

ENDURING VALUE THROUGH VALUES



Vedanta Resources plc is a London listed FTSE 100 diversified metals and mining group. Its principal operations are located throughout India, with further operations in Zambia and Australia. Vedanta produces aluminium, copper, zinc and lead and iron ore. It also has interests in commercial energy and is in the process of setting up a 2,400MW independent power plant.



This report is printed on 100% recycled paper

This Annual Report is printed on 100% recycled paper as certified by the UK-based National Association of Paper Merchants (NAPM). The paper complies with strict quality and environmental requirements and is awarded international eco-labels such as the Nordic Swan, introduced by the Nordic Council of Ministers; the Blue Angel, the first world-wide environmental label awarded by the Jury Umweltzeichen; and the European Union Flower.

OVERVIEW

- 01 HIGHLIGHTS
- 02 VEDANTA AT A GLANCE
- 04 CHAIRMAN'S STATEMENT
- 06 ENDURING VALUE THROUGH VALUES
 - ENTREPRENEURSHIP
 - GROWTH
 - EXCELLENCE
 - TRUST
 - SUSTAINABILITY

BUSINESS REVIEW

- 18 INTRODUCTION TO BUSINESS REVIEW
- 22 DEMAND AND MARKETS
- 24 KPIS
- 26 PERFORMANCE
 - ALUMINIUM
 - COPPER
 - ZINC
 - IRON ORE
 - OTHER BUSINESSES
- 50 FINANCIAL REVIEW
- 58 RISKS AND UNCERTAINTIES

SUSTAINABILITY

- 62 SUSTAINABLE DEVELOPMENT REPORT

GOVERNANCE

- 74 BOARD OF DIRECTORS AND
- 76 EXECUTIVE COMMITTEE
- 77 CORPORATE GOVERNANCE REPORT
- 83 REMUNERATION REPORT
- 90 DIRECTORS' REPORT
- 94 STATEMENT OF DIRECTORS' RESPONSIBILITIES

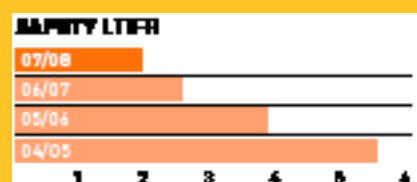
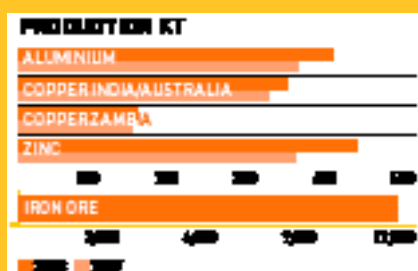
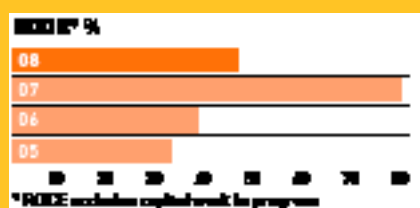
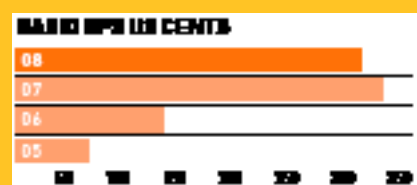
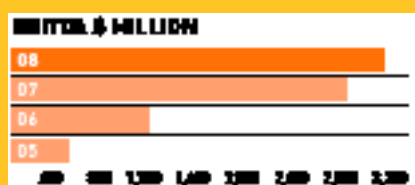
FINANCIALS

- 95 INDEPENDENT AUDITORS' REPORT
- 96 CONSOLIDATED INCOME STATEMENT
- 97 CONSOLIDATED BALANCE SHEET
- 98 CONSOLIDATED CASH FLOW STATEMENT
- 99 CONSOLIDATED STATEMENT OF
- CHANGES IN EQUITY
- 101 NOTES TO THE CONSOLIDATED
- FINANCIAL STATEMENTS
- 156 INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL
- COMPANY FINANCIAL STATEMENTS
- 157 FIVE YEAR SUMMARY
- 161 PRODUCTION AND RESERVES SUMMARY
- 165 GLOSSARY AND DEFINITIONS
- 173 SHAREHOLDER INFORMATION

Our excellent results represent the fifth year of dynamic growth across all of our businesses. A proven record in project development and focus on operational excellence underpin our confidence in delivering further growth.

Anil Agarwal, Chairman

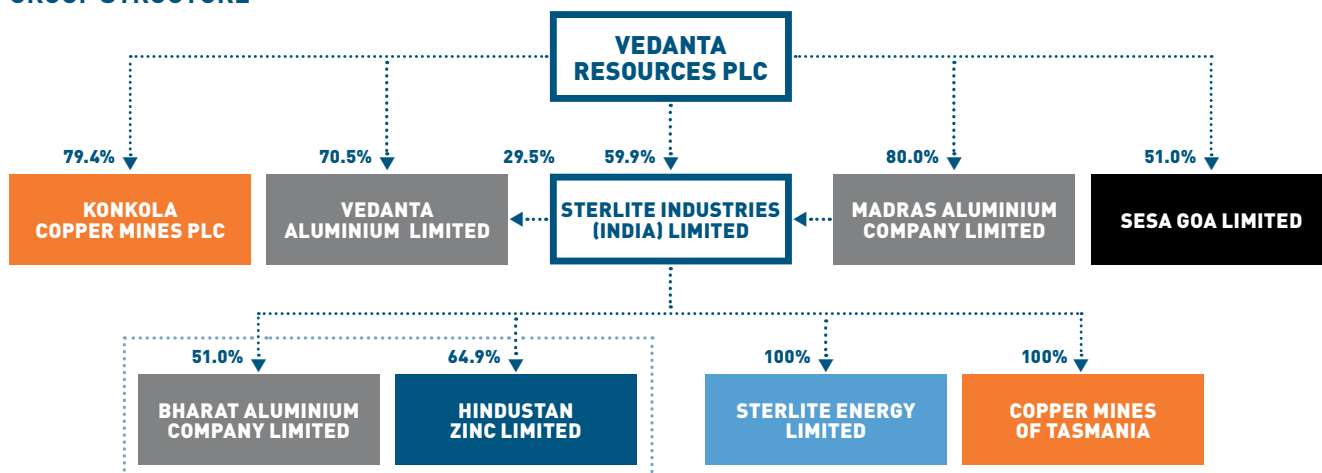
HIGHLIGHTS



- Another year of excellent financial performance
 - Record revenues of **\$8.2 billion** driven by higher volumes across all metals
 - Record EBITDA of **\$3.0 billion** driven by excellent cost performance
 - Record free cash flow of **\$2.2 billion**, up 47.0%
 - Basic EPS over **\$3.0** per share
 - Strong balance sheet with net assets of **\$9.2 billion**
 - Strong ROCE of **45.6%** (excluding project capital work in progress)
 - Final dividend proposed at **25 US cents** per share bringing full year dividend to **41.5 US cents** per share
- Vedanta remains a unique investment story
 - **\$6.0 billion** of near term organic growth projects under implementation
 - Stable operating costs despite industry-wide pressures
 - Delivering projects ahead of schedule and within budget in a challenging industry environment

VEDANTA AT A GLANCE

GROUP STRUCTURE



Our principal operations are located in India, where we have a major market share in each of our main metals: aluminium, copper, zinc and lead. There are also substantial copper operations in Zambia and a copper mine in Australia.

OPERATIONAL HIGHLIGHTS

ALUMINIUM

- Lanjigarh alumina refinery in operation
- Successfully tapped the first metal from Phase I (250 kt) of the 500 ktpa Jharsuguda Aluminium project, more than one year ahead of schedule; Phase II on track

COPPER

- Acquired the 28.4% minority stake in KCM; total holding increased to 79.4%
- \$1.0 billion investment in Konkola Deepes Mining Project and Nchanga smelter on track

ZINC-LEAD

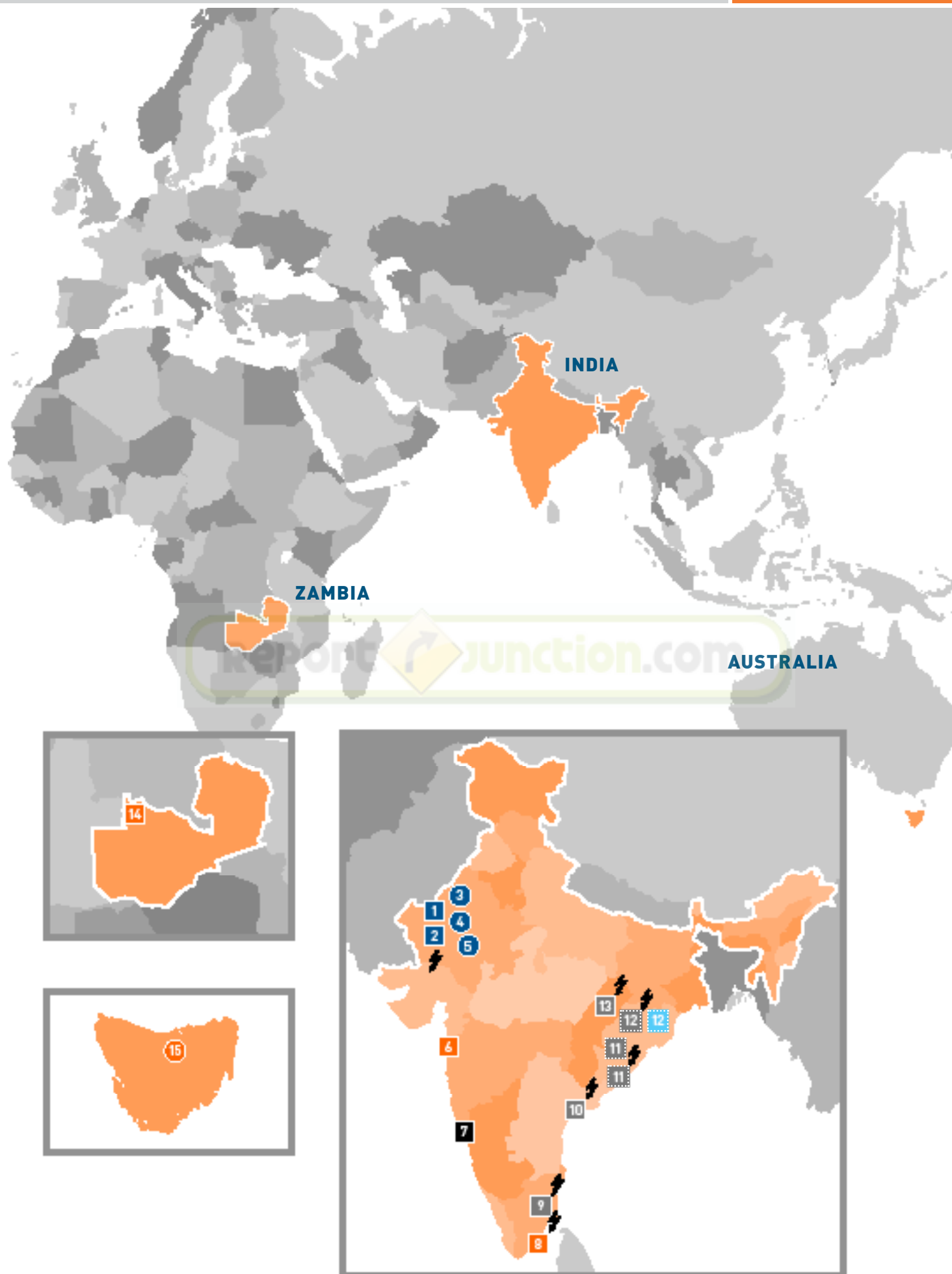
- 170 kt Chanderiya II Hydro zinc smelter and 88 kt zinc debottlenecking project successfully ramped up ahead of schedule; total production capacity now over 750 ktpa
- Capacity being expanded to 1,065 ktpa at an investment of \$900.0 million
- Exploration success increased mine life to over 20 years at expanded capacity of over 1.0 million tonnes per annum
- On course to becoming the largest integrated zinc-lead producer in the world

IRON ORE

- Acquisition of Sesa Goa, India's largest producer-exporter of iron ore
- Delivered excellent growth and returns post acquisition
- Near term opportunity to increase iron ore production to 25.0 million tonnes

- Aluminium
- Copper
- Iron ore
- Zinc
- Power
- Projects under development
- ⚡ Captive power plant

- 1 Debari smelter
- 2 Chanderiya smelters
- 3 Rampura-Agucha mine
- 4 Rajpura Dariba and Zawar mine
- 5 Sindesar Khurd mine
- 6 Silvassa refinery
- 7 Sesa Goa
- 8 Tuticorin smelter
- 9 MALCO
- 10 Vizag smelter
- 11 Lanjigarh mine and refinery (VAL)
- 12 Jharsuguda Aluminium (VAL) and Commercial Power project
- 13 Korba smelter
- 14 Konkola Deepes mine and KCM smelter and refinery
- 15 Mt. Lyell mine



CHAIRMAN'S STATEMENT

2008 was another excellent year for Vedanta. A significant increase in volumes across all our metals combined with productivity gains and stable operating costs delivered industry-leading growth and returns for our shareholders.

2008 HIGHLIGHTS

2008 was another excellent year for Vedanta. A significant increase in volumes across all our metals combined with productivity gains and stable operating costs delivered industry-leading growth and returns for our shareholders.

We continue to offer a unique investment story by delivering expansion projects ahead of schedule and within budget, in a challenging environment. We have significant near term organic growth projects across all of our businesses.

We achieved record revenues for the fifth consecutive year of \$8.2 billion, up 26.0% over last year. EBITDA was in excess of \$3.0 billion for the first time, with free cash flow of \$2.2 billion, up 47.0%. We generated excellent returns for our shareholders, as evidenced by a strong ROCE of 45.6% and a TSR performance of 58.9% in FY 2008. Since our IPO, we have delivered a TSR growth of nearly 470.0%.

2008 STRATEGIC ACHIEVEMENTS

There were three significant strategic achievements in the year. In April 2007, we acquired a 51.0% stake in Sesa Goa, India's largest producer-exporter of iron ore, a commodity with attractive fundamentals. In June 2007, our Indian subsidiary, Sterlite Industries completed its US ADR offering, successfully raising \$2.0 billion, the largest ever IPO by an Indian company in the US at that time. In April 2008, we completed the purchase of an additional 28.4% stake in KCM in line with our strategy of consolidating minorities.

At the time of our listing in 2003, we set out a four-pillar strategy to secure an industry-leading growth profile. We continued to make significant progress in 2008 against this strategy.

The **first** pillar of our strategy is to optimise the performance of our existing assets improving production and reducing costs. We made good progress this year with, for example, the substantial increase in our zinc-lead reserves and resources on the back of a strong exploration effort, the completion of the debottlenecking project in our Zinc business and the 17.0% increase in production in Sesa Goa. The overall result of several ongoing efficiency initiatives has helped maintain stability in operating costs and increase in productivity and volumes.

The **second** pillar of our strategy is to pursue organic growth opportunities. We are making excellent progress in our \$8.8 billion investment programme to increase capacity in all our base metals to 1.0 million tonnes per annum. We are delivering projects at industry-leading benchmark capital costs, within budget and ahead of schedule.

We commissioned our 1.4 mtpa Lanjigarh alumina refinery in July 2007, the largest new refinery in India in over two decades. We successfully tapped the first metal from Phase I of the 500 ktpa Jharsuguda Aluminium project in May 2008, more than one year ahead of schedule, with Phase II on track. Our 170 kt zinc smelter at Chanderiya was commissioned in December 2007, three months ahead of schedule.

Our 7.5 million tonne Konkola Deepa expansion project and the 300,000 TPA Nchanga smelter project are on course for completion on schedule, which will significantly increase our total copper capacity and will improve the operational and financial performance of our Zambian operations.

We also recently announced expansion projects that will increase our total integrated zinc-lead capacity to 1,065,000 TPA, making us the world's largest integrated zinc-lead producer. This expansion is also expected to gradually increase our silver production from 2.8 million oz to over 16.1 million oz per annum.

In our commercial energy business, the 2,400 MW independent power project at Jharsuguda remains on track for progressive commissioning from September 2009.

Finally, we continue to evaluate additional organic growth opportunities. The abundance of bauxite and coal in India, combined with our proven track record in project delivery, presents an exciting growth opportunity.

The **third** pillar of our strategy is the consolidation of minorities and the further rationalisation of the Group structure. In April 2008, we successfully completed the acquisition of the 28.4% stake in KCM, taking our total shareholding in KCM to 79.4%. In respect of the acquisition of the Indian Government's stakes in BALCO and HZL, significant progress was achieved during the year and we anticipate a positive resolution soon.



The **fourth** pillar of our strategy is to leverage our established skills and seek additional investment opportunities. In April 2007, we acquired a 51.0% controlling stake in Sesa Goa, India's largest producer-exporter of iron ore, marking our entry into a bulk commodity that has attractive longer-term fundamentals. We have already delivered excellent growth and returns with this business and aim to grow Sesa Goa into a 25 million tonne producer of iron ore within the next few years.

PEOPLE

Driving our achievements and success is our dedicated and talented workforce of nearly 29,000 people. I would like to thank them for their superior efforts this year. We remain committed to continuing to provide a challenging and rewarding work environment for all our employees.

In April 2008, I announced that Kuldip Kaura will retire as Chief Executive on the completion of his term on 30 September 2008. He will be succeeded by MS Mehta, currently Chief Executive of our Zinc business. During the intervening period, MS Mehta will work closely with Kuldip to ensure a smooth transfer of responsibilities.

I would like to thank Kuldip, who has been a tremendous support to me during this phase of multifold growth and has played an instrumental role in the transformation of Vedanta into a well admired and robust organisation, ready to take on opportunities of the future.

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

We see sustainable development and CSR matters as central to the way that we conduct our business and recognise that our obligations to society include ensuring that we manage our health, safety, environmental and social impacts, risks and opportunities effectively.

Our approach and engagement with communities within which we operate is holistic and robust. Our work encompasses 383 villages across India and Zambia, positively enhancing the quality of life of over 2.5 million people.

We conceived the 'Integrated Village Development Program' as a benchmark to address the sustainable and inclusive growth goals of the communities where we operate. This community development model is aligned to the Millennium Goals to best provide for a longer-term socio-economic impact and inclusive growth. It has been successfully implemented in 32 villages in Rajasthan and is now being implemented in both Lanjigarh and Jharsuguda.

The Public Private Partnership between the State Government of Rajasthan, Naandi Foundation and Hindustan Zinc to provide nutritious meals daily to nearly 200,000 children in Chittorgarh, Rajasthan is progressing splendidly. We are convinced that this tripartite social investment is one of the main factors contributing to widening primary education and intend to replicate this success story in Rajsamand district of Rajasthan, Chattisgarh and Orissa.

Our focus has also remained on achieving best practice in the management of the health and safety of our employees and contractors as well as impact upon the environment. I am particularly pleased to note significant progress in various areas including reductions in injury rates and improvements in specific water and energy consumption levels. Effective management of these areas is a management imperative and is the subject of regular and detailed scrutiny at all levels of management throughout our Group.

I am pleased with our achievements in sustainable development in the last year. Going forward, we aim to be an industry-leading company in this area and to work closely with all of our stakeholders.

OUTLOOK

Global demand for metals continues to be strong and we are well placed to serve this growing demand. The industry faces challenges in terms of cost pressures and the ability to bring new capacities to production on time and within budget. We believe that we have an unrivalled track record in this challenging environment in our ability to deliver projects at global benchmark costs and aggressive timelines.

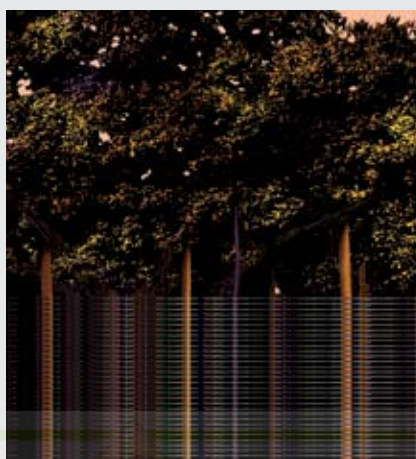
We will continue to build upon our 2008 achievements responsibly and I eagerly look forward to reporting on our progress on various initiatives in 2009.

ANIL AGARWAL
Chairman
15 May 2008

ENDURING VALUE THROUGH VALUES



ENTREPRENEURSHIP
SEE PAGE 08



GROWTH
SEE PAGE 10



EXCELLENCE
SEE PAGE 12



TRUST
SEE PAGE 14



SUSTAINABILITY
SEE PAGE 16

