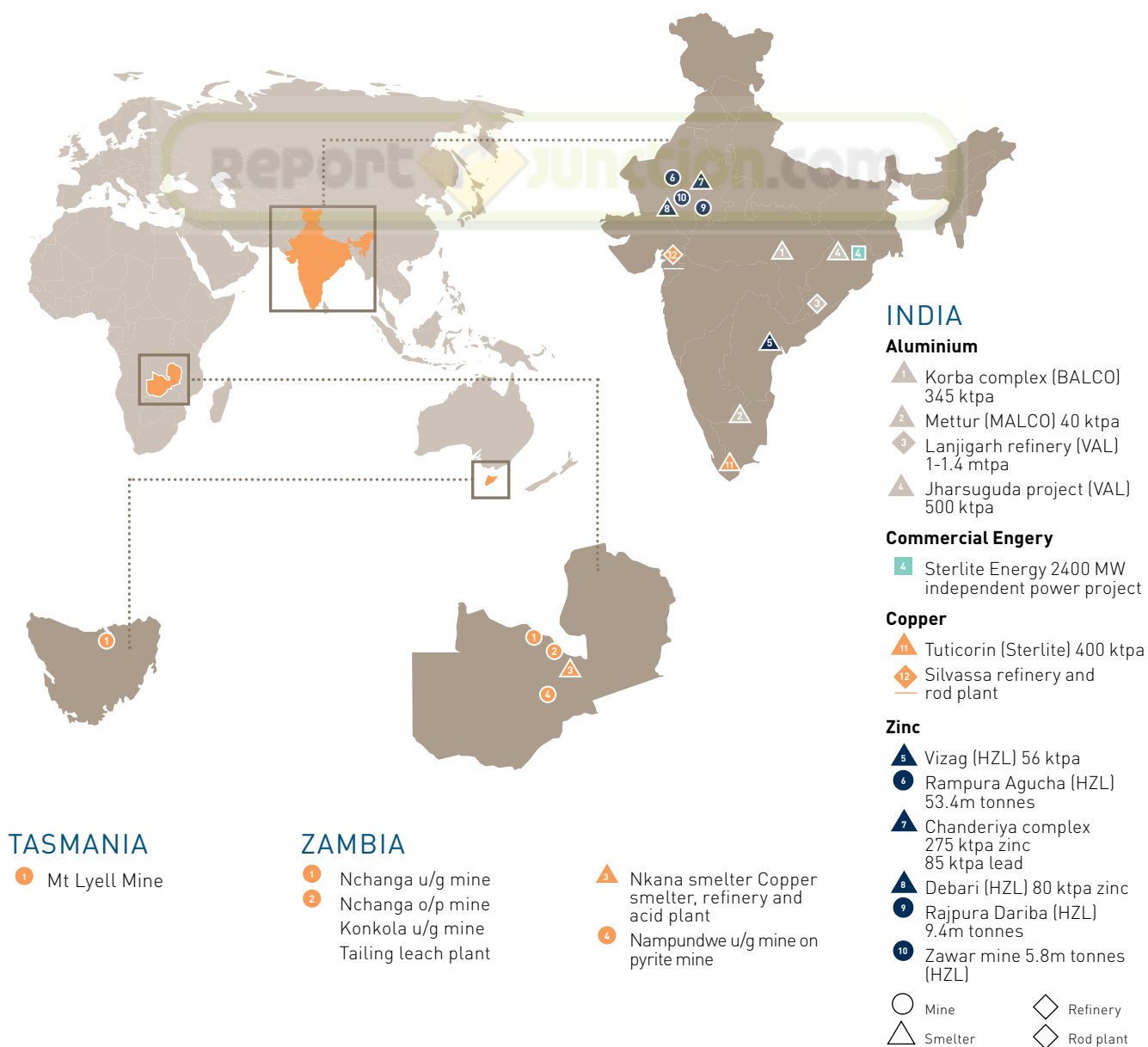
- \$1.0 billion acquisition of Sesa Goa post year-end provides entry into very attractive iron ore business

## 02 VEDANTA AT A GLANCE

### GROUP STRUCTURE



### OUR OPERATIONS

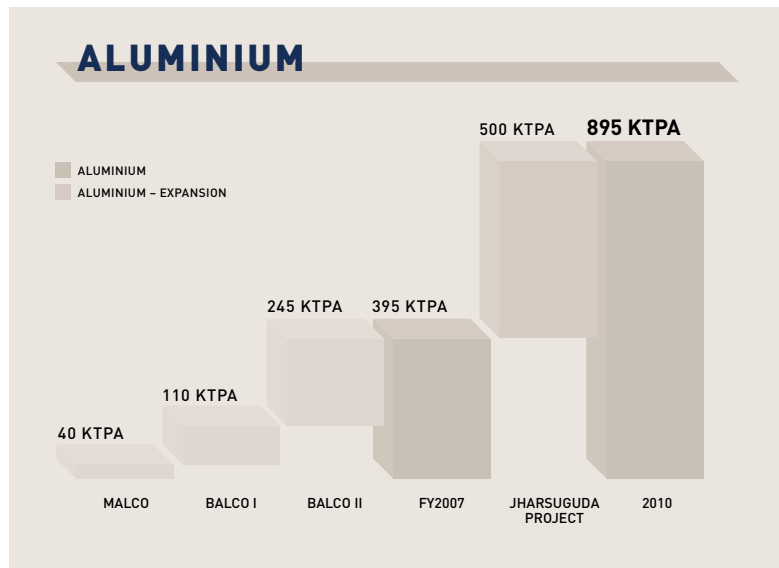




In 2007, we made significant progress by:

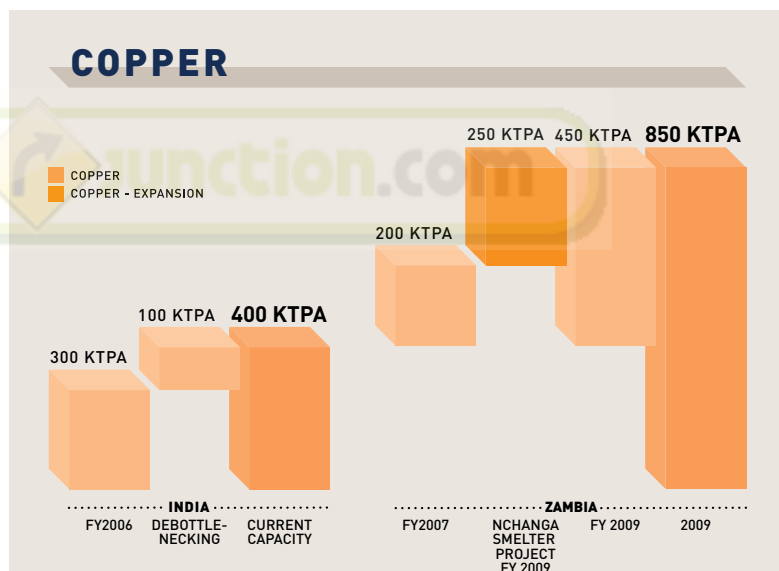
- Attaining full capacity at the new Korba smelter, now fully stabilised; and
- Commissioning the first stream of Lanjigarh aluminium refinery and began charging bauxite.

Currently engaged in the construction of 500 ktpa Jharsuguda aluminium smelter in two phases.



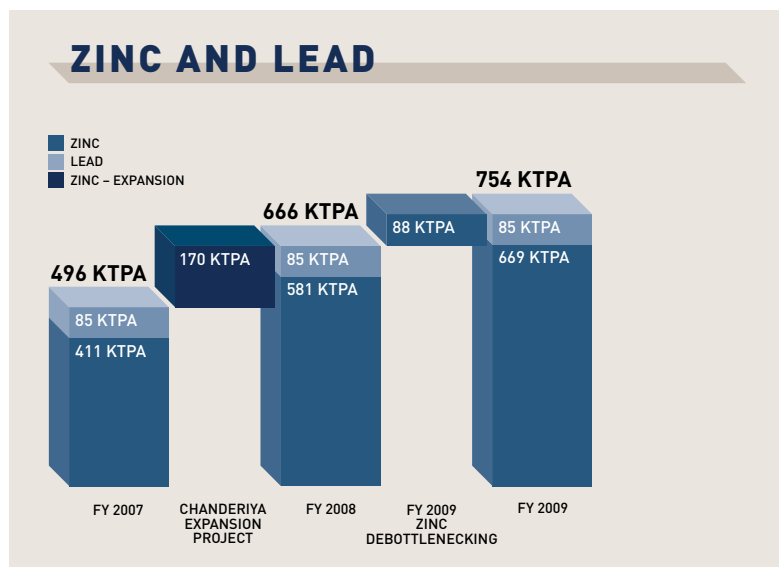
In 2007, we made significant progress by:

- Completing debottlenecking initiative at Tuticorin – increased capacity by 100 ktpa; and
- Currently engaged in construction of a smelter at Nchanga to set up additional capacity of 200 ktpa.



Currently engaged in:

- Construction of a 170 ktpa smelter at Chanderiya; and
- Debottlenecking initiative for 88 ktpa at Chanderiya and Debari.





## 04 YEAR IN REVIEW

**JULY 2006**

Disposal of conductor division, a non-core business

**AUGUST 2006**

Mid Day meal programme – Gangrar kitchen fully functional

**OCTOBER 2006**

Actively participated in Jimmy Carter's 'Habitat for Humanity' work project

**OCTOBER 2006**

New Korba smelter fully ramped-up





### NOVEMBER 2006

Announce entry into commercial power generation



### DECEMBER 2006

Successfully completed debottlenecking at the Tuticorin smelter



### JANUARY 2007

Shaft sinking in progress at KDMP



### MARCH 2007

First stream of Lanjigarh alumina refinery successfully commissioned



### MARCH 2007

Successfully commissioned a 38.4 MW wind energy farm





## 06 CHAIRMAN'S STATEMENT

'Vedanta Resources is emerging as an exceptional diversified mining company with a world class resource base. Our record of delivery continues with strong financial results and project completions on time and within budget. The \$2.2 billion of growth projects that we set out at the time of our IPO have essentially been completed and a further \$5.3 billion of projects are well underway, taking us towards our goal of one million tonnes in each of our metals.'



### Performance in 2007

I am delighted to report that our group has delivered another excellent year's result. We reported revenues of \$6.5 billion, up 76% over last year with a record EBITDA of \$2.7 billion, up 145%. Return on capital employed (excluding project capital work in progress) more than doubled to 78.5%. Our portfolio of existing assets and completed expansion projects continue to yield superior performance and we continue to make investments that will drive sustainable long-term growth. We are emerging as an exceptional diversified mining company with world class resources. Our record of delivery continues with project completions on time and within budget and strong financial results.

### Accelerating Organic Growth

We are implementing a \$7.5 billion organic growth programme. The \$2.2 billion expansion programme announced at the time of our IPO in December 2003 in aluminium, zinc and copper pipeline is now almost complete. The next phase of our expansion announced at a total cost of \$5.3 billion is now well underway. Aimed at creating one million tonnes in each of our metals, with industry leading capital costs and record time to commissioning, this offers a solid foundation for continued growth and value creation. These growth projects are fully funded and we believe will deliver superior returns on our capital investment. Rigorous discipline in evaluating projects and maintaining the financial flexibility of a strong balance sheet continue to underpin every single capital investment that we make.

We began construction of a 2,400MW Independent Power Project in Jharsuguda, at an estimated cost of \$1.9 billion, scheduled for completion in 2010. India has large thermal coal resources of over 250 billion tonnes. The coal industry is in the process of government deregulation, which will enable us to obtain coal blocks for our power plants.

Our project pipeline is unique in our industry as is our proven ability to deliver organic growth. Together with our successful diversification into iron ore and power, we are in a strong position to deliver superior returns to our shareholders.

### Diversification Through Leveraging Established Skills

I am delighted to announce our 51% acquisition of Sesa Goa Ltd., a high quality iron ore company in India, for \$1.0 billion, shortly after the year end. This acquisition is a natural fit for Vedanta and provides us with strong growth potential by leveraging our established project and mining skills. It provides us with a strategic leadership position in an important bulk commodity and places us in an ideal position to capitalise on India's huge iron ore reserves, the world's third largest.

### Consolidation of Minorities

The consolidation of our corporate structure remains a key pillar of our strategy. We have made significant strides on this front, with our share of attributable profits currently at 51.5%, up from 36.5% in September 2003. However, I believe further significant opportunities lie ahead of us, in respect of our buyouts of the minority stakes in BALCO, KCM and HZL. I look forward to reporting progress on these initiatives during the year. Also, our recent acquisition of Sesa was accompanied by an open offer to acquire an additional 20% of that company, which we expect to conclude by July of this year.





Aerial view of the potline at the upcoming Jharsuguda project

## DELIVERING STRONG RESULTS THROUGH **ADDED VALUE**

### People

The past year demonstrates the power of literally tens of thousands of high calibre individuals working together to move our organisation forward. It gives me great satisfaction to see where we are as a company as well as great enthusiasm for Vedanta's future. The women and men of our company have driven superior results by executing our ambitious targets, while remaining true to our values. The success story that I am able to report in this statement is due to their passion, commitment and contribution which deserves the highest praise and recognition.

I would also like to thank all my fellow directors for their invaluable contribution to our decision making and the healthy and constructive direction and support they provide our management team.

### Sustainable Development

Sustainable development is an integral part of our business philosophy. The processes and performance on safety, health, environment and community development continue to evolve in line with the vision set out as part of our HSE and social policies. Efforts in the areas of lost time injuries and conservation of natural resources such as water and energy yielded particularly positive results.

We lay much emphasis on enhancing the quality of life for the communities in which we operate. Our focus on health and education continues in partnership with local and regional authorities. The midday meal scheme in Chittorgarh, Rajasthan positively impacting the lives of nearly two hundred thousand children is an initiative that is especially close to my heart.

### Outlook

Global demand for metals continues to be strong on the back of strong consumption from China, India and other emerging markets, supported by increased activity from industrial and infrastructure sectors. Economic and industrial growth in India will continue to drive double digit growth in our commodities. With our recently concluded acquisition of Sesa, our product portfolio now mirrors India's rich resource deposits. Our project pipeline is unique in our industry as is our proven ability to deliver organic growth, resulting in superior returns to our shareholders.

**ANIL AGARWAL**  
Chairman

15 May 2007

## 08 INTRODUCTION TO BUSINESS REVIEW

We are a diversified metals and mining group with principal operations in India, Australia and Zambia. We primarily produce aluminium, copper, zinc and lead.



Quality control in progress at Lanjigarh refinery

Our goal is to create a world class metals and mining business and generate strong financial returns for our shareholders. We seek to achieve this by:

- optimising and realising the full potential of our assets and reducing unit costs of production, including maximizing throughput, debottlenecking of existing capacities, increasing operational efficiencies and plant availability, reducing energy costs and consumption, increasing automation, improving recoveries, reducing raw material costs and seeking better utilisation of by-products;
- completing our growth pipeline projects within budget and on time to capitalise upon the growing demand for metals in India and abroad, particularly in China, South East Asia and Middle East;
- consolidating our group structure and continuing to increase our ownership in the underlying businesses; and
- leveraging established skills by seeking further growth opportunities in India and outside India in the metals and mining and related businesses.

The key strengths of our businesses are:

- world-class, high quality resources of global scale;
- focus on operational excellence;
- a strong competitive position in the growing Indian and Asian markets with a diversified portfolio;
- experience in operating and expanding our business, allowing us to capitalise on the growth and resource potential of India;
- management and execution teams with proven track record for value delivery and improving operational efficiency and profitability;
- a strong pipeline of expansion projects; and
- strong cash flows and robust balance sheet to pursue world class projects.