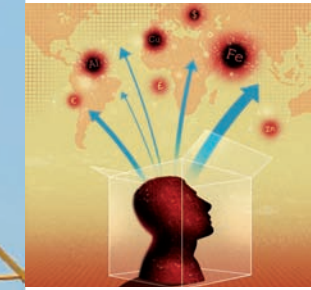


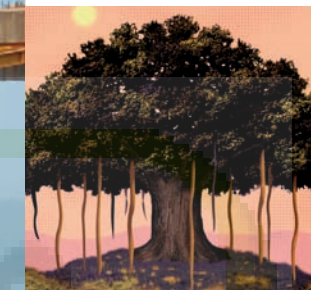
# Well positioned through the cycle

# REPORT



## Entrepreneurship

We foster an entrepreneurial spirit throughout our businesses and value the ability to foresee business opportunities early in the cycle and act on them swiftly. Whether it be developing organic growth projects, making strategic acquisitions or creating entrepreneurs from within, we ensure an entrepreneurial spirit at the heart of our workplace.



## Growth

We continue to deliver growth and generate significant value for our shareholders. Moreover, our organic growth pipeline is strong as we seek to continue to deliver significant growth for shareholders in the future. We have pursued growth across all our businesses and into new areas, always on the basis that value must be delivered.



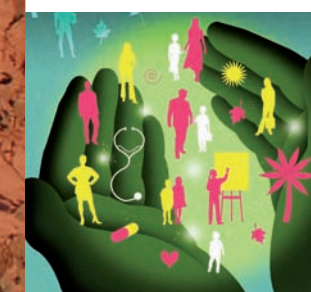
## Excellence

Achieving excellence in all that we do is our way of life. We strive to consistently deliver projects ahead of time at industry-leading costs of construction and within budget. We are constantly focused on achieving a top decile cost of production in each of our businesses. To achieve this, we follow a culture of best practice benchmarking.



## Trust

The trust that our stakeholders place in us is key to our success. We recognise that we must responsibly deliver on the promises we make to earn that trust. We constantly strive to meet stakeholder expectations of us and deliver ahead of expectations.



## Sustainability

We practice sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our management and employees. We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work.



# Our vision

To create a world class, diversified resources company with high quality assets, low cost production, providing superior returns to our shareholders.

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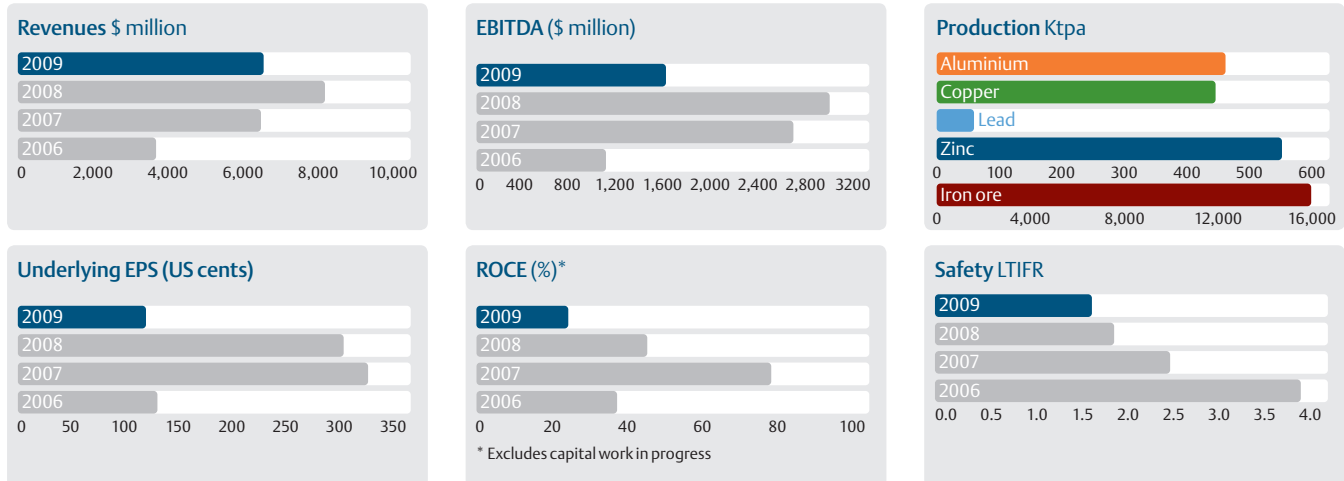
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# Highlights

## Financial and non-financial highlights



## Delivering profitable growth

### Financial highlights

- EBITDA of US\$1.6 billion incorporating rigorous cost reduction measures in the second half of the year
- Strong balance sheet with cash and liquid investments of US\$4.9 billion and modest net debt of US\$0.2 billion
- Investment of US\$397.1 million in share buyback and increase in subsidiary stakes
- Final dividend proposed at 25 US cents per share bringing full year dividend to 41.5 US cents per share

### Operational highlights

- Record production of aluminium, iron ore and zinc
- All organic growth projects progressing on or ahead of schedule
- US\$5.3 billion reduction in capital expenditure due to savings and deferrals
- Shut down of high cost smelters and sale of surplus power
- Exploration success in iron ore and zinc business
- Consolidated minorities in MALCO, Sterlite, Sesa Goa and KCM

## Delivering against our strategy

- Delivering 2.5mtpa (Al) 1mtpa (Cu, Zn), 25mtpa (Fe), and 6,500Mw (power)
- US\$7.6bn capex to spend, secured US\$3.7bn funding
- Promising exploration potential at KCM
- Proposed acquisition of Asarco assets

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BOARD + EXECUTIVE COMMITTEE

CORPORATE GOVERNANCE

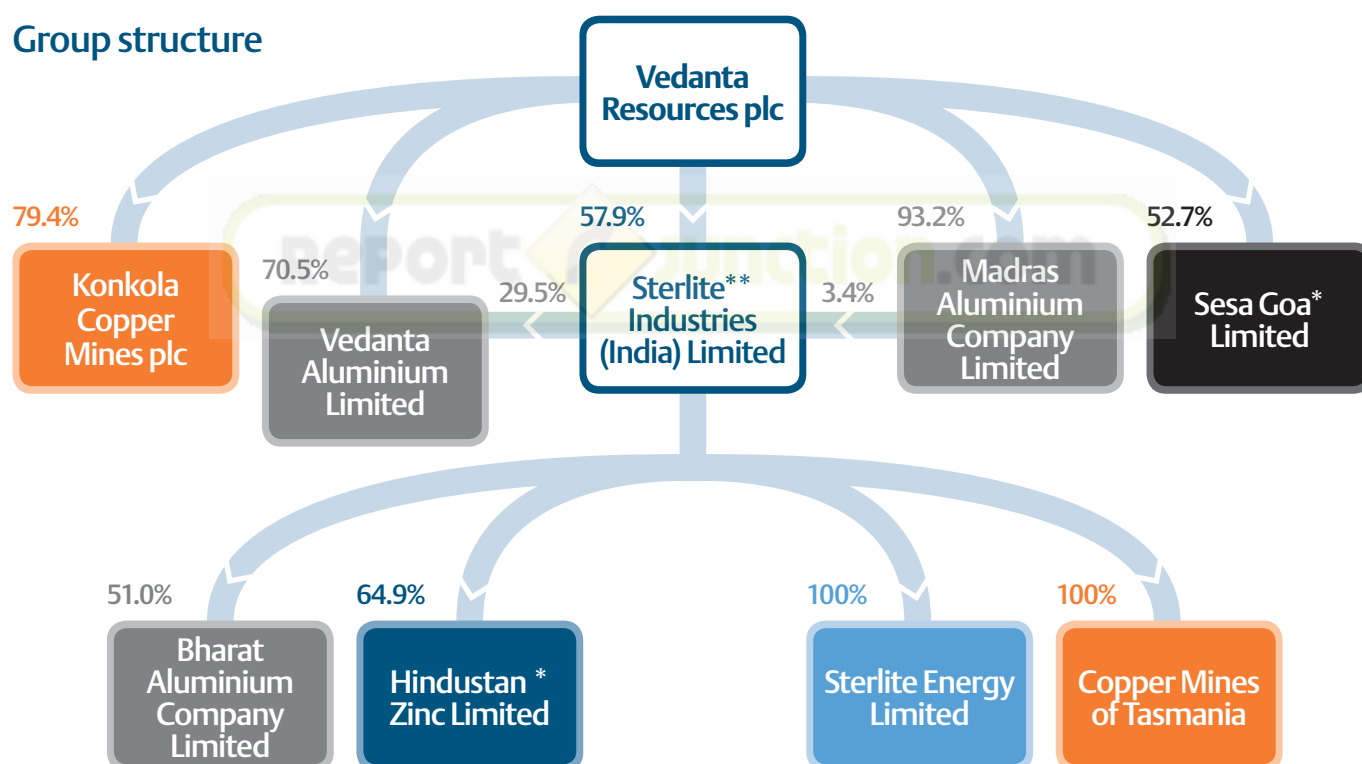
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# Vedanta at a Glance

Vedanta Resources plc (“Vedanta”) is a London listed FTSE 100 diversified metals and mining major. The group produces aluminium, copper, zinc, lead, iron ore and commercial energy.

Vedanta has operations in India, Zambia and Australia and a strong organic growth pipeline of projects. With an empowered talent pool of nearly 30,000 employees globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of entrepreneurship, excellence, trust, inclusiveness and growth.

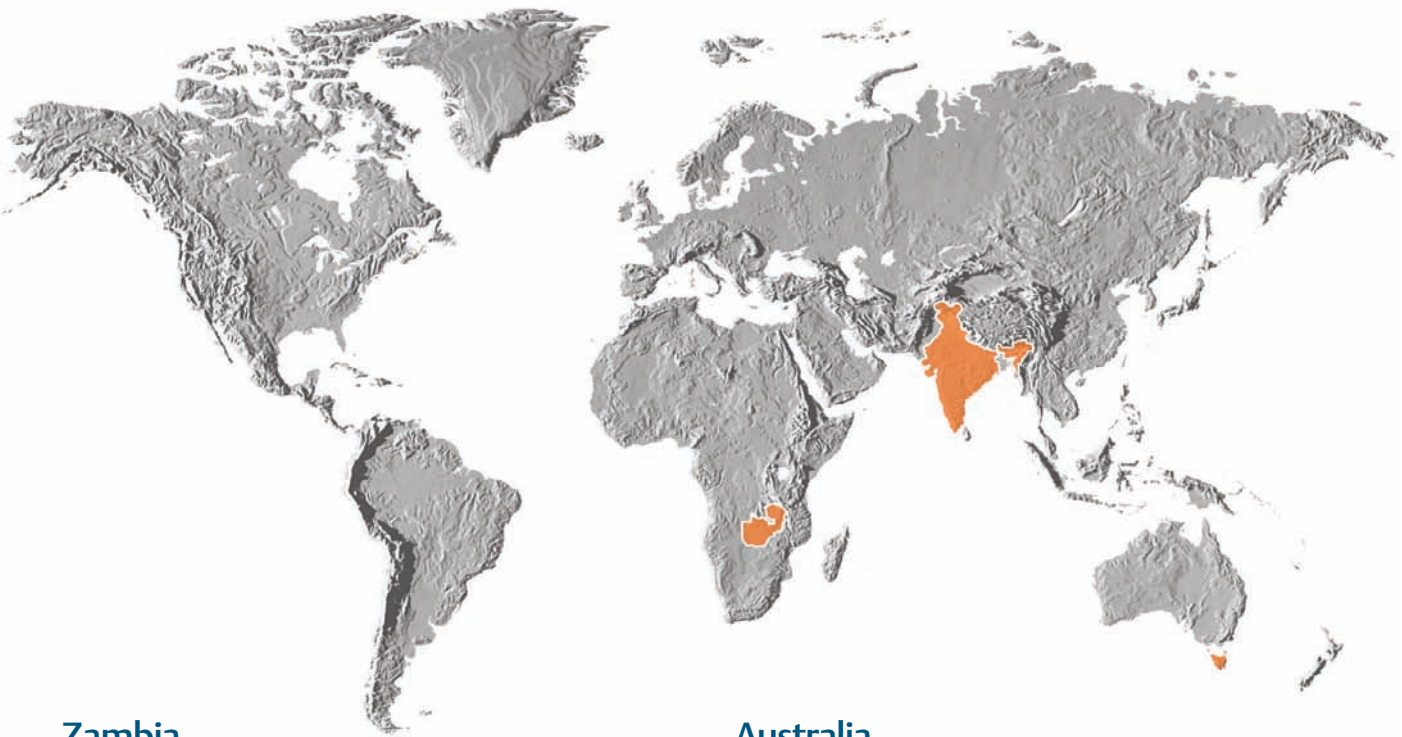
## Group structure



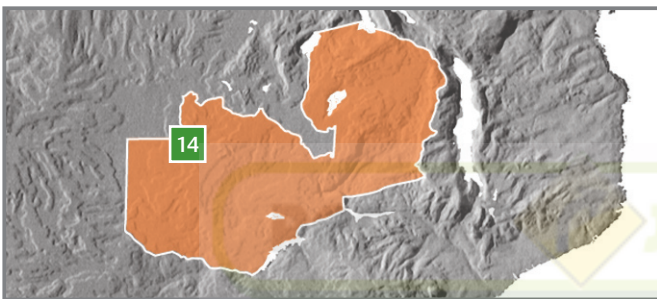
Note: Percentage shareholding as of 31 March 2009.

\* Listed on the Bombay Stock Exchange, National Stock Exchange of India.

\*\* Listed on the Bombay Stock Exchange, National Stock Exchange of India and New York Stock Exchange.



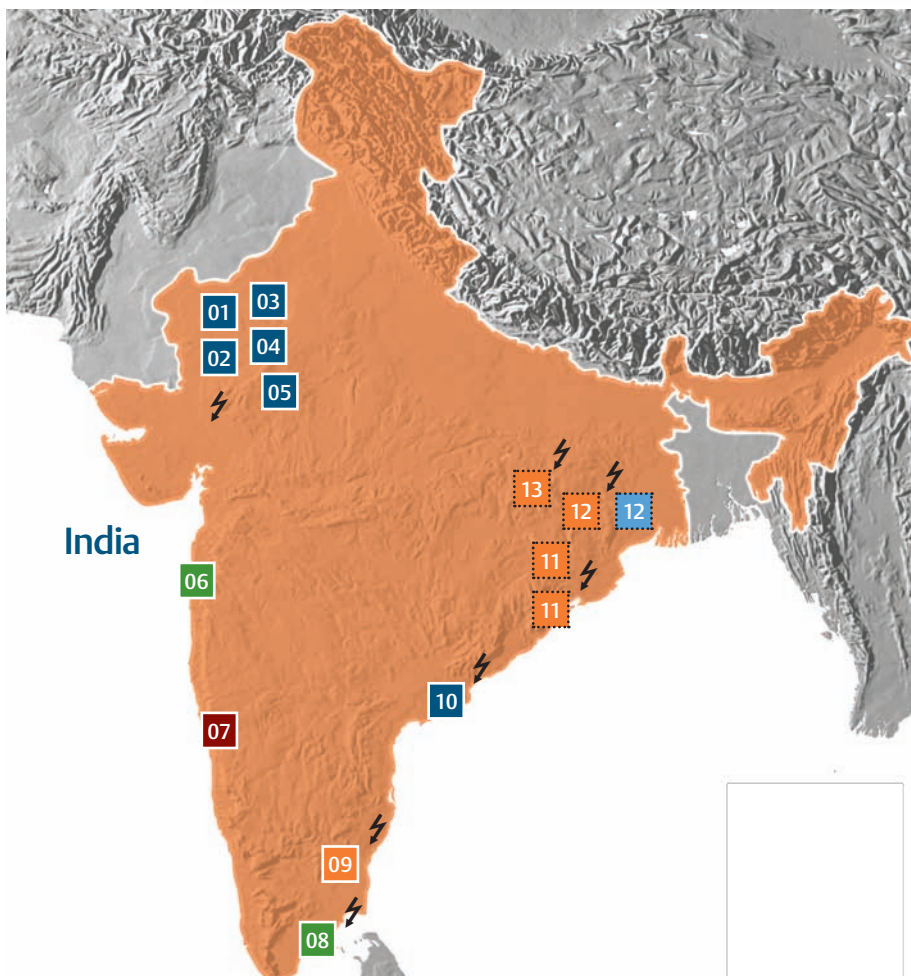
## Zambia



## Australia



## India



- Aluminium
  - Copper
  - Iron ore
  - Zinc
  - Power
  - Projects under development
  - Captive power plant
- 01 Debari smelter
  - 02 Chanderiya smelters
  - 03 Rampura-Agucha mine
  - 04 Rajpura Dariba and Zawar mine
  - 05 Sindesar Khurd mine
  - 06 Silvassa refinery
  - 07 Sesa Goa
  - 08 Tuticorin smelter
  - 09 MALCO
  - 10 Vizag smelter
  - 11 Lanjigarh mine and refinery (VAL)
  - 12 Jharsuguda Aluminium (VAL) and Commercial Power project
  - 13 Korba smelter
  - 14 Konkola Deep mine and KCM smelter and refinery
  - 15 Mt. Lyell mine

The maps are not to scale.



# Chairman's Statement

These are robust results in a challenging economic environment, which reflect the inherent strengths of Vedanta's business model



pillar of delivering industry leading organic growth. The Group's attractive project pipeline is value accretive even at lower commodity prices and we are on track to produce 1 million tonnes each of copper and zinc-lead, 2.5 million tonnes of aluminium, 25 million tonnes of iron ore and 6,500 MW of captive and commercial power.

The first stream of the Lanjigarh alumina refinery is now fully operational. We also successfully commissioned the Nchanga smelter and the zinc concentrator at Rampura Agucha during the year. I am also pleased to report that the Indian Supreme Court cleared the bauxite mining project at Niyamgiri. We expect to commence mining our own bauxite from Niyamgiri in the current year.

Expansion of our reserve and resource base through exploration is an extension of our sustainable growth strategy and I am happy to report that we successfully added significant reserves at our Zinc and Iron Ore businesses.

## Well positioned through the cycle

The inherent strength of our sustainable low cost operations ensures we are well positioned in a period of difficult economic conditions and commodity prices. We have responded decisively and promptly to current market conditions, temporarily shutting down our MALCO smelter and a part of the BALCO I smelter. We have sold surplus power at attractive rates and optimised returns. We also reviewed our capital expenditure programme and reduced the total spend for our growth projects

I have great pleasure in reporting another strong year for Vedanta Resources plc and our sixth as a London listed company. We reported strong revenues of US\$6.6 billion and EBITDA of US\$1.6 billion, despite sharply deteriorating commodity prices and economic environment. I am delighted to report that we are exceptionally well positioned in these uncertain times due to our strong balance sheet, low cost operations, strong organic growth pipeline and track record of delivering capital projects at benchmark low costs and timelines. This provides the foundation for delivering profitable growth and creating long-term shareholder value.

## Delivering operational efficiencies

In line with the first pillar of our strategy to optimise the performance of our existing assets, we remained focused on achieving productivity enhancements and operating efficiencies to ensure we retain our competitive advantage as one of the lowest cost producers of our commodities. In 2009, we also continued to aggressively implement the turnaround plan at our KCM operations which has begun to yield promising results, reflected in the sharp fall in costs over the last quarter.

## Organic growth opportunities

We continue to make excellent progress against our second strategic

## Our strategy

1. Optimising the performance of our existing assets

2. Pursuing organic growth opportunities

by US\$5.3 billion on account of savings and deferrals. Finally, working capital initiatives have enhanced free cash flow in the period. These initiatives, together with our growth programme, ensure we are also well positioned to deliver superior shareholder returns when commodity prices recover.

### Strong balance sheet and liquidity position

Excellent cash conversion in 2009 has ensured that we exited the year with a strong balance sheet despite the significant capital investment of US\$3 billion in the period. Net debt at the end of the year was US\$200 million. Furthermore, we have made substantial progress in strengthening Vedanta's liquidity. In addition to gross cash and liquid investments of US\$4.9 billion on the balance sheet at the year end, we have secured US\$3.7 billion of long-term project finance, including US\$2 billion which is subject to final documentation. Over the past five years, we have consistently generated strong free cash flow. We remain confident that even at distressed commodity prices we are well positioned to fund the remaining expenditure required to complete our expansion projects from existing liquid resources and internal cash generation.

### Consolidation of minorities

Consistent with the third pillar of our strategy to consolidate minorities and rationalise the group structure, the Group increased its holding in MALCO, Sesa Goa and Sterlite. In April 2008, we also successfully acquired ZCI's 28.4% stake in KCM, taking our total shareholding to 79.4%. In respect of the acquisition of the Indian Government's residual stakes in BALCO and HZL, we continue to make progress and anticipate an early resolution.

### Dividend and share buy-back

During the year the Board declared a dividend of US cents 41.5 per share, in line with last year. We also invested US\$80.3 million to buyback 3.3% of our own equity shares in FY 2009.

### Asarco acquisition

Pursuant to the fourth pillar of our strategy to leverage our existing skills and look for additional investment opportunities, we entered into an agreement in March 2009 with Asarco LLC, the third largest copper producer in the United States of America, to purchase substantially all of its operating assets for a renegotiated purchase consideration of US\$1.7 billion. Following approval, this transaction will create long-term value for our shareholders.

### Changes to the Board

In September 2008, MS Mehta was appointed as Vedanta's new Chief Executive to lead Vedanta through the next stage of its development. MS Mehta has been with the Company for over nine years and brings immense knowledge and experience of the markets in which we operate. He has already streamlined our management structure into focused commodity businesses and allowed operations to have greater autonomy and accountability. I would like to take this opportunity to express my gratitude to Kuldip Kaura, our previous Chief Executive, for his exceptional contribution to the Company. During this period, we became a major diversified mining company. During the year, one of our independent directors, Dr SK Tamotia, tendered his resignation, which was accepted by the Board.

### Sustainable development

Sustainable development is a key element of how we conduct our activities, and we believe that businesses play an important role in tackling and driving sustainability and climate change challenges. Our focus in this area reflects our determination to pursue value-creating projects for our shareholders that also effectively address our environmental, social, health and safety opportunities and risks. We are undertaking a process to ensure that our key stakeholders understand our approach and

performance in this important area. We intend over the coming months to develop this process, and to continue our efforts to actively engage with our stakeholders, concerning this integral aspect of our business philosophy.

### People

In a business like ours, people are at the centre of our operations and are key to achieving our objectives. Our performance and results speak of the outstanding people we have across our organisation. It is because of them that we have come a long way in a short time. On behalf of the Board I am thankful to all of them for their continuing support and efforts. We remain committed to provide a safe and supportive work environment for all. Being a truly global organisation the Group can offer exciting growth opportunities for all our employees.

### Outlook

The current economic environment has resulted in depressed commodity prices and an uncertain demand outlook for our industry. We have responded decisively to current market conditions and remain very well placed to prosper through the commodity cycle. We have a strong balance sheet and liquidity. In the short term, we remain focused on reducing our cost of production, delivering our organic growth programme on time and at benchmark low capital costs and generating strong free cash flow.

**Anil Agarwal**  
Chairman

6 May 2009

*3. Consolidate minorities and rationalise Group structure*

*4. Leverage our established skills and seek additional investment opportunities*

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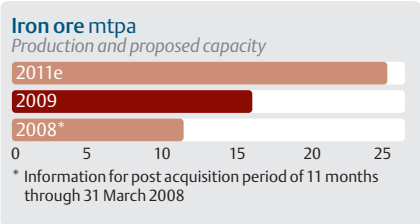
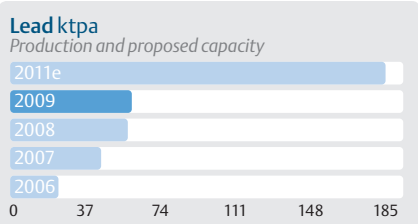
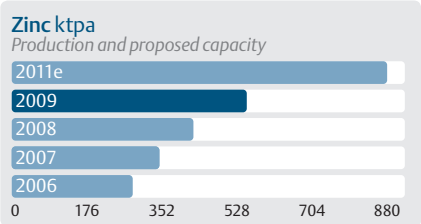
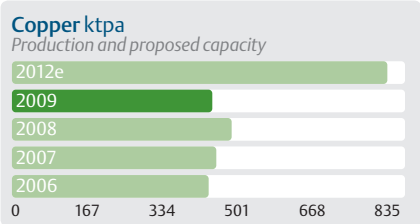
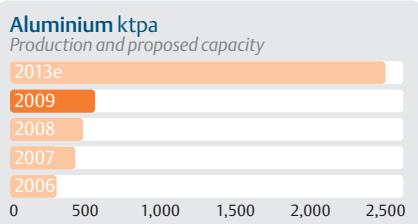
BOARD + EXECUTIVE  
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# Our Performance

## Key performance indicators

### Operational

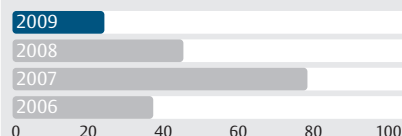




## Financial

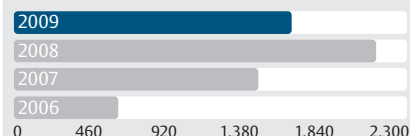
## Non-financial

## ROCE (%)\*

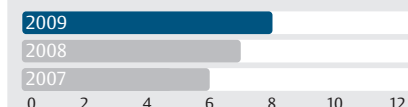


\* Excludes capital work in progress

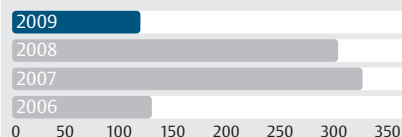
## Free Cash flow (\$ million)



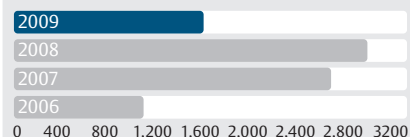
## Women in workforce %



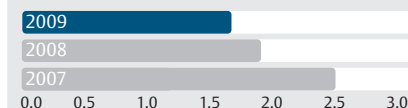
## Underlying EPS (US cents)



## EBITDA (\$ million)



## LTIFR



## Key performance Indicator

## Description

## ROCE %

This is calculated on the basis of operating profit before special items and net of tax as a ratio of capital invested in operations as at the balance sheet date and excludes investment in project capital work in progress. The objective is to earn consistently a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently and this indicator measures the efficiency of our productive capital.

## Free Cash flow

This represents net cash flows before financing activities and investing activities in expansion projects and dividends pay out by Vedanta. This measure ensures that the profit generated by our assets is reflected by cash flow in order to fund the future growth and development of the Group.

## Underlying EPS

Net profit attributable to equity shareholders and is stated before special items and their attributable tax and minority interest impacts. By producing a stream of profits and EPS we will be able to pay a progressive dividend to our shareholders. EPS growth also demonstrates the management of our capital structure.

## EBITDA

EBITDA is a factor of volumes, prices and cost of production. This measure is calculated by adjusting operating profit for special items plus depreciation and amortisation. Our objective is to take advantage of our low cost base and achieve the best possible margins across the Businesses.

## Diversity

Total number of women in the total permanent employee workforce.

## LTIFR

Lost time injuries per million manhours worked.

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# Introduction to Business Review

## Providing industry leading growth

→ p12 For more on Aluminium

→ p20 For more on Iron Ore

→ p14 For more on Copper

→ p22 For more on Other Business

→ p18 For more on Zinc-Lead



- Record Production in Aluminium, Iron Ore, Zinc Businesses.
- Successful project commissioning. Achieved significant cost savings.
- Further improving low cost position.

### Summary

Operating performance was strong, driven by record production in our Aluminium, Zinc and Iron Ore businesses and cost reduction measures. This helped us to mitigate the impact of a sharp fall in commodity prices in the second half ('H2 FY 2009') of the year ended 31 March 2009 ('FY 2009'). We also took proactive steps to temporarily shut down high cost operations at our MALCO aluminium smelter, Nkana copper smelter at KCM and partially shut down the BALCO Plant I aluminium smelter. Surplus power has been sold in a power deficient state in order to maximise returns.

Despite a tough business environment and a drop in commodities prices of our products, we continue to remain confident about the future based on our low-cost position and track record of low capital cost project development.

This allows us to continue to deliver profits and growth even at depressed commodity prices. We have made excellent progress during the year with our expansion programme. We commissioned a zinc concentrator at the Rampura Agucha mine, de-bottlenecked operations at our Chanderiya and Debari zinc smelters, achieved full capacity at the first line of the 1.4 million tonne per annum ('mtpa') Lanjigarh alumina refinery and progressively commissioned the first 250,000 tonne per annum ('tpa') phase of the new 500,000 tpa aluminium smelter at Jharsuguda. These were achieved in line with our expected capex plan at just over US\$3 billion in FY 2009. With very modest net debt, strong cash flow and significant non-recourse project finance secured, our project expansion programme is well funded. We expect to commission most of our projects within budget and at, or ahead of schedule.

Our ongoing and rigorous cost reduction measures, coupled with our fast response to the commodity cycle correction, has brought positive results in reducing operating costs in the third ('Q3 FY 2009') and fourth ('Q4 FY 2009') quarters of FY 2009, the benefits of which we expect will continue to be seen next year. Higher volumes and various improvements to enhance operational efficiencies have also reduced unit operating costs. For instance, at our Copper – Zambia operations we have achieved a sharp reduction in production costs from 292.8 US cents per lb in the first half ('H1 FY 2009') of FY 2009 to approximately 140 US cents per lb in the month of March 2009. Our approach to costs has always been to optimise productivity, increase efficiencies and achieve better recoveries, without sacrificing the longer-term growth potential of our operations. Our strong operational management teams are incentivised to implement the innovative initiatives to enhance efficiency and achieve savings.

Despite increased contribution from higher volumes and stable costs of production, EBITDA was US\$1,612.2 million in FY 2009, including non-cash inventory write-downs of US\$79 million.