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# Vedanta Resources plc
# Unaudited Results for the Third Quarter and Nine Months Ended 31 December 2008

## Highlights

- Highest ever quarterly production of zinc and aluminium
- Record sales of iron ore
- Unit cost of production ("CoP') reduced in our Copper – Zambia and Aluminium businesses compared with the immediately preceding quarter
- Commenced commissioning of Nchanga copper smelter at KCM
- Commissioning of first phase of 500,000 tpa Jharsuguda aluminium smelter progressing nine months ahead of schedule
- Cash and liquid investments of US$ 5.3 billion

## Summary

Performance in the third quarter ended 31 December 2008 ("Q3") was challenging due to a sharp deterioration in economic conditions. Record production volumes of zinc and aluminium and record sales of iron ore were primarily offset by steep falls in commodity prices as well as negative provisional pricing adjustments and write-down of inventories to their net realisable value. Revenues for Q3 were $1,306.9 million, 31% lower than the corresponding prior quarter primarily on account of lower LME prices. EBITDA for Q3 was $10.1 million, impacted by approximately $104 million of inventory write-downs, negative provisional pricing adjustments of approximately $47 million and currency translation losses of approximately $34 million. Excluding these items, underlying EBITDA was $195.1 million.

## Aluminium

Aluminium production in Q3 was a record 122,000 tonnes, a 23% increase over the corresponding prior quarter, primarily due to the ramp up and stepped commissioning of the first phase of the 500,000 tpa Jharsuguda aluminium smelter. To date 228 pots have been commissioned at Jharsuguda, supported by three units of the captive power plant ("CPP"). The fourth unit of the CPP has also been recently commissioned. We expect to fully commission the first phase to its rated capacity of 250,000 tpa by the end of FY 2009, nine months ahead of schedule. We have temporarily suspended the high cost operations at the MALCO smelter in mid December 2008 and more recently a part of our Plant I operations in BALCO, where operating costs are high. We are selling surplus power to optimise returns.

Despite higher volumes, revenues for Q3 were lower at $183.2 million compared with $261.9 million in the corresponding prior quarter primarily due to a 25% reduction in aluminium LME prices. EBITDA for Q3 was $13.1 million compared with $73.4 million in the corresponding prior quarter, primary due to the aforesaid reasons and higher input costs.

Rigourous cost control measures coupled with the fall in input costs have started yielding a positive impact on the CoP at BALCO. CoP was $1,642 per tonne in Q3, down from $1,969 per tonne in the immediately preceding quarter. CoP in December 2008 was $1,467 per tonne. Going forward, we expect the trend of reduction in costs to continue and expect to be able to achieve a further reduction in CoP in the last quarter of FY 2009.

The first stream of the alumina refinery at Lanjigarh is fully operational and production of 165,000 tonnes in Q3 was close to its rated capacity. The second stream is mechanically complete with a dry run and testing of equipment under progress. We expect to start progressive feeding of the Lanjigarh refinery with our own Niyamgiri bauxite by mid CY 2009.

Ordering of critical items has commenced for the new 3mtpa Lanjigarh alumina refinery expansion project and site mobilisation activities are progressing on schedule.

Work on the new 1.25 million tpa Jharsuguda II aluminium project is progressing well with basic and detailed engineering underway and orders for critical equipment complete. The project is currently on track for phased commissioning from March 2010, as previously announced.

Site engineering and plant layout activities are in progress at the new 325,000 tpa smelter project at Korba. Ordering has also commenced and site activities are expected to start by end FY 2009. In respect of the associated 1,200 MW captive power plant, all major ordering activities have been completed and site activities are progressing as planned. The project is on schedule for phased commissioning from October 2010, as previously announced.

## Copper — India and Australia

Copper cathode production at our Tuticorin smelter was 76,000 tonnes in Q3, stable compared with the corresponding period last year, despite an unplanned shutdown due to damage in the cooling tower in November 2008. The plant is being restored to normal operations.

Mined metal production at our Australian mine was in line with our expectations at 7,000 tonnes in Q3.

Revenues in Q3 were $528.9 million compared with $669.4 million in the corresponding prior quarter. The decrease in revenues was primarily on account of lower copper LME prices which were down by 46%. EBITDA during Q3 was $22.3 million compared with $91.4 million in the corresponding prior quarter, primarily on account the sharp fall in by-product realisations and currency translation losses and lower TC/RCs. Going forward, we expect TR/RCs to improve in line with the world market.

## Copper — Zambia

During Q3, KCM produced 25,000 tonnes of copper cathode as compared with 38,000 tonnes in the corresponding prior quarter primarily due to the gradual ramp down of the existing Nkana smelter, where the operating costs are high, in order to facilitate concentrate feed to the new Nchanga smelter. The ramp up of the new Nchanga smelter is progressing well and it is expected to be more efficient in terms of both recovery and unit CoP. KCM produced 20,000 tonnes of mined metal in Q3, in line with the corresponding prior quarter.

Revenues in Q3 were $121.9 million, lower compared with $ 232.1 million in the corresponding prior quarter, primarily on account of the sharp decline in copper LME prices by 46% compared with the comparative prior quarter and lower cathode volumes. KCM had to write-down its inventories to their net realisable values consequent to a sharp and sudden decline in copper LME prices compared with the immediately preceding quarter, resulting in a loss of $95.3 million. Further, KCM incurred a loss of $10.2 million on account of finalisation of provisional pricing. As a result, EBITDA in Q3 was $159.4 million loss. Excluding the inventory write-down and provisional pricing adjustments, EBITDA for Q3 was $53.9 million loss.

Cost reduction measures at KCM together with lower input costs resulted in a unit CoP of 246 USc/lb compared with 303 USc/lb in the immediately preceding quarter. Unit CoP in December 2008 was 202 USc/lb.

We believe that following the successful ramp up of the Nchanga smelter, production of copper cathodes will improve in the fourth quarter. In addition, with the continued focus on cost reduction, KCM expects to achieve an average unit CoP of 160 USc/lb - 170 USc/lb in the last quarter of FY 2009 with an exit CoP between c150 USc/lb - 160 USc/lb.

The KDMP expansion project is progressing well with the sinking of main shaft on course for mid-shaft commissioning by mid FY 2010.

## Zinc

During Q3 mined zinc metal production was a record 171,000 tonnes, up 27% compared with the corresponding prior quarter due to the ramp up of the stream III concentrator at our Rampura Agucha mine.

Refined zinc production in Q3 was a record 152,000 tonnes, an increase of 46% compared with the corresponding prior quarter. This increase was primarily due to the commissioning of the new 170ktpa hydro zinc smelter at Chanderiya in December 2007 and the commissioning of the 88ktpa debottlenecking project in the current year.

Despite higher volumes, revenues for Q3 were lower at $191.9 million compared with $424.5 million in the corresponding prior quarter, primarily due to lower LME prices of zinc and lead by 55% and 62% respectively. EBITDA in Q3 was $44.3 million compared with $276.8 million in the corresponding prior quarter, primarily on account of lower LME prices of zinc and lead, the reduction in by-product realisations primarily sulphuric acid, provisional pricing adjustments and currency translation losses, which more than offset the benefits of increased volumes.

Zinc CoP during Q3 was $780 per tonne, higher on account of higher input costs of coal, petroleum products and met coke and lower realization from the sale of by-products. However, towards the end of Q3, the downward trend in the unit cost of key inputs and the results of actions taken to control CoP became visible, which are expected to lower CoP going forward.

The Government of India recently reinstated the 5% tariff on zinc imports and this is expected to have a favourable impact on domestic realisations going forward.

Construction activities at the 210,000 tpa zinc smelter and 100,000 lead smelter at Rajpura Dariba with its associated 160 MW captive power plant is progressing well and on schedule for completion by mid 2010. Work at the mining projects at Rampura Agucha, Sindesar Khurd and Kayar are also progressing on schedule. Post completion of these projects, HZL will be the world's largest integrated zinc – lead producer with a total capacity of 1,064,000 tonnes.

## Iron Ore

Saleable iron ore produced in Q3 was 3.979 million tonnes compared with 2.999 million tonnes in the corresponding prior quarter. Sales of iron ore in Q3 was 5.438 million tonnes, the highest in any quarter, compared with 3.957 million tonnes in the corresponding prior quarter.

Despite the higher sales volumes, revenues for Q3 were $277.4 million compared with $303.5 million in the corresponding prior quarter primarily due to the sharp decline in iron ore prices. EBITDA in Q3 was $85.8 million as compared with $182.2 million in the corresponding prior quarter, as a result of the aforementioned factors and an increase in logistics and input related costs.

The Government of India recently withdrew the export duty on fines and this move is expected to favourably impact revenues going forward.

## Commercial Energy

Work on 2,400 MW (4x600 MW) coal based Independent thermal power plant at Jharsuguda is progressing well and overall the project is on schedule for progressive commissioning from late 2009 as expected.

Steps towards financial closure and discussions for finalization of the EPC contract for our 1,980 MW power plant at Talwandi Sabo have commenced.

## Cash and Liquidity

As at 31 December 2008, we had cash and liquid investments of $5.3 billion which are invested in bank fixed deposits and high quality debt mutual funds.

## Production Summary (Unaudited)

*(in '000 tonnes, except as stated)*

| | Quarter ended 31 December | | | Nine Months ended 31 December | | |
|---|---|---|---|---|---|---|
| **Particulars** | **2008** | **2007** | *Change* | **2008** | **2007** | *Change* |
| **Alumina** | | | | | | |
| Korba/Mettur | 57 | 68 | (16.2%) | 200 | 213 | (6.1%) |
| Lanjigarh | 165 | 115 | 43.5% | 415 | 143 | 190.2% |
| **Aluminium** | 122 | 99 | 23.2% | 328 | 295 | 11.2% |
| **Copper India / Australia** | | | | | | |
| Mined metal content | 7 | 7 | — | 19 | 22 | (13.6%) |
| Cathodes | 76 | 77 | (1.3%) | 224 | 249 | (10.0%) |
| Rods | 54 | 55 | (1.8%) | 164 | 162 | 1.2% |
| **Copper – Zambia** | | | | | | |
| Mined metal content | 20 | 20 | — | 62 | 61 | 1.6% |
| Cathodes | 25 | 38 | (34.2%) | 98 | 117 | (16.2%) |
| **Zinc** | | | | | | |
| Mined metal content | 171 | 135 | 26.7% | 476 | 413 | 15.3% |
| Refined metal | 152 | 104 | 46.2% | 401 | 291 | 37.8% |
| **Iron Ore** [1] | | | | | | |
| Saleable Ore [2] (kt) | 3,979 | 2,999 | 32.7% | 11,106 | 6,781 | 63.8% |

1. *Nine month data for 2007-08 represents production in post acquisition period of 8 months to 31 December 2007, and is not directly comparable with the current period*
2. *Iron ore is reported on a wet tonnes basis*

## Financial Summary (Unaudited)

*(in $ million, except as stated)*

| | Quarter ended 31 December | | | Nine Months ended 31 December | | |
|---|---|---|---|---|---|---|
| **Particulars** | **2008** | **2007** | *Change* | **2008** | **2007** | *Change* |
| **Revenue** | | | | | | |
| Aluminium | 183.2 | 261.9 | (30.0%) | 775.3 | 828.6 | (6.4%) |
| Copper | | | | | | |
| - India/Australia | 528.9 | 669.4 | (21.0%) | 2,100.6 | 2,280.5 | (7.9%) |
| - Zambia | 121.9 | 232.1 | (47.5%) | 636.2 | 812.1 | (21.7%) |
| Zinc | 191.9 | 424.5 | (54.8%) | 969.2 | 1,388.8 | (30.2%) |
| Iron Ore | 277.4 | 303.5 | (8.6%) | 780.7 | 464.9 | 67.9% |
| Others | 3.6 | (3.2) | — | 18.1 | 1.2 | 1508.3% |
| **Total** | **1,306.9** | **1,888.2** | **(30.8%)** | **5,280.1** | **5,776.1** | **(8.6%)** |
| | | | | | | |
| **EBITDA** | | | | | | |
| Aluminium | 13.1 | 73.4 | (82.2%) | 192.8 | 265.8 | (28.3%) |
| Copper | | | | | | |
| - India/Australia | 22.3 | 91.4 | (75.6%) | 253.7 | 236.4 | 7.3% |
| - Zambia | (159.4) | 52.8 | - | (88.5) | 264.7 | - |
| Zinc | 44.3 | 276.8 | (84.0%) | 495.5 | 1,017.2 | (51.3%) |
| Iron Ore [1] | 85.8 | 182.2 | (52.9%) | 408.7 | 260.3 | 57.0% |
| Others | 4.0 | (5.1) | — | 20.3 | (8.3) | — |
| **Total** | **10.1** | **671.5** | (98.5%) | **1282.5** | **2,036.1** | (37.0%) |

1. *Nine month data for 2007-08 represents revenues and EBITDA for post acquisition period of 8 months to 31 December 2007, and is not directly comparable with the current period*

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**About Vedanta Resources plc**
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 29,000 employees globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of entrepreneurship, excellence, trust, inclusiveness and growth. For more information visit www.vedantaresources.com

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